

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2018

OR

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

For the transition period from _____ to _____

Commission file number 001-32559

Commission file number 333-177186

MEDICAL PROPERTIES TRUST, INC.
MPT OPERATING PARTNERSHIP, L.P.

(Exact Name of Registrant as Specified in Its Charter)

MARYLAND

DELAWARE

(State or other jurisdiction of
incorporation or organization)

1000 URBAN CENTER DRIVE, SUITE 501

BIRMINGHAM, AL

(Address of principal executive offices)

20-0191742

20-0242069

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

35242

(Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (205) 969-3755

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer	<input checked="" type="checkbox"/> (Medical Properties Trust, Inc. only)	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/> (MPT Operating Partnership, L.P. only)	Smaller reporting company	<input type="checkbox"/>
	(Do not check if a smaller reporting company)	Emerging growth company	<input type="checkbox"/>

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

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

As of August 3, 2018, Medical Properties Trust, Inc. had 364,858,202 shares of common stock, par value \$0.001, outstanding.

EXPLANATORY NOTE

This report combines the Quarterly Reports on Form 10-Q for the three and six months ended June 30, 2018 of Medical Properties Trust, Inc., a Maryland corporation, and MPT Operating Partnership, L.P., a Delaware limited partnership, through which Medical Properties Trust, Inc. conducts substantially all of its operations. Unless otherwise indicated or unless the context requires otherwise, all references in this report to “we,” “us,” “our,” “our company,” “Medical Properties,” “MPT,” or “the company” refer to Medical Properties Trust, Inc. together with its consolidated subsidiaries, including MPT Operating Partnership, L.P. Unless otherwise indicated or unless the context requires otherwise, all references to “our operating partnership” or “the operating partnership” refer to MPT Operating Partnership, L.P. together with its consolidated subsidiaries.

**MEDICAL PROPERTIES TRUST, INC. AND MPT OPERATING PARTNERSHIP, L.P.
AND SUBSIDIARIES
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED June 30, 2018**

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(In thousands, except per share amounts)	June 30, 2018 (Unaudited)	December 31, 2017 (Note 2)
Assets		
Real estate assets		
Land, buildings and improvements, intangible lease assets, and other	\$ 4,671,829	\$ 5,797,605
Real estate held for sale	1,263,257	146,615
Mortgage loans	1,686,866	1,778,316
Net investment in direct financing leases	688,427	698,727
Gross investment in real estate assets	8,310,379	8,421,263
Accumulated depreciation and amortization	(419,061)	(455,712)
Net investment in real estate assets	7,891,318	7,965,551
Cash and cash equivalents	146,569	171,472
Interest and rent receivables	85,181	78,970
Straight-line rent receivables	215,297	185,592
Other loans	147,855	150,209
Other assets	470,604	468,494
Total Assets	\$ 8,956,824	\$ 9,020,288
Liabilities and Equity		
Liabilities		
Debt, net	\$ 4,864,261	\$ 4,898,667
Accounts payable and accrued expenses	204,505	211,188
Deferred revenue	14,133	18,178
Lease deposits and other obligations to tenants	28,470	57,050
Total liabilities	5,111,369	5,185,083
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 — 364,731 shares at June 30, 2018 and 364,424 shares at December 31, 2017	365	364
Additional paid-in capital	4,338,798	4,333,027
Distributions in excess of net income	(464,784)	(485,932)
Accumulated other comprehensive loss	(42,353)	(26,049)
Treasury shares, at cost	(777)	(777)
Total Medical Properties Trust, Inc. Stockholders' Equity	3,831,249	3,820,633
Non-controlling interests	14,206	14,572
Total Equity	3,845,455	3,835,205
Total Liabilities and Equity	\$ 8,956,824	\$ 9,020,288

See accompanying notes to condensed consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Net Income
(Unaudited)

(In thousands, except per share amounts)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Revenues				
Rent billed	\$ 122,827	\$ 103,447	\$ 250,838	\$ 200,210
Straight-line rent	15,073	16,277	30,864	29,056
Income from direct financing leases	18,934	18,312	36,615	36,192
Interest and fee income	45,068	28,771	88,631	57,746
Total revenues	201,902	166,807	406,948	323,204
Expenses				
Interest	58,126	39,710	115,149	77,739
Real estate depreciation and amortization	34,466	29,493	70,268	57,079
Property-related	1,920	1,153	4,104	2,481
General and administrative	19,552	15,079	37,370	28,276
Acquisition costs	411	10,806	411	13,562
Total expenses	114,475	96,241	227,302	179,137
Other income (expense)				
Gain on sale of real estate, net	24,151	—	25,618	7,413
Debt refinancing costs	—	(751)	—	(14,380)
Other	2,002	3,367	534	5,134
Total other income (expense)	26,153	2,616	26,152	(1,833)
Income before income tax	113,580	73,182	205,798	142,234
Income tax (expense) benefit	(1,563)	614	(2,738)	(253)
Net income	112,017	73,796	203,060	141,981
Net income attributable to non-controlling interests	(450)	(381)	(892)	(596)
Net income attributable to MPT common stockholders	\$ 111,567	\$ 73,415	\$ 202,168	\$ 141,385
Earnings per common share — basic and diluted				
Net income attributable to MPT common stockholders	\$ 0.30	\$ 0.21	\$ 0.55	\$ 0.42
Weighted average shares outstanding — basic	364,897	349,856	364,889	335,456
Weighted average shares outstanding — diluted	365,541	350,319	365,442	335,871
Dividends declared per common share	\$ 0.25	\$ 0.24	\$ 0.50	\$ 0.48

See accompanying notes to condensed consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

(In thousands)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Net income	\$ 112,017	\$ 73,796	\$ 203,060	\$ 141,981
Other comprehensive income:				
Foreign currency translation (loss) gain	(32,392)	34,020	(16,304)	40,312
Total comprehensive income	79,625	107,816	186,756	182,293
Comprehensive income attributable to non-controlling interests	(450)	(381)	(892)	(596)
Comprehensive income attributable to MPT common stockholders	\$ 79,175	\$ 107,435	\$ 185,864	\$ 181,697

See accompanying notes to condensed consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows
(Unaudited)

	For the Six Months Ended June 30,	
	2018	2017
	(In thousands)	
Operating activities		
Net income	\$ 203,060	\$ 141,981
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	74,441	59,825
Amortization of deferred financing costs and debt discount	3,590	3,139
Direct financing lease interest accretion	(4,743)	(4,690)
Straight-line rent revenue	(41,664)	(30,173)
Share-based compensation	6,725	4,377
Gain from sale of real estate, net	(25,618)	(7,413)
Straight-line rent and other write-off	13,294	1,117
Debt refinancing costs	—	14,380
Other adjustments	(14,718)	(5,735)
Changes in:		
Interest and rent receivables	(7,285)	(10,786)
Accounts payable and accrued expenses	(10,603)	(11,126)
Net cash provided by operating activities	196,479	154,896
Investing activities		
Cash paid for acquisitions and other related investments	(273,728)	(600,781)
Net proceeds from sale of real estate	221,931	64,335
Principal received on loans receivable	262,862	5,188
Investment in loans receivable	(169,435)	(3,574)
Construction in progress and other	(22,875)	(36,002)
Other investments, net	(20,400)	(67,101)
Net cash used for investing activities	(1,645)	(637,935)
Financing activities		
Proceeds from term debt	—	955,280
Payments of term debt	—	(675,279)
Revolving credit facilities, net	(4,618)	(39,911)
Distributions paid	(180,813)	(151,692)
Lease deposits and other obligations to tenants	(28,001)	5,790
Proceeds from sale of common shares, net of offering costs	—	548,063
Other financing activities	(2,328)	(16,543)
Net cash (used for) provided by financing activities	(215,760)	625,708
(Decrease) increase in cash, cash equivalents and restricted cash for period	(20,926)	142,669
Effect of exchange rate changes	(3,477)	9,588
Cash, cash equivalents and restricted cash at beginning of period	172,247	84,882
Cash, cash equivalents and restricted cash at end of period	\$ 147,844	\$ 237,139
Interest paid	\$ 115,245	\$ 63,371
Supplemental schedule of non-cash financing activities:		
Distributions declared, unpaid	\$ 91,547	\$ 87,519
Cash, cash equivalents and restricted cash are comprised of the following:		
Beginning of period:		
Cash and cash equivalents	\$ 171,472	\$ 83,240
Restricted cash, included in Other assets	775	1,642
	<u>\$ 172,247</u>	<u>\$ 84,882</u>
End of period:		
Cash and cash equivalents	\$ 146,569	\$ 236,364
Restricted cash, included in Other assets	1,275	775
	<u>\$ 147,844</u>	<u>\$ 237,139</u>

See accompanying notes to condensed consolidated financial statements.

MPT OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(In thousands)	June 30, 2018 (Unaudited)	December 31, 2017 (Note 2)
Assets		
Real estate assets		
Land, buildings and improvements, intangible lease assets, and other	\$ 4,671,829	\$ 5,797,605
Real estate held for sale	1,263,257	146,615
Mortgage loans	1,686,866	1,778,316
Net investment in direct financing leases	688,427	698,727
Gross investment in real estate assets	8,310,379	8,421,263
Accumulated depreciation and amortization	(419,061)	(455,712)
Net investment in real estate assets	7,891,318	7,965,551
Cash and cash equivalents	146,569	171,472
Interest and rent receivables	85,181	78,970
Straight-line rent receivables	215,297	185,592
Other loans	147,855	150,209
Other assets	470,604	468,494
Total Assets	\$ 8,956,824	\$ 9,020,288
Liabilities and Capital		
Liabilities		
Debt, net	\$ 4,864,261	\$ 4,898,667
Accounts payable and accrued expenses	112,626	121,465
Deferred revenue	14,133	18,178
Lease deposits and other obligations to tenants	28,470	57,050
Payable due to Medical Properties Trust, Inc.	91,489	89,333
Total liabilities	5,110,979	5,184,693
Capital		
General Partner — issued and outstanding — 3,647 units at June 30, 2018 and 3,644 units at December 31, 2017	38,767	38,489
Limited Partners:		
Common units — issued and outstanding — 361,084 units at June 30, 2018 and 360,780 units at December 31, 2017	3,835,225	3,808,583
LTIP units — issued and outstanding — 232 units at June 30, 2018 and 292 units at December 31, 2017	—	—
Accumulated other comprehensive loss	(42,353)	(26,049)
Total MPT Operating Partnership, L.P. Capital	3,831,639	3,821,023
Non-controlling interests	14,206	14,572
Total capital	3,845,845	3,835,595
Total Liabilities and Capital	\$ 8,956,824	\$ 9,020,288

See accompanying notes to condensed consolidated financial statements.

