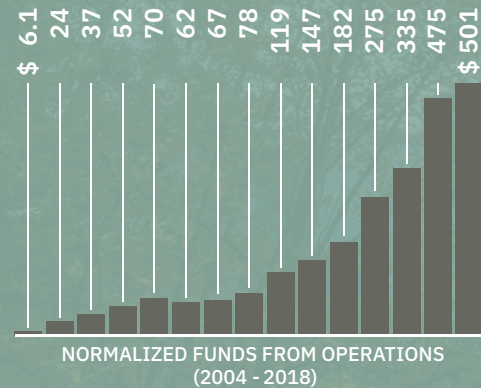
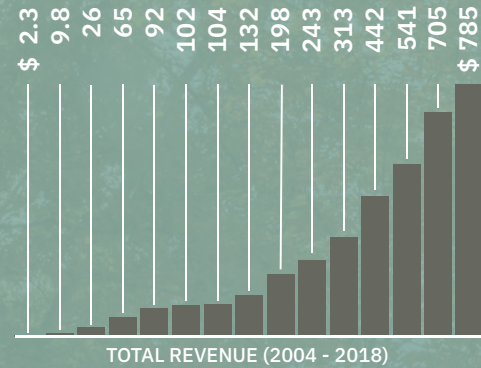
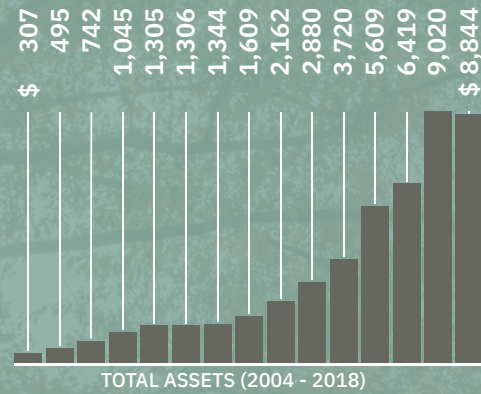






# Sustained Growth



(Amounts in millions)

On the cover: MPT's new Rehabilitation Hospital of Northern Arizona looks out on the San Francisco Peaks or "Yellow Mountain," one of four sacred mountains defining the boundaries of the ancient Navajo nation.





## The World's Preeminent Source of Hospital Capital

Founded in 2003, [Medical Properties Trust](#) is the only real estate investment trust in the world focused exclusively on investments in acute care hospitals.

From the cornerstone of a single idea – *that the embedded value in hospital real estate can be “unlocked” through innovative sale and leaseback transactions to meet a hospital’s capital needs* – MPT has grown from zero capital and no assets 16 years ago, to an international enterprise valued today at more than \$10 billion.

During 2018, we grew our portfolio to nearly 300 hospitals on three continents and achieved record results through well-planned strategic transactions, while delivering market-leading returns to our shareholders and positioning the company for continued global growth.

“An Accurate Map of The World,  
Drawn from the best Authorities”  
Engraving by George Rollos c.1766, when  
Australia was known as “New Holland.”

# Preeminent Performance

Medical Properties Trust continued to grow in size and reputation throughout 2018 as the global leader in hospital real estate and the preeminent source of capital. Advancing the positive momentum of 2017, we worked to harness the value of our existing portfolio while also taking strategic steps to ensure we have the financial strength to drive accretive growth into the future. As a result of this strategy, we delivered another year of preeminent performance – with record profitability, liquidity and financial flexibility.

By focusing exclusively on licensed hospital facilities, MPT has created one of the strongest hospital real estate portfolios in the world, and achieved unprecedented financial results during the past year. Specifically, we achieved a total shareholder



return of more than 25 percent in 2018, significantly outperforming our peers, major REIT indices and the broader market. As of the end of 2018, **MPT's 10-year total shareholder return was 446%**, the highest of any healthcare REIT and more than 2.5 times that of the SNL U.S. REIT Healthcare Index.

Over the course of the year, we executed several asset sales to deliver record proceeds of \$1.5 billion, for a gain on our original investments of more than \$700 million. We grew normalized funds from operations (FFO) to \$1.37 per share and our total portfolio to \$10.0

billion, encompassing more than 275 properties and more than 32,000 hospital beds across the U.S. and Europe. We continue to create a balanced portfolio that provides diversity in geographies, operators and property types and that creates predictable, inflation-protected cash returns for our shareholders.

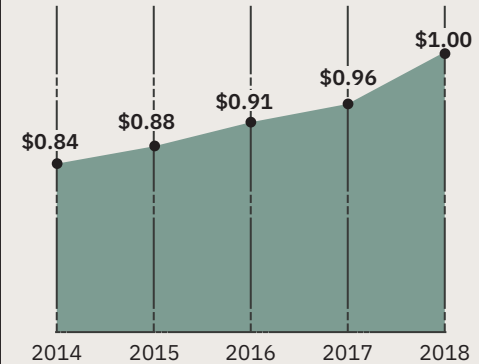
As we look ahead, we remain confident in our strategic plan and our ability to deliver accretive growth. For 2019, we expect acquisitions of \$2.5 billion. Simply put, **Medical Properties Trust has never been in a stronger position than it is today, and we are excited about the future.**

MPT is well positioned to drive additional opportunities to generate returns to shareholders through our well-covered dividend. This year marks our sixth consecutive year of increasing our cash dividend, currently \$1.00 per share, and we expect to increase it further as we complete future acquisitions.

**32,000+**  
HOSPITAL BEDS  
WORLDWIDE

**287**  
PROPERTIES

## DIVIDEND GROWTH PER COMMON SHARE



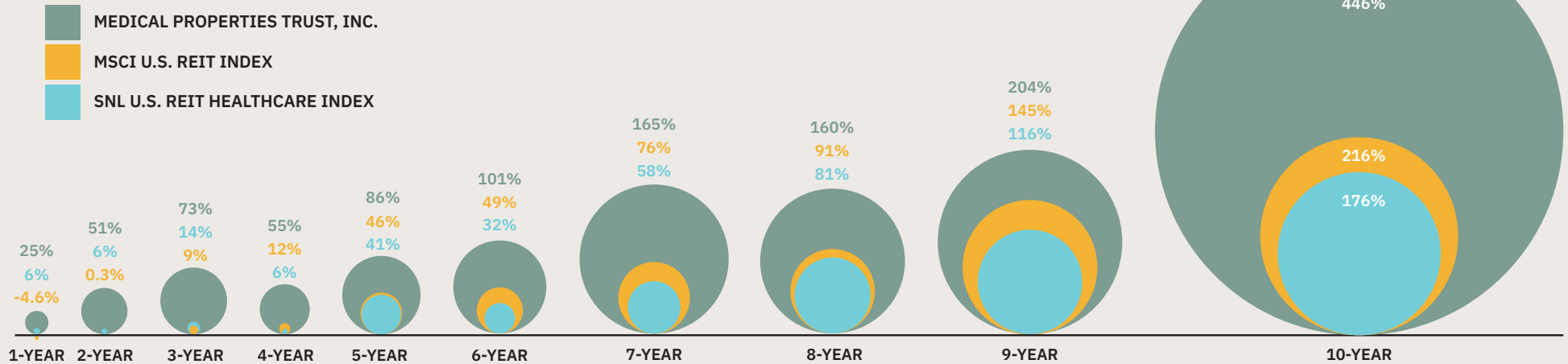
## Unlocking and Proving the Value of Our Investments

After completing a highly competitive bidding process that attracted multiple sophisticated investors, we announced in June the sale of one-half of our interests in 71 German rehabilitation hospitals to Primonial Group, the highly respected French asset management firm, recognizing gains of more than €500 million and cash proceeds of approximately €1.14 billion. The outstanding and visible success of this joint venture transaction has attracted new acquisition opportunities and provided additional sources of low-cost capital for future investment.

In early October, we sold our ownership interest in Ernest Healthcare, the operator of 25 post acute hospitals that we continue to lease to Ernest at very attractive rates. The sale of this operating entity resulted in double-digit returns for our shareholders and cash proceeds of approximately \$176 million. This transaction proved the value of MPT's unparalleled knowledge of hospitals and demonstrated our unique ability to identify and acquire high quality hospital real estate that simply is not available to other healthcare real estate investors.



## Industry-Leading Total Shareholder Returns



We also sold other hospital assets during the year that similarly demonstrated the substantial increases in value we have created in the years since we acquired the assets. One sale in particular – of a single acute care hospital to the largest for-profit operator in the United States for \$148 million – resulted in a gain of more than 100 percent on our original investment and an unlevered internal rate of return of 17 percent.

These and other strategic actions achieved exactly what we intended: 1) gaining access to inexpensive growth capital; 2) improving our already strong financial position; and 3) proving to our investors and others the value of our investments. As a result, Medical Properties Trust began 2019 in the best position we have been in to continue our sector-leading growth.

### Achieving the Next Phase of Growth

Our recently announced agreement to acquire and lease back 11 premier hospitals in Australia for approximately \$859 million is the first of what we expect to be several major acquisitions in 2019. We will continue to pursue additional acquisitions that will diversify our risks and deliver immediately accretive FFO growth. As always, we will carefully evaluate each opportunity to ensure that it adds to the value and strength of our portfolio and creates



**REHABILITATION HOSPITAL  
OF NORTHERN ARIZONA**

immediate positive financial impact and long-term value for shareholders.

We are pleased with the success our team achieved in 2018 and proud that our proven track record and renowned hospital expertise continue to attract premier healthcare institutions. We look forward to continuing our progress in 2019 and remain optimistic about the future.

On behalf of the Board of Directors, our senior management team and all the employees of Medical Properties Trust, I want to thank you for your continued support and encouragement.

Sincerely,

Edward K. Aldag, Jr.  
Chairman, President and Chief Executive Officer



# Unlocking Value

For Continued Growth

By every measure, Medical Properties Trust lifted the world of hospital finance to new heights during 2018, proving the validity of its innovative business model and paving the way for the company's continued global growth.

Consider just three examples that resoundingly trumpeted the inherent value of MPT's hospital-focused real estate portfolio and clearly confirmed the strength of the company's specialized knowledge and careful underwriting process:

1

## Creating a Joint Venture with Primonial Group

At the end of a highly competitive selection process, Medical Properties Trust chose

Primonial Group as its partner in a 50/50 joint venture arrangement for 71 rehabilitation hospitals throughout Germany, which had all been part of MPT's pioneering European hospital investments. Management of Primonial, a highly regarded French asset manager with more than €23 billion in assets under management, sought MPT's unique hospital real estate expertise when they decided to invest in hospital assets in Germany and across Western Europe.

Starting in late 2013, MPT had created the largest and most attractive portfolio of post-acute hospitals in Europe and the sophisticated institutional investors that bid to be MPT's partner were attracted to the credit strength and inflation-protected long-term rental stream that MPT's master leases provided. Primonial and others valued MPT's initial €1.2 billion investment at more than €1.6 billion, resulting in a recognized gain to MPT in excess of €500 million five years later.

"Investor interest in this JV opportunity was strong and came from funds based in Asia, Europe, Canada and the U.S.," said MPT Chairman, President and CEO Edward K. Aldag, Jr. "As one of Europe's real estate leaders, Primonial Group







committed to a long-term investment in hospital real estate that demonstrates the importance of hospitals as an asset sector in general, and MPT's portfolio in particular."

### Proving the Value of MPT's Business Model

"A great benefit of this transaction is that Primonial proved the value of Medical Properties Trust's business model once again," said Kevin Hanna, MPT's Vice President, Controller and Chief Accounting Officer. "They had to conduct their due diligence not only on MPT, but on all of the real estate because they were buying into the MEDIAN properties for the first time."

Primonial had to make sure everything was right from a number of perspectives – legal, tax and structural – as well as from the performance of the hospitals. "Their work was very extensive, and they crossed all their t's and dotted all their i's two or three times," Hanna noted.

"Primonial's decision to invest in this significant joint venture with MPT after such careful due diligence should give our investors confidence that what they are investing in through MPT is solid."

Healthcare Europa, the leading information source for private healthcare services in Europe, described the joint venture transaction as *"a real coup for MPT, which has pioneered the hospital property market in Germany, Italy and Spain."*

“

Primonial's decision to invest... should give our investors confidence that what they are investing in through MPT is solid.”

- Kevin Hanna  
Vice President, Controller  
and Chief Accounting Officer

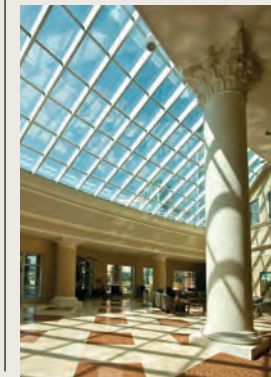


## 2 Selling North Cypress Medical Center

Medical Properties Trust consummated another important transaction on August 31<sup>st</sup>, completing the sale of North Cypress Medical Center to Hospital Corporation of America (HCA) for \$148 million.

The sale of this state-of-the-art 139-bed acute care facility located in Houston, generated a gain of approximately \$100 million and an unlevered internal rate of return of more than 17 percent since the completion of development in 2007.

North Cypress Medical Center was founded by local physicians who wanted to create a sophisticated, upscale experience for patients in the Houston community. "We were pleased to develop this magnificent facility for Dr. Robert Behar, the hospital's founder, chairman and CEO, beginning in 2005, the same year that Medical Properties Trust became a publicly-traded company," Aldag said.



### Creating a Low-Stress Environment

As Dr. Behar noted shortly after the hospital opened, he and his physician partners wanted to create a low-stress environment for patients because they believed that such an ambiance – combined with excellent healthcare – would promote healing.





Today, more and more hospitals across the world are embracing that design philosophy.

“Through investments in these and other acute care properties, MPT has generated shareholder returns far exceeding the S&P 500 and benchmark REIT indices over the past 10 years, and since our IPO,” Aldag noted.

“These transactions provide independent evidence of the outstanding value that exists in MPT’s portfolio.”

### 3 Realizing Value, Generating Returns

On October 4<sup>th</sup>, MPT completed the sale of its investment in the operations of Ernest Health, Inc. to OneEquity Partners, a respected private equity firm that was spun out of JP Morgan in 2015.

Total proceeds from this transaction amounted to \$176 million, generating a 13 percent unlevered internal rate of return on MPT’s original investment. MPT continues to own the real estate assets and secured mortgage loans of 25 post-

acute hospitals operated by Ernest with an aggregate investment of approximately \$500 million.

#### Validating MPT’s Equity Investment in Ernest

“OneEquity’s investment in and commitment to Ernest validate the investment MPT made in Ernest more than six years ago,” said Aldag. “We have created for our shareholders an outstanding real estate portfolio of post-acute hospitals that will continue to generate strong returns,” he added, noting that MPT retained preferential rights to future real estate acquisitions.

“Our equity investment in Ernest truly could not have worked out better for our shareholders,” Aldag said, “and the *record net proceeds totaling \$1.5 billion* from this and other 2018 transactions put MPT into an outstanding position for accretive capital deployment in 2019.”

“

We have created for our shareholders an outstanding real estate portfolio of post-acute hospitals that will continue to generate strong returns.”

- Edward K. Aldag, Jr.  
Chairman, President and CEO





## Building Assets for Global Growth

2018 SALES OF  
REAL ESTATE ASSETS

TOTAL PROCEEDS  
**\$1.5 B**

APROXIMATELY  
**\$720 M**  
IN GAINS



2018

## Leveraging Opportunities on Continent #3

Even while engaged in creating the joint venture with Primonial, the sale of its equity interest in Ernest, and the disposition of the North Cypress hospital, Medical Properties Trust was already positioning itself as the landlord of choice for one of the most attractive hospital portfolios to come to market in recent history.

Affiliates of the global investment giant Brookfield Asset Management chose MPT to provide real estate solutions for their planned \$4.1 billion acquisition of Healthscope, Ltd., Australia's second largest acute hospital operator.

"Healthcare in Australia is among the best in the world," Aldag said, "and we had been watching the Healthscope assets for more than 10 years. These are some of the finest facilities in Australia, and we were delighted to announce on January 31<sup>st</sup> that we had entered into agreements to acquire 11 separate Healthscope hospitals for approximately \$859 million."

The properties are concentrated in large metropolitan areas on the East Coast around Melbourne, Sydney and Brisbane, and in Perth on the West Coast. As part of the agreement, MPT will lease the facilities back to Healthscope under master leases with an average initial term of 20 years, with annual escalations and multiple built-in extension options.

### Producing Inflation-Protected Rents Over the Long Term

"Not only will these highly sought assets produce inflation-protected rents over the long term, they also will be immediately accretive to MPT's FFO (funds from operations)," Aldag noted, "and the transaction will improve MPT's tenant and geographic diversification."

The agreements, which are expected to close in the second quarter of the year, also include opportunities for MPT to invest an additional \$350 million in Healthscope expansion and redevelopment projects – in 2019 and beyond.



Steve Hamner  
Executive Vice President and CFO

“

This truly was a unique opportunity because of its scale, its size and the ability it offered MPT to get into the Australian healthcare market almost literally overnight”

- Steve Hamner  
Executive Vice President  
and CFO

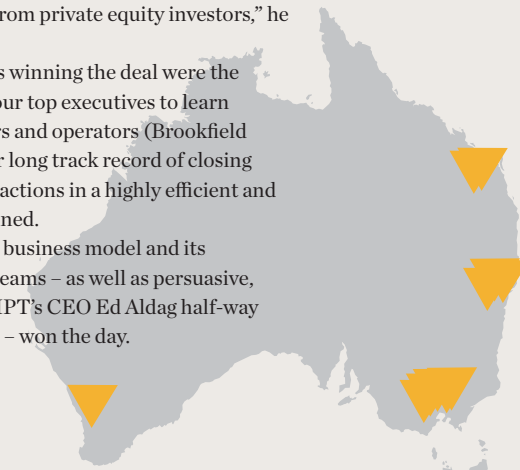
### Aggressively Pursuing a Unique Opportunity

"This truly was a unique opportunity because of its scale, the quality of the assets and the opportunity it offered sophisticated investors to enter the Australian healthcare market overnight," said Steve Hamner, MPT's Executive Vice President and CFO.

"The competition for these assets was intense – coming from sovereign wealth funds, large pension funds, U.S. and other REITs such as MPT, as well as from private equity investors," he noted.

"Important factors in MPT's winning the deal were the demonstrated commitment of our top executives to learn what was critical to the investors and operators (Brookfield and Healthscope), as well as our long track record of closing complicated cross-border transactions in a highly efficient and timely manner," Hamner explained.

And, the strengths of MPT's business model and its acquisitions and underwriting teams – as well as persuasive, face-to-face presentations by MPT's CEO Ed Aldag half-way across the globe on short notice – won the day.







## Welcoming the Rising Sun

Rehabilitation Hospital of Northern Arizona

MPT and its tenant Ernest Health faced several unique challenges in building the Rehabilitation Hospital of Northern Arizona – all driven by carefully developed building standards designed to preserve the special character of Flagstaff, Arizona.

Situated along historic “Route 66,” which opened in the 1920’s to connect Chicago with Southern California, Flagstaff seeks to preserve its heritage as a unique mountain community by demanding a high level of quality in any new construction, and MPT is fully committed to meeting this standard.

The City of Flagstaff is also distinguished by special sensitivity to the ancient cultures of Native American tribes that have inhabited the area for hundreds of years – occupying lands within the

compass points of four mountains sacred to the Navajo people, who constitute nearly 12 percent of Flagstaff’s population.

Flagstaff was founded in close proximity to the northwestern boundary of the Navajo Indian reservation and a significant percentage of the new hospital’s patients will be Native Americans coming from that tribe.

### Reorienting the Hospital’s Entrance

To make them feel at home, MPT and the Ernest management team decided to reorient the hospital’s main entrance to face east. The traditional Navajo home, or hogan, is always built with the door facing east – *to welcome the rising sun.*

Rotating the hospital entrance created striking vistas of the San Francisco Peaks – the western-most of the



## SUN STUDY

four sacred mountains, which is known in Navajo as *Dook'o'ostiid* (or, “the summit that never melts”).

The new Ernest facility offers picture-postcard views of those snow covered peaks and the patio outside is laid out so patients can enjoy them.

The city’s design code also required the hospital to employ a variety of exterior finishes, so the architects developed an approach that projects the impression of a series of smaller, connected buildings rather than one massive edifice.

Look closely at Rehabilitation Hospital of Northern Arizona and you’ll see three distinct design themes, including: 1) a stone building with small punched windows topped by cornices; 2) a main building with fiber cement panels that look like overlapping boards; and 3) vertical glass-and-metal panels that define a third architectural element. Finally, everything is tied together with exposed steel canopies to unify the overall design.

### Creating a Peaceful Ambiance

The result is a stunning facility on a high mesa providing patients a 360-degree view of the beautiful scenery and an ambiance that makes the place feel more like a resort than a traditional hospital.

With the average stay for a rehabilitation patient being 12 days, people who are admitted to the facility will be staying there for a relatively long time. The 40-bed Flagstaff facility marks the 25<sup>th</sup> Ernest hospital to be owned by Medical Properties Trust, which initially acquired 16 Ernest hospitals in 2012.

The Flagstaff hospital was built around patient-centered design principles, representing a shift away

from a staff and physician focus. The question in modern hospital design now is, “*What can we do to help take care of patients?*”

The design includes unusual details, such as floor patterns with embedded markers that therapists can use to help patients make *and measure* progress.

### Designing to Aid Therapy

On first sight, a patient may think, “That’s kind of a neat floor pattern,” but when viewed more closely, colored lines are visible

that therapists can employ to encourage patients. For example, a therapist might ask a patient:

“Can you make it to the first blue line and back?”

“Now, can you make it to the second blue line and back?”

By designing such details into the building *to aid in therapy*, MPT’s buildings support operators such as Ernest, the care team – and ultimately the patients.

Things like connections to the outdoors and lots of natural light have been shown to decrease utilization of pain medications by up to 30 percent, and they also help patients get well faster.







## Designing for Wellness

Sustainability has a new focus – moving beyond the mainstream concerns of energy conservation and carbon footprint reduction.

“The latest trends are really about wellness,” says architect Bobby George of Dekker Perich Sabatini in Phoenix, who has spent much of his career designing hospitals.

“As we think about the next big thing that architects should be doing, we are concentrating more on how buildings can be operated – *to improve the well being of people.*”

It's not just about sustainability features designed into the physical structures, but how the structures will be used by patients.

For example:

- Does the building's design encourage them to get up and go outside for a walk, and are things spaced out enough so they have to move and exercise?
- What food is offered in the snack machines? Is it junk food or something that's healthy and that promotes better eating for a better life?

Buildings like the Rehabilitation Hospital of Northern Arizona serve as a good example. All of the sustainability features expected in a modern building are incorporated, from energy monitors, occupancy sensors, LED lighting and controls, as well as a white roof to minimize the absorption of heat. Exterior wall systems are insulated and ventilated, and the building has been situated to minimize sun exposure on exterior walls.