MPT OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES

Condensed Consolidated Statements of Net Income
(Unaudited)

(In thousands, except per unit amounts)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Revenues				
Rent billed	\$ 122,827	\$ 103,447	\$ 250,838	\$ 200,210
Straight-line rent	15,073	16,277	30,864	29,056
Income from direct financing leases	18,934	18,312	36,615	36,192
Interest and fee income	45,068	28,771	88,631	57,746
Total revenues	201,902	166,807	406,948	323,204
Expenses				
Interest	58,126	39,710	115,149	77,739
Real estate depreciation and amortization	34,466	29,493	70,268	57,079
Property-related	1,920	1,153	4,104	2,481
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Acquisition costs	411	10,806	411	13,562
Total expenses	114,475	96,241	227,302	179,137
Other income (expense)				
Gain on sale of real estate, net	24,151	—	25,618	7,413
Debt refinancing costs	—	(751)	—	(14,380)
Other	2,002	3,367	534	5,134
Total other income (expense)	26,153	2,616	26,152	(1,833)
Income before income tax	113,580	73,182	205,798	142,234
Income tax (expense) benefit	(1,563)	614	(2,738)	(253)
Net income	112,017	73,796	203,060	141,981
Net income attributable to non-controlling interests	(450)	(381)	(892)	(596)
Net income attributable to MPT Operating Partnership partners	\$ 111,567	\$ 73,415	\$ 202,168	\$ 141,385
Earnings per unit — basic and diluted				
Net income attributable to MPT Operating Partnership partners	\$ 0.30	\$ 0.21	\$ 0.55	\$ 0.42
Weighted average units outstanding — basic	364,897	349,856	364,889	335,456
Weighted average units outstanding — diluted	365,541	350,319	365,442	335,871
Dividends declared per unit	\$ 0.25	\$ 0.24	\$ 0.50	\$ 0.48

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MPT OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES

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Net income	\$ 112,017	\$ 73,796	\$ 203,060	\$ 141,981
Other comprehensive income:				
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Total comprehensive income	79,625	107,816	186,756	182,293
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MPT OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES

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(Unaudited)

	For the Six Months Ended June 30,	
	2018	2017
	(In thousands)	
Operating activities		
Net income	\$ 203,060	\$ 141,981
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	74,441	59,825
Amortization of deferred financing costs and debt discount	3,590	3,139
Direct financing lease interest accretion	(4,743)	(4,690)
Straight-line rent revenue	(41,664)	(30,173)
Unit-based compensation	6,725	4,377
Gain from sale of real estate, net	(25,618)	(7,413)
Straight-line rent and other write-off	13,294	1,117
Debt refinancing costs	—	14,380
Other adjustments	(14,718)	(5,735)
Changes in:		
Interest and rent receivables	(7,285)	(10,786)
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Net cash provided by operating activities	<u>196,479</u>	<u>154,896</u>
Investing activities		
Cash paid for acquisitions and other related investments	(273,728)	(600,781)
Net proceeds from sale of real estate	221,931	64,335
Principal received on loans receivable	262,862	5,188
Investment in loans receivable	(169,435)	(3,574)
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Other investments, net	(20,400)	(67,101)
Net cash used for investing activities	<u>(1,645)</u>	<u>(637,935)</u>
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Proceeds from term debt	—	955,280
Payments of term debt	—	(675,279)
Revolving credit facilities, net	(4,618)	(39,911)
Distributions paid	(180,813)	(151,692)
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Cash, cash equivalents and restricted cash at beginning of period	172,247	84,882
Cash, cash equivalents and restricted cash at end of period	<u>\$ 147,844</u>	<u>\$ 237,139</u>
Interest paid	\$ 115,245	\$ 63,371
Supplemental schedule of non-cash financing activities:		
Distributions declared, unpaid	\$ 91,547	\$ 87,519
Cash, cash equivalents, and restricted cash are comprised of the following:		
Beginning of period:		
Cash and cash equivalents	\$ 171,472	\$ 83,240
Restricted cash, included in Other assets	775	1,642
	<u>\$ 172,247</u>	<u>\$ 84,882</u>
End of period:		
Cash and cash equivalents	\$ 146,569	\$ 236,364
Restricted cash, included in Other assets	1,275	775
	<u>\$ 147,844</u>	<u>\$ 237,139</u>

See accompanying notes to condensed consolidated financial statements.

**MEDICAL PROPERTIES TRUST, INC. AND MPT OPERATING PARTNERSHIP, L.P.
AND SUBSIDIARIES**

Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Organization

Medical Properties Trust, Inc., a Maryland corporation, was formed on August 27, 2003, under the Maryland General Corporation Law for the purpose of engaging in the business of investing in, owning, and leasing commercial real estate. Our operating partnership subsidiary, MPT Operating Partnership, L.P., (the "Operating Partnership") 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 2004. Accordingly, we will generally not be subject to federal income tax in the United States ("U.S."), provided that we continue to qualify as a REIT and our distributions to our stockholders equal or exceed our taxable income. Certain non-real estate activities we undertake are conducted by entities which we elected to be treated as taxable REIT subsidiaries ("TRS"). Our TRS entities are subject to both U.S. federal and state income taxes. For our properties located outside the U.S., we are subject to local taxes; however, we do not expect to incur additional taxes in the U.S. as such real estate related income flows through our REIT.

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. Our properties are located in the U.S. and Europe.

2. Summary of Significant Accounting Policies

Unaudited Interim Condensed Consolidated Financial Statements: The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. for interim financial information, including rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles ("GAAP") for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2018, are not necessarily indicative of the results that may be expected for the year ending December 31, 2018. The condensed consolidated balance sheet at December 31, 2017 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the U.S. for complete financial statements.

For information about significant accounting policies, refer to the consolidated financial statements and footnotes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2017, and as updated in our Form 10-Q for the quarter ended March 31, 2018. There have been no material changes to these significant accounting policies other than the following:

On July 1, 2018, we early adopted Accounting Standards Update ("ASU") No. 2018-07, "Compensation-Stock Compensation." Under the new standard, non-employee stock awards are to be accounted for similar to employee stock awards. This standard simplifies the accounting for non-employee stock awards, including fixing the value of the stock award at date of grant. The adoption of this standard did not have a material impact on our financial statements.

Recent Accounting Developments:

Leases

In February 2016, the Financial Accounting Board (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 new 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.

We plan to adopt ASU 2016-02 on January 1, 2019, along with ASU 2018-11. We are continuing to evaluate this standard and the impact to us from both a lessor and lessee perspective. 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 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, 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 (including certain operating expenses that the tenants of our facilities are required to pay 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.

Reclassifications

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

Variable Interest Entities

At June 30, 2018, we had loans to and/or equity investments in certain variable interest entities (“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 June 30, 2018 (in thousands):

<u>VIE Type</u>	<u>Maximum Loss Exposure(1)</u>	<u>Asset Type Classification</u>	<u>Carrying Amount(2)</u>
Loans, net	\$ 325,963	Mortgage and other loans	\$ 229,367
Equity investments	\$ 14,395	Other assets	\$ —

- (1) Our maximum loss exposure related to loans with VIEs represents our current aggregate gross carrying value of the loan plus accrued interest and any other related assets (such as rent receivables), less any liabilities. Our maximum loss exposure related to our equity investment in VIEs represents 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 loan or 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 June 30, 2018, we were not required to provide financial support through a liquidity arrangement or otherwise to our unconsolidated VIEs, including circumstances in which they 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.

See Note 3 and Note 7 for additional description of the nature, purpose and activities of our more significant VIEs (such as Ernest Health Inc. (“Ernest”)) and interests therein.

3. Real Estate and Lending Activities

Acquisitions

We acquired the following assets (in thousands)

	For the Six Months Ended June 30,	
	2018	2017
Assets Acquired		
Land and land improvements	\$ 16,121	\$ 87,620
Building	232,409	399,867
Intangible lease assets — subject to amortization (weighted average useful life 20.0 years for 2018 and 28.5 years for 2017)	25,198	73,722
Net investments in direct financing leases	—	40,450
Liabilities assumed	—	(878)
Total assets acquired	\$ 273,728	\$ 600,781
Loans repaid(1)	(259,378)	—
Total net assets acquired	\$ 14,350	\$ 600,781

- (1) Includes \$259.4 million of loans advanced to Steward Health Care System LLC (“Steward”) in 2017 and repaid in 2018 as described more fully below.

2018 Activity

On June 27, 2018, we acquired the fee simple real estate of two general acute care hospitals in Massachusetts from Steward in exchange for the reduction of \$259.4 million of mortgage loans made to Steward in October 2016, along with an additional \$14.4 million in cash consideration. These properties are being leased to Steward pursuant to the original master lease from October 2016 that has a 15-year term with three five-year extension options, plus consumer-price indexed increases.

2017 Activity

MEDIAN Transactions

On June 22, 2017, we acquired an acute care hospital in Germany for a purchase price of €19.4 million. This property is leased to affiliates of Median Kliniken S.à.r.l. (“MEDIAN”), pursuant to the original master lease agreement effective in 2015 and expiring December 2042 with annual escalators at the greater of one percent or 70% of the change in German CPI.

During the second quarter of 2017, we acquired 11 rehabilitation hospitals in Germany for an aggregate purchase price of €127 million. These 11 properties 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. These acquisitions are part 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. The final two properties closed post June 30, 2017 for a purchase price of €39.2 million.

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 and as described above.

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 operated by Alecto. We also agreed to provide up to \$20.0 million in capital improvement funding on these two facilities - none of which has been funded to date. With these acquisitions, we also obtained a 20% interest in the operator of these facilities.

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. These facilities are leased to Steward, pursuant to the existing long-term master lease entered into with Steward in October 2016 and as described above.

On May 1, 2017, we also 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 Healthcare Partners (“RCCH”), pursuant to the existing long-term master lease entered into with RCCH in April 2016.

From the respective acquisition dates, the properties acquired in 2017 contributed \$8.2 million of revenue and \$6.0 million of income (excluding related acquisition expenses and taxes) for the three months ended June 30, 2017, and \$8.4 million of revenue and \$6.1 million of income (excluding related acquisition expenses and taxes) for the six months ended June 30, 2017. In addition, we expensed \$9.1 million and \$9.6 million of acquisition-related costs on these 2017 acquisitions for the three and six months ended June 30, 2017, respectively.

Development Activities

During the first six months of 2018, we completed 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 generally similar to the original master lease.

See table below for a status update on our current development projects (in thousands):

<u>Property</u>	<u>Commitment</u>	<u>Costs Incurred as of June 30, 2018</u>	<u>Estimated Completion Date</u>
Circle Health (Birmingham, England)	\$ 44,825	\$ 20,942	1Q 2019
Circle Health Rehabilitation (Birmingham, England)	22,269	3,360	3Q 2019
Surgery Partners (Idaho Falls, Idaho)	113,468	23,318	1Q 2020
	<u>\$ 180,562</u>	<u>\$ 47,620</u>	

Disposals

2018 Activity

Joint Venture Transaction

On June 7, 2018, we entered into a subscription agreement with Primotop Holdings S.à.r.l. (“Primotop”), an entity managed by Primonial Group, pursuant to which Primotop will acquire a 50% interest by way of a joint venture in the real estate of 71 post-acute hospitals in Germany that we currently own, with an aggregate agreed valuation of approximately €1.635 billion. The remaining 50% interest in the joint venture will be retained by us. Immediately following the closing, which is expected to occur during the third quarter of 2018, the joint venture is expected to make cash distributions to us in an aggregate amount of approximately €1.14 billion from the proceeds of the cash contributions from Primotop and certain secured debt financings within the joint venture. In preparation of this joint venture, we issued such secured debt on these properties on August 3, 2018, resulting in gross proceeds of €655 million. At June 30, 2018, the 71 facilities subject to the joint venture were designated as held for sale and included the following net assets (in thousands):

Real estate held for sale	\$ 1,263,257
Straight-line rent receivables	36,246
	<u>\$ 1,299,503</u>

Other Transactions

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 has 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.

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.

Summary of Operations for Disposed Assets in 2018

The properties sold during 2018 and the assets held for sale (from the Joint Venture Transaction) at June 30, 2018, do not meet the definition of discontinued operations. However, the following represents the operating results (excluding gain on sale and any non-cash charges such as straight-line rent write-offs) from these properties (excluding the St. Joseph sale which was converted to a mortgage loan) for the periods presented (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Revenues	\$ 34,142	\$ 28,817	\$ 69,900	\$ 55,536
Real estate depreciation and amortization	(6,129)	(7,070)	(14,902)	(13,595)
Property-related expenses	(14)	(1)	(255)	(1)
Other income (expense)	(410)	(5,501)	(969)	(7,045)
Income from real estate dispositions, net	\$ 27,589	\$ 16,245	\$ 53,774	\$ 34,895

As noted previously, we will retain a 50% interest in the Joint Venture Transaction; however, such interest has not been factored into the summary of operations above.

Leasing Operations

At June 30, 2018, leases on 14 Ernest facilities, ten Prime Healthcare Services, Inc. (“Prime”) facilities, and two Alecto facilities are accounted for as direct financing leases (“DFLs”). The components of our net investment in DFLs consisted of the following (in thousands):

	As of June 30, 2018	As of December 31, 2017
Minimum lease payments receivable	\$ 2,207,355	\$ 2,294,081
Estimated residual values	434,769	448,339
Less: Unearned income	(1,953,697)	(2,043,693)
Net investment in direct financing leases	\$ 688,427	\$ 698,727

On March 15, 2018, we entered into a new lease agreement of our long-term acute care facility in Boise, Idaho (the “Boise Lease”) with a joint venture formed by Vibra and Ernest. The new lease has an initial 15-year fixed term (ending March 2033) with three extension options of five years each. With this transaction, we incurred a non-cash charge of \$1.5 million to write-off DFL unbilled interest associated with the previous lease to Ernest on this property.

Adeptus Health

As noted in previous filings, we have 16 properties that are 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. On January 1, 2018

and April 1, 2018, Adeptus Health vacated and stopped making rent payments on five and three properties, respectively. Another seven properties will be transitioned away from Adeptus Health on October 1, 2018, with the remaining property on October 1, 2019. During the transition period, Adeptus Health has and will continue to make lease payments. As a result of the shortening of our lease term on these properties, we recorded a \$3.9 million charge to accelerate the amortization of the straight-line rent receivables in the first half of 2018. At June 30, 2018, our investment in these 16 facilities approximates 1% of our total assets. Although no assurances can be made that we will not recognize a loss in the future, we believe at June 30, 2018 that our plans to sell or re-lease these 16 transition facilities will not result in any material loss or impairment.

At June 30, 2018, excluding the 16 transition properties, we have 21 properties leased to Adeptus Health representing \$131.3 million or 1.4% of our total assets. During the last fifteen months, we have re-tenanted 22 properties with an investment of \$172.1 million to strong credit worthy operators including:

- 1) Three Louisiana freestanding emergency facilities to Ochsner Clinic Foundation (“Ochsner”) on April 4, 2017;
- 2) 11 Colorado freestanding emergency facilities to UCHealth on December 1, 2017; and
- 3) Eight Arizona facilities to Dignity Health on June 8, 2018.

Through June 30, 2018, all rent has been paid on these facilities, and we have only incurred a \$0.5 million charge to-date related to the write-off of straight-line rent receivables on the facilities re-tenanted to Ochsner in 2017.

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. At June 30, 2018, all outstanding receivables 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 and Florence facilities of \$37.8 million at June 30, 2018, is fully recoverable.

Loans

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

	As of June 30, 2018	As of December 31, 2017
Mortgage loans	\$ 1,686,866	\$ 1,778,316
Acquisition loans	118,290	118,448
Working capital and other loans	29,565	31,761
	<u>\$ 1,834,721</u>	<u>\$ 1,928,525</u>

The decrease in mortgage loans relates to the use of two Steward mortgage loans to fund our acquisition of the related fee simple real estate of two facilities on June 27, 2018 – see “Acquisitions” of this Note 3 for further information. This decrease was partially offset by the new mortgage loans made on the St. Joseph property on March 1, 2018 and as part of the Vibra disposal transaction on June 4, 2018 – see “Disposals” of this Note 3 for further information.

Our non-mortgage loans typically consist of loans to our tenants for acquisitions and working capital purposes. At June 30, 2018, acquisition loans includes \$113.6 million in loans to Ernest.

Concentrations of Credit Risk

Our revenue concentration for the six months ended June 30, 2018 as compared to the prior year is as follows (dollars in thousands):

Revenue by Operator

Operators	For the Six Months Ended June 30,			
	2018		2017	
	Total Revenue	Percentage of Total Revenue	Total Revenue	Percentage of Total Revenue
Steward (1)	\$ 147,868	36.3%	\$ 72,518	22.4%
Prime	63,590	15.6%	63,059	19.5%
MEDIAN	57,289	14.1%	47,744	14.8%
Ernest	34,542	8.5%	35,269	10.9%
RCCH	20,414	5.0%	19,632	6.1%
Other operators	83,245	20.5%	84,982	26.3%
Total	\$ 406,948	100.0%	\$ 323,204	100.0%

(1) Includes revenue from IASIS prior to being acquired by Steward on September 29, 2017.

Revenue by U.S. State and Country

U.S. States and Other Countries	For the Six Months Ended June 30,			
	2018		2017	
	Total Revenue	Percentage of Total Revenue	Total Revenue	Percentage of Total Revenue
Texas	\$ 60,361	14.8%	\$ 49,851	15.4%
Massachusetts	54,433	13.4%	53,159	16.5%
Utah	41,734	10.3%	5,057	1.6%
California	29,422	7.2%	33,123	10.3%
Arizona	23,286	5.7%	15,542	4.8%
All other states	121,307	29.8%	109,875	33.9%
Total U.S.	\$ 330,543	81.2%	\$ 266,607	82.5%
Germany	\$ 74,176	18.2%	\$ 54,576	16.9%
United Kingdom, Italy, and Spain	2,229	0.6%	2,021	0.6%
Total International	\$ 76,405	18.8%	\$ 56,597	17.5%
Grand Total	\$ 406,948	100.0%	\$ 323,204	100.0%

On an individual property basis, we had no investment of any single property greater than 4% of our total assets as of June 30, 2018.

4. Debt

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

	As of June 30, 2018	As of December 31, 2017
Revolving credit facility(A)	\$ 835,848	\$ 840,810
Term loan	200,000	200,000
4.000% Senior Unsecured Notes due 2022(B)	584,200	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)	584,200	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
	<u>\$ 4,904,248</u>	<u>\$ 4,941,310</u>
Debt issue costs, net	(39,987)	(42,643)
	<u>\$ 4,864,261</u>	<u>\$ 4,898,667</u>

(A) Includes £12 million and £8 million of GBP-denominated borrowings that reflect the exchange rate at June 30, 2018 and December 31, 2017, respectively.

(B) These notes are Euro-denominated and reflect the exchange rate at June 30, 2018 and December 31, 2017, respectively.

As of June 30, 2018, principal payments due on our debt (which exclude the effects of any discounts, premiums, or debt issue costs recorded) are as follows (in thousands):

2018	\$ —
2019	—
2020	—
2021	835,848
2022	784,200
Thereafter	3,284,200
Total	<u>\$ 4,904,248</u>

2017 Activity

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 (“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), and a new €200 million unsecured term loan facility.

On March 4, 2017, we redeemed the €200 million aggregate principal amount of our 5.750% Senior Unsecured Notes due 2020.

On March 24, 2017, we completed a €500 million senior unsecured notes offering (“3.325% Senior Unsecured Notes due 2025”). A portion of the proceeds from this offering were used to prepay and extinguish the €200 million term loan facility portion of our Credit Facility on March 30, 2017.

With the replacement of our old credit facility, the redemption of the 5.750% Senior Unsecured Notes due 2020, and the payoff of our €200 million euro term loan, we incurred a debt refinancing charge of approximately \$14 million in the first six months of 2017.

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, as defined in the agreements, on a rolling four quarter basis. At June 30, 2018, the dividend restriction was 95% of normalized adjusted funds from operations (“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 June 30, 2018, we were in compliance with all such financial and operating covenants.

5. Common Stock/Partners' Capital

Medical Properties Trust, Inc.

On May 1, 2017, we completed an underwritten public offering of approximately 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.

MPT Operating Partnership, L.P.

At June 30, 2018, the Company has a 99.92% ownership interest in the Operating Partnership with the remainder owned by two other partners, which are employees.

During the six months ended June 30, 2017, the Operating Partnership issued approximately 43.1 million units in direct response to the common stock offerings by Medical Properties Trust, Inc. during the same period.

6. Stock Awards

We adopted the 2013 Equity Incentive Plan (the “Equity Incentive Plan”) during the second quarter of 2013, which 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. The 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 for which 1,690,590 million shares remain available for future stock awards as of June 30, 2018. Share-based compensation expense totaled \$6.7 million and \$4.4 million for the six months ended June 30, 2018 and 2017, respectively.

7. 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 loans 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 loan 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):

<u>Asset (Liability)</u>	<u>As of June 30, 2018</u>		<u>As of December 31, 2017</u>	
	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>
Interest and rent receivables	\$ 85,181	\$ 84,292	\$ 78,970	\$ 78,028
Loans (1)	1,605,355	1,627,579	1,698,471	1,722,101
Debt, net	(4,864,261)	(4,889,856)	(4,898,667)	(5,073,707)

(1) Excludes loans related to Ernest since they are recorded at fair value and discussed below.

Items Measured at Fair Value on a Recurring Basis

Our equity interest in Ernest along with their related loans are measured at fair value on a recurring basis as we elected to account for these investments using the fair value option method. 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 currently existing equity interests or loans.

At June 30, 2018, these amounts were as follows (in thousands):

<u>Asset Type</u>	<u>Fair Value</u>	<u>Original Cost</u>	<u>Asset Type Classification</u>
Mortgage loans	\$ 115,000	\$ 115,000	Mortgage loans
Equity investments and other loans	110,672	117,666	Other loans/other assets
	<u>\$ 225,672</u>	<u>\$ 232,666</u>	

Our mortgage and other loans 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 is 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 forecast assumptions associated with the investee. We classify the equity investment as Level 3, as we use certain unobservable inputs to the valuation methodology that are significant to the fair value measurement, and the valuation requires management judgment due to the absence of quoted market prices. For the cash flow model, our observable inputs include 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 includes an adjustment for a marketability discount ("DLOM") on our equity investment of 40% at June 30, 2018.

In regards to the underlying projection of revenues and expenses used in the discounted cash flow model, such projections are provided by Ernest. However, we will modify such projections (including underlying assumptions used) as needed based on our review and analysis of Ernest's historical results, meetings with key members of management, and our understanding of trends and developments within the healthcare industry.

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. To illustrate the effect of movements in the DLOM, we performed a sensitivity analysis below by using basis point variations (dollars in thousands):

<u>Basis Point Change in Marketability Discount</u>	<u>Estimated Increase (Decrease) In Fair Value</u>
+100 basis points	\$ (60)
- 100 basis points	60

Because the fair value of the Ernest investments noted above is below our original cost, we recognized an unrealized loss during the first half of 2018. No unrealized gain/loss on the Ernest investments was recorded in the first half of 2017.

8. Earnings Per Share

Medical Properties Trust, Inc.

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

	For the Three Months Ended June 30,	
	2018	2017
Numerator:		
Net income	\$ 112,017	\$ 73,796
Non-controlling interests' share in net income	(450)	(381)
Participating securities' share in earnings	(323)	(100)
Net income, less participating securities' share in earnings	<u>\$ 111,244</u>	<u>\$ 73,315</u>
Denominator:		
Basic weighted-average common shares	364,897	349,856
Dilutive potential common shares	644	463
Dilutive weighted-average common shares	<u>365,541</u>	<u>350,319</u>

	For the Six Months Ended June 30,	
	2018	2017
Numerator:		
Net income	\$ 203,060	\$ 141,981
Non-controlling interests' share in net income	(892)	(596)
Participating securities' share in earnings	(518)	(225)
Net income, less participating securities' share in earnings	<u>\$ 201,650</u>	<u>\$ 141,160</u>
Denominator:		
Basic weighted-average common shares	364,889	335,456
Dilutive potential common shares	553	415
Dilutive weighted-average common shares	<u>365,442</u>	<u>335,871</u>

MPT Operating Partnership, L.P.