“

Ernest Health has done a phenomenal job of delivering very high quality care and is achieving exceptional levels of patient satisfaction.”

- Matt Lyden  
Director - Asset Management  
and Underwriting



## Growing with Medical Properties Trust

The new Flagstaff facility is the latest evidence of Ernest's solid relationship with Medical Properties Trust, which has been investing in Ernest hospitals since 2012. MPT's business model has always been to grow by helping its customers grow, and Ernest has turned to MPT again and again for its deep hospital knowledge and ready access to capital. The relationship now includes 25 facilities across 11 states.





### **First Mover in the New Market**

The new 40-bed Flagstaff hospital has been open since March 2018, attracting patients primarily from three counties surrounding Flagstaff, with a total population of approximately 379,000.

“It’s a beautiful facility,” said Matt Lyden, a former hospital operator who is now a director in MPT’s Asset Management Department. “The Rehabilitation Hospital of Northern Arizona did well during its first year of operations and is now exceeding expectations.”

“As the only inpatient physical rehabilitation hospital in Flagstaff, the facility was the ‘*first mover in the market*,’ which is Ernest’s preferred competitive position,” Lyden added. “The next

closest IRF is another Ernest-operated facility in Prescott Valley, approximately 80 miles away.”

“Ernest Health has also done a great job of delivering very high quality care and is achieving exceptional levels of patient satisfaction,” Lyden noted.

At Rehabilitation Hospital of Northern Arizona, it’s a performance inspired by the rising sun and the patients who are able to bask in its healing light – *welcoming the new day.*





# Successful Operators Always Find Solutions

How can a hospital provide more services when it's constrained by physical limitations?

Surgery Partners found itself in that position when one of its most successful facilities – Mountain View Hospital in Idaho Falls, Idaho – was operating at 90 percent capacity for most of the year.

Expanding Mountain View was not an option, and Surgery Partners needed a real estate partner to provide the more than \$100 million in capital necessary for a new facility. The community wanted more healthcare options – including a broader array of services from the hospital they have consistently awarded high marks for patient satisfaction.

Surgery Partners, which has developed a strong reputation as a high quality provider of surgical and ancillary services in more than 180 locations across the U.S., began exploring its options. Soon, the idea emerged of building a brand new hospital right next door to Mountain View that would be operated by Surgery Partners.

“Community members and the payors wanted us to be able to expand,” said Carollee Brinkman, President of Surgery Partners’ Hospital Group, “so this really gives us a great opportunity to meet that community need.”







In the process, the company initiated discussions with Medical Properties Trust, which had provided capital for a 2010 expansion of Mountain View. “MPT has always been very diligent in their underwriting,” said Bruce Heywood of Heywood Development, who had worked on the original development of Mountain View and on the 2010 expansion, and whose company serves as developer of the new Idaho Falls Community Hospital.

“MPT’s deep knowledge of hospitals really helped us structure the project to satisfy the desires of the patient and physician communities and to create the structure to satisfy all stakeholders needs.”

Construction of the \$113 million, 182,000-square-foot hospital licensed for 88 beds is currently running under budget and ahead of schedule for a November 2019 opening. Soon thereafter, patients in the Idaho Falls area and their physicians will have hospital and treatment choices they have been demanding for more than a decade.

Surgery Partners will be using multi-million dollar Cerner electronic medical records systems to manage patient

“

MPT’s deep knowledge of hospitals really helped us structure the project to satisfy the desires of the patient and physician communities...”

- Bruce Heywood  
Heywood Development







IDAHO FALLS  
COMMUNITY  
HOSPITAL

*Opening*  
FALL 2019





“

This is a great example of solutions successful operators come up with to better serve patients and communities.”

- Edward K. Aldag, Jr.  
Chairman, President and CEO



information and analytics, Heywood noted, which are the types of sophisticated tools required to address population health issues.

“Soon, we will have two hospitals sitting next to each other, each of them efficiently managing the care of many patients who would not otherwise have a choice,” Heywood concluded. “MPT has helped make sure this unique solution will create plenty of long-term value.”

“This is a great example of solutions successful operators come up with to better serve patients and communities,” said Edward K. Aldag, Jr., Chairman, President and CEO of Medical Properties Trust.

“The world of healthcare is changing and always will be,” Aldag added, “and forward-thinking operators are the ones best able to adapt.”





# A Passion for Solving Problems

Mitchell's Place: For Children with Autism

When Medical Properties Trust steps up to support a community cause, there's no telling how far the positive ripple effects may go.

As a long-time board member of Mitchell's Place, MPT's Chairman, President and CEO Ed Aldag has developed a nuanced understanding of this nonprofit organization that provides preschool and other services to children with autism and other developmental disabilities. And he's been proud to see his company step forward as presenting sponsor of "A Night at the Oscars" for the past two years.

This annual event, built around an Academy Awards theme, serves as a major source of funding and awareness for Mitchell's Place. As a volunteer

leader contributing his time over many years, Aldag has seen his own awareness of Mitchell's Place's strengths – *and challenges* – grow.

After Alabama passed legislation requiring insurance companies to cover care for children with autism, the law's effect on Mitchell Place's revenues turned out to be more of a cloud than a silver lining. That's because unintended consequences caused revenue from insurance reimbursements to fall below the costs of services.

Healthcare reimbursement is a complicated subject and one that Medical Properties Trust, as the owner of more than 275 hospitals around the world, fully understands. So Aldag offered some assistance from MPT team members experienced in such matters – to help Mitchell's Place figure out how to eliminate the financial drain and get reimbursements back on track.

Entering the scene were Chelsey Kent and Clayton Santo, two analysts from MPT's Asset Management and Underwriting

MPT has served as Presenting Sponsor of Mitchell's Place "A Night at the Oscars" for the past two years.

Mitchell's Place Presents **A NIGHT AT THE OSCARS**

Where the Kids Steal the Show!

what the critics are saying:

"There is SUCH A PEACE about knowing that, when I'm not with my daughter, she is somewhere where I feel she is TRULY LOVED."  
- Mother of an MP Kid

"This place feels like home... They have A PASSION for what they do... And you know that your child is in A SAFE PLACE..."  
- Mother of an MP Kid

"I'm a pediatrician...and I just don't think she would get the level of preparation, education and the QUALITY OF TEACHING that she's receiving here."  
- Pediatrician/Parent of an MP Kid

"Not one, not two, but four thumbs up!"  
- four MP Kids nominated for "Real Place in a Real Life Drama"

Medical Properties Trust  
Medical Properties Trust is honored to serve as Presenting Sponsor of this event for Mitchell's Place, where every child is truly loved. For a child on the autism spectrum, nothing is more important.





Chelsey Kent converses with coworker Alex Hubartt.

“

Before joining Medical Properties Trust, I had never worked at a company that is this philanthropic, or that cares so much about the community”

- Chelsey Kent  
Senior Analyst

Department, with strong backgrounds in financial modeling and revenue analysis. Aldag asked them to meet with the director of Mitchell’s Place and others to figure out which service lines were producing enough revenue and which needed better rates to be negotiated with insurers.

“Mitchell’s Place is small compared to a general acute care hospital with many different service lines,” said Kent, who joined MPT in the fall of 2017 with a strong accounting background, “but there is a correlation between the role insurance plays at both Mitchell’s Place and the facilities owned by MPT.”

“We were able to walk the folks from Mitchell’s Place through processes, experiences and levels of detail that they may not have had access to before – to provide the knowledge needed to continue to successfully run their organization,” added Santo, who joined MPT a few months before Kent, after earning a Master’s in Finance at the University of Alabama.

“This was definitely an out-of-the-ordinary opportunity for both Chelsey and me to work directly with Ed Aldag –





“

It was great to gain the hands-on experience of working directly with the leader of our company.”

- Clayton Santo  
Analyst

getting to see how he looks to solve a problem, how he builds a team, and the way he analyzes things,” he observed. “Plus, it was great to gain the hands-on experience of working directly with the leader of our company.”

“I learned that Ed is very passionate about solving problems, especially when he sees that he can add value to a situation – even if that means having frank conversations or dealing with complex situations that aren’t always easy to understand,” Santo said.

“It’s evident that Ed is passionate about the community,” added Kent. “Even when he was traveling, we would receive emails from him checking in our progress analyzing Mitchell’s Place. It was inspiring to see that, no matter how busy he was with MPT, he was still focused on Mitchell’s Place and gave it a lot of attention.”

“We got started on this project in June of last year and worked on it through August,” said Kent. “After we presented our analysis to Ed, he took the information to Mitchell’s Place with his own recommendations.”

Shortly thereafter, Emmett McLean, MPT’s Executive Vice President and COO, ran into Mitchell’s Place director, Sarah Nall, out in the community.

“I just want to thank MPT for everything Ed and your employees have done to help us,” she told McLean. “Y’all have been wonderful and I can’t tell you how grateful we are.”





“

It’s important for MPT and each employee to get involved...”

- Emmett McLean  
Executive Vice President  
and COO

“We simply didn’t have the resources or the experience to do this alone.”

“Before joining Medical Properties Trust, I had never worked at a company that is this philanthropic, or that cares so much about the community,” said Kent, who hails originally from Buffalo, New York.

“The people at MPT care for the community they live and work in,” she said, “and it shows, not only by how involved our executives are, but also by how many MPT employees serve on boards and junior boards of local nonprofits.”

According to Emmett McLean, one of the company co-founders who has worked side-by-side with Ed Aldag over the past 16 years, it all starts at the top.

“Ed is very generous with his time, both personally and as head of the company. He is involved in a number of nonprofits. He does a lot of things in the community, and does them quietly.”

“He has set a very good tone in our company – that it’s important for MPT and each employee to get involved – and to give back to the community,” McLean concluded.

“That’s probably one of the greatest gifts Ed has instilled in all of us.”





# P.T.O. Redefined

People Transforming Organizations

MPT is making a world of difference.  
And every employee has a part to play.



The Exceptional Foundation enhances the lives of the mentally challenged by providing activities, services and a community for adults, children and families.



In addition to comprehensive compensation and benefits plans, Medical Properties Trust provides paid time off (PTO) for each of its employees – to spend a day each year giving back to any charitable cause they choose.

If they're not sure where to invest the PTO day, the company's Charity Committee is happy to provide a list of more than 150 organizations that the company supports in its hometown of Birmingham each year.

### Singing Got Her in the Spirit

Jackie Lund, the Accounting Administrator who works closely with MPT's Vice President, Controller and Chief Accounting Officer Kevin Hanna, found her inspiration when a choir from the Exceptional Foundation visited MPT's headquarters to sing Christmas carols.



**Jackie Lund**  
Accounting Administrator



**Exceptional Foundation members**  
sing and play music.

"I was immediately drawn to the participants, who instantly accepted everyone and became your best friend," Lund said. "I decided to use my charity PTO day last year at the center and get to know them better."

She spent the day at the Exceptional Foundation building adjacent to Homewood Park taking part in activities with the people they serve, from playing musical chairs to playing trivia. "They amazed me with their intelligence – and they beat me at trivia!" she recalled.

After the day ended and many of the participants and volunteers had gone home, she stayed to watch a basketball game between the local city council and a team of 7 or 8 players from the Exceptional Foundation's team, which even had cheerleaders.



Casa Amor provides a loving home for children who would not otherwise have one.

“This was no ‘go easy on them’ kind of game,” Lund said. “The Foundation’s team proved to be terrific basketball players, they beat the city council easily, and the cheerleaders put on an awesome half time show.”

“It was a most special day, and I have never felt so rewarded,” she said. “Now, when my exceptional friends visit MPT, they recognize me immediately and run to hug me.”

“I made some special friends that day and I am thankful to work for a company that supports so many charities in Birmingham and beyond, and that allows us to volunteer to help them *on company time*,” said Lund, who has been part of the MPT team for more than three years.

“I feel so much pride to work for such a wonderfully charitable company!”



**Jamey Ramsey**  
Managing Director - Tax

### Giving Back with His Family

Jamey Ramsey, MPT’s Managing Director – Tax, spent five days last year, including his PTO service day, volunteering with his family at Casa Amor, an orphanage in the Dominican Republic.

Founded in 2011 by a local Birmingham charity known as No Longer, in partnership with the Global Orphan Project and a local church in the Dominican Republic, Casa Amor provides a loving home for children who would not otherwise have one. In addition to raising funds to support the orphanage, supporters of No Longer (<http://no-longer.com>) travel at their own expense throughout the year to personally attend to children’s needs.

“This remarkable charity is extremely accommodating to families who want to volunteer together,” Ramsey said, “and my family and I were able to participate in a weeklong trip to the orphanage in June 2018.”

“During our time there, we spent time playing sports with the kids, leading Bible lessons and just connecting with them,” Ramsay said. “I chose to use my PTO service day at Casa Amor because I wanted to be a part of providing a Christ-centered home and loving family for these children. I also wanted my family to be able to give back.”

“We all lead very busy lives, and it can be difficult to find a full day to devote to serving others,” explained Ramsey, who now manages tax issues for Medical Properties Trust on three continents. “MPT understands our time restraints and commitments, and it provides PTO service days to encourage each of us to find ways to serve others.”

“This is just one of the many opportunities that MPT and its executives provide to employees,” he said, “and it clearly represents the company’s strong focus on giving back.”



# Increasing Productivity

Sustaining the Health of MPT Employees



**Tim Berryman**  
Director – Investor Relations

In an earlier life, long before he became Director of Investor Relations for Medical Properties Trust, Tim Berryman played professional football for seven years.

In 1976, he was the first player selected in the Canadian Football League draft.

At that time, the CFL was the only professional league other than the NFL, and Berryman played middle linebacker against some big name players like quarterback Warren Moon, who later moved to the NFL.

“I’ve had five knee operations, thanks to football, so my knees are a mess. It’s been many years since I’ve been able to actually go out and run because every time I do, I get fluid in my knees.”

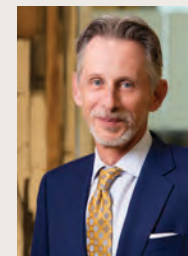
When Emmett McLean, MPT’s Executive Vice President and Chief Operating Officer, learned that the use of a special bike could greatly improve Tim’s knees and his comfort during frequent air travel on behalf of MPT, he decided to add one to MPT’s in-house exercise area designed to benefit all employees.

During the most recent expansion of MPT’s home office, company executives had decided to convert some available space for an exercise area with an array of workout equipment. Employees had indicated a preference for an on-site facility that would help them avoid unproductive travel time to external facilities. And MPT’s executives thought such a facility would encourage employees to develop a healthy exercise routine more than a typical gym membership.

McLean asked a small group of MPT employees to recommend the type of equipment that would attract the most users and that’s exactly what has happened. At busy times it is common to find employees continuing their business discussions in the exercise area while simultaneously improving their long-term health. It’s proven to be a very popular place, according to Ryland Byars, MPT’s Director of Information Technology and Security, who was assigned the special project of managing the build out of the exercise area.

“We’re talking about the health of our employees, who are our greatest and most valuable asset,” McLean explained. “We want to take care of them and make their life better.”

“For us, it was really a no-brainer,” he added. “I think this is what any smart company would do.”



**Ryland Byars**  
Director – Information  
Technology and Security

## Saving Time and Stress

“People are using the gym before work, during their lunch hour, and after work,” Byars said. “I’m really pleased with how much it gets used on a daily basis. At least half the staff uses it regularly.”

“

We created the exercise area because we care about the people who are MPT. We care about what they are doing for our clients and about what they are doing for themselves – because that’s what’s going to sustain us down the road.”

– Emmett McLean  
Executive Vice President  
and Chief Operating Officer





“

Because we have a phenomenal workout facility right here, I don't see the need to go outside for that. What we have here is wonderful.”

- Cassi Marshall  
Analyst

“We completed the final punch list for the facility a year ago, at the beginning of April 2018, and there's been a lot of positive feedback and absolutely zero negative,” he noted. “It's a wonderful benefit for our employees to have a top notch exercise facility right here where we work.”

#### **Cultivating Healthy Employees**

“We've been around for 16 years,” McLean observed. “And we think about how we will sustain the company over the next 16. One way is to maintain high quality people and you have to continue to cultivate that. It's like a garden – if you want a really nice garden, you've got to tend to it. And *so you just do* – and that becomes who you are.”

“That's why we created the exercise area – because we care about the people who *are* MPT. We care about what they are doing for our clients and about what they are doing for themselves – because that's what's going to sustain us down the road.”







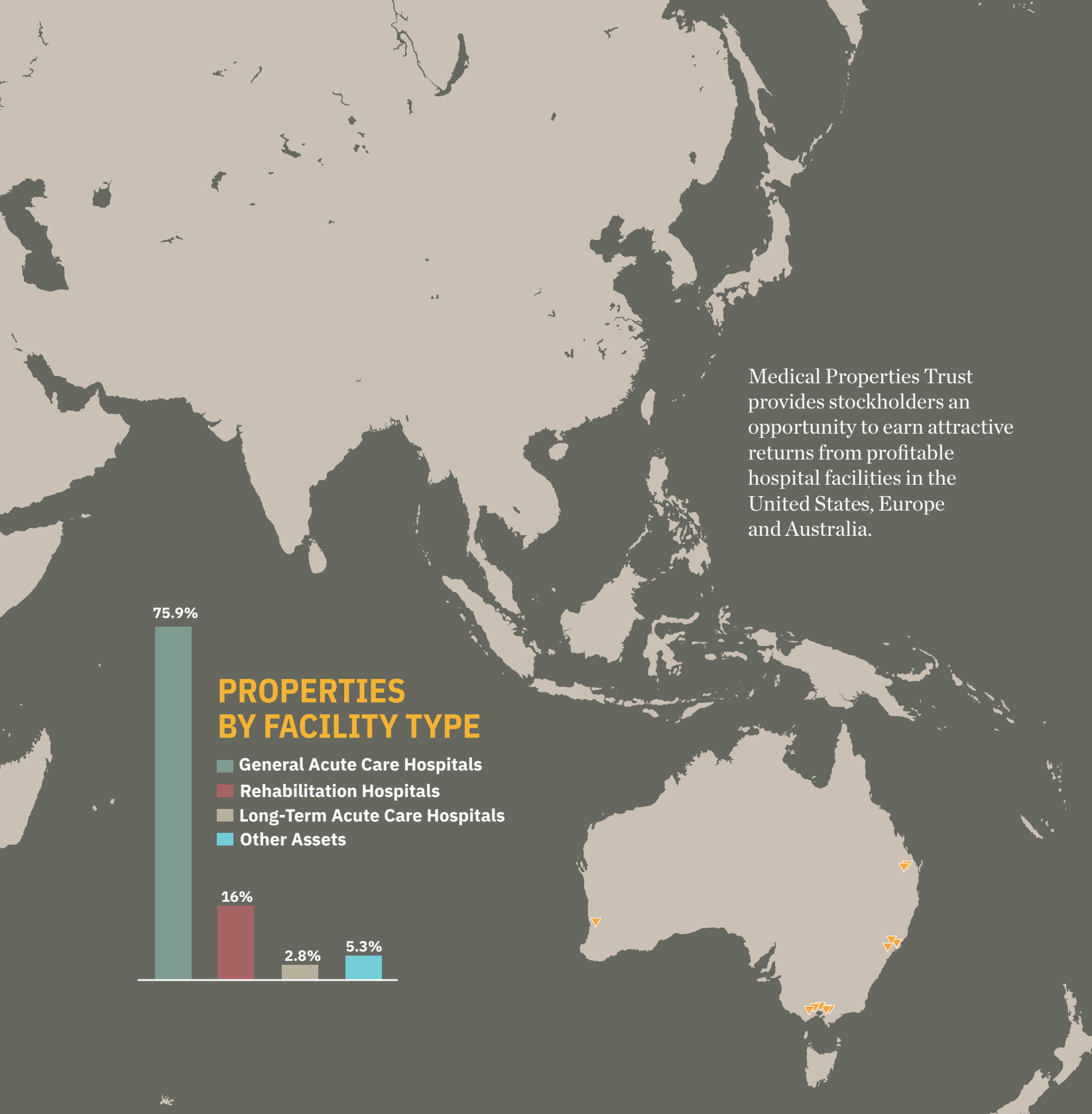
# MPW PORTFOLIO

As of December 31, 2018, Medical Properties Trust's pro forma portfolio included 287 facilities – 183 across the United States, 81 in Germany, 11 in Australia, 8 in Italy, 3 in the U.K. and 1 in Spain – representing an investment of approximately \$10 billion.

FACILITIES **287**  
COUNTRIES **6**  
CONTINENTS **3**

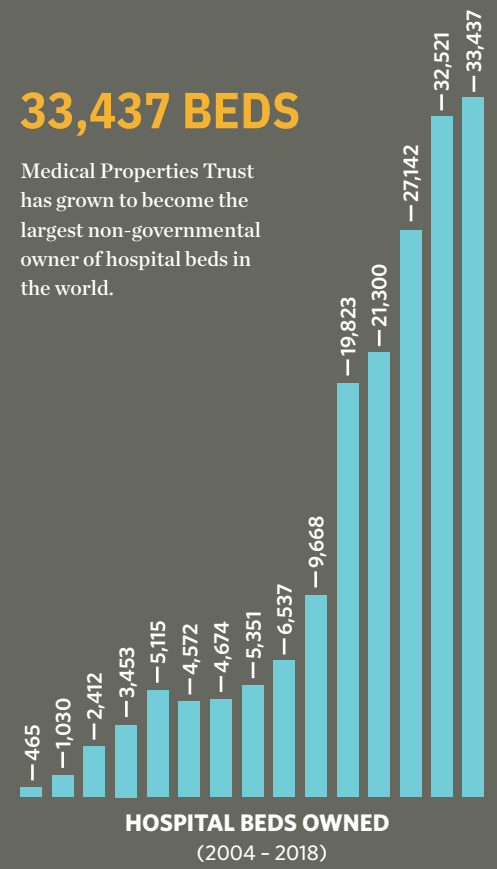
Pro forma portfolio statistics are as of December 31, 2018, and assume fully funded commitments.





## 33,437 BEDS

Medical Properties Trust has grown to become the largest non-governmental owner of hospital beds in the world.

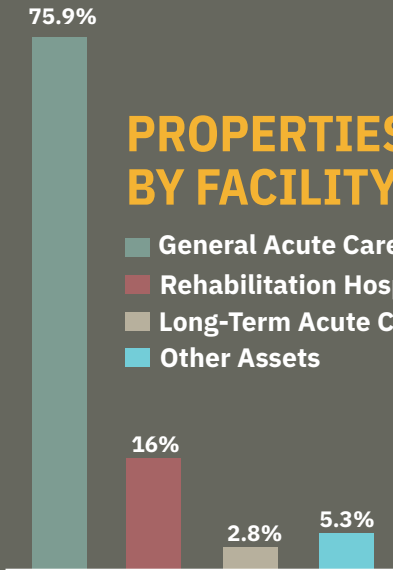


HOSPITAL BEDS OWNED  
(2004 - 2018)

Medical Properties Trust provides stockholders an opportunity to earn attractive returns from profitable hospital facilities in the United States, Europe and Australia.