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

	For the Three Months Ended June 30,	
	2018	2017
Numerator:		
Net income	\$ 112,017	\$ 73,796
Non-controlling interests' share in net income	(450)	(381)
Participating securities' share in earnings	(323)	(100)
Net income, less participating securities' share in earnings	<u>\$ 111,244</u>	<u>\$ 73,315</u>
Denominator:		
Basic weighted-average units	364,897	349,856
Dilutive potential units	644	463
Diluted weighted-average units	<u>365,541</u>	<u>350,319</u>

	For the Six Months Ended June 30,	
	2018	2017
Numerator:		
Net income	\$ 203,060	\$ 141,981
Non-controlling interests' share in net income	(892)	(596)
Participating securities' share in earnings	(518)	(225)
Net income, less participating securities' share in earnings	<u>\$ 201,650</u>	<u>\$ 141,160</u>
Denominator:		
Basic weighted-average units	364,889	335,456
Dilutive potential units	553	415
Diluted weighted-average units	<u>365,442</u>	<u>335,871</u>

9. Commitments and Contingencies

Commitments

On September 28, 2016, we entered into definitive agreements to acquire an acute care hospital in Washington for a purchase price of \$17.5 million. Upon closing, the facility will be leased to RCCH, pursuant to the current master lease. Closing of this transaction, which is expected to be completed in 2018 is subject to customary real estate, regulatory and other closing conditions.

On June 6, 2018, we entered into a definitive agreement to acquire four rehabilitation hospitals in Germany for a purchase price of approximately €23 million (including real estate transfer taxes). Upon closing, these facilities will be leased to affiliates of MEDIAN, pursuant to a new 27-year master lease with annual escalators at the greater of one percent or 70% of the change in German CPI. We expect to complete this transaction during the third quarter of 2018.

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 those proceedings is not presently expected to materially affect our financial position, results of operations or cash flows.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of the consolidated financial condition and consolidated results of operations are presented on a combined basis for Medical Properties Trust and MPT Operating Partnership, L.P. as there are no material differences between these two entities.

The following discussion and analysis of the consolidated financial condition and consolidated results of operations should be read together with the condensed consolidated financial statements and notes thereto contained in this Form 10-Q and the consolidated financial statements and notes thereto contained in our Annual Report on Form 10-K for the year ended December 31, 2017.

Forward-Looking Statements.

This report on Form 10-Q contains certain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results or future performance, achievements or transactions or events to be materially different from those expressed or implied by such forward-looking statements, including, but not limited to, the risks described in our Annual Report on Form 10-K and as updated in our quarterly reports on Form 10-Q for future periods, and current reports on Form 8-K as we file them with the SEC under the Securities Exchange Act of 1934, as amended. Such factors include, among others, the following:

- U.S. (both national and local) and European (in particular Germany, the United Kingdom, Spain and Italy) political, economic, business, real estate, and other market conditions;
- the competitive environment in which we operate;
- the execution of our business plan;
- financing risks, such as our ability to repay, refinance, restructure, or extend our indebtedness as it becomes due;
- 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 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;
- adverse developments affecting the financial health of one or more of our tenants, including insolvency;
- 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;
- U.S. (both federal and state) and European (in particular Germany, the United Kingdom, Spain and Italy) healthcare and other regulatory requirements; and
- U.S. national and local economic conditions, as well as conditions in Europe 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 (including joint venture financing arrangements) on attractive terms or at all, which may adversely impact our ability to pursue acquisition and development opportunities, our ability to 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.

Key Factors that May Affect Our Operations

Our revenue is derived from rents we earn pursuant to the lease agreements with our tenants, from interest income from loans to our tenants and other facility owners and from profits or equity interests in certain of our tenants’ operations. Our tenants operate in

the healthcare industry, generally providing medical, surgical and rehabilitative care to patients. The capacity of our tenants to pay our rents and interest is dependent upon their ability to conduct their operations at profitable levels. We believe that the business environment of the industry segments in which our tenants operate is generally positive for efficient operators. However, our tenants' operations are subject to economic, regulatory and market conditions that may affect their profitability, which could impact our results. Accordingly, we monitor certain key factors, changes to which we believe may provide early indications of conditions that may affect the level of risk in our portfolio.

Key factors that we consider in underwriting prospective tenants and borrowers and in monitoring the performance of existing tenants and borrowers include the following:

- admission levels and surgery/procedure/diagnosis volumes by type;
- the current, historical and prospective operating margins (measured by earnings before interest, taxes, depreciation, amortization and facility rent) of each tenant or borrower and at each facility;
- the ratio of our tenants' or borrowers' operating earnings both to facility rent and to facility rent plus other fixed costs, including debt costs;
- trends in the source of our tenants' or borrowers' revenue, including the relative mix of public payors (including Medicare, Medicaid/MediCal, managed care in the U.S. and pension funds in Germany) and private payors (including commercial insurance and private pay patients);
- the effect of evolving healthcare legislation and other regulations on our tenants' or borrowers' profitability and liquidity; and
- the competition and demographics of the local and surrounding areas in which the tenants or borrowers operate.

Certain business factors, in addition to those described above that directly affect our tenants and borrowers, will likely materially influence our future results of operations. These factors include:

- trends in the cost and availability of capital, including market interest rates, that our prospective tenants may use for their real estate assets instead of financing their real estate assets through lease structures;
- changes in healthcare regulations that may limit the opportunities for physicians to participate in the ownership of healthcare providers and healthcare real estate;
- reductions in reimbursements from Medicare, state healthcare programs, and commercial insurance providers that may reduce our tenants' or borrowers' profitability and our lease rates;
- competition from other financing sources; and
- the ability of our tenants and borrowers to access funds in the credit markets.

CRITICAL ACCOUNTING POLICIES

Refer to our 2017 Annual Report on Form 10-K for a discussion of our critical accounting policies, which include revenue recognition, investments in real estate, purchase price allocation, loans, losses from rent and interest receivables, stock-based compensation, our fair value option election, and our accounting policy on consolidation. During the six months ended June 30, 2018, there were no material changes to these policies.

Overview

We are a self-advised REIT focused on investing in and owning net-leased healthcare facilities across the U.S. and selectively in foreign jurisdictions. We have operated as a REIT since 2004. Medical Properties Trust, Inc. was incorporated under Maryland law on August 27, 2003, and MPT Operating Partnership, L.P. was formed under Delaware law on September 10, 2003. We conduct substantially all of our business through MPT Operating Partnership, L.P. We acquire and develop healthcare facilities and lease the facilities to healthcare operating companies under long-term net leases, which require the tenant to bear most of the costs associated with the property. We also make mortgage loans to healthcare operators collateralized by their real estate assets. In addition, we selectively make loans to certain of our operators through our taxable REIT subsidiaries, the proceeds of which are typically used for acquisitions and working capital. Finally, from time to time, we acquire a profits or other equity interest in our tenants that gives us a right to share in such tenant's profits and losses.

At June 30, 2018, our portfolio consisted of 272 properties leased or loaned to 31 operators, of which three are under development and 13 are in the form of mortgage loans.

Our investments in healthcare real estate, including mortgage and other loans, as well as any equity investments in our tenants are considered a single reportable segment. All of our investments are currently located in the U.S. and Europe. Our total assets are made up of the following (dollars in thousands):

	As of June 30, 2018	% of Total	As of December 31, 2017	% of Total
Real estate owned (gross)	\$ 6,575,893	73.4%	\$ 6,595,252	73.1%
Mortgage loans	1,686,866	18.8%	1,778,316	19.7%
Other loans	147,855	1.7%	150,209	1.7%
Construction in progress	47,620	0.5%	47,695	0.5%
Other assets	498,590	5.6%	448,816	5.0%
Total assets (1)	<u>\$ 8,956,824</u>	<u>100.0%</u>	<u>\$ 9,020,288</u>	<u>100.0%</u>

(1) Includes \$1.9 billion and \$1.8 billion of healthcare real estate assets in Europe at June 30, 2018 and December 31, 2017, respectively.

The following is our revenue by operating type (dollar amounts in thousands):

	For the Three Months Ended June 30, 2018	% of Total	For the Three Months Ended June 30, 2017	% of Total
General Acute Care Hospitals (1)	\$ 147,246	72.9%	\$ 114,942	68.9%
Rehabilitation Hospitals	49,850	24.7%	41,065	24.6%
Long-term Acute Care Hospitals	4,806	2.4%	10,800	6.5%
Total revenues	<u>\$ 201,902</u>	<u>100.0%</u>	<u>\$ 166,807</u>	<u>100.0%</u>

	For the Six Months Ended June 30, 2018	% of Total	For the Six Months Ended June 30, 2017	% of Total
General Acute Care Hospitals (1)	\$ 293,043	72.0%	\$ 222,068	68.7%
Rehabilitation Hospitals	100,009	24.6%	79,344	24.6%
Long-term Acute Care Hospitals	13,896	3.4%	21,792	6.7%
Total revenues	<u>\$ 406,948</u>	<u>100.0%</u>	<u>\$ 323,204</u>	<u>100.0%</u>

(1) Includes three medical office buildings.

Results of Operations

Three Months Ended June 30, 2018 Compared to June 30, 2017

Net income for the three months ended June 30, 2018, was \$111.6 million, compared to \$73.4 million for the three months ended June 30, 2017. This increase is primarily due to additional revenue from the Steward and MEDIAN investments that were made in 2017, along with the \$24.2 million gain on the sale of the three properties (operated by Vibra) in June 2018. This increase is partially offset by incremental interest expense and depreciation expense, due primarily to the 2017 investments. Funds from operations ("FFO"), after adjusting for certain items (as more fully described in Reconciliation of Non-GAAP Financial Measures), was \$129.9 million, or \$0.36 per diluted share for the 2018 second quarter as compared to \$113.6 million, or \$0.32 per diluted share for the 2017 second quarter. This 14.3% increase in FFO is due to the increase in revenue from acquisitions made in 2017 (primarily our Steward investments), partially offset by higher interest expense to fund such investments.

A comparison of revenues for the three month periods ended June 30, 2018 and 2017 is as follows (dollar amounts in thousands):

	2018	% of Total	2017	% of Total	Year over Year Change
Rent billed	\$ 122,827	60.8%	\$ 103,447	62.0%	18.7%
Straight-line rent	15,073	7.5%	16,277	9.8%	-7.4%
Income from direct financing leases	18,934	9.4%	18,312	11.0%	3.4%
Interest and fee income from loans	45,068	22.3%	28,771	17.2%	56.6%
Total revenues	<u>\$ 201,902</u>	<u>100.0%</u>	<u>\$ 166,807</u>	<u>100.0%</u>	21.0%

Our total revenue for the 2018 second quarter is up \$35.1 million, or 21.0%, over the prior year. This increase is made up of the following:

- Operating lease revenue (includes rent billed and straight-line rent) – up \$18.2 million over the prior year of which \$22.9 million is from incremental revenue from acquisitions (primarily the Steward and MEDIAN acquisitions in 2017), \$0.8 million is incremental revenue from development properties that were completed and placed into service after June 2017, and approximately \$2.4 million is from favorable foreign currency fluctuations. These increases are partially offset by \$0.6 million of lower revenue related to dispositions and \$6.2 million of higher straight-line rent write-offs in 2018 related to Vibra and Adeptus Health.
- Income from direct financing leases – increased slightly over the prior year primarily due to \$0.3 million from annual escalations of rental rates in accordance with provisions in our leases and \$0.7 million of incremental revenue from acquisitions made after June 2017. The increase was partially offset by the decrease of \$0.4 million of DFL unbilled interest no longer recorded on the Boise Lease that converted from DFL to operating lease accounting classification upon execution of the new lease with the Vibra/Ernest joint venture in the 2018 first quarter - see Note 3 to Item 1 of this Form 10-Q for details.
- Interest from loans – up \$16.3 million over the prior year of which \$0.4 million is from our annual escalations in interest rates in accordance with loan provisions and \$15.9 million is from incremental revenue from the new Steward mortgage loans made after June 2017.