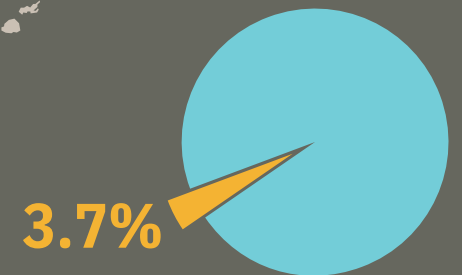
## PROPERTIES BY FACILITY TYPE

- General Acute Care Hospitals
- Rehabilitation Hospitals
- Long-Term Acute Care Hospitals
- Other Assets



## WELL DIVERSIFIED

No single hospital property represents more than 3.7% of MPT's portfolio.





# SELECTED FINANCIAL DATA

The following table sets forth selected financial and operating information on a historical basis:

[In thousands, except per share amounts]	2018	2017	2016	2015	2014
<b>OPERATING DATA</b>					
Total revenues	\$ 784,522	\$ 704,745	\$ 541,137	\$ 441,878	\$ 312,532
Interest expense	(223,274)	(176,954)	(159,597)	(120,884)	(98,156)
Real estate depreciation and amortization expense	(133,083)	(125,106)	(94,374)	(69,867)	(53,938)
Property-related and general and administrative expenses	(89,323)	(64,410)	(51,623)	(47,431)	(39,125)
Acquisition costs	(917)	(29,645)	(46,273)	(61,342)	(26,389)
Gain on sale of real estate and other	719,392	7,431	61,224	3,268	2,857
Impairment charges	(48,007)	—	(7,229)	—	(50,128)
Debt refinancing costs	—	(32,574)	(22,539)	(4,367)	(1,698)
Other income (expense)	10,094	10,432	(1,619)	175	5,181
Income tax (expense) benefit	(927)	(2,681)	6,830	(1,503)	(340)
Net income	1,018,477	291,238	225,937	139,927	50,796
Net income attributable to non-controlling interests	(1,792)	(1,445)	(889)	(329)	(274)
Net income attributable to MPT common stockholders	\$ 1,016,685	\$ 289,793	\$ 225,048	\$ 139,598	\$ 50,522
Net income attributable to MPT common stockholders per diluted share	\$ 2.76	\$ 0.82	\$ 0.86	\$ 0.63	\$ 0.29
Weighted average shares outstanding — diluted	366,271	350,441	261,072	218,304	170,540
<b>OTHER DATA</b>					
Dividends declared per common share	\$ 1.00	\$ 0.96	\$ 0.91	\$ 0.88	\$ 0.84
FFO <sup>(1)</sup>	\$ 485,335	\$ 408,512	\$ 253,478	\$ 205,168	\$ 106,682
Normalized FFO <sup>(1)</sup>	\$ 501,004	\$ 474,879	\$ 334,826	\$ 274,805	\$ 181,741
Normalized FFO per share <sup>(1)</sup>	\$ 1.37	\$ 1.35	\$ 1.28	\$ 1.26	\$ 1.06
Cash paid for acquisitions and other related investments	\$ 666,548	\$ 2,246,788	\$ 1,489,147	\$ 1,833,018	\$ 767,696
<b>BALANCE SHEET DATA</b>					
	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
Real estate assets — at cost	\$ 5,952,512	\$ 6,642,947	\$ 4,965,968	\$ 3,924,701	\$ 2,612,291
Real estate accumulated depreciation/amortization	(464,984)	(455,712)	(325,125)	(257,928)	(202,627)
Mortgage and other loans	1,586,520	1,928,525	1,216,121	1,422,403	970,761
Cash and cash equivalents	820,868	171,472	83,240	195,541	144,541
Other assets	948,727	733,056	478,332	324,634	195,364
Total assets	\$ 8,843,643	\$ 9,020,288	\$ 6,418,536	\$ 5,609,351	\$ 3,720,330
Debt, net	\$ 4,037,389	\$ 4,898,667	\$ 2,909,341	\$ 3,322,541	\$ 2,174,648
Other liabilities	245,316	286,416	255,967	179,545	163,635
Total Medical Properties Trust, Inc. Stockholders' Equity	4,547,108	3,820,633	3,248,378	2,102,268	1,382,047
Non-controlling interests	13,830	14,572	4,850	4,997	—
Total equity	4,560,938	3,835,205	3,253,228	2,107,265	1,382,047
Total liabilities and equity	\$ 8,843,643	\$ 9,020,288	\$ 6,418,536	\$ 5,609,351	\$ 3,720,330

Footnotes to Selected Financial Data: (1) See section titled “Reconciliation of Non-GAAP Financial Measures” for an explanation of why these non-GAAP financial measures are useful along with a reconciliation to our GAAP earnings.



# RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

The following table presents a reconciliation of net income attributable to MPT common stockholders to FFO and normalized FFO for the years ended December 31, 2018, 2017, 2016, 2015 and 2014 (\$ amounts in thousands except per share data):

## FFO Information:

	For the Years Ended December 31,				
	2018	2017	2016	2015	2014
Net income attributable to MPT common stockholders	\$ 1,016,685	\$ 289,793	\$ 225,048	\$ 139,598	\$ 50,522
Participating securities' share in earnings	(3,685)	(1,409)	(559)	(1,029)	(895)
Net income, less participating securities' share in earnings	\$ 1,013,000	\$ 288,384	\$ 224,489	\$ 138,569	\$ 49,627
Depreciation and amortization	143,720	127,559	96,157	69,867	53,938
Gain on sale of real estate	(719,392)	(7,431)	(67,168)	(3,268)	(2,857)
Real estate impairment charges	48,007	—	—	—	5,974
Funds from operations	\$ 485,335	\$ 408,512	\$ 253,478	\$ 205,168	\$ 106,682
Write-off of straight line rent and other	18,002	5,340	3,063	3,928	2,818
Debt refinancing costs	—	32,574	22,539	4,367	1,698
Release of income tax valuation allowance	(4,405)	—	(3,956)	—	—
Acquisition and other transaction costs, net of tax benefit	2,072	28,453	52,473	61,342	26,389
Non-real estate impairment charges	—	—	7,229	—	44,154
Normalized funds from operations	\$ 501,004	\$ 474,879	\$ 334,826	\$ 274,805	\$ 181,741
Per diluted share data:					
Net income, less participating securities' share in earnings	\$ 2.76	\$ 0.82	\$ 0.86	\$ 0.63	\$ 0.29
Depreciation and amortization	0.39	0.37	0.37	0.32	0.31
Gain on sale of real estate	(1.96)	(0.02)	(0.26)	(0.01)	(0.01)
Real estate impairment charges	0.13	—	—	—	0.04
Funds from operations	\$ 1.32	\$ 1.17	\$ 0.97	\$ 0.94	\$ 0.63
Write-off of straight line rent and other	0.05	0.01	0.01	0.02	0.02
Debt refinancing costs	—	0.09	0.09	0.02	—
Release of income tax valuation allowance	(0.01)	—	(0.02)	—	—
Acquisition and other transaction costs, net of tax benefit	0.01	0.08	0.20	0.28	0.15
Non-real estate impairment charges	—	—	0.03	—	0.26
Normalized funds from operations	\$ 1.37	\$ 1.35	\$ 1.28	\$ 1.26	\$ 1.06

Investors and analysts following the real estate industry utilize funds from operations, or FFO, as a supplemental performance measure. FFO, reflecting the assumption that real estate asset values rise or fall with market conditions, principally adjusts for the effects of GAAP depreciation and amortization of real estate assets, which assumes that the value of real estate diminishes predictably over time. We compute FFO in accordance with the definition provided by the National Association of Real Estate Investment Trusts, or NAREIT, which represents net income (loss) (computed in accordance with GAAP), excluding gains (losses) on sales of real estate and impairment charges on real estate assets, plus real estate depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures.

In addition to presenting FFO in accordance with the NAREIT definition, we also disclose normalized FFO, which adjusts FFO for items that relate to unanticipated or non-core events or activities or accounting changes that, if not noted, would make comparison to prior period results and market expectations potentially less meaningful to investors and analysts.

We believe that the use of FFO, combined with the required GAAP presentations, improves the understanding of our operating results among investors and the use of normalized FFO makes comparisons of our operating results with prior periods and other companies more meaningful. While FFO and normalized FFO are relevant and widely used supplemental measures of operating and financial performance of REITs, they should not be viewed as a substitute measure of our operating performance since the measures do not reflect either depreciation and amortization costs or the level of capital expenditures and leasing costs necessary to maintain the operating performance of our properties, which can be significant economic costs that could materially impact our results of operations. FFO and normalized FFO should not be considered an alternative to net income (loss) (computed in accordance with GAAP) as indicators of our financial performance or to cash flow from operating activities (computed in accordance with GAAP) as an indicator of our liquidity.

## PRO FORMA TOTAL GROSS ASSETS

(In thousands)

	December 31, 2018
Total Assets	\$8,843,643
Add:	
Binding real estate commitments on new investments(1)	865,165
Unfunded amounts on development deals and commenced capital improvement projects(2)	229,979
Accumulated depreciation and amortization	464,984
Incremental gross assets of our joint ventures(3)	375,544
Less:	
Cash and cash equivalents	(720,868)
<b>Pro Forma Total Gross Assets(4)</b>	<b>\$10,058,447</b>

(1) Reflects our commitments to acquire a facility in Germany and 11 facilities in Australia post December 31, 2018.

(2) Includes \$94.1 million unfunded amounts on ongoing development projects and \$135.9 million unfunded amounts on capital improvement projects and development projects that have commenced rent.

(3) Adjustment needed to reflect our share of our joint venture's gross assets.

(4) Pro forma total gross assets is total assets before accumulated depreciation/amortization, assumes all real estate binding commitments on new investments and unfunded amounts on development deals and commenced capital improvement projects are fully funded, and assumes cash on hand is used in these transactions. We believe pro forma total gross assets is useful to investors as it provides a more current view of our portfolio and allows for a better understanding of our concentration levels as our binding commitments close and our other commitments are fully funded.



# Officers on the Move

## AROUND THE GLOBE

Supporting Medical Properties Trust's three founders are three senior leaders who have worked with them over the past decade to build the company on three continents.

Sharing the professionalism, integrity and *entrepreneurial spirit* that have distinguished MPT from its earliest days, these corporate officers stand ready to do anything, anywhere, anytime to meet the capital needs of our hospital operators who have come to trust and rely on their deep knowledge of hospitals.

**Emmett E. McLean**  
 Founder, Executive  
 Vice President & COO



### MPT's Officer Team

- Edward K. Aldag, Jr., Founder, Chairman, President & CEO
- R. Steven Hamner, Founder, Executive Vice President & CFO
- Emmett E. McLean, Founder, Executive Vice President & COO
- J. Kevin Hanna, Vice President, Controller & Chief Accounting Officer
- Rosa H. Hooper, Vice President & Managing Director, Asset Management & Underwriting
- Charles R. Lambert, Treasurer & Managing Director of Capital Markets



**Rosa H. Hooper**  
 Vice President  
 & Managing  
 Director, Asset  
 Management &  
 Underwriting

“Rosa is one of the most dedicated people I’ve ever seen. She’s going to do whatever it takes to get a project done or reach a decision. Like Kevin and Charles, she’s a self-starter, very team oriented and she’s built a great staff of people.”

– Emmett McLean

“Ed, Steve and Emmett set the tone of how we do business and how we treat customers. Rosa, Charles and I have worked with them for a decade, and we make sure our people keep their eyes open for opportunities to make MPT better.”

– Kevin Hanna



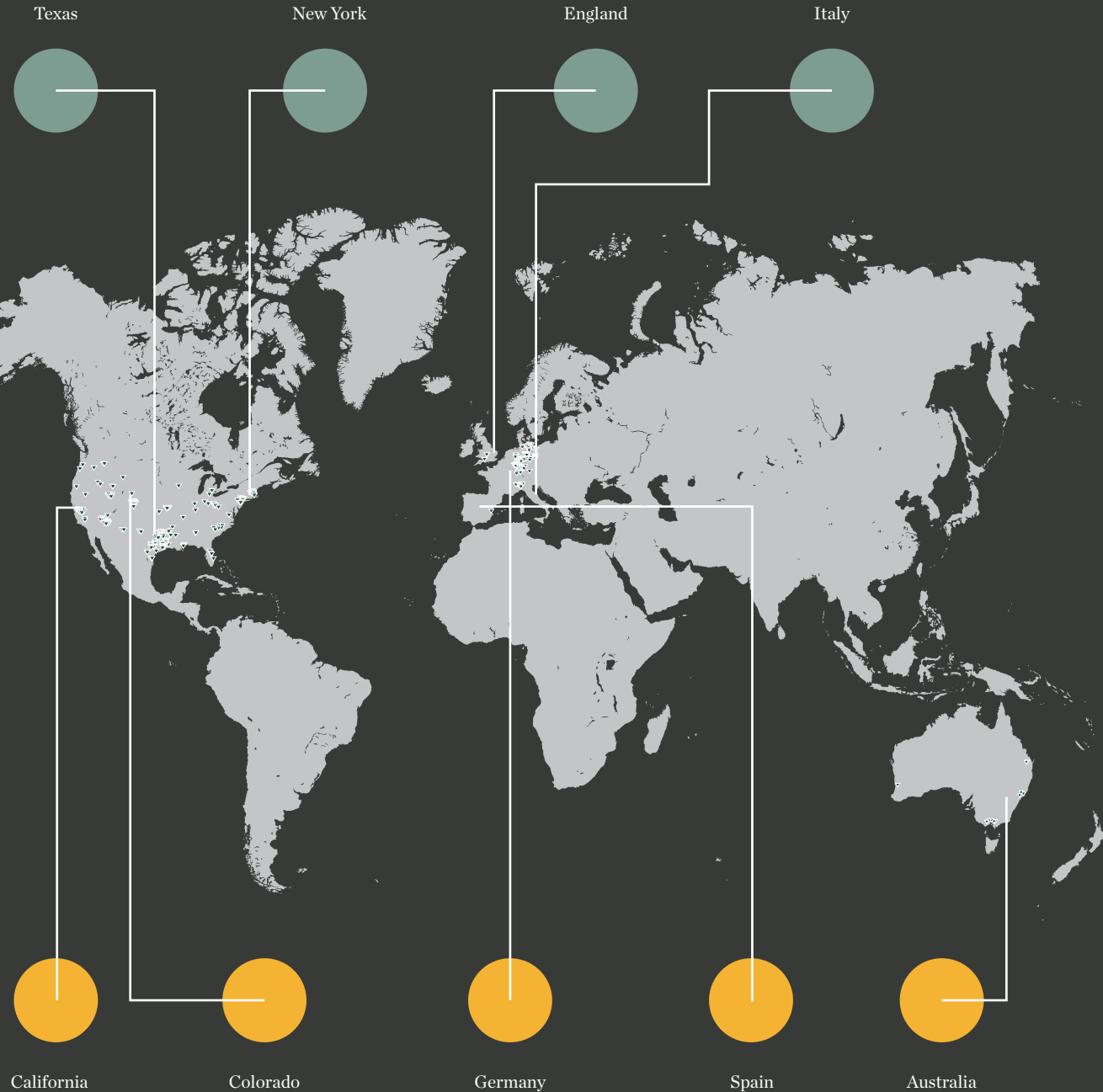
“Ed’s a bold thinker, plus he has the ability to get everyone to rally behind his vision and make sure we are structured to do the right thing the right way.”

– Emmett McLean

**Edward K. Aldag, Jr.**  
 Founder, Chairman,  
 President & CEO

**WHERE IN THE WORLD IS MPT ACTIVE TODAY?**

As Medical Properties Trust's global growth continues, company officers remain actively engaged in meeting hospital operators face-to-face to discuss their needs and present sale/leaseback financing options – *to unlock the value of their hospital real estate.* Highlighted here are some of the places they have visited since the beginning of 2018.



“

Emmett is really the glue internally. He's a people person who wants to hear what people think, so he empowers them to speak up. He's a good motivator/coach/mentor and cheerleader. He's also a good relationship builder.”

– Charles Lambert



**Emmett E. McLean**  
 Founder, Executive  
 Vice President & COO



# Anything, Anywhere, Anytime

WHATEVER IT TAKES...

“The entrepreneurial spirit that Ed, Emmett and Steve share permeates this company from top to bottom. They really love what they do and want to keep growing it. They’re *trying to build something that’s going to last for a very long time*. And it’s more than just a company. It’s the entrepreneurial spirit that starts with Ed.”

– Charles Lambert



**R. Steven Hamner**  
 Founder, Executive  
 Vice President & CFO



“Ed, Emmett and Steve have built a company that cares about our employees, our community, our operators, and the patients they serve. That creates an atmosphere where we can do what we love and love what we do.”

– Rosa Hooper

**J. Kevin Hanna**  
 Vice President, Controller  
 & Chief Accounting Officer



**Charles R. Lambert**  
 Treasurer &  
 Managing Director  
 of Capital Markets

“Kevin’s got a great background in public company accounting – lots of experience and knowledge. He’s also undertaken the task of bringing our international accounting in house and getting an accounting group set up in our Luxembourg office. He’s invaluable and he’s built an excellent staff of people.

– Emmett McLean

“Charles knows so much about what goes on in the company. He’s been here for a long time and has had a hand in just about everything. He’s willing to do whatever the company needs to get the job done – and to figure things out.”

– Steve Hamner

# FINANCIAL REVIEW

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## FORWARD-LOOKING STATEMENTS

We make forward-looking statements in this Annual Report that are subject to risks and uncertainties. These forward-looking statements include information about possible or assumed future results of our business, financial condition, liquidity, results of operations, plans and objectives. Statements regarding the following subjects, among others, are forward-looking by their nature:

- our business strategy;
- our projected operating results;
- our ability to acquire, develop, and/or manage additional facilities in the United States (“U.S.”), Europe, or other foreign locations (such as Australia);
- availability of suitable facilities to acquire or develop;
- our ability to enter into, and the terms of, our prospective leases and loans;
- our ability to raise additional funds through offerings of debt and equity securities, joint venture arrangements, and/or property disposals;
- our ability to obtain future financing arrangements;
- estimates relating to, and our ability to pay, future distributions;
- our ability to service our debt and comply with all of our debt covenants;
- our ability to compete in the marketplace;
- lease rates and interest rates;
- market trends;
- projected capital expenditures; and
- the impact of technology on our facilities, operations and business.

The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account information currently available to us. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. You should carefully consider these risks before you make an investment decision with respect to our common stock and other securities, along with, among others, the following factors that could cause actual results to vary from our forward-looking statements:

- the factors referenced in the sections captioned “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and “Business” in our Form 10-K for the year ended December 31, 2018;
- the political, economic, business, real estate, and other market conditions of the U.S. (both national and local), Europe (in particular Germany, the United Kingdom, Spain and Italy), and other foreign jurisdictions;

- the competitive environment in which we operate;
- the execution of our business plan;
- financing risks;
- the risk that a condition to closing under the agreements governing any or all of our outstanding transactions that have not closed as of the date hereof (including the Healthscope Ltd. (“Healthscope”) transaction described in Note 13 of this Annual Report) may not be satisfied;
- the possibility that the anticipated benefits from any or all of the transactions we enter into will take longer to realize than expected or will not be realized at all;
- acquisition and development risks;
- potential environmental contingencies and other liabilities;
- other factors affecting the real estate industry generally or the healthcare real estate industry in particular;
- our ability to maintain our status as a real estate investment trust, or REIT, for U.S. federal and state income tax purposes;
- our ability to attract and retain qualified personnel;
- changes in foreign currency exchange rates;
- changes in tax laws in the U.S., Europe or any other foreign jurisdictions;
- healthcare and other regulatory requirements of the U.S. (both federal and state), Europe (in particular Germany, the United Kingdom, Spain and Italy), and other foreign countries; and
- U.S. national and local economic conditions, as well as conditions in Europe, Australia and any other foreign jurisdictions where we own or will own healthcare facilities, which may have a negative effect on the following, among other things:
  - the financial condition of our tenants, our lenders, or institutions that hold our cash balances, which may expose us to increased risks of default by these parties;
  - our ability to obtain equity or debt financing on attractive terms or at all, which may adversely impact our ability to pursue acquisition and development opportunities, refinance existing debt and our future interest expense; and
  - the value of our real estate assets, which may limit our ability to dispose of assets at attractive prices or obtain or maintain debt financing secured by our properties or on an unsecured basis.

When we use the words “believe,” “expect,” “may,” “potential,” “anticipate,” “estimate,” “plan,” “will,” “could,” “intend” or similar expressions, we are identifying forward-looking statements. You should not place undue reliance on these forward-looking statements. Except as required by law, we disclaim any obligation to update such statements or to publicly announce the result of any revisions to any of the forward-looking statements contained in this Annual Report to reflect future events or developments.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Medical Properties Trust, Inc.:

### OPINIONS ON THE FINANCIAL STATEMENTS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

We have audited the accompanying consolidated balance sheets of Medical Properties Trust, Inc. and its subsidiaries (the "Company") as of December 31, 2018 and December 31, 2017, and the related consolidated statements of net income, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2018 (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and December 31, 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

### BASIS FOR OPINIONS

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting presented within the 2018 Annual Report to Shareholders. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

### DEFINITION AND LIMITATIONS OF INTERNAL CONTROL OVER FINANCIAL REPORTING

A company's internal control over financial reporting is a process designed 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 (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) 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 (iii) 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 its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

*PricewaterhouseCoopers LLP*

Birmingham, Alabama

March 1, 2019

We have served as the Company's auditor since 2008.



**MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

	December 31,	
	2018	2017
	(Amounts in thousands, except for per share data)	
<b>ASSETS</b>		
Real estate assets		
Land	\$ 547,894	\$ 639,626
Buildings and improvements	4,233,255	4,667,150
Construction in progress	84,172	47,695
Intangible lease assets	403,138	443,134
Real estate held for sale	—	146,615
Net investment in direct financing leases	684,053	698,727
Mortgage loans	1,213,322	1,778,316
Gross investment in real estate assets	7,165,834	8,421,263
Accumulated depreciation	(414,331)	(406,855)
Accumulated amortization	(50,653)	(48,857)
Net investment in real estate assets	6,700,850	7,965,551
Cash and cash equivalents	820,868	171,472
Interest and rent receivables	25,855	78,970
Straight-line rent receivables	220,848	185,592
Other loans	373,198	150,209
Other assets	702,024	468,494
<b>Total Assets</b>	<b>\$ 8,843,643</b>	<b>\$ 9,020,288</b>
<b>LIABILITIES AND EQUITY</b>		
Liabilities		
Debt, net	\$ 4,037,389	\$ 4,898,667
Accounts payable and accrued expenses	204,325	211,188
Deferred revenue	13,467	18,178
Lease deposits and other obligations to tenants	27,524	57,050
Total Liabilities	4,282,705	5,185,083
Commitments and Contingencies		
Equity		
Preferred stock, \$0.001 par value. Authorized 10,000 shares; no shares outstanding	—	—
Common stock, \$0.001 par value. Authorized 500,000 shares; issued and outstanding — 370,637 shares at December 31, 2018 and 364,424 shares at December 31, 2017	371	364
Additional paid-in capital	4,442,948	4,333,027
Retained earnings (deficit)	162,768	(485,932)
Accumulated other comprehensive loss	(58,202)	(26,049)
Treasury shares, at cost	(777)	(777)
Total Medical Properties Trust, Inc. Stockholders' Equity	4,547,108	3,820,633
Non-controlling interests	13,830	14,572
Total Equity	4,560,938	3,835,205
<b>Total Liabilities and Equity</b>	<b>\$ 8,843,643</b>	<b>\$ 9,020,288</b>

**MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF NET INCOME**

	For the Years Ended December 31,		
	2018	2017	2016
	(Amounts in thousands, except for per share data)		
<b>Revenues</b>			
Rent billed	\$ 473,343	\$ 435,782	\$ 327,269
Straight-line rent	74,741	65,468	41,067
Income from direct financing leases	73,983	74,495	64,307
Interest and fee income	162,455	129,000	108,494
Total revenues	<u>784,522</u>	<u>704,745</u>	<u>541,137</u>
<b>Expenses</b>			
Interest	223,274	176,954	159,597
Real estate depreciation and amortization	133,083	125,106	94,374
Property-related	9,237	5,811	2,712
General and administrative	80,086	58,599	48,911
Acquisition costs	917	29,645	46,273
Total expenses	<u>446,597</u>	<u>396,115</u>	<u>351,867</u>
<b>Other income (expense)</b>			
Gain on sale of real estate and other, net	719,392	7,431	61,224
Impairment charges	(48,007)	—	(7,229)
Debt refinancing costs	—	(32,574)	(22,539)
Other	10,094	10,432	(1,619)
Total other income (expense)	<u>681,479</u>	<u>(14,711)</u>	<u>29,837</u>
<b>Income before income tax</b>	<u>1,019,404</u>	<u>293,919</u>	<u>219,107</u>
Income tax (expense) benefit	(927)	(2,681)	6,830
<b>Net income</b>	<u>1,018,477</u>	<u>291,238</u>	<u>225,937</u>
Net income attributable to non-controlling interests	(1,792)	(1,445)	(889)
<b>Net income attributable to MPT common stockholders</b>	<u>\$ 1,016,685</u>	<u>\$ 289,793</u>	<u>\$ 225,048</u>
<b>Earnings per share — basic</b>			
Net income attributable to MPT common stockholders	<u>\$ 2.77</u>	<u>\$ 0.82</u>	<u>\$ 0.86</u>
Weighted average shares outstanding — basic	<u>365,364</u>	<u>349,902</u>	<u>260,414</u>
<b>Earnings per share — diluted</b>			
Net income attributable to MPT common stockholders	<u>\$ 2.76</u>	<u>\$ 0.82</u>	<u>\$ 0.86</u>
Weighted average shares outstanding — diluted	<u>366,271</u>	<u>350,441</u>	<u>261,072</u>

See accompanying notes to consolidated financial statements.



**MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	For the Years Ended December 31,		
	2018	2017	2016
	(Amounts in thousands)		
Net income	\$ 1,018,477	\$ 291,238	\$ 225,937
Other comprehensive income (loss):			
Unrealized (loss) gain on interest rate swap	(3,317)	—	2,904
Foreign currency translation (loss) gain	(28,836)	66,854	(22,923)
Total comprehensive income	986,324	358,092	205,918
Comprehensive income attributable to non-controlling interests	(1,792)	(1,445)	(889)
Comprehensive income attributable to MPT common stockholders	\$ 984,532	\$ 356,647	\$ 205,029

**MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016**

	Preferred		Common		Additional Paid-in Capital	Related Earnings (Deficit)	Accumulated Other Comprehensive Loss	Treasury Shares	Non-Controlling Interests	Total Equity
	Shares	Par Value	Shares	Par Value						
	(Amounts in thousands, except for per share data)									
<b>Balance at December 31, 2015</b>	—	\$ —	236,744	\$ 237	\$ 2,593,827	\$ (418,650)	\$ (72,884)	\$ (262)	\$ 4,997	\$ 2,107,265
Net income	—	—	—	—	—	225,048	—	—	889	225,937
Unrealized gain on interest rate swap	—	—	—	—	—	—	2,904	—	—	2,904
Foreign currency translation loss	—	—	—	—	—	—	(22,923)	—	—	(22,923)
Stock vesting and amortization of stock-based compensation	—	—	1,021	1	7,941	—	—	—	—	7,942
Distributions to non-controlling interests	—	—	—	—	—	—	—	—	(1,036)	(1,036)
Proceeds from offering (net of offering costs)	—	—	82,749	83	1,173,568	—	—	—	—	1,173,651
Dividends declared (\$0.91 per common share)	—	—	—	—	—	(240,512)	—	—	—	(240,512)
<b>Balance at December 31, 2016</b>	—	\$ —	320,514	\$ 321	\$ 3,775,336	\$ (434,114)	\$ (92,903)	\$ (262)	\$ 4,850	\$ 3,253,228
Net income	—	—	—	—	—	289,793	—	—	1,445	291,238
Sale of non-controlling interests	—	—	—	—	—	—	—	—	10,000	10,000
Foreign currency translation gain	—	—	—	—	—	—	66,854	—	—	66,854
Stock vesting and amortization of stock-based compensation	—	—	785	—	9,949	—	—	—	—	9,949
Treasury shares acquired (41,270 shares)	—	—	—	—	—	—	—	(515)	—	(515)
Distributions to non-controlling interests	—	—	—	—	—	—	—	—	(1,723)	(1,723)
Proceeds from offering (net of offering costs)	—	—	43,125	43	547,742	—	—	—	—	547,785
Dividends declared (\$0.96 per common share)	—	—	—	—	—	(341,611)	—	—	—	(341,611)
<b>Balance at December 31, 2017</b>	—	\$ —	364,424	\$ 364	\$ 4,333,027	\$ (485,932)	\$ (26,049)	\$ (777)	\$ 14,572	\$ 3,835,205
Net income	—	—	—	—	—	1,016,685	—	—	1,792	1,018,477
Cumulative effect of change in accounting principles	—	—	—	—	—	1,938	—	—	—	1,938
Unrealized loss on interest rate swap	—	—	—	—	—	—	(3,317)	—	—	(3,317)
Foreign currency translation loss	—	—	—	—	—	—	(28,836)	—	—	(28,836)
Stock vesting and amortization of stock-based compensation	—	—	599	1	16,504	—	—	—	—	16,505
Redemption of MOP units	—	—	—	—	(816)	—	—	—	—	(816)
Distributions to non-controlling interests	—	—	—	—	—	—	—	—	(2,534)	(2,534)
Proceeds from offering (net of offering costs)	—	—	5,614	6	94,233	—	—	—	—	94,239
Dividends declared (\$1.00 per common share)	—	—	—	—	—	(369,923)	—	—	—	(369,923)
<b>Balance at December 31, 2018</b>	—	\$ —	370,637	\$ 371	\$ 4,442,948	\$ 162,768	\$ (58,202)	\$ (777)	\$ 13,830	\$ 4,560,938

See accompanying notes to consolidated financial statements.



**MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	For the Years Ended December 31,		
	2018	2017	2016
	(Amounts in thousands)		
<b>Operating activities</b>			
Net income	\$ 1,018,477	\$ 291,238	\$ 225,937
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	141,492	131,979	97,601
Amortization of deferred financing costs and debt discount	7,363	6,521	7,613
Direct financing lease interest accretion	(9,783)	(9,933)	(9,120)
Straight-line rent revenue	(90,811)	(70,808)	(41,567)
Share-based compensation	16,505	9,949	7,942
Gain from sale of real estate and other, net	(719,392)	(7,431)	(61,224)
Impairment charges	48,007	—	7,229
Straight-line rent and other write-off	18,002	5,340	3,063
Debt refinancing costs	—	32,574	22,539
Other adjustments	(3,768)	(1,204)	3,563
Changes in:			
Interest and rent receivables	46,498	(21,116)	(13,247)
Other assets	(18,051)	(5,318)	(19,202)
Accounts payable and accrued expenses	(5,596)	2,494	41,583
Deferred revenue	145	(2,050)	(8,872)
Net cash provided by operating activities	449,088	362,235	263,838
<b>Investing activities</b>			
Cash paid for acquisitions and other related investments	(1,430,995)	(2,246,788)	(1,682,409)
Net proceeds from sale of real estate	1,513,666	64,362	198,767
Principal received on loans receivable	885,917	8,480	906,757
Investment in loans receivable	(212,002)	(19,338)	(109,027)
Construction in progress and other	(53,967)	(73,812)	(171,209)
Investment in unsecured senior notes	—	—	(50,000)
Proceeds from sale of unsecured senior notes	—	—	50,000
Other investments, net	(138,441)	(94,970)	(69,423)
Net cash provided by (used for) investing activities	564,178	(2,362,066)	(926,544)

**MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**

	For the Years Ended December 31,		
	2018	2017	2016
	(Amounts in thousands)		
<b>Financing activities</b>			
Proceeds from term debt	759,735	2,355,280	1,000,000
Payments of term debt	—	(1,038,221)	(575,299)
Payment of deferred financing costs	—	(32,794)	(15,468)
Revolving credit facilities, net	(811,718)	550,415	(810,000)
Distributions paid	(363,906)	(326,729)	(218,393)
Lease deposits and other obligations to tenants	(20,606)	27,525	14,557
Proceeds from sale of common shares, net of offering costs	94,239	547,785	1,173,651
Other financing activities	(3,614)	(12,984)	(16,485)
Net cash (used for) provided by financing activities	(345,870)	2,070,277	552,563
Increase (decrease) in cash, cash equivalents, and restricted cash for the year	667,396	70,446	(110,143)
Effect of exchange rate changes	(17,218)	16,920	(3,003)
Cash, cash equivalents, and restricted cash at beginning of year	172,247	84,881	198,027
<b>Cash, cash equivalents, and restricted cash at end of year</b>	<b>\$ 822,425</b>	<b>\$ 172,247</b>	<b>\$ 84,881</b>
Interest paid, including capitalized interest of \$1,480 in 2018, \$840 in 2017, and \$2,320 in 2016	\$ 221,779	\$ 149,798	\$ 138,770
Supplemental schedule of non-cash financing activities:			
Dividends declared, not paid	\$ 95,419	\$ 89,403	\$ 74,521
Cash, cash equivalents, and restricted cash are comprised of the following:			
Beginning of period:			
Cash and cash equivalents	\$ 171,472	\$ 83,240	\$ 195,541
Restricted cash, included in Other assets	775	1,641	2,486
	\$ 172,247	\$ 84,881	\$ 198,027
End of period:			
Cash and cash equivalents	\$ 820,868	\$ 171,472	\$ 83,240
Restricted cash, included in Other assets	1,557	775	1,641



**MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**1. ORGANIZATION**

Medical Properties Trust, Inc., a Maryland corporation, was formed on August 27, 2003, under the General Corporation Law of Maryland for the purpose of engaging in the business of investing in, owning, and leasing healthcare real estate. Our operating partnership subsidiary, MPT Operating Partnership, L.P., through which we conduct all of our operations, was formed in September 2003. Through another wholly-owned subsidiary, Medical Properties Trust, LLC, we are the sole general partner of the Operating Partnership. At present, we directly own substantially all of the limited partnership interests in the Operating Partnership and have elected to report our required disclosures and that of the Operating Partnership on a combined basis, except where material differences exist.

We have operated as a real estate investment trust ("REIT") since April 6, 2004, and accordingly, elected REIT status upon the filing in September 2005 of the calendar year 2004 federal income tax return. Accordingly, we will generally not be subject to United States ("U.S.") federal income tax, provided that we continue to qualify as a REIT and our distributions to our stockholders equal or exceed our taxable income.

Our primary business strategy is to acquire and develop real estate and improvements, primarily for long-term lease to providers of healthcare services such as operators of general acute care hospitals, inpatient physical rehabilitation hospitals, long-term acute care hospitals, surgery centers, centers for treatment of specific conditions such as cardiac, pulmonary, cancer, and neurological hospitals, and other healthcare-oriented facilities. We also make mortgage and other loans to operators of similar facilities. In addition, we may obtain profits or equity interests in our tenants, from time to time, in order to enhance our overall return. We manage our business as a single business segment. All of our properties are located in the U.S. and Europe.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Use of Estimates:* The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Principles of Consolidation:* Property holding entities and other subsidiaries of which we own 100% of the equity or have a controlling financial interest evidenced by ownership of a majority voting interest are consolidated. All inter-company balances and transactions are eliminated. For entities in which we own less than 100% of the equity interest, we consolidate the property if we have the direct or indirect

ability to control the entities' activities based upon the terms of the respective entities' ownership agreements. For these entities, we record a non-controlling interest representing equity held by non-controlling interests.

We continually evaluate all of our transactions and investments to determine if they represent variable interests in a variable interest entity ("VIE"). If we determine that we have a variable interest in a VIE, we then evaluate if we are the primary beneficiary of the VIE. The evaluation is a qualitative assessment as to whether we have the ability to direct the activities of a VIE that most significantly impact the entity's economic performance. We consolidate each VIE in which we, by virtue of or transactions with our investments in the entity, are considered to be the primary beneficiary.

At December 31, 2018, we had loans and/or equity investments in certain VIEs, which are also tenants of our facilities. We have determined that we are not the primary beneficiary of these VIEs. The carrying value and classification of the related assets and maximum exposure to loss as a result of our involvement with these VIEs are presented below at December 31, 2018 (in thousands):

VIE Type	Maximum Loss Exposure (1)	Asset Type Classification	Carrying Amount (2)
Equity investments	\$ 17,187	Other assets	\$ —

(1) Our maximum loss exposure related to our equity investment in VIEs represent the current carrying values of such investment plus any other related assets (such as rent receivables) less any liabilities.

(2) Carrying amount reflects the net book value of our equity interest only in the VIE.

For the VIE types above, we do not consolidate the VIE because we do not have the ability to control the activities (such as the day-to-day healthcare operations of our borrowers or investees) that most significantly impact the VIE's economic performance. As of December 31, 2018, we were not required to provide financial support through a liquidity arrangement or otherwise to our unconsolidated VIEs, including circumstances in which it could be exposed to further losses (e.g., cash short falls).

Typically, our loans are collateralized by assets of the borrower (some assets of which are on the premises of facilities owned by us) and further supported by limited guarantees made by certain principals of the borrower.

*Investments in Unconsolidated Entities:* Investments in entities in which we have the ability to significantly influence (but not control) are accounted for by the equity method, such as our joint venture with

Primotop as discuss in Note 3. Under the equity method of accounting, our share of the investee's earnings or losses are included in the other income line of our consolidated statements of net income. Except for our joint venture with Primotop, we have elected to record our share of such investee's earnings or losses on a 90-day lag basis. The initial carrying value of investments in unconsolidated entities is based on the amount paid to purchase the interest in the investee entity. Subsequently, our investments are increased/decreased by our share in the investees' earnings/losses and decreased by cash distributions from our investees. To the extent that our cost basis is different from the basis reflected at the investee entity level, the basis difference is generally amortized over the lives of the related assets and liabilities, and such amortization is included in our share of equity in earnings of the investee.

We evaluate our equity method investments for impairment based upon a comparison of the fair value of the equity method investment to its carrying value, when impairment indicators exist. If we determine a decline in the fair value of an investment in an unconsolidated investee entity below its carrying value is other-than-temporary, and impairment is recorded.

Investments in entities in which we do not control nor do we have the ability to significantly influence and for which there is no readily determinable fair value (such as our investments in Steward Health Care System LLC ("Steward") and Median Kliniken S.á.r.l. ("MEDIAN")) are accounted for at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions involving the investee.

*Cash and Cash Equivalents:* Certificates of deposit, short-term investments with original maturities of three months or less and money-market mutual funds are considered cash equivalents. The majority of our cash and cash equivalents are held at major commercial banks, which at times may exceed the Federal Deposit Insurance Corporation limit. We have not experienced any losses to date on our invested cash. Cash and cash equivalents which have been restricted as to its use are recorded in other assets.

*Revenue Recognition:* We receive income from operating leases based on the fixed, minimum required rents (base rents) per the lease agreements. Rent revenue from base rents is recorded on the straight-line method over the terms of the related lease agreements for new leases and the remaining terms of existing leases for those acquired as part of a property acquisition. The straight-line method records the periodic average amount of base rent earned over the term of a lease, taking into account contractual rent increases over the lease term. The straight-line method typically has the effect of recording more rent revenue from a lease than a tenant is required to pay early in the term of the lease. During the later parts of a lease term, this effect reverses with less rent revenue recorded than a tenant is required to pay. Rent revenue, as recorded on the straight-line method, in the consolidated statements of net

income is presented as two amounts: rent billed and straight-line revenue. Rent billed revenue is the amount of base rent actually billed to our tenants each period as required by the lease. Straight-line rent revenue is the difference between rent revenue earned based on the straight-line method and the amount recorded as rent billed revenue. We record the difference between base rent revenues earned and amounts due per the respective lease agreements, as applicable, as an increase or decrease to straight-line rent receivable.

We also receive additional rent (contingent rent) under some leases based on increases in the consumer price index ("CPI") or when CPI exceeds the annual minimum percentage increase as stipulated in the lease. Contingent rents are recorded as rent billed revenue in the period earned. Rental payments received prior to their recognition as income are classified as deferred revenue.

We use direct financial lease ("DFL") accounting to record rent on certain leases deemed to be financing leases, per accounting rules, rather than operating leases. For leases accounted for as DFLs, the future minimum lease payments are recorded as a receivable. The difference between the future minimum lease payments and the estimated residual values less the cost of the properties is recorded as unearned income. Unearned income is deferred and amortized to income over the lease terms to provide a constant yield when collectability of the lease payments is reasonably assured. Investments in DFLs are presented net of unearned income.

We begin recording base rent income from our development projects when the lessee takes physical possession of the facility, which may be different from the stated start date of the lease. Also, during construction of our development projects, we may be entitled to accrue rent based on the cost paid during the construction period (construction period rent). We accrue construction period rent as a receivable with a corresponding offset to deferred revenue during the construction period. When the lessee takes physical possession of the facility, we begin recognizing the deferred construction period revenue on the straight-line method over the term of the lease.

We receive interest income from our tenants/borrowers on mortgage loans, working capital loans, and other long-term loans. Interest income from these loans is recognized as earned based upon the principal outstanding and terms of the loans.

Commitment fees received from lessees for development and leasing services are initially recorded as deferred revenue and recognized as income over the initial term of a lease to produce a constant effective yield on the lease (interest method). Commitment and origination fees from lending services are also recorded as deferred revenue initially and recognized as income over the life of the loan using the interest method.



Tenant payments for certain taxes, insurance, and other operating expenses related to our facilities (most of which are paid directly by our tenants to the government or appropriate third party vendor) are recorded net of the respective expense as generally our leases are “triple-net” leases, with terms requiring such expenses to be paid by our tenants. Failure on the part of our tenants to pay such expense or to pay late would result in a violation of the lease agreement, which could lead to an event of default, if not cured.

In regards to property disposals, starting January 1, 2018, we account for such transactions pursuant to ASU No. 2014-09, “Revenue from Contracts with Customers,” (“ASU 2014-09”). Under this guidance, we recognize a sale of real estate when control has been transferred to the buyer and collection of the sales price is probable. Prior to 2018, we could not recognize a sale if we had continuing involvement in the real estate. Upon adoption of the new accounting guidance, we recorded a \$2 million adjustment to retained earnings to fully recognize a gain on real estate sold in prior years that was required to be deferred under old accounting guidance.

*Acquired Real Estate Purchase Price Allocation:* Since January 1, 2018 with adoption of ASU No. 2017-01, “Clarifying the Definition of a Business” (“ASU 2017-01”), all of our property acquisitions have been accounted for as asset acquisitions. Prior to 2018, properties acquired for leasing purposes were accounted for using business combination accounting rules. The primary impact to us from this change in accounting is the capitalization of third party transaction costs that are directly related to the acquisition as these costs were expensed under business combination accounting rules. Under either accounting method, we allocate the purchase price of acquired properties to tangible and identified intangible assets acquired based on their fair values. In making estimates of fair values for purposes of allocating purchase prices of acquired real estate, we may utilize a number of sources, from time to time, including available real estate broker data, independent appraisals that may be obtained in connection with the acquisition or financing of the respective property, internal data from previous acquisitions or developments, and other market data. We also consider information obtained about each property as a result of our pre-acquisition due diligence, marketing, and leasing activities in estimating the fair value of the tangible and intangible assets acquired.

We measure the aggregate value of lease intangible assets acquired based on the difference between (i) the property valued with new or in-place leases adjusted to market rental rates and (ii) the property valued as if vacant. Management’s estimates of value are made using methods similar to those used by independent appraisers (e.g., discounted cash flow analysis). Factors considered by management in our analysis include an estimate of carrying costs during hypothetical expected lease-up periods, considering current market conditions, and costs to execute similar leases. We also consider information obtained about each targeted facility as a result of our pre-acquisition due diligence, marketing, and leasing activities in estimating the fair value of the intangible assets acquired. In estimating carrying

costs, management includes real estate taxes, insurance and other operating expenses and estimates of lost rentals at market rates during the expected lease-up periods, which we expect to be about six months depending on specific local market conditions. Management also estimates costs to execute similar leases including leasing commissions, legal costs, and other related expenses to the extent that such costs are not already incurred in connection with a new lease origination as part of the transaction.

We record above-market and below-market in-place lease values, if any, for our facilities, which are based on the present value of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management’s estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining non-cancelable term of the lease. We amortize any resulting capitalized above-market lease values as a reduction of rental income over the lease term. We amortize any resulting capitalized below-market lease values as an increase to rental income over the lease term.

Other intangible assets acquired may include customer relationship intangible values which are based on management’s evaluation of the specific characteristics of each prospective tenant’s lease and our overall relationship with that tenant. Characteristics to be considered by management in allocating these values include the nature and extent of our existing business relationships with the tenant, growth prospects for developing new business with the tenant, the tenant’s credit quality and expectations of lease renewals, including those existing under the terms of the lease agreement, among other factors.

We amortize the value of these intangible assets to expense over the term of the respective leases. If a lease is terminated early, the unamortized portion of the lease intangibles are charged to expense.