Interest expense, for the quarters ended June 30, 2018 and 2017, totaled \$58.1 million and \$39.7 million, respectively. This increase is primarily related to the higher average debt balance during the 2018 second quarter compared to the prior year second quarter in order to fund our acquisition activity in the second half of 2017 and approximately \$0.8 million relates to foreign currency fluctuation. This impact on interest expense is partially offset by slightly lower weighted-average interest rates period over period due to certain refinancing activities in our debt during 2017. Our weighted-average interest rate was 4.5% for the three months ended June 30, 2018, as compared to 4.6% in the same period in 2017.

Real estate depreciation and amortization during the second quarter of 2018 increased to \$34.5 million from \$29.5 million in 2017, due to the incremental depreciation from the facilities acquired (particularly the Steward facilities acquired in the 2017 third quarter) and the development properties completed in 2017 and the first half of 2018.

General and administrative expenses totaled \$19.6 million for the 2018 second quarter, which is a \$4.5 million increase from the prior year second quarter. As noted in our 2018 first quarter Form 10-Q, general and administrative expenses are higher in 2018 due to our adoption of the new accounting standard on asset acquisitions (ASU 2017-01). Excluding the \$1.5 million of higher expense due to the accounting change, general and administrative expenses represented approximately 9.0% of revenue in the 2018 second quarter, which is consistent with 2017. On a dollar basis (exclusive of the accounting change impact), general and administrative expenses were up \$3.0 million from the prior year second quarter due to travel and compensation expenses, which are up as a result of the growth and expansion of our company.

Acquisition costs decreased \$10.4 million from the prior year. The \$10.8 million of acquisition costs in 2017 primarily related to the MEDIAN transactions along with deals completed subsequent to June 2017. In regards to the 2018 second quarter, all third party transaction costs directly related to acquisitions are now capitalized due to the adoption of ASU 2017-01. However, we did incur \$0.4 million in the current period related to the settlement of a contingency involving an acquisition that occurred prior to the adoption of ASU 2017-01.

During the three months ended June 30, 2018, we sold three of our long-term acute care hospitals (operated by Vibra) at a gain of \$24.2 million. We had no disposals in the 2017 second quarter. See Note 3 to Item 1 of this Form 10-Q for further details.

Income tax expense typically includes U.S. federal and state income taxes on our TRS entities, as well as non-U.S. income based or withholding taxes on certain investments located in jurisdictions outside the U.S. The income tax expense for the three months ended June 30, 2018 reflects an increase over the prior year due to an increase in financial taxable income from our international investments. We utilize the asset and liability method of accounting for income taxes. Deferred tax assets are recorded to the extent we believe these assets will more likely than not be realized. In making such determination, all available positive and negative evidence is considered, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies, and recent financial performance. Based upon our review of all positive and negative evidence, including our three-year cumulative pre-tax book loss position in certain entities, we concluded that a full valuation allowance should continue to be recorded against the majority of our U.S. and certain of our international net deferred tax assets at June 30, 2018. In the future, if we determine that it is more likely than not that we will realize our net deferred tax assets, we will reverse the applicable portion of the valuation allowance, recognize an income tax benefit in the period in which such determination is made, and incur higher income taxes in future periods.

Six Months Ended June 30, 2018 Compared to June 30, 2017

Net income for the six months ended June 30, 2018, was \$202.2 million, compared to \$141.4 million for the six months ended June 30, 2017. This increase is primarily due to additional revenue from the Steward and MEDIAN investments that were made in 2017, no debt refinancing charges in 2018 compared to \$14.4 million in the 2017 first half, and \$18.2 million of higher gains on sales of real estate in 2018 versus 2017. This increase is partially offset by increased interest expense from higher average outstanding debt balances to fund new investments in 2017 and higher depreciation expenses from investments made in 2017. Funds from operations (“FFO”), after adjusting for certain items (as more fully described in Reconciliation of Non-GAAP Financial Measures), was \$261.4 million, or \$0.71 per diluted share for the first six months of 2018 as compared to \$219.6 million, or \$0.65 per diluted share for the first six months of 2017. This 19.1% increase in FFO is due to the increase in revenue from acquisitions and completed development projects made in 2017 (primarily our Steward investments).

A comparison of revenues for the six month periods ended June 30, 2018 and 2017 is as follows (dollar amounts in thousands):

	2018	% of Total	2017	% of Total	Year over Year Change
Rent billed	\$ 250,838	61.6%	\$ 200,210	61.9%	25.3%
Straight-line rent	30,864	7.6%	29,056	9.0%	6.2%
Income from direct financing leases	36,615	9.0%	36,192	11.2%	1.2%
Interest and fee income from loans	88,631	21.8%	57,746	17.9%	53.5%
Total revenues	<u>\$ 406,948</u>	<u>100.0%</u>	<u>\$ 323,204</u>	<u>100.0%</u>	<u>25.9%</u>

Our total revenue for the first six months of 2018 is up \$83.7 million, or 25.9%, over the prior year. This increase is made up of the following:

- Operating lease revenue (includes rent billed and straight-line rent) – up \$52.4 million over the prior year of which \$56.5 million is from incremental revenue from acquisitions (primarily the Steward and MEDIAN acquisitions in 2017), \$2.0 million is incremental revenue from development properties that were completed and placed into service in 2017 and 2018, and approximately \$6.6 million is from favorable foreign currency fluctuations. These increases are partially offset by \$1.9 million of lower revenue related to dispositions and \$9.7 million of higher straight-line rent write-offs.
- Income from direct financing leases – increased slightly over the prior year primarily due to \$0.5 million from annual escalations of rental rates in accordance with provisions in our leases and \$1.9 million from incremental revenue from acquisitions made after June 2017. The impact was almost completely offset by the write-off of \$1.5 million of DFL unbilled interest on the Boise Lease that converted from DFL to operating lease accounting classification upon execution of the new lease with the Vibra/Ernest joint venture discussed in Note 3 to Item 1 of this Form 10-Q.
- Interest from loans – up \$30.9 million over the prior year of which \$30.0 million is from incremental revenue from the new Steward mortgage loans made in 2017 and 2018, and \$0.9 million is from our annual escalations in interest rates in accordance with loan provisions.

Interest expense, for the six months ended June 30, 2018 and 2017, totaled \$115.1 million and \$77.7 million, respectively. This increase is primarily related to the higher average debt balance during the first six months of 2018 compared to the first six months of 2017 in order to fund our 2017 acquisition activity and approximately \$2.1 million relates to foreign currency fluctuation. The impact on interest expense is partially offset by slightly lower weighted average interest rates period over period due to certain refinancing activities in our debt during 2017. Our weighted-average interest rate was 4.5% for the six months ended June 30, 2018, as compared to 4.6% in the same period in 2017.

Real estate depreciation and amortization during the first six months of 2018 increased to \$70.3 million from \$57.1 million in the same period of 2017, due to the incremental depreciation from the facilities acquired (particularly the Steward and MEDIAN facilities acquired in 2017) and the development properties completed in 2017 and 2018.

General and administrative expenses totaled \$37.4 million for the first six months of 2018, which is a \$9.1 million increase from the prior year. As noted previously, general and administrative expenses were higher during the first six months of 2018 due to our adoption of ASU 2017-01. Excluding the \$3.1 million of higher expense due to the accounting change, general and administrative expenses represented 8.4% of revenue in the first half of 2018, which was lower than 8.7% in 2017. On a dollar basis (exclusive of the accounting change impact), general and administrative expenses were up \$6 million from the prior year due to travel and compensation expenses, which are up as a result of the growth and expansion of our company.

Acquisition costs decreased \$13.2 million from the prior year. The acquisition costs in 2017 primarily related to the MEDIAN transaction along with deals completed subsequent to June 2017. In regards to the first six months of 2018, all third party transaction costs directly related to acquisitions are now capitalized due to the adoption of ASU 2017-01 as noted previously. However, we did

incur \$0.4 million in the current period related to the settlement of a contingency involving an acquisition that occurred prior to the adoption of ASU 2017-01.

During the six months ended June 30, 2018, we sold one acute care property (operated by Steward) and three long-term acute care properties (operated by Vibra) at a gain of \$25.6 million. In the 2017 first half, we sold one RCCH property resulting in a \$7.4 million gain. See Note 3 to Item 1 of this Form 10-Q for further details.

In the first half of 2017, we incurred \$14.4 million of debt refinancing costs related to various debt refinancing activities as disclosed in Note 4 to Item 1 of this Form 10-Q. We did not have any similar charges during the first six months of 2018.

Income tax expense typically includes U.S. federal and state income taxes on our TRS entities, as well as non-U.S. income based or withholding taxes on certain investments located in jurisdictions outside the U.S. The income tax expense for the six months ended June 30, 2018, reflects an increase from prior year due to an increase in financial taxable income from our international investments. We utilize the asset and liability method of accounting for income taxes. Deferred tax assets are recorded to the extent we believe these assets will more likely than not be realized. In making such determination, all available positive and negative evidence is considered, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies, and recent financial performance. Based upon our review of all positive and negative evidence, including our three-year cumulative pre-tax book loss position in certain entities, we concluded that a full valuation allowance should continue to be recorded against the majority of our U.S. and certain of our international net deferred tax assets at June 30, 2018. In the future, if we determine that it is more likely than not that we will realize our net deferred tax assets, we will reverse the applicable portion of the valuation allowance, recognize an income tax benefit in the period in which such determination is made, and incur higher income taxes in future periods.

Reconciliation of Non-GAAP Financial Measures

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 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.

The following table presents a reconciliation of net income attributable to MPT common stockholders to FFO for the three and six months ended June 30, 2018 and 2017 (in thousands, except per share data):

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
FFO information:				
Net income attributable to MPT common stockholders	\$ 111,567	\$ 73,415	\$ 202,168	\$ 141,385
Participating securities' share in earnings	(323)	(100)	(518)	(225)
Net income, less participating securities' share in earnings	\$ 111,244	\$ 73,315	\$ 201,650	\$ 141,160
Depreciation and amortization	35,156	30,027	71,673	58,126
Gain on sale of real estate, net	(24,151)	—	(25,618)	(7,413)
Funds from operations	\$ 122,249	\$ 103,342	\$ 247,705	\$ 191,873
Write-off of straight-line rent and other	7,235	—	13,294	1,117
Debt refinancing costs	—	751	—	14,380
Acquisition costs, net of tax benefit	411	9,539	411	12,184
Normalized funds from operations	<u>\$ 129,895</u>	<u>\$ 113,632</u>	<u>\$ 261,410</u>	<u>\$ 219,554</u>
Per diluted share data:				
Net income, less participating securities' share in earnings	\$ 0.30	\$ 0.21	\$ 0.55	\$ 0.42
Depreciation and amortization	0.10	0.08	0.20	0.17
Gain on sale of real estate, net	(0.07)	—	(0.07)	(0.02)
Funds from operations	\$ 0.33	\$ 0.29	\$ 0.68	\$ 0.57
Write-off of straight-line rent and other	0.03	—	0.03	—
Debt refinancing costs	—	—	—	0.04
Acquisition costs, net of tax benefit	—	0.03	—	0.04
Normalized funds from operations	<u>\$ 0.36</u>	<u>\$ 0.32</u>	<u>\$ 0.71</u>	<u>\$ 0.65</u>

LIQUIDITY AND CAPITAL RESOURCES

2018 Cash Flow Activity

During the first half of 2018, we generated \$196.5 million of cash flows from operating activities, primarily consisting of rent and interest from mortgage and other loans. We used these operating cash flows along with cash on-hand to fund our dividends of \$180.8 million and certain investing and financing activities (including a \$4.6 million reduction in our revolving credit facility).

Certain investing activities in the first half of 2018 included:

- a) Generated \$221.9 million of cash proceeds from the sale of properties;
- b) Completed \$167.9 million in mortgage loans;
- c) Funded approximately \$23 million on development and capital improvement projects; and
- d) Purchased two facilities operated by Steward for \$273.7 million by reducing the \$259.4 million mortgage.