*Real Estate and Depreciation:* Real estate, consisting of land, buildings and improvements, are maintained at cost. Although typically paid by our tenants, any expenditure for ordinary maintenance and repairs that we pay are expensed to operations as incurred. Significant renovations and improvements which improve and/or extend the useful life of the asset are capitalized and depreciated over their estimated useful lives. We record impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets, including an estimated liquidation amount, during the expected holding periods are less than the carrying amounts of those assets. Impairment losses are measured as the difference between carrying value and fair value of the assets. For assets held for sale, we cease recording depreciation expense and adjust the assets’ value to the lower of its carrying value or fair value, less cost of disposal. Fair value is based on estimated cash flows discounted at a risk-adjusted rate of interest. We classify real estate assets as held for sale when we have commenced an active program to sell the assets, and in the opinion of management, it is probable the asset will be sold within the next 12 months.

Construction in progress includes the cost of land, the cost of construction of buildings, improvements and fixed equipment, and costs for design and engineering. Other costs, such as interest, legal, property taxes and corporate project supervision, which can be directly associated with the project during construction, are also included in construction in progress. We commence capitalization of costs associated with a development project when the development of the future asset is probable and activities necessary to get the underlying property ready for its intended use have been initiated. We stop the capitalization of costs when the property is substantially complete and ready for its intended use.

Depreciation is calculated on the straight-line method over the estimated useful lives of the related real estate and other assets. Our weighted average useful lives at December 31, 2018 are as follows:

Buildings and improvements . . . . .	39.2 years
Tenant lease intangibles . . . . .	26.0 years
Leasehold improvements . . . . .	16.4 years
Furniture, equipment and other . . . . .	9.8 years

*Losses from Rent Receivables:* For all leases, we continuously monitor the performance of our existing tenants including, but not limited to: admission levels and surgery/procedure volumes by type; current operating margins; ratio of our tenants' operating margins both to facility rent and to facility rent plus other fixed costs; trends in cash collections; trends in revenue and patient mix; and the effect of evolving healthcare regulations on tenants' profitability and liquidity.

*Losses from Operating Lease Receivables:* We utilize the information above along with the tenant's payment and default history in evaluating (on a property-by-property basis) whether or not a provision for losses on outstanding rent receivables is needed. A provision for losses on rent receivables (including straight-line rent receivables) is ultimately recorded when it becomes probable that the receivable will not be collected in full. The provision is an amount which reduces the receivable to its estimated net realizable value based on a determination of the eventual amounts to be collected either from the debtor or from existing collateral, if any.

*Losses on DFL Receivables:* Allowances are established for DFLs based upon an estimate of probable losses on a property-by-property basis. DFLs are impaired when it is deemed probable that we will be unable to collect all amounts due in accordance with the contractual terms of the lease. Like operating lease receivables, the need for an allowance is based upon our assessment of the lessee's overall financial condition; economic resources and payment record; the prospects for support from any financially responsible guarantors; and, if appropriate, the realizable value of any collateral. These estimates consider all available evidence including the expected future

cash flows discounted at the DFL's effective interest rate, fair value of collateral, and other relevant factors, as appropriate. DFLs are placed on non-accrual status when we determine that the collectability of contractual amounts is not reasonably assured. If on non-accrual status, we generally account for the DFLs on a cash basis, in which income is recognized only upon receipt of cash.

*Loans:* Loans consist of mortgage loans, working capital loans and other long-term loans. Mortgage loans are collateralized by interests in real property. Working capital and other long-term loans are generally collateralized by interests in receivables and corporate and individual guarantees. We record loans at cost. We evaluate the collectability of both interest and principal on a loan-by-loan basis (using the same process as we do for assessing the collectability of rents) to determine whether they are impaired. A loan is considered impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due according to the existing contractual terms. When a loan is considered to be impaired, the amount of the allowance is calculated by comparing the recorded investment to either the value determined by discounting the expected future cash flows using the loan's effective interest rate or to the fair value of the collateral, if the loan is collateral dependent. If a loan is deemed to be impaired, we generally place the loan on non-accrual status and record interest income only upon receipt of cash.

*Earnings Per Share:* Basic earnings per common share is computed by dividing net income applicable to common shares by the weighted number of shares of common stock outstanding during the period. Diluted earnings per common share is calculated by including the effect of dilutive securities.

Our unvested restricted stock awards contain non-forfeitable rights to dividends, and accordingly, these awards are deemed to be participating securities. These participating securities are included in the earnings allocation in computing both basic and diluted earnings per common share.

*Income Taxes:* We conduct our business as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended ("the Code"). To qualify as a REIT, we must meet certain organizational and operational requirements, including a requirement to distribute to stockholders at least 90% of our REIT's ordinary taxable income. As a REIT, we generally pay little U.S. federal and state income tax because of the dividends paid deduction that we are allowed to take. If we fail to qualify as a REIT in any taxable year, we will then be subject to U.S. federal income taxes on our taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year during which qualification is lost, unless the Internal Revenue Service grants us relief under certain statutory provisions. Such an event could materially adversely affect our net income and net cash available for distribution to stockholders. However, we intend to operate in such a manner so that we will remain qualified as a REIT for U.S. federal income tax purposes.



Our financial statements include the operations of a taxable REIT subsidiary (“TRS”), MPT Development Services, Inc. (“MDS”), and with many other entities, which are single member LLCs that are disregarded for tax purposes and are reflected in the tax returns of MDS. MDS is not entitled to a dividends paid deduction and is subject to U.S. federal, state, and local income taxes. MDS is authorized to provide property development, leasing, and management services for third-party owned properties, and we will make non-mortgage loans to and/or investments in our lessees through this entity.

With the property acquisitions and investments in Europe, we are subject to income taxes internationally. However, we do not expect to incur any additional income taxes in the U.S. as such income from our international properties flows through our REIT income tax returns. For our TRS and international subsidiaries, we determine deferred tax assets and liabilities based on the differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Any increase or decrease in our deferred tax assets/liabilities that results from a change in circumstances and that causes us to change our judgment about expected future tax consequences of events, is reflected in our tax provision when such changes occur. Deferred income taxes also reflect the impact of operating loss carryforwards. A valuation allowance is provided if we believe it is more likely than not that all or some portion of our deferred tax assets will not be realized. Any increase or decrease in the valuation allowance that results from a change in circumstances, and that causes us to change our judgment about our ability to realize the related deferred tax asset, is reflected in our tax provision when such changes occur.

The calculation of our income taxes involves dealing with uncertainties in the application of complex tax laws and regulations in a multitude of jurisdictions across our global operations. An income tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, on the basis of technical merits. However, if a more likely than not position cannot be reached, we record a liability as an off-set to the tax benefit and adjust the liabilities when our judgment changes as a result of the evaluation of new information not previously available. Because of the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the uncertain tax position liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which new information is available.

*Stock-Based Compensation:* We adopted the 2013 Equity Incentive Plan (the “Equity Incentive Plan”) during the second quarter of 2013. Awards of restricted stock, stock options and other equity-based awards with service conditions are amortized to compensation expense over the vesting periods (typically three years), using the straight-line method. Awards that contain market conditions are amortized to compensation expense over the derived vesting periods, which correspond to the periods over which we estimate the awards will be earned, which generally range from three to five years, using

the straight-line method. Awards with performance conditions are amortized using the straight-line method over the service period in which the performance conditions are measured, adjusted for the probability of achieving the performance conditions. Forfeitures of stock-based awards are recognized as they occur.

*Deferred Costs:* Costs incurred that directly relate to the offerings of stock are deferred and netted against proceeds received from the offering. Leasing commissions and other leasing costs directly attributable to tenant leases are capitalized as deferred leasing costs and amortized on the straight-line method over the terms of the related lease agreements. Costs identifiable with loans made to borrowers are capitalized and recognized as a reduction in interest income over the life of the loan.

*Deferred Financing Costs:* We generally capitalize financing costs incurred in connection with new financings and refinancings of debt. These costs are amortized over the lives of the related debt as an addition to interest expense. For debt with defined principal re-payment terms, the deferred costs are amortized to produce a constant effective yield on the debt (interest method) and are included within Debt, net on our consolidated balance sheets. For debt without defined principal repayment terms, such as our revolving credit facility, the deferred costs are amortized on the straight-line method over the term of the debt and are included as a component of Other assets on our consolidated balance sheets.

*Foreign Currency Translation and Transactions:* Certain of our international subsidiaries’ functional currencies are the local currencies of their respective countries. We translate the results of operations of our foreign subsidiaries into U.S. dollars using average rates of exchange in effect during the period, and we translate balance sheet accounts using exchange rates in effect at the end of the period. We record resulting currency translation adjustments in accumulated other comprehensive income (loss), a component of stockholders’ equity on our consolidated balance sheets.

Certain of our U.S. subsidiaries will enter into short-term and long-term transactions denominated in a foreign currency from time to time. Gains or losses resulting from these foreign currency transactions are translated into U.S. dollars at the rates of exchange prevailing at the dates of the transactions. The effects of transaction gains or losses on our short-term transactions are included in other income in the consolidated statements of income, while the translation effects on our long-term investments are recorded in accumulated other comprehensive income (loss) on our consolidated balance sheets.

*Derivative Financial Investments and Hedging Activities:* During our normal course of business, we may use certain types of derivative instruments for the purpose of managing interest rate and/or foreign currency risk. We record our derivative and hedging instruments at fair value on the balance sheet. Changes in the estimated fair value of derivative instruments that are not designated as hedges or that do not meet the criteria for hedge accounting are recognized in earnings. For derivatives designated

as cash flow hedges, the change in the estimated fair value of the effective portion of the derivative is recognized in accumulated other comprehensive income (loss) on our consolidated balance sheets, whereas the change in the estimated fair value of the ineffective portion is recognized in earnings. For derivatives designated as fair value hedges, the change in the estimated fair value of the effective portion of the derivatives offsets the change in the estimated fair value of the hedged item, whereas the change in the estimated fair value of the ineffective portion is recognized in earnings.

To qualify for hedge accounting, we formally document all relationships between hedging instruments and hedged items, as well as our risk management objective and strategy for undertaking the hedge prior to entering into a derivative transaction. This process includes specific identification of the hedging instrument and the hedge transaction, the nature of the risk being hedged and how the hedging instrument's effectiveness in hedging the exposure to the hedged transaction's variability in cash flows attributable to the hedged risk will be assessed. Both at the inception of the hedge and on an ongoing basis, we assess whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows or fair values of hedged items. In addition, for cash flow hedges, we assess whether the underlying forecasted transaction will occur. We discontinue hedge accounting if a derivative is not determined to be highly effective as a hedge or that it is probable that the underlying forecasted transaction will not occur.

*Fair Value Measurement:* We measure and disclose the estimated fair value of financial assets and liabilities utilizing a hierarchy of valuation techniques based on whether the inputs to a fair value measurement are considered to be observable or unobservable in a marketplace. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. This hierarchy requires the use of observable market data when available. These inputs have created the following fair value hierarchy:

*Level 1* — quoted prices for *identical* instruments in active markets;

*Level 2* — quoted prices for *similar* instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which significant inputs and significant value drivers are observable in active markets; and

*Level 3* — fair value measurements derived from valuation techniques in which one or more significant inputs or significant value drivers are *unobservable*.

We measure fair value using a set of standardized procedures that are outlined herein for all assets and liabilities which are required to be measured at their estimated fair value on either a recurring or non-recurring basis. When available, we utilize quoted market prices from an independent third party source to determine fair value and classify such items in Level 1. In some instances where a market price

is available, but the instrument is in an inactive or over-the-counter market, we apply the dealer (market maker) pricing estimate and classify the asset or liability in Level 2.

If quoted market prices or inputs are not available, fair value measurements are based upon valuation models that utilize current market or independently sourced market inputs, such as interest rates, option volatilities, credit spreads, market capitalization rates, etc. Items valued using such internally-generated valuation techniques are classified according to the lowest level input that is significant to the fair value measurement. As a result, the asset or liability could be classified in either Level 2 or 3 even though there may be some significant inputs that are readily observable. Internal fair value models and techniques used by us include discounted cash flow and Monte Carlo valuation models. We also consider our counterparty's and own credit risk on derivatives and other liabilities measured at their estimated fair value.

*Fair Value Option Election:* For our equity interest in Ernest Health, Inc. ("Ernest") along with any related loans (all of which other than the mortgage loans were sold or paid off on October 4, 2018 - see Note 3 for more details), we have elected to account for these investments at fair value due to the size of the investments and because we believe this method is more reflective of current values. We have not made a similar election for other equity interests or loans that existed at December 31, 2018.

*Reclassifications:* Certain amounts in the consolidated financial statements for prior periods have been reclassified to conform to the current period presentation.

## RECENT ACCOUNTING DEVELOPMENTS:

### LEASES

In February 2016, the FASB issued ASU 2016-02, "Leases", which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either financing or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. In July 2018, the FASB issued ASU 2018-11, "Leases (Topic



842): Targeted Improvements” (“ASU 2018-11”), allowing companies to record a cumulative adjustment to retained earnings in the period of adoption rather than requiring the restatement of prior periods.

This standard is effective for us on January 1, 2019. We do have leases in which we are the lessee, including ground leases, on which certain of our facilities reside, along with corporate office and equipment leases. Although we do not expect any change in the current operating lease classification of these leases, we will record a right-of-use asset and a lease liability on our balance sheet upon adoption of this standard, which we estimate to be between \$80 million to \$90 million with any difference recorded as a cumulative adjustment in equity. From a lessor perspective, we do not expect any change in the current classification and accounting of our existing leases. However, we do expect certain non-lease components (such as certain operating expenses that we pay and our tenants reimburse us for pursuant to our “triple-net” leases) to be recorded gross versus net of the respective expenses upon adoption of this standard in 2019 in accordance with ASU No. 2014-09, “Revenue from Contracts with Customers (Topic 606)”. For those operating expenses that our tenants pay directly to third parties pursuant to our leases, we will continue to present on a net basis.

### 3. REAL ESTATE ACTIVITIES

#### ACQUISITIONS

For the years ended December 31, 2018, 2017, and 2016, we acquired the following assets:

	2018	2017	2016
Assets Acquired	(Amounts in thousands)		
Land .....	\$ 71,880	\$ 240,993	\$ 91,071
Building .....	686,739	985,219	655,324
Intangible lease assets – subject to amortization (weighted average useful life of 27.9 years in 2018, 27.7 years in 2017 and 28.5 years in 2016 ) .....	90,651	181,004	94,167
Net investments in direct financing leases .....	–	40,450	178,000
Mortgage loans .....	–	700,000	600,000
Other loans .....	336,458	–	–
Equity investments and other assets .....	245,267	100,000	70,166
Liabilities assumed .....	–	(878)	(6,319)
Total assets acquired .....	\$ 1,430,995	\$ 2,246,788	\$ 1,682,409
Loans repaid(1) .....	(764,447)	–	(193,262)
Total net assets acquired .....	\$ 666,548	\$ 2,246,788	\$ 1,489,147

(1) The 2018 column includes \$0.8 billion of loans advanced to Steward in 2016 and repaid in 2018 as part of sale leaseback conversion described below. The 2016 column includes \$93.3 million of loans advanced to Capella (2) in 2015 and repaid in 2016 as a part of the Capella transaction, along with \$100.0 million of loans advanced to Prime Healthcare Services, Inc. (“Prime”) in 2015 and repaid in 2016 as part of the sale leaseback conversion of four properties in New Jersey.

(2) In 2018, LifePoint Health, Inc. (“LifePoint”) merged with RCCH, who acquired Capella Healthcare, Inc. (“Capella”) in 2016. Any reference to either LifePoint, RCCH, or Capella represent the same entity.

#### 2018 ACTIVITY

##### JOINT VENTURE TRANSACTION

On August 31, 2018, we completed a joint venture arrangement with Primotop Holdings S.à.r.l. (“Primotop”) pursuant to which we contributed 71 of our post-acute hospitals in Germany, with an aggregate fair value of €1.635 billion, for a 50% interest, while Primotop contributed cash for its 50% interest in the joint venture. As part of the transaction, we received an aggregate amount of approximately €1.14 billion, from the proceeds of the cash contributed by Primotop and the secured debt financing placed on the joint venture’s real estate (as more fully discussed in Note 4), and we recognized an approximate €500 million gain on sale. Our interest in the joint venture is made up of a 50% equity investment valued at approximately €210 million, which is being accounted for under the equity method of accounting, and a €290 million shareholder loan (with terms identical to Primotop’s shareholder loan).

##### OTHER TRANSACTIONS

On August 31, 2018, we acquired an acute care facility in Pasco, Washington for \$17.5 million. The property is leased to RCCH, pursuant to the existing long-term master lease entered into with RCCH in April 2016.

On August 28, 2018, we acquired three inpatient rehabilitation hospitals in Germany for €17.3 million (including real estate transfer taxes). These hospitals are part of a four-hospital portfolio that we agreed to purchase for an aggregate amount of €23 million (including real estate transfer taxes) in June 2018 – see Note 13 for an update on the final property in this portfolio. The properties are leased to MEDIAN, pursuant to a new 27-year master lease with annual escalators at the greater of 1% or 70% of the change in German CPI.

During 2018, we acquired the fee simple real estate of five general acute care hospitals, four of which are located in Massachusetts and one located in Texas, from Steward Health Care System LLC (“Steward”) in exchange for the reduction of \$764.4 million of mortgage loans made to Steward in October 2016 and March 2018, along with additional cash consideration. These properties are being leased to Steward pursuant to the original master lease from October 2016 that had an initial 15-year term with three five-year extension options, plus CPI increases.

## 2017 ACTIVITY

### STEWARD TRANSACTIONS

On September 29, 2017, we acquired, from IASIS Healthcare LLC (“IASIS”), a portfolio of ten acute care hospitals and one behavioral health facility, along with ancillary land and buildings, that are located in Arizona, Utah, Texas, and Arkansas. The portfolio is now operated by Steward which separately completed its acquisition of the operations of IASIS on September 29, 2017. Our investment in the portfolio includes the acquisition of eight acute care hospitals and one behavioral health facility for approximately \$700 million, the making of \$700 million in mortgage loans on two acute care hospitals, and a \$100 million minority equity contribution in Steward, for a combined investment of approximately \$1.5 billion.

On May 1, 2017, we acquired eight hospitals previously affiliated with Community Health Systems, Inc. in Florida, Ohio, and Pennsylvania for an aggregate purchase price of \$301.3 million.

See “2016 Activity — Acquisition of Steward Portfolio” below for details of the master lease and mortgage loan terms.

### MEDIAN TRANSACTIONS

On November 29, 2017, we acquired three rehabilitation hospitals in Germany for an aggregate purchase price of €80 million. The facilities are leased to affiliates of MEDIAN, pursuant to a new long-term master lease. The lease began on November 30, 2017, and the term is for 27 years (ending in November 2044). The lease provides for increases in rent at the greater of one percent or 70% of the change in German CPI.

During the third quarter of 2017, we acquired two rehabilitation hospitals in Germany for an aggregate purchase price of €39.2 million, in addition to 11 rehabilitation hospitals in Germany that we acquired in the second quarter of 2017 for an aggregate purchase price of €127 million. These 13 properties are leased to affiliates of MEDIAN, pursuant to a third master lease entered into in 2016. (See “2016 Activity” below for details of this master lease.) These acquisitions are the final properties of the portfolio of 20 properties in Germany that we agreed to acquire in July 2016 for €215.7 million, of which seven properties totaling €49.5 million closed in December 2016.

On June 22, 2017, we acquired an acute care hospital in Germany for a purchase price of €19.4 million, of which €18.6 million was paid upon closing with the remainder being paid over four years. This property is leased to affiliates of MEDIAN, pursuant to an existing master lease agreement that ends in December 2042 with annual escalators at the greater of one percent or 70% of the change in German CPI.

On January 30, 2017, we acquired an inpatient rehabilitation hospital in Germany for €8.4 million. This acquisition was the final property to close as part of the six hospital portfolio that we agreed to buy in September 2016 for an aggregate amount of €44.1 million. This property is leased to affiliates of MEDIAN pursuant to the original long-term master lease agreement reached with MEDIAN in 2015.

### OTHER TRANSACTIONS

On June 1, 2017, we acquired the real estate assets of Ohio Valley Medical Center, a 218-bed acute care hospital located in Wheeling, West Virginia, and the East Ohio Regional Hospital, a 139-bed acute care hospital in Martins Ferry, Ohio, from Ohio Valley Health Services, a not-for-profit entity in West Virginia, for an aggregate purchase price of approximately \$40 million. We simultaneously leased the facilities to Alecto Healthcare Services LLC (“Alecto”), pursuant to a lease with a 15-year initial term with 2% annual minimum rent increases and three 5-year extension options. The facilities are cross-defaulted and cross-collateralized with our other hospitals currently operated by Alecto. With these acquisitions, we also obtained a 20% interest in the operator of these facilities.

On May 1, 2017, we acquired the real estate of St. Joseph Regional Medical Center, a 145-bed acute care hospital in Lewiston, Idaho for \$87.5 million. This facility is leased to RCCH, pursuant to the existing long-term master lease entered into with RCCH in April 2016.

## 2016 ACTIVITY

### ACQUISITION OF STEWARD PORTFOLIO

On October 3, 2016, we closed on a portfolio of nine acute care hospitals in Massachusetts operated by Steward. Our investment in the portfolio included the acquisition of five hospitals for \$600 million, the making of \$600 million in mortgage loans on four facilities, and a \$50 million minority equity contribution in Steward, for a combined investment of \$1.25 billion. The five facilities acquired are being leased to Steward under a master lease agreement that has a 15-year term (ending October 31, 2031) with three 5-year extension options, plus annual inflation-based escalators. The terms of the mortgage loan are substantially similar to the master lease.

### OTHER ACQUISITIONS

From October 27, 2016 to December 31, 2016, we acquired 12 rehabilitation hospitals in Germany for an aggregate purchase price to us of €85.2 million. Of these acquisitions, five properties (totaling €35.6 million) are leased to affiliates of MEDIAN, pursuant to a master lease agreement reached with MEDIAN in 2015. The remaining seven properties (totaling €49.5 million) are leased to affiliates of MEDIAN, pursuant to a third master lease that has terms similar to the original master lease in 2015 with a fixed 27-year lease term ending in August 2043.



On October 21, 2016, we acquired three general acute care hospitals and one free-standing emergency department and health center in New Jersey from Prime (as originally contemplated in the agreements) by reducing the \$100 million mortgage loan made in September 2015 and advancing an additional \$15 million. We are leasing these properties to Prime pursuant to a fifth master lease, which has a 15-year initial term (ending in May 2031) with three five-year extension options, plus consumer-price indexed increases.

On July 22, 2016, we acquired an acute care facility in Olympia, Washington in exchange for a \$93.3 million loan and an additional \$7 million in cash, as contemplated in the initial Capella acquisition transaction in 2015. The terms of the Olympia lease are substantially similar to those of the master lease with Capella post lease amendment. See the Capella Disposal Transaction under the subheading "Disposals" below for further details on the terms of these leases.

On June 22, 2016, we closed on the final property of the initial MEDIAN transaction that began in 2014 for a purchase price of €41.6 million.

On May 2, 2016, we acquired an acute care hospital in Newark, New Jersey for an aggregate purchase price of \$63 million leased to Prime pursuant to the fifth master lease. Furthermore, we committed to advance an additional \$30 million to Prime over a three-year period to be used solely for capital additions to the real estate; any such addition will be added to the base upon which the lessee will pay us rents. None of the additional \$30 million has been funded to date.

## DEVELOPMENT ACTIVITIES

### 2018 ACTIVITY

During the year ended December 31, 2018, we completed the construction on Ernest Flagstaff. This \$25.5 million inpatient rehabilitation facility located in Flagstaff, Arizona opened on March 1, 2018 and is being leased to Ernest pursuant to a stand-alone lease, with terms similar to the original master lease.

### 2017 ACTIVITY

During 2017, we completed construction and began recording rental income on the following facilities:

- Adeptus Health, Inc. ("Adeptus Health") — We completed four acute care facilities for this tenant during 2017 totaling approximately \$68 million in development costs.
- IMED Group ("IMED") — Our general acute facility located in Valencia, Spain opened on March 31, 2017, and is being leased to IMED pursuant to a 30-year lease that provides for quarterly fixed

rent payments that started on October 1, 2017 with annual increases of 1% beginning April 1, 2020. Our ownership in this facility is effected through a joint venture between us and clients of AXA Real Estate, in which we own a 50% interest. Our share of the aggregate purchase and development cost of this facility is approximately €21 million.

In April 2017, we completed the acquisition of the long leasehold interest of a development site in Birmingham, England from the Circle Health Group ("Circle") (the tenant of our existing site in Bath, England) for a purchase price of £2.7 million. Simultaneously with the acquisition, we entered into contracts with the property landlord and Circle committing us to construct an acute care hospital on the site and have subsequently added a rehabilitation facility to the development. Our total development costs for both facilities are anticipated to be approximately £50 million. Circle is contracted to enter into a lease of the hospital following completion of construction for an initial 15-year term with rent to be calculated based on our total development costs.

On December 19, 2017, we entered into an agreement to finance the development of and lease an acute care hospital in Idaho Falls, Idaho, for \$113.5 million. This facility will be leased to Surgery Partners, Inc. ("Surgery Partners") pursuant to a long-term lease upon completion.

### 2016 ACTIVITY

During 2016, we completed construction and began recording rental income on the following facilities:

- Adeptus Health — We completed 19 acute care facilities for this tenant during 2016 totaling \$136.6 million.
- Ernest Toledo — This \$18.4 million inpatient rehabilitation facility located in Toledo, Ohio opened on April 1, 2016 and is being leased to Ernest pursuant to the original 2012 master lease.

See table below for a status summary of our current development projects (in thousands):

Property	Commitment	Costs Incurred as of December 31, 2018	Estimated Rent Commencement Date
Circle Health (Birmingham, England) . . . . .	\$ 43,288	\$ 28,881	2Q 2019
Circle Health Rehabilitation (Birmingham, England) . . . . .	21,505	9,081	3Q 2019
Surgery Partners (Idaho Falls, Idaho) . . . . .	113,468	46,210	1Q 2020
	<u>\$ 178,261</u>	<u>\$ 84,172</u>	

## DISPOSALS

### 2018 ACTIVITY

On October 4, 2018, we finalized a recapitalization agreement in which we sold our investment in the operations of Ernest and were repaid for our outstanding acquisition loans, working capital loans, and any unpaid interest. Total proceeds received from this transaction approximated \$176 million. We retained ownership of the real estate and secured mortgage loans of our Ernest properties.

On August 31, 2018, we completed the previously described joint venture arrangement with Primotop, in which we contributed the real estate of 71 of our post-acute hospitals in Germany, with a fair value of approximately €1.635 billion, resulting in a gain of approximately €500 million. See "2018 Activity" in this Note 3 for further details on this transaction.

On August 31, 2018, we sold a general acute care hospital located in Houston, Texas that was leased and operated by North Cypress for \$148 million. The transaction resulted in a gain on sale of \$102.4 million, which was partially offset by a net \$2.5 million non-cash charge to revenue to write-off related straight-line rent receivables.

On June 4, 2018, we sold three long-term acute care hospitals located in California, Texas, and Oregon, that were leased and operated by Vibra Healthcare, LLC ("Vibra"), which included our equity investment in operations of the Texas facility. Total proceeds from the transaction were \$53.3 million in cash, a mortgage loan in the amount of \$18.3 million, and a \$1.5 million working capital loan. The transaction resulted in a gain on real estate of \$24.2 million, which was partially offset by a \$5.1 million non-cash charge to revenue to write-off related straight-line rent receivables.

On March 1, 2018, we sold the real estate of St. Joseph Medical Center in Houston, Texas, for approximately \$148 million to Steward. In return, we received a mortgage loan equal to the purchase price, with such loan secured by the underlying real estate. The mortgage loan had terms consistent with the other mortgage loans in the Steward portfolio. This transaction resulted in a gain of \$1.5 million, offset by a \$1.7 million non-cash charge to revenue to write-off related straight-line rent receivables on this property.

### SUMMARY OF OPERATIONS FOR DISPOSED ASSETS IN 2018

The properties sold during 2018 did not meet the definition of discontinued operations. However, the following represents the operating results (excluding the St. Joseph sale in March 2018) from these properties for the periods presented (in thousands):

	For the Year Ended December 31,		
	2018	2017	2016
Revenues.....	\$ 88,838	\$ 132,039	\$ 109,554
Real estate depreciation and amortization ..	(15,849)	(31,870)	(26,410)
Property-related expenses .....	(531)	(404)	(45)
Other income (expense) (1) .....	709,717	(14,168)	(23,937)
Income from real estate dispositions, net ..	<u>\$ 782,175</u>	<u>\$ 85,597</u>	<u>\$ 59,152</u>

(1) Includes approximately \$720 million of gains on sale for the twelve months ended December 31, 2018.

### 2017 ACTIVITY

On March 31, 2017, we sold the EASTAR Health System real estate located in Muskogee, Oklahoma, which was leased to RCCH. Total proceeds from this transaction were approximately \$64 million resulting in a gain of \$7.4 million, partially offset by a \$0.6 million non-cash charge to revenue to write-off related straight-line rent receivables on this property. The sale of Muskogee facility was not a strategic shift in our operations and therefore the results of the Muskogee operations were not reclassified to discontinued operations.

### 2016 ACTIVITY

#### CAPELLA DISPOSAL TRANSACTION

Effective April 30, 2016, our investment in the operator of Capella merged with RegionalCare Hospital Partners, Inc. ("RegionalCare"), an affiliate of certain funds managed by affiliates of Apollo Global Management, LLC ("Apollo"), to form RCCH. As part of the transaction, we received net proceeds of approximately \$550 million including approximately \$492 million for our equity investment and loans made as part of the original Capella acquisition that closed on August 31, 2015. In addition, we received \$210 million in prepayment of two mortgage loans for hospitals in Russellville, Arkansas, and Lawton, Oklahoma that we made in connection with the original Capella transaction. We made a new \$93.3 million loan for a hospital property in Olympia, Washington that was subsequently converted to real estate on July 22, 2016. Additionally, we and an Apollo affiliate invested \$50 million each in unsecured senior notes issued by RegionalCare, which we sold to a large institution on June 20, 2016 at par. The proceeds from this transaction represented the recoverability of our investment in full, except for transaction costs incurred of \$6.3 million.

We maintained our ownership of five hospitals in Hot Springs, Arkansas; Camden, South Carolina; Hartsville, South Carolina; Muskogee, Oklahoma; and McMinnville, Oregon. Pursuant to the transaction described above, the underlying leases, one of which is a master lease covering all but one property was amended to shorten the initial fixed lease term (to 13.5 years for the master lease and 11.5 years for



the other stand-alone lease), increase the security deposit, and eliminate the lessees' purchase option provisions. Due to this lease amendment, we reclassified the lease of the properties under the master lease from a DFL to an operating lease. This reclassification resulted in a write-off of \$2.6 million of unbilled DFL rent receivables in 2016.

### POST ACUTE TRANSACTION

On May 23, 2016, we sold five properties (three of which were in Texas and two in Louisiana) that were leased and operated by Post Acute Medical. As part of this transaction, our outstanding loans of \$4 million were paid in full, and we recovered our investment in the operations. Total proceeds from this transaction were \$71 million, resulting in a net gain of approximately \$15 million.

### CORINTH TRANSACTION

On June 17, 2016, we sold the Atrium Medical Center real estate located in Corinth, Texas, which was leased and operated by Corinth Investor Holdings. Total proceeds from the transaction were \$28 million, resulting in a gain on the sale of real estate of approximately \$8 million. This gain on real estate was offset by approximately \$9 million of non-cash charges that included the write-off of our investment in the operations of the facility, straight-line rent receivables, and a lease intangible.

### ENCOMPASS HEALTH TRANSACTION

On July 20, 2016, we sold three inpatient rehabilitation hospitals located in Texas and operated by Encompass Health for \$111.5 million, resulting in a net gain of approximately \$45 million.

### SUMMARY OF OPERATIONS FOR DISPOSED ASSETS IN 2016

The properties sold during 2016 did not meet the definition of discontinued operations. However, the following represents the operating results from these properties (excluding loans repaid in the Capella Disposal Transaction) for the periods presented (in thousands):

	For the Year Ended December 31, 2016	
Revenues .....	\$	8,350
Real estate depreciation and amortization .....		(2,870)
Property-related expenses .....		(113)
Other income (1) .....		60,283
Income from real estate dispositions, net .....	\$	65,650

(1) Includes approximately \$60 million of net gains on sale for the year ended December 31, 2016.

### INTANGIBLE ASSETS

At December 31, 2018 and 2017, our intangible lease assets were \$403.1 million (\$352.5 million, net of accumulated amortization) and \$443 million (\$394 million, net of accumulated amortization), respectively.

We recorded amortization expense related to intangible lease assets of \$17.6 million, \$15.8 million, and \$13.4 million in 2018, 2017, and 2016, respectively, and expect to recognize amortization expense from existing lease intangible assets as follows (amounts in thousands):

For the Year Ended December 31:	
2019 .....	\$ 16,687
2020 .....	16,507
2021 .....	16,493
2022 .....	16,479
2023 .....	16,413

As of December 31, 2018, capitalized lease intangibles have a weighted average remaining life of 26.0 years.

### LEASING OPERATIONS

At December 31, 2018, leases on two Alecto facilities, 15 Ernest facilities and ten Prime facilities are accounted for as DFLs.

The components of our net investment in DFLs consisted of the following (in thousands):

	As of December 31, 2018	As of December 31, 2017
Minimum lease payments receivable .....	\$ 2,091,504	\$ 2,294,081
Estimated residual values .....	424,719	448,339
Less unearned income .....	(1,832,170)	(2,043,693)
Net investment in direct financing leases	\$ 684,053	\$ 698,727

Minimum rental payments due to us over the remaining lease term under operating leases and DFLs at December 31, 2018, are as follows (amounts in thousands):

	Total Under Operating Leases	Total Under DFLs	Total
2019 .....	\$ 433,542	\$ 64,971	\$ 498,513
2020 .....	437,025	66,270	503,295
2021 .....	445,598	67,595	513,193
2022 .....	450,592	68,947	519,539
2023 .....	457,732	70,326	528,058
Thereafter .....	9,612,430	1,544,035	11,156,465
	\$ 11,836,919	\$ 1,882,144	\$ 13,719,063

### ADEPTUS HEALTH - TRANSITION PROPERTIES 2018 ACTIVITY

As noted in previous filings, effective October 2, 2017, we had 16 properties transitioning away from Adeptus Health in stages over a two year period as part of Adeptus Health's confirmed plan of

reorganization under Chapter 11 of the Bankruptcy Code. Through December 31, 2018, Adeptus Health vacated and stopped making rent payments on 14 properties. As a result of the shortening of our lease term on these properties, we accelerated the amortization of the straight-line rent receivables resulting in a reduction of straight-line rent revenue by \$6.1 million in 2018. Of the other two properties, one will be transitioned away from Adeptus Health on October 1, 2019 and one has been re-leased by Adeptus Health.

In August and early October 2018, we re-leased three of the vacant facilities in the Houston market and five in the San Antonio market, respectively, to Steward at rates consistent with that of the previous Adeptus Health lease. At December 31, 2018, our investment in the remaining seven transition facilities (that have not been re-leased) approximates less than 0.5% of our total assets. Although we expect to re-tenant and/or sell the remaining seven facilities in the near future, we lowered the carrying value of the six remaining vacant facilities by \$18 million to fair value during 2018, based on market data received during the year.

#### 2017 ACTIVITY

On December 7, 2017, we announced that UCHealth Partners LLC (“UCHealth”), an affiliate of University of Colorado Hospital, had acquired all of Adeptus Health’s Colorado joint venture interests, assuming the existing master lease of 11 of our free standing emergency facilities. The 11 facilities that are now master leased to UCHealth affiliates had a gross investment of approximately \$60 million. The master lease was amended to provide a new 15-year initial term effective January 1, 2018 with three five-year renewal options, while retaining annual escalation provisions of the increase in the CPI with a 2% minimum.

On April 4, 2017, we announced that our Louisiana freestanding emergency facilities then-operated by Adeptus Health (with a total budgeted investment of approximately \$25 million) had been re-leased to Ochsner Clinic Foundation (“Ochsner”), a health care system in the New Orleans area. We incurred a non-cash charge of \$0.5 million to write-off the straight-line rent receivables associated with the previous Adeptus Health lease on these properties. On October 18, 2017, Ochsner agreed to an amended and restated lease that provided for initial terms of 15 years with a 9.2% average minimum lease rate based on our total development and construction cost, as well as the addition of three five-year renewal options.

#### GILBERT AND FLORENCE FACILITIES

In the first quarter of 2018, we terminated the lease at our Gilbert and Florence, Arizona facilities due to the tenant not meeting its rent obligations pursuant to the lease. As a result of the lease terminating,

we recorded a charge of \$1.1 million to reserve against the straight-line rent receivables in February 2018. On April 25, 2018, this former tenant filed for involuntary bankruptcy. On December 14, 2018, the Florence facility was re-leased to Steward pursuant to our original master lease with them with a term to begin in the first quarter of 2019. At December 31, 2018, any outstanding receivables on Florence and Gilbert were completely reserved. Although no assurances can be made that we will not have any impairment charges in the future, we believe our investment in the Gilbert facility (less than 0.2% of total assets at December 31, 2018) is fully recoverable.

#### ALECTO HEALTHCARE FACILITIES

At December 31, 2018, we own four acute care facilities that are leased to Alecto and have a mortgage loan on a fifth property. With the continued softening in the markets and the overall decline in the operating results of the facility tenant, we lowered the carrying value of the four owned properties by \$30 million to fair value. At December 31, 2018, our total investment in these properties is less than 1% of our total assets.

#### LOANS

The following is a summary of our loans (\$ amounts in thousands):

	As of December 31, 2018		As of December 31, 2017	
	Balance	Weighted Average Interest Rate	Balance	Weighted Average Interest Rate
Mortgage loans . . . . .	\$ 1,213,322	8.8%	\$ 1,778,316	8.3%
Acquisition loans . . . . .	3,454	10.8%	118,448	13.8%
Working capital and other loans . . . . .	369,744	5.4%	31,760	7.6%
	<u>\$ 1,586,520</u>		<u>\$ 1,928,524</u>	

Our mortgage loans cover 10 of our properties with four operators. The decrease in mortgage loans relates to the use of Steward mortgage loans to fund the acquisition of the related fee simple real estate as more fully described in this note under sub-caption “Acquisitions”.

Upon the finalization of the Ernest recapitalization agreement on October 4, 2018, we sold our investment in the operations of Ernest, and all outstanding acquisition loans and unpaid interest with Ernest were repaid (which made up the majority of the acquisition loan balance in 2017). The remaining acquisition loan balance is our outstanding loan with Vibra, which will mature in 2020.

Other loans consist of loans to our tenants for acquisitions and working capital purposes and includes our shareholder loan made to the joint venture with Primotop on August 31, 2018 (as more fully described above in this Note 3) in the amount of €290 million.



## CONCENTRATION OF CREDIT RISKS

We monitor concentration risk in several ways due to the nature of our real estate assets that are vital to the communities in which they are located and given our history of being able to replace inefficient operators of our facilities if needed, with more effective operators:

- 1) Facility concentration – At December 31, 2018, we had no investment of any single property greater than 4.2% of our total assets, which is consistent with December 31, 2017.
- 2) Operator concentration – For the year ended December 31, 2018, revenue from Steward, Prime, MEDIAN, and Ernest represented 39%, 16%, 13% and 8%, respectively. In comparison, these operators represented 27%, 18%, 14% and 10%, respectively, for the year ended December 31, 2017.
- 3) Geographic concentration – At December 31, 2018, investments in the U.S. and Europe represented approximately 80% and 20%, respectively, of our total assets, which is consistent with December 31, 2017.
- 4) Facility type concentration – For the year ended December 31, 2018, approximately 76% of our revenues are from our general acute care facilities, while rehabilitation and long-term acute care facilities make up 20% and 4%, respectively. In comparison, general acute care, rehabilitation, and long-term acute care facilities made up 69%, 25%, and 6%, respectively, for the year ended December 31, 2017.

## RELATED PARTY TRANSACTIONS

Lease and interest revenue earned from tenants in which we have or had an equity interest in during the year were \$501.4 million, \$422.4 million, and \$282.9 million in 2018, 2017, and 2016, respectively.

## 4. DEBT

The following is a summary of debt (\$ amounts in thousands):

	As of December 31,	
	2018	2017
Revolving credit facility(A) .....	\$ 28,059	\$ 840,810
Term loans .....	200,000	200,000
4.000% Senior Unsecured Notes due 2022(B) .....	573,350	600,250
5.500% Senior Unsecured Notes due 2024 .....	300,000	300,000
6.375% Senior Unsecured Notes due 2024 .....	500,000	500,000
3.325% Senior Unsecured Notes due 2025(B) .....	573,350	600,250
5.250% Senior Unsecured Notes due 2026 .....	500,000	500,000
5.000% Senior Unsecured Notes due 2027 .....	1,400,000	1,400,000
	\$ 4,074,759	\$ 4,941,310
Debt issue costs, net .....	(37,370)	(42,643)
	<u>\$ 4,037,389</u>	<u>\$ 4,898,667</u>

(A) Includes £22 million and £8 million of GBP-denominated borrowings that reflect the exchange rate at December 31, 2018 and December 31, 2017, respectively.

(B) These notes are Euro-denominated and reflect the exchange rate at December 31, 2018 and December 31, 2017, respectively.

As of December 31, 2018, principal payments due on our debt (which exclude the effects of any discounts, premiums, or debt issue costs recorded) are as follows (\$ amounts in thousands):

2019 .....	\$ —
2020 .....	—
2021 .....	28,059
2022 .....	773,350
2023 .....	—
Thereafter .....	3,273,350
Total .....	<u>\$ 4,074,759</u>

## CREDIT FACILITY

On February 1, 2017, we replaced our previous unsecured credit facility (which we had entered into in 2014 and amended in 2015) with a new revolving credit and term loan agreement (the “Credit Facility”). The new agreement included a \$1.3 billion unsecured revolving loan facility (same amount as the previous revolving loan facility), a \$200 million unsecured term loan facility (\$50 million lower than the previous term loan facility), and a new €200 million unsecured term loan facility. The new unsecured revolving loan facility matures in February 2021 and can be extended for an additional 12 months at our option. The \$200 million unsecured term loan facility matures on February 1, 2022, and the €200 million unsecured term loan facility had a maturity date of January 31, 2020; however, it was paid off on March 30, 2017 — see below. The term loan and/or revolving loan commitments may be increased in an aggregate amount not to exceed \$500 million.

At our election, loans under the Credit Facility may be made as either ABR Loans or Eurodollar Loans. The applicable margin for term loans that are ABR Loans is adjustable on a sliding scale from 0.00% to 0.95% based on our current credit rating. The applicable margin for term loans that are Eurodollar Loans is adjustable on a sliding scale from 0.90% to 1.95% based on our current credit rating. The applicable margin for revolving loans that are ABR Loans is adjustable on a sliding scale from 0.00% to 0.65% based on our current credit rating. The applicable margin for revolving loans that are Eurodollar Loans is adjustable on a sliding scale from 0.875% to 1.65% based on our current credit rating. The commitment fee is adjustable on a sliding scale from 0.125% to 0.30% based on our current credit rating and is payable on the revolving loan facility.

At December 31, 2018 and 2017, we had \$28.1 million and \$840.8 million, respectively, outstanding on the revolving credit facility. At December 31, 2018, our availability under our revolving credit facility was \$1.27 billion. The weighted average interest rate on this facility was 2.7% and 2.4% for 2018 and 2017, respectively.

At December 31, 2018 and 2017, the interest rate in effect on our term loan was 3.89% and 2.98%, respectively.

#### **4.000% SENIOR UNSECURED NOTES DUE 2022**

On August 19, 2015, we completed a €500 million senior unsecured notes offering (“4.000% Senior Unsecured Notes due 2022”). Interest on the notes is payable annually on August 19 of each year. The notes pay interest in cash at a rate of 4.000% per year. The notes mature on August 19, 2022. We may redeem some or all of the 4.000% Senior Unsecured Notes due 2022 at any time. If the notes are redeemed prior to 90 days before maturity, the redemption price will be 100% of their principal amount, plus a make-whole premium, plus accrued and unpaid interest to, but excluding, the applicable redemption date. Within the period beginning on or after 90 days before maturity, the notes may be redeemed, in whole or in part, at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest to, but excluding, the applicable redemption date. The 4.000% Senior Unsecured Notes due 2022 are fully and unconditionally guaranteed on an unsecured basis by us. In the event of a change of control, each holder of the notes may require us to repurchase some or all of our notes at a repurchase price equal to 101% of the aggregate principal amount of the notes plus accrued and unpaid interest to the date of the purchase.

#### **5.500% SENIOR UNSECURED NOTES DUE 2024**

On April 17, 2014, we completed a \$300 million senior unsecured notes offering (“5.500% Senior Unsecured Notes due 2024”). Interest on the notes is payable semi-annually on May 1 and November 1 of each year. The notes pay interest in cash at a rate of 5.500% per year. The notes mature on May 1, 2024. We may redeem some or all of the notes at any time prior to May 1, 2019 at a “make-whole” redemption price. On or after May 1, 2019, we may redeem some or all of the notes at a premium that will decrease over time. In the event of a change of control, each holder of the notes may require us to repurchase some or all of our notes at a repurchase price equal to 101% of the aggregate principal amount of the notes plus accrued and unpaid interest to the date of purchase.