As disclosed in Note 3 to Item 1 of this Form 10-Q, we expect to close on a joint venture involving 71 properties in Germany in the 2018 third quarter with a total valuation of €1.635 billion. In preparation of this joint venture, we issued new secured debt on these properties resulting in gross proceeds of €655 million on August 3, 2018, which we expect to use to reduce our revolver balance.

2017 Cash Flow Activity

During the first half of 2017, we generated \$154.9 million of cash flows from operating activities, primarily consisting of rent and interest from mortgage and other loans. We used these operating cash flows along with cash on-hand to fund our dividends of \$151.7 million and certain investing activities.

Certain investing and financing activities in the first half of 2017 included:

- a) On February 1, 2017, we replaced our credit facility with a new facility resulting in a \$50 million reduction in our U.S. dollar term loan and a new €200 million term loan;
- b) On March 4, 2017, we redeemed our 5.750% Senior Unsecured Notes due 2020 for €200 million plus a redemption premium using proceeds from our €200 million term loan and cash on-hand;
- c) On March 24, 2017, we completed a €500 million senior unsecured notes offering and used a portion of the proceeds to pay off our €200 million term loan, and used the remaining proceeds to acquire 12 facilities leased to MEDIAN for €146.4 million;
- d) On March 31, 2017, we sold the EASTAR Health System real estate in Muskogee, Oklahoma for approximately \$64 million; and
- e) On May 1, 2017, we completed an underwritten public offering of 43.1 million shares resulting in net proceeds of approximately \$548 million. We used a portion of these proceeds to acquire eight facilities for \$301.3 million (leased to Steward), a facility in Idaho for \$87.5 million (leased to RCCH) and two other facilities for \$40 million (leased to Alecto).

Short-term Liquidity Requirements:

As of June 30, 2018, we have no debt principal payments due in the next twelve months — see debt maturity schedule below. At August 3, 2018, our availability under our revolving credit facility plus cash on-hand (factoring in the secured debt issued on August 3, 2018 in anticipation of the joint venture) approximated \$1.3 billion. We believe this liquidity along with our current monthly cash receipts from rent and loan interest and availability under our at-the-market equity program is sufficient to fund our operations, interest obligations, our firm commitments (including expected funding requirements on our development projects), and dividends in order to comply with REIT requirements for the next twelve months.

We expect to lower our outstanding borrowings on our revolving credit facility and improve our leverage metrics during 2018 with the completion of the joint venture arrangement discussed above and completing strategic property sales. However, no assurance can be made that such transactions will be available to us or that our plans will be successful.

Long-term Liquidity Requirements:

As of June 30, 2018, we have no debt principal payments due between now and January 2021 when our revolving credit facility comes due (which can be extended by one year). With our liquidity at August 3, 2018 of approximately \$1.3 billion, along with our current monthly cash receipts from rent and loan interest and the availability under our at-the-market equity program, we believe we have the liquidity available to us to fund our operations, debt and interest obligations, dividends in order to comply with REIT

requirements, and firm commitments (including expected funding requirements on our development projects) for the foreseeable future.

However, in order to fund our investment strategies and to fund debt maturities coming due in later years, we believe the following sources of capital are generally available in the market and we may access one or a combination of them:

- entering into joint venture arrangements (including the joint venture we expect to close in the 2018 third quarter that is expected to generate approximately €500 million in addition to the €655 million secured debt gross proceeds on August 3, 2018);
- proceeds from strategic property sales;
- sale of equity securities;
- amending or entering into new bank term loans;
- issuance of new USD or EUR denominated debt securities, including senior unsecured notes; and/or
- placing new secured loans on real estate located in the U.S. and/or Europe.

However, there is no assurance that conditions will be favorable for such possible transactions or that our plans will be successful.

As of June 30, 2018, principal payments due on our debt (which excludes the effects of any discounts, premiums, or debt issue costs recorded) are as follows (in thousands):

2018	\$	—
2019		—
2020		—
2021		835,848
2022		784,200
Thereafter		3,284,200
Total	\$	<u>4,904,248</u>

Disclosure of Contractual Obligations

We presented our contractual obligations in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017. Except for changes to our operating lease commitments as updated in our Form 10-Q for the quarter ended March 31, 2018, there have been no significant changes in those obligations during the six months ended June 30, 2018.

Distribution Policy

The table below is a summary of our distributions declared during the two year period ended June 30, 2018:

<u>Declaration Date</u>	<u>Record Date</u>	<u>Date of Distribution</u>	<u>Distribution per Share</u>	
May 24, 2018	June 14, 2018	July 12, 2018	\$	0.25
February 15, 2018	March 15, 2018	April 12, 2018	\$	0.25
November 9, 2017	December 7, 2017	January 11, 2018	\$	0.24
August 17, 2017	September 14, 2017	October 12, 2017	\$	0.24
May 25, 2017	June 15, 2017	July 14, 2017	\$	0.24
February 16, 2017	March 16, 2017	April 13, 2017	\$	0.24
November 10, 2016	December 8, 2016	January 12, 2017	\$	0.23
August 18, 2016	September 15, 2016	October 13, 2016	\$	0.23

We intend to pay to our stockholders, within the time periods prescribed by the Internal Revenue Code (“Code”), all or substantially all of our annual taxable income, including taxable gains from the sale of real estate and recognized gains on the sale of securities. It is our policy to make sufficient cash distributions to stockholders in order for us to maintain our status as a REIT under the Code and to avoid corporate income and excise taxes on undistributed income. However, our Credit Facility limits the amount of dividends we can pay - see Note 4 in Item 1 to this Form 10-Q for further information.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Market risk includes risks that arise from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market sensitive instruments. We seek to mitigate the effects of fluctuations in interest rates by matching the terms of new investments with new long-term fixed rate borrowings to the extent possible. We may or may not elect to use financial derivative instruments to hedge interest rate or foreign currency exposure. For interest rate hedging, these decisions are principally based on our policy to match our variable rate investments with comparable borrowings, but are also based on the general trend in interest rates at the applicable dates and our perception of the future volatility of interest rates. For foreign currency hedging, these decisions are principally based on how our investments are financed, the long-term nature of our investments, the need to repatriate earnings back to the U.S. and the general trend in foreign currency exchange rates.

In addition, the value of our facilities will be subject to fluctuations based on changes in local and regional economic conditions and changes in the ability of our tenants to generate profits, all of which may affect our ability to refinance our debt, if necessary. The changes in the value of our facilities would be impacted also by changes in “cap” rates, which is measured by the current base rent divided by the current market value of a facility.

Our primary exposure to market risks relates to fluctuations in interest rates and foreign currency. The following analyses present the sensitivity of the market value, earnings and cash flows of our significant financial instruments to hypothetical changes in interest rates and exchange rates as if these changes had occurred. The hypothetical changes chosen for these analyses reflect our view of changes that are reasonably possible over a one-year period. These forward looking disclosures are selective in nature and only address the potential impact from these hypothetical changes. They do not include other potential effects which could impact our business as a result of changes in market conditions. In addition, they do not include measures we may take to minimize our exposure such as entering into future interest rate swaps to hedge against interest rate increases on our variable rate debt.

Interest Rate Sensitivity

For fixed rate debt, interest rate changes affect the fair market value but do not impact net income to common stockholders or cash flows. Conversely, for floating rate debt, interest rate changes generally do not affect the fair market value but do impact net income to common stockholders and cash flows, assuming other factors are held constant. At June 30, 2018, our outstanding debt totaled \$4.9 billion, which consisted of fixed-rate debt of approximately \$3.9 billion and variable rate debt of \$1.0 billion. If market interest rates increase by 1%, the fair value of our debt at June 30, 2018 would decrease by \$10.4 million. Changes in the fair value of our fixed rate debt will not have any impact on us unless we decided to repurchase the debt in the open market.

If market rates of interest on our variable rate debt increase by 1%, the increase in annual interest expense on our variable rate debt would decrease future earnings and cash flows by \$0.3 million per year. If market rates of interest on our variable rate debt decrease by 1%, the decrease in interest expense on our variable rate debt would increase future earnings and cash flows by \$0.3 million per year. This assumes that the average amount outstanding under our variable rate debt for a year is \$1.0 billion, the balance of such variable rate debt at June 30, 2018.

Foreign Currency Sensitivity

With our investments in Germany, the United Kingdom, Spain, and Italy, we are subject to fluctuations in the euro and British pound to U.S. dollar currency exchange rates. Increases or decreases in the value of the euro to U.S. dollar and the British pound to U.S. dollar exchange rates may impact our financial condition and/or our results of operations. Based solely on operating results to-date in 2018 and on an annualized basis, if the euro exchange rate were to change by 5%, our net income and FFO would change by approximately \$3.2 million and \$5.0 million, respectively. Based solely on operating results to-date in 2018 and on an annualized basis, if the British pound exchange rate were to change by 5%, our net income and FFO would change by approximately \$0.1 million and \$0.2 million, respectively.

Item 4. Controls and Procedures.

Medical Properties Trust, Inc. and MPT Operating Partnership, L.P.

We have adopted and maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible 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 quarter 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 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.

There has been no change in our 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.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

The information contained in Note 9 “Commitments and Contingencies” of Part I, Item 1 of this Quarterly Report on Form 10-Q is incorporated by reference into this Item 1.

Item 1A. Risk Factors.

There have been no material changes to the Risk Factors as presented in our Annual Report on Form 10-K for the year ended December 31, 2017.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

- (a) None.
- (b) Not applicable.
- (c) None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

- (a) None.
- (b) None.

Item 6. Exhibits

<u>Exhibit Number</u>	<u>Description</u>
3.1(1)	Amendment to Second Amended and Restated Bylaws of Medical Properties Trust, Inc.
10.1*	Amended and Restated Subscription Agreement dated as of June 7, 2018 by and among MPT Operating Partnership, L.P., Primotop Holding S.à r.l. and MPT RHM Holdco S.à r.l.
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. (Medical Properties Trust, Inc.)
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. (Medical Properties Trust, Inc.)
31.3*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. (MPT Operating Partnership, L.P.)
31.4*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. (MPT Operating Partnership, L.P.)
32.1**	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (Medical Properties Trust, Inc.)
32.2**	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (MPT Operating Partnership, L.P.)
Exhibit 101.INS	XBRL Instance Document
Exhibit 101.SCH	XBRL Taxonomy Extension Schema Document
Exhibit 101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
Exhibit 101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
Exhibit 101.LAB	XBRL Taxonomy Extension Label Linkbase Document
Exhibit 101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

** Furnished herewith.

(1) Incorporated by reference to Registrant's current report on Form 8-K, filed with the Commission on May 25, 2018.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MEDICAL PROPERTIES TRUST, INC.

By: /s/ J. Kevin Hanna

J. Kevin Hanna

Vice President, Controller, Assistant Treasurer,
and Chief Accounting Officer
(Principal Accounting Officer)

MPT OPERATING PARTNERSHIP, L.P.

By: /s/ J. Kevin Hanna

J. Kevin Hanna

Vice President, Controller, Assistant
Treasurer, and Chief Accounting Officer
of the sole member of the general partner
of MPT Operating Partnership, L.P.
(Principal Accounting Officer)

Date: August 9, 2018

DATED 1 AUGUST 2018

AMENDMENT AND RESTATEMENT AGREEMENT

relating to the

SUBSCRIPTION AGREEMENT DATED 7 JUNE 2018

between

MPT OPERATING PARTNERSHIP, L.P. acting by its general partner MEDICAL PROPERTIES TRUST, LLC

and

PRIMOTOP HOLDING S.À R.L.

and

MPT RHM HOLDCO S.À R.L.