#### **6.375% SENIOR UNSECURED NOTES DUE 2024**

On February 22, 2016, we completed a \$500 million senior unsecured notes offering (“6.375% Senior Unsecured Notes due 2024”). Interest on the notes is payable on March 1 and September 1 of each year. Interest on the notes is paid in cash at a rate of 6.375% per year. The notes mature on March 1, 2024. We may redeem some or all of the notes at any time prior to March 1, 2019 at a “make whole” redemption price. On or after March 1, 2019, we may redeem some or all of the notes at a premium that will decrease over time. In addition, at any time prior to March 1, 2019, we may redeem up to 35% of the notes at a redemption price equal to 106.375% of the aggregate principal amount thereof, plus accrued and unpaid interest thereon, using proceeds from one or more equity offerings. In the event of a change in control, each holder of the notes may require us to repurchase some or all of the notes at a repurchase

price equal to 101% of the aggregate principal amount of the notes plus accrued and unpaid interest to the date of purchase.

#### **3.325% SENIOR UNSECURED NOTES DUE 2025**

On March 24, 2017, we completed a €500 million senior unsecured notes offering (“3.325% Senior Unsecured Notes due 2025”). Interest on the notes is payable annually on March 24 of each year. The notes pay interest in cash at a rate of 3.325% per year. The notes mature on March 24, 2025. We may redeem some or all of the 3.325% Senior Unsecured Notes due 2025 at any time. If the notes are redeemed prior to 90 days before maturity, the redemption price will be equal to 100% of their principal amount, plus a make-whole premium, plus accrued and unpaid interest up to, but excluding, the applicable redemption date. Within the period beginning on or after 90 days before maturity, the notes may be redeemed, in whole or in part, at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest to, but excluding, the applicable redemption date. The 3.325% Senior Unsecured Notes due 2025 are fully and unconditionally guaranteed on a senior unsecured basis by us. In the event of a change of control, each holder of the notes may require us to repurchase some or all of our notes at a repurchase price equal to 101% of the aggregate principal amount of the notes plus accrued and unpaid interest up to, but excluding, the date of the purchase.

#### **5.250% SENIOR UNSECURED NOTES DUE 2026**

On July 22, 2016, we completed a \$500 million senior unsecured notes offering (“5.250% Senior Unsecured Notes due 2026”). Interest on the notes is payable on February 1 and August 1 of each year. Interest on the notes is to be paid in cash at a rate of 5.250% per year. The notes mature on August 1, 2026. We may redeem some or all of the notes at any time prior to August 1, 2021 at a “make whole” redemption price. On or after August 1, 2021, we may redeem some or all of the notes at a premium that will decrease over time. In addition, at any time prior to August 1, 2019, we may redeem up to 35% of the notes at a redemption price equal to 105.250% of the aggregate principal amount thereof, plus accrued and unpaid interest thereon, using proceeds from one or more equity offerings. In the event of a change in control, each holder of the notes may require us to repurchase some or all of the notes at a repurchase price equal to 101% of the aggregate principal amount of the notes plus accrued and unpaid interest to the date of purchase.

#### **5.000% SENIOR UNSECURED NOTES DUE 2027**

On September 7, 2017, we completed a \$1.4 billion senior unsecured notes offering (“5.000% Senior Unsecured Notes due 2027”). Interest on the notes is payable on April 15 and October 15 of each year. The notes pay interest in cash at a rate of 5.000% per year. The notes mature on October 15, 2027. We may redeem some or all of the notes at any time prior to October 15, 2022 at a “make whole” redemption price. On or after October 15, 2022, we may redeem some or all of the notes at a premium that will decrease over time. In addition, at any time prior to October 15, 2020, we may redeem up to

40% of the notes at a redemption price equal to 105% of the aggregate principal amount thereof, plus accrued and unpaid interest thereon, using proceeds from one or more equity offerings. In the event of a change in control, each holder of the notes may require us to repurchase some or all of the notes at a repurchase price equal to 101% of the aggregate principal amount of the notes plus accrued and unpaid interest to the date of purchase.

With the completion of the 5.000% Senior Unsecured Notes due 2027 offering in 2017, we canceled a \$1.0 billion term loan facility commitment from J.P. Morgan Chase Bank, N.A. that we received to assist in funding the September 2017 Steward Transaction.

## **OTHER ACTIVITY**

### **2018**

In preparation of the joint venture with Primotop described under "2018 Activity" in Note 3, we issued secured debt on August 3, 2018, resulting in gross proceeds of €655 million. Provisions of the secured debt included a term of seven years and a swapped fixed rate of approximately 2.3%. Subsequently, on August 31, 2018, the secured debt was contributed along with the related real estate of 71 properties to form the joint venture.

### **2017**

In connection with our acquisition of the Northland LTACH Hospital on February 14, 2011, we assumed a \$14.6 million mortgage. The Northland mortgage loan required monthly principal and interest payments based on a 30-year amortization period. The Northland mortgage loan had a fixed interest rate of 6.2%, a maturity date of January 1, 2018 and could be prepaid, without penalty within 120 days of the term of the loan. On September 29, 2017, we prepaid the principal amount of this mortgage loan at par in the amount of \$12.9 million.

On February 17, 2012, we completed a \$200 million offering of senior unsecured notes ("6.375% Senior Unsecured Notes due 2022"), and on August 20, 2013, we completed a \$150 million tuck on to the notes. These 6.375% Senior Unsecured Notes due 2022 accrued interest at a fixed rate of 6.375% per year and had a maturity date of February 15, 2022. The 2013 tuck on offering, was issued at a premium (price of 102%), resulting in an effective rate of 5.998%. On October 7, 2017, we redeemed these notes and incurred an \$11.2 million redemption premium.

On October 10, 2013, we completed a €200 million offering of senior unsecured notes ("5.750% Senior Unsecured Notes due 2020"). The 5.750% Senior Unsecured Notes due 2020 paid interest in cash at a rate of 5.750% per year. The notes had a maturity date of October 1, 2020. On March 4, 2017, we redeemed the €200 million aggregate principal amount of our 5.750% Senior Unsecured Notes due 2020 and incurred a redemption premium of approximately \$9 million.

## **DEBT REFINANCING COSTS**

### **2017**

With the replacement of our previous credit facility, the early redemption of the 5.750% Senior Unsecured Notes due 2020 and the 6.375% Senior Unsecured Notes due 2022, the payoff of our €200 million euro term loan, the cancellation of the \$1.0 billion term loan facility commitment, and the payment of our \$12.9 million mortgage loan, we incurred a charge of \$32.6 million (including redemption premiums and accelerated amortization of deferred debt issuance cost and commitment fees) during the year ended December 31, 2017.

### **2016**

On July 22, 2016, we used the net proceeds from the 5.250% Senior Unsecured Notes due 2026 offering to redeem \$450 million of senior unsecured notes that had an original maturity date in 2021. This redemption resulted in a \$22.5 million debt refinancing charge, consisting of a \$15.5 million redemption premium and the write-off of deferred debt issuance costs.

## **COVENANTS**

Our debt facilities impose certain restrictions on us, including restrictions on our ability to: incur debts; create or incur liens; provide guarantees in respect of obligations of any other entity; make redemptions and repurchases of our capital stock; prepay, redeem or repurchase debt; engage in mergers or consolidations; enter into affiliated transactions; dispose of real estate or other assets; and change our business. In addition, the credit agreements governing our Credit Facility limit the amount of dividends we can pay as a percentage of normalized adjusted funds from operations ("NAFFO"), as defined in the agreements, on a rolling four quarter basis. Through 2018, the dividend restriction was 95% of NAFFO. The indentures governing our senior unsecured notes also limit the amount of dividends we can pay based on the sum of 95% of NAFFO, proceeds of equity issuances and certain other net cash proceeds. Finally, our senior unsecured notes require us to maintain total unencumbered assets (as defined in the related indenture) of not less than 150% of our unsecured indebtedness.

In addition to these restrictions, the Credit Facility contains customary financial and operating covenants, including covenants relating to our total leverage ratio, fixed charge coverage ratio, secured leverage ratio, consolidated adjusted net worth, unsecured leverage ratio, and unsecured interest coverage ratio. This Credit Facility also contains customary events of default, including among others, nonpayment of principal or interest, material inaccuracy of representations and failure to comply with our covenants. If an event of default occurs and is continuing under the Credit Facility, the entire outstanding balance may become immediately due and payable. At December 31, 2018, we were in compliance with all such financial and operating covenants.



## 5. INCOME TAXES

We have maintained and intend to maintain our election as a REIT under the Code. To qualify as a REIT, we must meet a number of organizational and operational requirements, including a requirement to distribute at least 90% of our taxable income to our stockholders. As a REIT, we generally will not be subject to U.S. federal income tax if we distribute 100% of our taxable income to our stockholders and satisfy certain other requirements; instead, income tax is paid directly by our stockholders on the dividends distributed to them. If our taxable income exceeds our dividends in a tax year, REIT tax rules allow us to designate dividends from the subsequent tax year in order to avoid current taxation on undistributed income. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income taxes at regular corporate rates, including any applicable alternative minimum tax. Taxable income from non-REIT activities managed through our TRS is subject to applicable U.S. federal, state and local income taxes. Our international subsidiaries are also subject to income taxes in the jurisdictions in which they operate.

From our TRS and our foreign operations, income tax expense (benefit) were as follows (in thousands):

	For the Years Ended December 31,		
	2018	2017	2016
Current income tax (benefit) expense:			
Domestic	\$ (125)	\$ (41)	\$ 42
Foreign	3,294	3,062	1,856
	<u>3,169</u>	<u>3,021</u>	<u>1,898</u>
Deferred income tax (benefit) expense:			
Domestic	(3,713)	(233)	147
Foreign	1,471	(107)	(8,875)
	<u>(2,242)</u>	<u>(340)</u>	<u>(8,728)</u>
Income tax expense (benefit)	<u>\$ 927</u>	<u>\$ 2,681</u>	<u>\$ (6,830)</u>

A reconciliation of the income tax expense (benefit) at the statutory income tax rate and the effective tax rate for income before income taxes for the years ended December 31, 2018, 2017, and 2016 is as follows (in thousands):

	2018	2017	2016
Income before income-tax	\$ 1,019,404	\$ 293,919	\$ 219,107
Income tax at the US statutory federal rate (21% in 2018 and 35% in 2017 and 2016)	214,075	102,872	76,687
Increase (decrease) resulting from:			
Foreign rate differential	(2,643)	(2,326)	1,434
State income taxes, net of federal benefit	379	—	66
U.S. earnings not subject to federal income tax	(208,472)	(98,026)	(84,927)
Equity investments	(46)	3,293	4,297
Change in valuation allowance	(2,668)	(5,391)	(6,104)
Other items, net	302	2,259	1,717
Total income tax expense (benefit)	<u>\$ 927</u>	<u>\$ 2,681</u>	<u>\$ (6,830)</u>

The foreign provision (benefit) for income taxes is based on foreign profit before income taxes of \$18.6 million in 2018 as compared with foreign losses before income taxes of \$(0.1) million in 2017, and \$(23.5) million in 2016.

The domestic provision (benefit) for income taxes is based on income before income taxes of \$8.0 million in 2018 from our TRS as compared with income before income taxes of \$13.9 million in 2017, and a loss before income taxes of \$(1.4) million in 2016.

At December 31, 2018 and 2017, components of our deferred tax assets and liabilities were as follows (in thousands):

	2018	2017
Deferred tax assets:		
Operating loss and interest deduction carry forwards	\$ 21,984	\$ 24,580
Other	277	504
Total deferred tax assets	<u>22,261</u>	<u>25,084</u>
Valuation allowance	(3,444)	(11,101)
Total net deferred tax assets	<u>\$ 18,817</u>	<u>\$ 13,983</u>
Deferred tax liabilities:		
Property and equipment	\$ (12,359)	\$ (4,336)
Net unbilled revenue	(1,633)	(6,113)
Partnership investments	—	(2,099)
Other	(300)	(1,320)
Total deferred tax liabilities	<u>\$ (14,292)</u>	<u>\$ (13,868)</u>
Net deferred tax asset (liability)	<u>\$ 4,525</u>	<u>\$ 115</u>

At December 31, 2018, our U.S. net operating losses ("NOLs") consisted of \$78.3 million of federal NOLs and \$99.9 million of state NOLs available as offsets to future years' taxable income. The NOLs primarily expire between 2022 and 2036. We have alternative minimum tax credits of \$0.1 million as of December 31, 2018. To the extent these alternative minimum tax credits exceed regular tax liability in tax years 2019 through 2021, 50% of the excess credit are refundable. Any remaining alternative minimum tax credit will be refunded in 2022. At December 31, 2018, we had foreign NOLs of \$8.6 million that may be carried forward indefinitely.

### VALUATION ALLOWANCE

The valuation allowance disclosed in the table above relates to foreign and domestic net operating loss carryforwards and other net deferred tax assets that may not be realized. As of each reporting date, we consider all new evidence that could impact the future realization of our deferred tax assets. In the evaluation of the need for a valuation allowance on our deferred income tax assets, we consider all available positive and negative evidence, including scheduled reversals of deferred income tax liabilities, carryback of future period losses to prior periods, projected future taxable income, tax planning strategies and recent financial performance.

During the fourth quarter of 2018, we released \$4.4 million of valuation allowances previously recorded against our U.S. federal and state net deferred tax assets. We now expect these domestic deferred tax assets will be fully utilized to offset taxable income in future years. The decision to reverse the valuation allowance was due to improved operating income in our TRS resulting in a three-year cumulative income position at the end of 2018 and future year taxable income projected in our forecasts.

We also evaluated the need for a valuation allowance on our foreign deferred income tax assets. In doing so, we considered all available evidence to determine whether it is more likely than not that the foreign deferred income tax assets will be realized. Based on our review of all positive and negative evidence, we concluded that a partial valuation allowance should remain against certain foreign deferred income tax assets that are not expected to be realized through future sources of taxable income generated from scheduled reversals of deferred income tax liabilities and forecasted taxable income from operating activity.

We have no material uncertain tax position liabilities and related interest or penalties recorded at December 31, 2018.

## REIT STATUS

We have met the annual REIT distribution requirements by payment of at least 90% of our taxable income in 2018, 2017, and 2016. Earnings and profits, which determine the taxability of such distributions, will differ from net income reported for financial reporting purposes due primarily to differences in cost basis, differences in the estimated useful lives used to compute depreciation, and differences between the allocation of our net income and loss for financial reporting purposes and for tax reporting purposes.

A schedule of per share distributions we paid and reported to our stockholders is set forth in the following:

	For the Years Ended December 31,		
	2018	2017	2016
Common share distribution	\$ 0.990000	\$ 0.950000	\$ 0.900000
Ordinary income	0.438792	0.655535	0.619368
Capital gains(1)	0.551208	0.021022	0.102552
Unrecaptured Sec. 1250 gain	0.132280	0.004647	0.045432
Section 19A Dividends	0.438792	—	—
Return of capital	—	0.273443	0.178080

(1) Capital gains include unrecaptured Sec. 1250 gains.

## 6. EARNINGS PER SHARE

Our earnings per share were calculated based on the following (amounts in thousands):

	For the Years Ended December 31,		
	2018	2017	2016
Numerator:			
Net Income	\$ 1,018,477	\$ 291,238	\$ 225,937
Non-controlling interests' share in earnings	(1,792)	(1,445)	(889)
Participating securities' share in earnings	(3,685)	(1,409)	(559)
Net income, less participating securities' share in earnings	\$ 1,013,000	\$ 288,384	\$ 224,489
Denominator:			
Basic weighted average common shares	365,364	349,902	260,414
Dilutive potential common shares	907	539	658
Diluted weighted average common shares	366,271	350,441	261,072

## 7. STOCK AWARDS

### STOCK AWARDS

Our Equity Incentive Plan authorizes the issuance of common stock options, restricted stock, restricted stock units, deferred stock units, stock appreciation rights, performance units and awards of interests in our Operating Partnership. Our Equity Incentive Plan is administered by the Compensation Committee of the Board of Directors. We have reserved 8,196,770 shares of common stock for awards under the Equity Incentive Plan and 976,073 shares remain available for future stock awards as of December 31, 2018. The Equity Incentive Plan contains a limit of 5,000,000 shares as the maximum number of shares of common stock that may be awarded to an individual in any fiscal year. Awards under the Equity Incentive Plan are subject to forfeiture due to termination of employment prior to vesting and/or from not achieving the respective performance/market conditions on performance-based awards. In the event of a change in control, outstanding and unvested options will immediately vest, unless otherwise provided in the participant's award or employment agreement, and restricted stock, restricted stock units, deferred stock units and other stock-based awards will vest if so provided in the participant's award agreement. The term of the awards is set by the Compensation Committee, though Incentive Stock Options may not have terms of more than ten years. Forfeited awards are returned to the Equity Incentive Plan and are then available to be re-issued as future awards.

The following awards have been granted pursuant to our Equity Incentive Plan:

### RESTRICTED EQUITY AWARDS

These stock-based awards are in the form of service-based awards and performance awards based on either company-specific performance hurdles or certain market conditions.

#### Service-Based Awards

The service-based awards vest as the employee provides the required service (typically three years). Service based awards are valued at the average price per share of common stock on the date of grant. Dividends are generally paid on these awards prior to vesting. See table below for a summary of activity involving service-based awards.

#### Performance-Based Awards

In 2018, 2017, and 2016, the Compensation Committee granted performance-based awards to employees. Generally, dividends are not paid on performance awards until the award is earned. See below for details of such performance award grants:

2018 performance awards — The 2018 performance awards were granted in three parts:

1) Certain 2018 performance awards (target number) were granted based on the achievement of specific performance thresholds as set by our compensation committee. However, more or less shares than the target number of shares were allowed to be earned based on our performance. The pre-established performance thresholds for 2018 were as follows:

a) Approximately 40% of the target shares can be earned based on our return on equity ("ROE"), as defined by our compensation committee, over the period from January 1, 2018 through December 31, 2020, with the opportunity to earn one-third of the award in any one year. If our ROE was 12.5% or less for the performance period, 50% of these shares would be earned; if our ROE was at least equal to 13.0%, 100% of these shares would be earned; and, if our ROE was greater than or equal to 13.5%, 200% of these shares would be earned. The fair value of this award was based on the average price per share of common stock on the date of grant with the number of shares adjusted as needed based on the probability of such performance hurdles being met. Based on performance in 2018, one-third of the target shares was earned at 200%.

b) Approximately 40% of the target shares can be earned based on our earnings before interest expense, taxes, depreciation and amortization all in accordance with GAAP adjusted for other certain items (or "EBITDA") as defined by our compensation committee, for the year ending December 31, 2020, with the opportunity to earn one-third of the award in any one year. If our EBITDA is at least equal to \$720 million for either of the 2018 or 2019 years, or \$775 million for 2020, 50% of these shares would be earned; if our EBITDA is at least equal to \$740 million for either of the 2018 or 2019 years or \$800 million for 2020, 100% of these shares would be earned; and, if our EBITDA is at least equal to \$760 million for either of the 2018 or 2019 years or \$825 million for 2020, 200% of these shares would be earned. The fair value of this award was based on the average price per share of common stock on the date of grant with the number of shares

adjusted as needed based on the probability of such performance hurdles being met. Based on performance, one-third of the target shares was earned at 200%.

c) Approximately 20% of the target shares can be earned based on our completed acquisitions ("Acquisitions") as defined by our compensation committee, over the period from January 1, 2018 through December 31, 2020, with the opportunity to earn one-third of the award in any one year. If our Acquisitions were at least equal to \$500 million for either of the 2018 or 2019 years or \$1.5 billion for the cumulative three-year period; 50% of these shares would be earned; if our Acquisitions were at least equal to \$750 million for either of the 2018 or 2019 years or \$2.25 billion for the cumulative three-year period, 100% of these shares would be earned; and, if our Acquisitions were at least equal to \$1.0 billion for either the 2018 or 2019 years or \$3.0 billion for the cumulative three-year period, 200% of these shares would be earned. The fair value of this award was based on the average price per share of common stock on the date of grant with the number of shares adjusted as needed based on the probability of such performance hurdles being met. Based on performance, 73% of the target shares available in the first year of the measurement period was earned.

At the end of each of the performance periods, any earned shares during such period will vest on January 1 of the following calendar year.

2) Certain 2018 performance awards were subject to a modifier (which increases or decreases the actual shares earned in each performance period) based on how our total shareholder return compared to the SNL U.S. REIT Healthcare Index ("SNL Index"). If our total shareholder return is in the 75<sup>th</sup> percentile of the SNL Index, the number of earned shares under this award is increased by 25%, if our total shareholder return is in the 55<sup>th</sup> percentile of the SNL Index, the number of earned shares under this award had no change; and, if our total shareholder return is in the 35<sup>th</sup> percentile of the SNL Index, the number of earned shares under this award is decreased by 25%. For 2018, our total shareholder return was in the 95<sup>th</sup> percentile of the SNL index.

In 2018, 508,566 shares were earned but not vested, and 2,000 shares were forfeited. At December 31, 2018, we have 1,238,748 of 2018 performance awards remaining to be earned.

2017 performance awards — The 2017 performance awards were granted in three parts:

1) Certain 2017 performance awards (target number) were granted based on the achievement of specific performance thresholds as set by our compensation committee for the one-year performance period



of 2017. However, more or less shares than the target number of shares were allowed to be earned based on our performance. The pre-established performance thresholds for 2017 were as follows:

- a) Approximately 42% of the target shares were earned based on the achievement of a one-year total shareholder return as compared to the SNL Index over the period from January 1, 2017 through December 31, 2017. If the shareholder return was equal to the SNL Index minus 3% for the one-year period, 50% of these shares would be earned; while, if shareholder return was greater than or equal to the SNL Index plus 3%, 200% of these target shares would be earned. The fair value of this award was estimated on the grant date using a Monte Carlo valuation model that assumed the following: risk free interest rate of 1%; expected volatility of 25%; expected dividend yield of 6.9%; and expected service period of three years.
- b) Approximately 47% of the target shares were earned based on our return on equity ("ROE"), as defined by our compensation committee, over the period from January 1, 2017 through December 31, 2017. If our ROE was at least equal to 12.5% for the one-year period, 50% of these shares would be earned; and, if our ROE was greater than or equal to 13.5%, 200% of these shares would be earned. The fair value of this award was based on the average price per share of common stock on the date of grant with the number of shares adjusted as needed based on the probability of such performance hurdles being met. For this performance hurdle, 200% of the target shares was earned.
- c) Approximately 11% of the target shares were earned based on general and administrative expenses ("G&A") as a percentage of revenue, as defined by our compensation committee, over the period from January 1, 2017 through December 31, 2017. If our G&A as a percentage of revenue was no more than 10% for the one-year period, 50% of these shares would be earned; while, if our G&A as a percentage of revenue was 9% or less, 200% of these shares would be earned. The fair value of this award was based on the average price per share of common stock on the date of grant with the number of shares adjusted as needed based on the probability of such performance hurdles being met. For this performance hurdle, 200% of the target shares was earned.

At the end of the one-year performance period, all earned shares will vest in equal annual amounts on January 1, 2018, 2019, and 2020.

- 2) Certain other 2017 performance awards were based on the achievement of a multi-year cumulative total shareholder return as compared to pre-established returns set by our compensation committee. If the cumulative shareholder return from January 1, 2017 through December 31, 2019 is 27% or greater, then 30% of these shares will be earned ("2019 award"). If the cumulative shareholder

return from January 1, 2017 through December 31, 2020 is 36% or greater, then 30% of these shares may be earned ("2020 award"). However, the maximum percentage cumulatively earned in connection with both the 2019 award and the 2020 award shall not exceed 30% of the total award. If the cumulative shareholder return from January 1, 2017 through December 31, 2021 is 45% or greater, then all remaining shares will be earned. At the end of each of the performance periods, any earned shares during such period will vest on January 1 of the following calendar year. The fair value of this award was estimated on the grant date using a Monte Carlo valuation model that assumed the following: risk free interest rate of 1.9%; expected volatility of 25%; expected dividend yield of 6.9%; and expected service period of 5 years.

- 3) The final portion of our 2017 performance awards will be earned if our total shareholder return outpaces that of the SNL Index over the cumulative period from January 1, 2017 to December 31, 2019. Our total shareholder return must be within 3% of the SNL Index to earn the minimum number of shares under this award; while, it must exceed the SNL Index by 3% to earn 100% of the award. If any shares are earned from this award, the shares will vest in equal annual amounts on January 1, 2020, 2021, and 2022. The fair value of this award was estimated on the grant date using a Monte Carlo valuation model that assumed the following: risk free interest rate of 1.5%; expected volatility of 25%; expected dividend yield of 6.9%; and expected service period of 3 years.

In 2018, 396,142 shares were earned but not vested, and 3,750 performance awards were forfeited. In 2017, 596,472 shares were earned but not vested, and 14,000 performance awards were forfeited. At December 31, 2018, we have 1,125,281 of 2017 performance awards remaining to be earned.

2016 performance awards — The 2016 performance awards were granted in two parts:

- 1) One-half of the 2016 performance awards were based on us achieving a cumulative total shareholder return from January 1, 2016 to December 31, 2018. The minimum total shareholder return needed to earn a portion of this award was 27.0% with 100% of the award earned if our total shareholder return reached 35.0%. Shares earned from this award vest in equal annual amounts on January 1, 2019, 2020, and 2021. The fair value of this award was estimated on the dates of grant using a Monte Carlo valuation model that assumed the following: risk free interest rate of 1.0%; expected volatility of 24.4%; expected dividend yield of 7.0%; and expected service period of 5 years.
- 2) The remainder of the 2016 performance awards were to be earned if our total shareholder return outpaced that of the MSCI U.S. REIT Index ("MSCI Index") over the cumulative period from January 1, 2016 to December 31, 2018. Our total shareholder return needed to be within 3% of the MSCI Index to earn the minimum number of shares under this award, while it had to exceed the MSCI Index by 3% to earn 100% of the award. Shares earned from this award vest in equal annual amounts on

January 1, 2019, 2020, and 2021. The fair value of this award was estimated on the dates of grant using a Monte Carlo valuation model that assumed the following: risk free interest rate of 1.0%; expected volatility of 24.4%; expected dividend yield of 7.0%; and expected service period of 5 years.

In 2018, 779,004 shares were earned but not vested, while no shares were forfeited. In 2017 and 2016, no shares were earned and vested, while 16,000 and 2,400 awards were forfeited in 2017 and 2016, respectively.

The following summarizes restricted equity award activity in 2018 and 2017 (which includes awards granted in 2018, 2017, 2016, and any applicable prior years), respectively:

For the Year Ended December 31, 2018:

	Vesting Based on Service		Vesting Based on Market/ Performance Conditions	
	Shares	Weighted Average Value at Award Date	Shares	Weighted Average Value at Award Date
Nonvested awards at beginning of the year.....	276,280	\$ 12.68	2,676,755	\$ 7.86
Awarded .....	958,480	\$ 14.31	1,750,834	\$ 11.61
Vested .....	(307,275)	\$ 12.92	(288,404)	\$ 11.25
Forfeited .....	(3,637)	\$ 13.05	(5,750)	\$ 9.35
Nonvested awards at end of year .....	<u>923,848</u>	\$ 14.29	<u>4,133,435</u>	\$ 9.21

For the Year Ended December 31, 2017:

	Vesting Based on Service		Vesting Based on Market/ Performance Conditions	
	Shares	Weighted Average Value at Award Date	Shares	Weighted Average Value at Award Date
Nonvested awards at beginning of the year.....	347,128	\$ 13.35	1,811,675	\$ 6.78
Awarded .....	249,841	\$ 12.40	1,741,003	\$ 8.21
Vested .....	(304,613)	\$ 12.86	(491,071)	\$ 6.84
Forfeited .....	(16,076)	\$ 12.75	(384,852)	\$ 5.65
Nonvested awards at end of year .....	<u>276,280</u>	\$ 12.68	<u>2,676,755</u>	\$ 7.86

The value of stock-based awards is charged to compensation expense over the service periods. For the years ended December 31, 2018, 2017, and 2016, we recorded \$16.5 million, \$9.9 million, and \$7.9 million, respectively, of non-cash compensation expense. The remaining unrecognized cost from restricted equity awards at December 31, 2018, is \$34.9 million, which will be recognized over a weighted average period of 2.1 years. Restricted equity awards that vested in 2018, 2017, and 2016, had a value of \$8.4 million, \$10.4 million, and \$12.7 million, respectively.

## 8. COMMITMENTS AND CONTINGENCIES

### COMMITMENTS

Operating leases, in which we are the lessee, primarily consist of ground leases on which certain of our facilities or other related property reside along with corporate office and equipment leases. The ground leases are long-term leases (almost all having terms of 30 years or more), some of which contain escalation provisions and one contains a purchase option. Properties subject to these ground leases are subleased to our tenants except for three Adeptus transition properties. Lease and rental expense (which is recorded on the straight-line method) for 2018, 2017, and 2016 was \$9.4 million, \$9.8 million, and \$6.8 million, respectively, which was offset by sublease rental income of \$4.3 million, \$6.6 million, and \$4.2 million, for 2018, 2017, and 2016, respectively.

Fixed minimum payments due over the remaining lease term under non-cancelable operating leases of more than one year and amounts to be received in the future from non-cancelable subleases over their remaining lease term at December 31, 2018 are as follows: (amounts in thousands)

	Fixed minimum payments	Amounts to be received from subleases	Net payments
2019 .....	\$ 6,602	\$ (3,284)	\$ 3,318
2020 .....	6,903	(3,458)	3,445
2021 .....	6,841	(3,551)	3,290
2022 .....	6,838	(3,632)	3,206
2023 .....	6,861	(3,636)	3,225
Thereafter .....	198,932	(93,586)	105,346 <sup>(1)</sup>
	<u>\$ 232,977</u>	<u>\$ (111,147)</u>	<u>\$ 121,830</u>

<sup>(1)</sup> Reflects certain ground leases, in which we are the lessee, that have longer initial fixed terms than our existing sublease to our tenants. However, we would expect to either renew the related sublease, enter into a lease with a new tenant or early terminate the ground lease to reduce or avoid any significant impact from such ground leases.

### CONTINGENCIES

We are a party to various legal proceedings incidental to our business. In the opinion of management, after consultation with legal counsel, the ultimate liability, if any, with respect to these proceedings is not presently expected to materially affect our financial position, results of operations or cash flows.

## 9. COMMON STOCK

### 2018 ACTIVITY

In the 2018 fourth quarter, we sold 5.6 million shares of common stock under our at-the-market equity offering program, resulting in net proceeds of approximately \$95 million.

## 2017 ACTIVITY

On May 1, 2017, we completed an underwritten public offering of 43.1 million shares (including the exercise of the underwriters' 30-day option to purchase an additional 5.6 million shares) of our common stock, resulting in net proceeds of approximately \$548 million, after deducting offering expenses.

On November 13, 2017, we entered into a new at-the-market equity offering program, which gives us the ability to sell up to \$750 million of stock with a commission rate up to 2.0%. During 2017, we did not sell any shares of our common stock under this program.

## 2016 ACTIVITY

On October 7, 2016, we sold 10.3 million shares of common stock in a private placement to an affiliate of Cerberus, the controlling member of Steward, and certain members of Steward management. We sold these shares at a price per share of \$14.50, equal to the public offering price of our September 2016 equity offering, generating total proceeds of \$150 million.

On September 30, 2016, we completed an underwritten public offering of 57.5 million shares (including the exercise of the underwriters' 30-day option to purchase an additional 7.5 million shares) of our common stock, resulting in net proceeds of \$799.5 million, after deducting estimated offering expenses.

During 2016, we sold approximately 15 million shares of our common stock under a previously existing at-the-market equity offering program (that ended in 2016), resulting in net proceeds of approximately \$224 million, after deducting approximately \$2.8 million of commissions.

## 10. FAIR VALUE OF FINANCIAL INSTRUMENTS

We have various assets and liabilities that are considered financial instruments. We estimate that the carrying value of cash and cash equivalents, and accounts payable and accrued expenses approximate their fair values. We estimate the fair value of our interest and rent receivables using Level 2 inputs such as discounting the estimated future cash flows using the current rates at which similar receivables would be made to others with similar credit ratings and for the same remaining maturities. The fair value of our mortgage and working capital loans are estimated by using Level 2 inputs such as discounting the estimated future cash flows using the current rates which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. We determine the fair value of our senior unsecured notes, using Level 2 inputs such as quotes from securities dealers and market makers. We estimate the fair value of our revolving credit facility and term loans using Level 2 inputs based on the present value of future payments, discounted at a rate which we consider appropriate for such debt.

Fair value estimates are made at a specific point in time, are subjective in nature, and involve uncertainties and matters of significant judgment. Settlement of such fair value amounts may not be possible and may not be a prudent management decision. The following table summarizes fair value estimates for our financial instruments (in thousands):

Asset (Liability)	December 31, 2018		December 31, 2017	
	Book Value	Fair Value	Book Value	Fair Value
Interest and rent receivables	\$ 25,855	\$ 24,942	\$ 78,970	\$ 78,028
Loans(1)	1,471,520	1,490,758	1,698,471	1,722,101
Debt, net	(4,037,389)	(3,947,795)	(4,898,667)	(5,073,707)

(1) Excludes loans to Ernest that are recorded at fair value - see below for further details.

### ITEMS MEASURED AT FAIR VALUE ON A RECURRING BASIS

Our equity interest in Ernest and related loans, which we sold or were repaid in full (other than our mortgage loans) on October 4, 2018, were measured at fair value on a recurring basis as we elected to account for these investments using the fair value option method. We elected to account for these investments at fair value due to the size of the investments and because we believe this method is more reflective of current values. We have not made a similar election for other equity interests or loans existing at December 31, 2018 or December 31, 2017.

At December 31, 2018 and 2017, the amounts recorded under the fair value option method were as follows (in thousands):

Asset (Liability)	December 31, 2018		December 31, 2017		Asset Type Classification
	Fair Value	Original Cost	Fair Value	Original Cost	
Mortgage loan	\$ 115,000	\$ 115,000	\$ 115,000	\$ 115,000	Mortgage loans
Equity investment and other loans	—	—	114,554	118,354	Other assets/ other loans
	<u>\$ 115,000</u>	<u>\$ 115,000</u>	<u>\$ 229,554</u>	<u>\$ 233,354</u>	

Our mortgage and other loans (for 2017 only) with Ernest are recorded at fair value based on Level 2 inputs by discounting the estimated cash flows using the market rates which similar loans would be made to borrowers with similar credit ratings and the same remaining maturities. Our equity investment in Ernest was recorded at fair value based on Level 3 inputs, by using a discounted cash flow model, which requires significant estimates of our investee such as projected revenue and expenses and appropriate consideration of the underlying risk profile of the forecasted assumptions associated with the investee. We classified the equity investment as Level 3, as we used certain unobservable inputs to the valuation methodology that were significant to the fair value measurement, and the valuation required management judgment due to the absence of quoted market prices. For these cash flow models, our observable inputs included use of a capitalization rate, discount rate (which is based on



a weighted average cost of capital), and market interest rates, and our unobservable input included an adjustment for a marketability discount (“DLOM”) on our equity investment of 40% at December 31, 2018.

In arriving at the DLOM, we started with a DLOM range based on the results of studies supporting valuation discounts for other transactions or structures without a public market. To select the appropriate DLOM within the range, we then considered many qualitative factors including the percent of control, the nature of the underlying investee’s business along with our rights as an investor pursuant to the operating agreement, the size of investment, expected holding period, number of shareholders, access to capital marketplace, etc.

Because the fair value of Ernest investments noted above was below our original cost, we recognized an unrealized loss during 2018 (before selling our investment) and 2017. We did not recognize any unrealized gains/losses on the Ernest investments in 2016.

## 11. OTHER ASSETS

The following is a summary of our other assets (in thousands):

	At December 31,	
	2018	2017
Debt issue costs, net(1) .....	\$ 4,793	\$ 7,093
Equity investments .....	520,058	288,398
Other corporate assets .....	115,416	117,827
Prepays and other assets .....	61,757	55,176
Total other assets .....	<u>\$ 702,024</u>	<u>\$ 468,494</u>

(1) Relates to revolving credit facility

Equity investments have increased over the prior year primarily due to our €210 million joint venture arrangement with Primotop — see Note 3 for further details. Other corporate assets include leasehold improvements associated with our corporate offices, furniture and fixtures, equipment, software, deposits, etc. Included in prepaids and other assets is prepaid insurance, prepaid taxes, goodwill (2017 only), deferred income tax assets (net of valuation allowances, if any), and lease inducements made to tenants, among other items.

## SUMMARIZED FINANCIAL INFORMATION FOR SIGNIFICANT INVESTEES

The following table presents financial information as of and for the year ended December 31, 2018 for the joint venture arrangement with Primotop in which we made an equity method investment in and advances to on August 31, 2018 (in thousands):

	2018	
Revenue .....	\$	42,526
Net income .....	\$	6,009
Assets .....	\$	2,018,496
Liabilities .....	\$	1,553,191

## 12. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following is a summary of the unaudited quarterly financial information for the years ended December 31, 2018 and 2017: (amounts in thousands, except for per share data)

	For the Three Month Periods in 2018 Ended			
	March 31	June 30	September 30	December 31
Revenues .....	\$ 205,046	\$ 201,902	\$ 196,996	\$ 180,578
Net income .....	91,043	112,017	736,476	78,941
Net income attributable to MPT				
common stockholders .....	90,601	111,567	736,034	78,483
Net income attributable to MPT				
common stockholders per share —				
basic .....	\$ 0.25	\$ 0.30	\$ 2.01	\$ 0.21
Weighted average shares				
outstanding — basic .....	364,882	364,897	365,024	366,655
Net income attributable to MPT				
common stockholders per share —				
diluted .....	\$ 0.25	\$ 0.30	\$ 2.00	\$ 0.21
Weighted average shares				
outstanding — diluted .....	365,343	365,541	366,467	367,732

	For the Three Month Periods in 2017 Ended			
	March 31	June 30	September 30	December 31
Revenues .....	\$ 156,397	\$ 166,807	\$ 176,580	\$ 204,961
Net income .....	68,185	73,796	76,881	72,376
Net income attributable to MPT				
common stockholders .....	67,970	73,415	76,464	71,944
Net income attributable to MPT				
common stockholders per share —				
basic .....	\$ 0.21	\$ 0.21	\$ 0.21	\$ 0.19
Weighted average shares				
outstanding — basic .....	321,057	349,856	364,315	364,382
Net income attributable to MPT				
common stockholders per share —				
diluted .....	\$ 0.21	\$ 0.21	\$ 0.21	\$ 0.19
Weighted average shares				
outstanding — diluted .....	321,423	350,319	365,046	364,977

### 13. SUBSEQUENT EVENTS

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On January 31, 2019, we entered into definitive agreements to acquire a portfolio of eleven Australian hospitals currently operated by Healthscope Ltd. (“Healthscope”) for an aggregate purchase price of approximately \$859 million. Upon closing, these facilities will be leased to Healthscope pursuant to master lease agreements that have an average initial term of 20 years with annual fixed escalations and multiple extension options. In a related transaction, Brookfield Business Partners L.P. together with its institutional partners (“Brookfield”) has agreed to acquire up to 100% of Healthscope’s outstanding shares. Closing of our acquisition, which is expected to be completed in the second quarter of 2019, is subject to Healthscope shareholder approval, customary real estate and regulatory approvals, the successful completion of the Brookfield transactions, and other closing conditions.

As discussed in Note 3, in June 2018, we agreed to purchase a four-hospital portfolio from MEDIAN for an aggregate amount of €23 million (including real estate transfer taxes) for which we closed on three of the properties in 2018. The properties are leased to affiliates of MEDIAN. On February 6, 2019, we closed on the last of the four inpatient rehabilitation hospitals in Germany for €5.8 million (including real estate transfer taxes).

### CONTROLS AND PROCEDURES

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#### EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

As required by Rule 13a-15(b), under the Securities Exchange Act of 1934, as amended, we have carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in providing reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms.

#### MANAGEMENT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Medical Properties Trust, Inc. has prepared the consolidated financial statements and other information in our Annual Report in accordance with accounting principles generally accepted in the United States of America and is responsible for its accuracy and completeness. The financial statements necessarily include amounts that are based on management’s best estimates and judgments. In meeting its responsibility, management relies on internal accounting and related control systems. The internal control systems are designed to ensure that transactions are properly authorized

and recorded in our financial records and to safeguard our assets from material loss or misuse. Such assurance cannot be absolute because of inherent limitations in any internal control system.

Management of Medical Properties Trust, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) of the Securities Exchange Act of 1934. Our internal control over financial reporting is a process designed 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.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In connection with the preparation of our annual financial statements, management has undertaken an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2018. The assessment was based upon the framework described in the “Integrated Control-Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) based on criteria established in *Internal Control — Integrated Framework (2013)*. Management’s assessment included an evaluation of the design of internal control over financial reporting and testing of the operational effectiveness of internal control over financial reporting. We have reviewed the results of the assessment with the Audit Committee of our Board of Directors.

Based on our assessment under the criteria set forth in COSO, management has concluded that, as of December 31, 2018, Medical Properties Trust, Inc. maintained effective internal control over financial reporting.

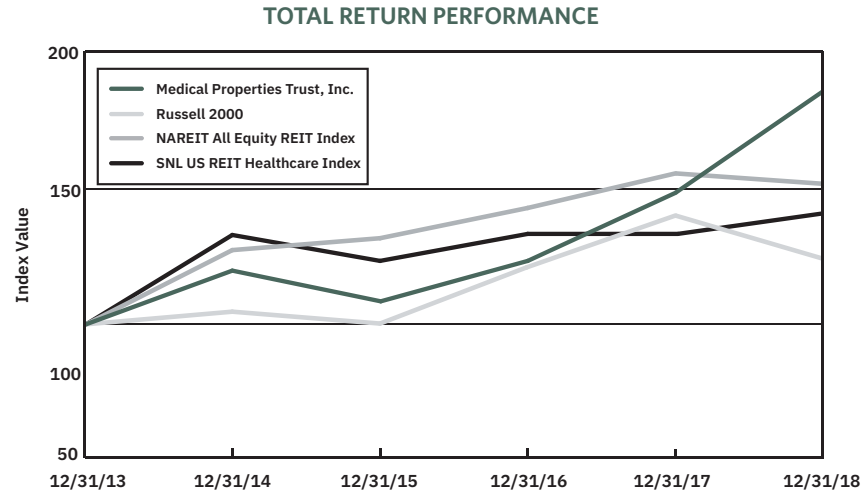
The effectiveness of our internal control over financial reporting as of December 31, 2018, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

#### CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There has been no change in Medical Properties Trust, Inc.’s internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PERFORMANCE GRAPH

The following graph provides comparison of cumulative total stockholder return for the period from December 31, 2013 through December 31, 2018, among us, the Russell 2000 Index, NAREIT All Equity REIT Index, and SNL US REIT Healthcare Index. The stock performance graph assumes an investment of \$100 in us and the three indices, and the reinvestment of dividends. The historical information below is not indicative of future performance.



Index	Period Ending					
	12/31/13	12/31/14	12/31/15	12/31/16	12/31/17	12/31/18
Medical Properties Trust, Inc. ....	100.00	120.14	107.79	123.42	148.78	186.02
Russell 2000 .....	100.00	104.89	100.26	121.63	139.44	124.09
NAREIT All Equity REIT Index...	100.00	128.03	131.64	143.00	155.41	149.12
SNL US REIT Healthcare .....	100.00	133.17	123.49	132.65	132.45	140.66





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## CORPORATE AND SHAREHOLDER INFORMATION

### OFFICERS

Edward K. Aldag, Jr. – Chairman, President and Chief Executive Officer  
R. Steven Hamner – Executive Vice President and Chief Financial Officer  
Emmett E. McLean – Executive Vice President, Chief Operating Officer and Secretary  
J. Kevin Hanna – Vice President, Controller and Chief Accounting Officer  
Rosa H. Hooper – Vice President, Managing Director of Asset Management and Underwriting  
Charles R. Lambert – Treasurer and Managing Director of Capital Markets

### DIRECTORS

Edward K. Aldag, Jr. – Chairman, President and Chief Executive Officer  
G. Steven Dawson – Private Investor  
R. Steven Hamner – Executive Vice President and Chief Financial Officer  
Elizabeth N. Pitman, JD, CHPC – Attorney at Waller Lansden Dortch & Davis, LLP  
D. Paul Sparks, Jr. – Retired Senior Vice President, Energen Corporation  
Michael G. Stewart – Private Investor  
C. Reynolds Thompson, III – Chairman and Chief Investment Officer of Select Strategies Realty

### LEGAL COUNSEL

Baker, Donelson, Bearman, Caldwell & Berkowitz, PC – Birmingham, AL  
Goodwin Procter, LLP – New York, NY

### INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

PricewaterhouseCoopers LLP – Birmingham, AL

### ANNUAL MEETING

The Annual Meeting of Shareholders of Medical Properties Trust, Inc. is scheduled for May 23, 2019 at 10:30 am CDT at City Club Birmingham, 1901 Sixth Avenue North, Suite 3100, Birmingham, AL 35203.

### CERTIFICATIONS

Medical Properties Trust, Inc.'s Chief Executive Officer and Chief Financial Officer have filed their certifications required by the SEC regarding the quality of the company's public disclosure (these are included in the 2018 Annual Report on Form 10-K filed with the Securities and Exchange Commission). Further, the company's Chief Executive Officer has certified to the NYSE that he is not aware of any violation by Medical Properties Trust, Inc. of NYSE corporate governance listing standards, as required by Section 303A.12(a) of the NYSE listing standards.

### TRANSFER AGENT AND REGISTRAR

American Stock Transfer & Trust Company, LLC  
6201 15th Avenue, Brooklyn, NY 11219  
(800) 937-5449 info@amstock.com  
www.amstock.com  
TTY: (Teletypewriter for the hearing impaired)  
(718) 921-8386 or (866) 703-9077

### CORPORATE OFFICE

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## Medical Properties Trust

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