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BETWEEN:

- (1) **MPT OPERATING PARTNERSHIP, L.P.**, a limited partnership established in Delaware, registered with the Secretary of State of the State of Delaware under number 3701429 and whose registered office is at 1000 Urban Center Drive, Suite 500, Birmingham, AL 35242, United States ("**MPT**") acting by its general partner **MEDICAL PROPERTIES TRUST, LLC** ("**MPT GP**");
- (2) **PRIMOTOP HOLDING S.À R.L.**, a *société à responsabilité limitée* incorporated and existing under the laws of the Grand Duchy of Luxembourg, with registered office at 43-45 Allée Scheffer, L-2520 Luxembourg, Grand Duchy of Luxembourg, registered with the Luxembourg Trade and Companies Register under number B 224734 ("**PRIMOTOP**"); and
- (3) **MPT RHM HOLDCO S.À R.L.**, a *société à responsabilité limitée* incorporated and existing under the laws of the Grand Duchy of Luxembourg, whose registered office is at 25 Rue Philippe II, L-2340 Luxembourg, Grand Duchy of Luxembourg, registered with the Luxembourg Trade and Companies Register under number B 180198 (the "**Company**").

WHEREAS:

- (A) As at the date of this Agreement the Company has a share capital of 12,500 shares having a nominal value of €1.00 each, held by MPT. No further issues of shares in the Company shall be made prior to Completion.
- (B) On Completion, pursuant to Clause 6.3, the Company shall issue 12,500 shares having a nominal value of €1.00 each to PRIMOTOP, and PRIMOTOP shall advance an interest bearing loan to the Company.

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

"**Accounts**" means the unaudited financial statements of the Company and each Group Company as at and for the financial year ended on the Accounts Date;

"**Accounts Date**" means 31 December 2016;

"**Affiliate**" means, in relation to the person concerned, any person (whether a body corporate, partnership or unit trust and whether or not having legal personality) which Controls, is Controlled by or is under common Control with such person;

"**After Tax Basis**" means, with respect to a payment obligation (including any indemnification payment), that: (a) if the relevant amount payable is subject to Tax in the hands of the recipient; and/or (b) if the relevant amount payable is payable by way of compensation or indemnity in respect of any matter that has given rise or will give rise to a Relief for the recipient of the relevant amount payable, then the relevant amount payable shall be increased or reduced by such amount as is necessary to ensure that the net amount retained by the recipient after Tax for which it is liable on the receipt leaves the recipient in no better and no worse a financial position after Tax than they would have been in had the payment not been subject to Tax in their hands or (in the case of any payment by way of compensation or indemnity) had the matter compensated for or indemnified against not arisen;

"**agreed terms**" means, in relation to a document, such document in the terms agreed between MPT and PRIMOTOP, with such alterations as may be agreed in writing between MPT and PRIMOTOP from time to time;

“Agreed Value of the Properties” means the value agreed for the Properties and equal to an aggregate fixed amount of €1,635,042,350;

“Annual Operating Budget” has the meaning given in the Shareholders’ Agreement;

“Approved Transactions” means each of:

- (a) the Pre-Completion Reorganisation; and
- (b) the Third Party Financing;

and **“Approved Transaction”** means any one of them;

“Articles” has the meaning given in Clause 4.7;

“Auditor” means the auditor appointed to audit the Draft Completion Accounts, being any one of PricewaterhouseCoopers, Deloitte or Grant Thornton;

“Borrowings” means, in relation to a person, financial indebtedness and amounts in the nature of financial indebtedness, owed by that person;

“Business Day” means a day which is not a Saturday or Sunday or a bank or public holiday in the United States, Germany, Luxembourg or France;

“Business Plan” has the meaning given in the Shareholders’ Agreement;

“Cash” has the meaning given in paragraph 3 of Part B of Schedule 4;

“CA Notice” has the meaning given in Clause 7.1(f);

“CA Objection Notice” has the meaning given in Clause 7.1(f);

“Change of Law RETT” has the meaning given in Clause 16.7(b);

“Clearance” has the meaning given in Clause 5.1;

“Company’s Account” means an account with ING Bank with the following details: Account Name: MPT RHM HOLDCO S.A.R.L.; Swift Code: CELLULL; IBAN: LU45 0141 2488 3080 0000;

“Competent Competition Authority” means the German Federal Cartel Office;

“Completion” means the completion of the subscription for the PRIMOTOP Shares and the advance of the PRIMOTOP Shareholder Loan by PRIMOTOP pursuant to Clause 6.1;

“Completion Accounts” means the LuxGAAP financial statements (balance sheet and Profit & Loss statements) to be prepared as at the Completion Date in accordance with Clause 7.1 and Part A of Schedule 4;

“Completion Date” means the latest of:

- (a) the date which is the last Business Day of the month in which the Unconditional Date occurs, provided that if the Unconditional Date falls after the date which is twenty (20) Business Days before the end of a month, the Completion Date shall be on the last Business Day of the following month; or

(b) the date which is the last Business Day of the month during which:

- (i) a Material Breach Remedy Period ends; or
- (ii) a Material Inaccuracy Remedy Period ends;

and where more than one such period runs concurrently, the period which ends on the latest date;

“Completion Obligations” means the obligations set out in Clause 6.3 and 6.4 and Schedule 3, Part B and **“Completion Obligation”** shall be construed accordingly;

“Conditions Precedent” has the meaning given in Clause 5.1;

“Consideration Excess” means the absolute value of the difference between the Estimated PRIMOTOP Shares Subscription Amount and the PRIMOTOP Shares Subscription Amount, if positive;

“Consideration Shortfall” means the absolute value of the difference between the Estimated PRIMOTOP Shares Subscription Amount and the PRIMOTOP Shares Subscription Amount, if negative;

“Control” means, with respect to a person, directly or indirectly: (a) the holding of more than fifty percent (50%) of the share capital and/or voting rights of that person (by transparency by multiplying the shareholding and voting rights percentages); or (b) the right to appoint or remove a majority of the directors of that person, by contract or otherwise; it being specified that an entity (with or without legal personality) shall be deemed to be Controlled by its managing partner, its management company, its general partner or any entity in charge of the management of that entity in any capacity whatsoever; and **“Controlling”** and **“Controlled”** shall be construed accordingly;

“Current Assets” has the meaning given in paragraph 3 of Part B of Schedule 4;

“Current Liabilities” has the meaning given in paragraph 3 of Part B of Schedule 4;

“Deposit” means the sum of €20,000,000;

“Disclosure Letter” means the letter in the agreed terms dated on or around the date of this Agreement from MPT to PRIMOTOP, which discloses matter(s), circumstance(s), act(s), or event(s) which occurred prior to the date of this Agreement and which constitute exceptions to the Warranties and the Tax Warranties;

“Dispute Auditor” has the meaning given in Clause 7.1(g) of this Agreement;

“Draft Completion Accounts” has the meaning given in Clause 7.1(a);

“Encumbrance” means any charge, mortgage, lien, option, equity, power of sale, pledge, hypothecation, usufruct, retention of title, right of pre-emption, right of first offer, right of first refusal or other third party rights or security interest of any kind or an agreement, arrangement or obligation to create any of the foregoing and **“Encumber”** shall be construed accordingly;

“Escrow Account” means the account of the Escrow Agent designated for the escrow of the Deposit pursuant to the terms of the Escrow Agreement;

“Escrow Agent” means Arendt & Medernach SA;

“Escrow Agreement” means the escrow agreement dated on or around the date of this Agreement between MPT, PRIMOTOP and the Escrow Agent;

“Estimated Cash” has the meaning given in paragraph 2 of Part B of Schedule 4;

“Estimated Completion Accounts” means the estimated LuxGAAP financial statements (balance sheet and Profit & Loss statements) to be prepared as at the Completion Date in accordance with Clause 6.1, Clause 7.1(a)(i) and 7.1(a)(ii) and with Part A of Schedule 4;

“Estimated Current Assets” has the meaning given in paragraph 2 of Part B of Schedule 4;

“Estimated Current Liabilities” has the meaning given in paragraph 2 of Part B of Schedule 4;

“Estimated Net Asset Value” means an amount equal to the estimated aggregate amount of the assets of the Group as at the Completion Date, less the estimated aggregate amount of the liabilities of the Group as at the Completion Date calculated in accordance with the specific policies and adjustments set out in Part A of Schedule 4 and with the methodology set out in Part B of Schedule 4, as shown in the Estimated Completion Accounts;

“Estimated Net Asset Value Notification” has the meaning given in Clause 6.1(a);

“Estimated Net Current Assets” has the meaning given in paragraph 2 of Part B of Schedule 4;

“Estimated PRIMOTOP Shares Subscription Amount” means the amount to be paid by PRIMOTOP on the Completion Date as consideration for the subscription for the PRIMOTOP Shares, corresponding to 50% of the Estimated Net Asset Value and to be further adjusted following Completion pursuant to the terms of Clause 7;

“EUR” means Euro, being the lawful currency in the territory of the European Monetary Union and **“Euro”** **“EUR”** or **“€”** shall be construed accordingly;

“Exchange Rate” means, with respect to a particular currency for a particular day the spot rate of exchange (the closing mid-point) for that currency into Euro on such date as published in the London edition of the Financial Times first published thereafter or, where no such rate is published in respect of that currency for such date, at the rate published by the European Central Bank on its website www.ecb.eu as at the close of business in Frankfurt as at such date;

“Fairly Disclosed” means, disclosed in such a manner and in sufficient detail to enable a reasonable subscriber for shares in the Company to make a reasonably informed assessment of the nature and scope of the matter disclosed, and such matter being present, certain or more likely than not to occur;

“Gap Control Breach” has the meaning given in Clause 4.2(a);

“Gap Control Notice” has the meaning given in Clause 4.2(a);

“Group” means the Group Companies, taken as a whole;

“Group Companies” means the Company and the Subsidiaries and **“Group Company”** means any one of them;

“Inaccuracy Event” means one or more matter(s), circumstance(s), act(s) or event(s) or several events arising from substantially identical facts or circumstances, which occur prior to the Completion Date, which result in any of the Warranties or the Tax Warranties being untrue or inaccurate and which are not Fairly Disclosed in the Disclosure Letter;

“Indemnity Cap” has the meaning given in Clause 11.1;

“Indemnity Losses” means any Losses suffered or incurred by PRIMOTOP or the Group Companies after the date of this Agreement arising in connection with or as a result of the

implementation of the Pre-Completion Reorganisation transaction steps 1 – 15 (inclusive) of the Transaction Step Plan, including for the avoidance of doubt: (a) any RETT due to a retroactive denial of a RETT exemption claimed or applicable in connection with the Pre-Completion Reorganisation transaction steps even if the facts and circumstances leading to the denial of the initial RETT exemption occur after the Completion Date; and (b) any Loss arising as a result of any failure to comply with or the actual implementation of any Tax filing or Tax notification requirements (e.g. RETT filing or notification requirements) in relation to the Pre-Completion Reorganisation and **“Indemnity Loss”** shall be construed accordingly;

“Indemnity Losses Claim” means a claim for which MPT is liable pursuant to Clause 11.1;

“Initial Annual Operating Budget” has the meaning given in the Shareholders’ Agreement;

“Initial Bank” means Société Générale S.A. Frankfurt Branch, as original lender;

“Interim Material Inaccuracy Event” means an Inaccuracy Event which occurs after the date of this Agreement but prior to the Completion Date and which results in any of the Warranties or of the Tax Warranties being untrue or inaccurate and which, alone or together with any other Inaccuracy Event: (a) creates a reduction in the gross asset value of any Group Company or the Group; or (b) would create a Loss to PRIMOTOP, in each case, in excess of €5,000,000 in aggregate;

“Intragroup Loan Agreements” means any intragroup loan agreements entered into between Group Companies in order to document the Intragroup Loans;

“Intragroup Loans” means any intragroup loans advanced between Group Companies being, as at the date of this Agreement, the intragroup loans listed in Schedule 16;

“Leases” means the lease agreements existing with respect to the Properties as set out in Schedule 8 of this Agreement, and **“Lease”** shall mean any one of them;

“Liability to Tax” has the meaning given to it in Part 1 of Schedule 7;

“Long Stop Date” means 1 October 2018;

“Losses” means financial losses, liabilities, costs (including without limitation Taxes, legal costs and experts’ and consultants’ fees), charges, expenses, actions, proceedings, claims and demands, and **“Loss”** shall be construed accordingly;

“LP Pledge” has the meaning given to it in Clause 4.3(d);

“Management Accounts” means the unaudited monthly management accounts of each Group Company for the period ending on 30 September 2017;

“Management Agreement” means the management agreement, in the agreed terms and attached as Schedule 14, to be entered into between certain Group Companies and the Manager on Completion, pursuant to which the Manager will provide certain management services to such Group Companies;

“Management Fee” has the meaning given in the Management Agreement;

“Manager” means Medical Properties Trust S.à .r.l.;

“Material Breach Event Notice” has the meaning given at Clause 4.2(b);

“Material Breach Remedy Period” has the meaning given in Clause 4.2(b)(iii);

“Material Contract” means the management and administration agreement effective as of 1 April 2017 between certain Group Companies and Intertrust (Luxembourg) S.à r.l.;

“Material Gap Control Breach” means one or more:

- (a) Gap Control Breach(es) which constitute a breach of Clause 4.1(b)(ii); or
- (b) any other Gap Control Breach(es) which alone or together with any other breach(es) to Clause 4.1: (a) create a reduction in the gross asset value of any Group Company or the Group; or (b) would create a Loss to PRIMOTOP, in each case, in excess of €2,000,000 in aggregate;

“Material Inaccuracy Event” means a Pre-Signing Material Inaccuracy Event or an Interim Material Inaccuracy Event;

“Material Inaccuracy Event Notice” means a notice issued by PRIMOTOP to MPT under Clause 8.4(a) of this Agreement;

“Material Inaccuracy Remedy Period” has the meaning given in Clause 8.4(a);

“Material Interim Breach” means one or more Gap Control Breach(es) and/or one or more Inaccuracy Event(s) which together: (a) create a reduction in the gross asset value of any Group Company or the Group; or (b) would create a Loss to PRIMOTOP, in each case, in excess of €5,000,000 in aggregate;

“MPT Distribution” means a distribution to be made by the Company in accordance with Clause 6.5 and the Shareholders' Agreement in an amount equal to the aggregate of: (a) 50% of the Estimated Net Asset Value; plus (b) the PRIMOTOP Shareholder Loan Amount; plus (c) the Third Party Financing Amount; plus (d) the amount of cash in the Estimated Completion Accounts exceeding the above item (c); minus (e) the difference between: (i) the Estimated Current Liabilities and (ii) the other Estimated Current Assets (excluding cash) (if the Estimated Current Assets exceed the Estimated Current Liabilities, the value of (e) shall be 0);

“MPT's Group” means MPT and its Affiliates (excluding the Group Companies) from time to time;

“MPT Profit Participating Loan” means the aggregate amount of principal plus any accrued and unpaid interest outstanding thereon owed by the Company pursuant to the MPT Profit Participating Loan Agreements following satisfaction of all Completion Obligations, including, for the avoidance of doubt, those set out in paragraph 3 of Part B of Schedule 3;

“MPT Profit Participating Loan Agreements” means:

- (a) the profit participating loan agreement between the Company (as borrower) and MPT (as lender), dated 26 November 2013 and amended on 28 February 2014, under which an aggregate amount (including interest) of €200,000,000 remains outstanding as at the date of this Agreement;
- (b) the profit participating loan agreement between the Company (as borrower) and MPT (as lender), dated 18 November 2014, under which an aggregate amount (including interest) of €50,190,928.09 remains outstanding as at the date of this Agreement;
- (c) the profit participating facility agreement A between the Company (as borrower) and MPT (as lender), dated 17 November 2015, under which an aggregate amount (including interest) of €462,338,727.89 remains outstanding as at the date of this Agreement; and
- (d) the profit participating facility agreement B between the Company (as borrower) and MPT (as lender), dated December 2015, under which an aggregate amount (including interest) of €498,346,722.10 remains outstanding as at the date of this Agreement;

“MPT Shareholder Loan Agreement” means the interest bearing loan agreement, in the agreed terms and attached as Schedule 13 hereto, to be entered into by MPT and the Company upon conversion of the MPT Profit Participating Loan in accordance with transaction step 13 of the Transaction Step Plan;

“MPT Shareholder Loan” means the interest bearing loan to be granted by MPT to the Company pursuant to the MPT Shareholder Loan Agreement;

“Net Asset Value” means an amount equal to the aggregate amount of the assets of the Group as at the Completion Date, less the aggregate amount of the liabilities of the Group as at the Completion Date calculated in accordance with the specific policies and adjustments set out in Part A of Schedule 4 and with the methodology set out in Part B of Schedule 4;

“Net Asset Value Report Format” means the reporting format to be appended as schedule 11 to the Shareholders' Agreement;

“Net Current Assets” has the meaning given in paragraph 3 of Part B of Schedule 4;

“Net Current Assets Excess” means the absolute value of the difference between the Estimated Net Current Assets and the Net Current Assets, if positive;

“Net Current Assets Shortfall” means the absolute value of the difference between the Estimated Net Current Assets and the Net Current Assets, if negative;

“New Completion Date” has the meaning given in Clause 6.6(a)(ii)(B);

“Non-Value Items” means the non-value items in the accounts of the Company or any Group Company, corresponding to assets which have no market value, e.g. any outstanding amount of loan issuance costs capitalized and recorded in the relevant accounts, with the exception of loan issuance costs with respect to the Third-Party Financing which shall not be treated as non-value items;

“Parties” means the parties to this Agreement, each being a **“Party”**;

“Partnership” means MPT Luxembourg Partnership SCS;

“Partnership GP” means MPT Luxembourg GP S.à r.l.;

“Pre-Completion Reorganisation” means the steps to be carried out prior to, at and immediately following Completion, as set out in the Transaction Step Plan;

“Properties” means the real estate properties or, where applicable, hereditary building rights owned by the Group, details of which are set out in Schedule 2 and **“Property”** means any one of them;

“PRIMOTOP's Group” means PRIMOTOP and its Affiliates (excluding the Group Companies) from time to time;

“PRIMOTOP Shareholder Loan Agreement” means the interest bearing loan agreement, in the agreed terms and attached as Schedule 12 hereto, to be entered into by PRIMOTOP and the Company on Completion;

“PRIMOTOP Shareholder Loan Amount” has the meaning given in Clause 3.3.;

“PRIMOTOP Shareholder Loan” means the interest bearing loan to be granted by PRIMOTOP to the Company on Completion pursuant to the PRIMOTOP Shareholder Loan Agreement for an amount equal to the PRIMOTOP Shareholder Loan Amount;

“PRIMOTOP Shares” means 12,500 new Shares having a nominal value of €1.00 each to be issued by the Company and subscribed for by PRIMOTOP upon Completion in accordance with this Agreement;

“PRIMOTOP Shares Subscription Amount” has the meaning given in Clause 3.2;

“PRIMOTOP Warranties” means the warranties set out in Schedule 6 and **“PRIMOTOP Warranty”** means any one of them;

“Pre-Signing Material Inaccuracy Event” means an Inaccuracy Event which occurred before the date of this Agreement but is revealed following the date of this Agreement, but prior to the Completion Date and which results in any of the Warranties or of the Tax Warranties being untrue or inaccurate and which, alone or together with any other Inaccuracy Event: (a) creates a reduction in the gross asset value of any Group Company or the Group; or (b) would create a Loss to PRIMOTOP, in each case, in excess of €5,000,000 in aggregate;

“Relevant Proportion” has the meaning given in the Shareholders' Agreement;

“Relief” shall have the meaning given in Schedule 7;

“Resolution Period” has the meaning given in Clause 7.1(g);

“RETT” means German real estate transfer tax (*Grundwerbsteuer*);

“RETTA” means the German Real Estate Transfer Tax Act (*Grunderwerbsteuergesetz*);

“RETT Law Change” means: (a) any change of the RETTA (including a change having retroactive effect) enacted between the date of this Agreement and Completion; and/or (b) any legislation enacted after Completion pursuant to a RETT Law Change Announcement (for the avoidance of doubt, irrespective of if and the extent to which any such RETT Law Change Announcement has been amended or changed in the legislation process until the final enacted form);

“RETT Law Change Announcement” means a legislative initiative formally brought into the lower house of the German parliament (*Bundestag*) by the upper house of the German parliament (*Bundesrat*) or publicly announced by any German state (*Bundesstaat*) or the German federal government (*Bundesregierung*) between the date of this Agreement and Completion, which aims to change the RETTA (for the avoidance of doubt, whether or not such initiative also has other aims);

“RETT Notification” means a notification pursuant to section 16 para. 5 in conjunction with section 18 et seqq. RETTA (as amended or any provision replacing the foregoing provisions) to inform the German Tax Authorities about: (a) the subscription for the PRIMOTOP Shares by PRIMOTOP pursuant to this Agreement (even if not explicitly required by the language of section 16 para. 5 RETTA in order to secure non-taxation upon any termination of this Agreement prior to Completion for any reason); and/or (b) the Pre-Completion Reorganisation;

“Shareholder Loan Agreements” means the MPT Shareholder Loan Agreement and the PRIMOTOP Shareholder Loan Agreement;

“Shareholders' Agreement” means the shareholders' agreement, in the agreed terms and attached as Schedule 15, to be entered into between the Company, MPT and PRIMOTOP at Completion in relation to the governance of the Company and the relationships of MPT and PRIMOTOP as shareholders of the Company;

“Shares” means all the shares in the issued share capital of the Company from time to time, being, as at the date of this Agreement, 12,500 shares having a nominal value of €1.00 each held by MPT;

“Subsidiaries” means the companies Controlled by the Company (including, for the avoidance of doubt, the Partnership and the Partnership GP), details of which are set out in Part B and Part C of Schedule 1 and **“Subsidiary”** means any one of them;

“Supplemental Disclosure Letter” means the letter dated on or prior to the Completion Date from MPT to PRIMOTOP, which discloses any matters occurring in the period between the date of this Agreement and Completion constituting exceptions to the Warranties and the Tax Warranties;

“Surviving Clauses” shall have the meaning given in Clause 16.14;

“Tax” shall have the meaning given in Schedule 7;

“Tax Authority” shall have the meaning given in Schedule 7;

“Tax Claim” shall have the meaning given in Schedule 7;

“Tax Covenant” shall have the meaning given in Schedule 7;

“Tax Warranties” shall have the meaning given in Schedule 7;

“Tenants” means any tenant, licensee or any other third party with subsisting rights of use, occupation or enjoyment of a Property or any part thereof pursuant to the terms of a Lease;

“Third Party Facility Agreement” means the facility agreement to be entered into between the Group and a third party lender or lenders, pursuant to which the Group will incur Borrowings;

“Third Party Financing” means the financing to be provided to the Group by a third party lender or lenders pursuant to the Third Party Financing Documents substantially in accordance with the term sheet set out in Schedule 10;

“Third Party Financing Amount” means the amounts received by the Company following advance of the Third Party Financing net of any debt issuance costs;

“Third Party Financing Documents” means the Third Party Facility Agreement and related security agreements and ancillary documents to be entered into between the Group and a third party lender or lenders prior to Completion in the context of the Third Party Financing;

“Transaction” means the transaction contemplated by Clause 2.1;

“Transaction Documents” means this Agreement, the Disclosure Letter, the Supplemental Disclosure Letter, the Shareholder Loan Agreements, the Shareholders’ Agreement, the Articles, the Management Agreement and any other document entered into in connection with the Transaction and **“Transaction Document”** shall be construed accordingly;

“Transaction Step Plan” means the transaction step plan set out in Schedule 9 setting out certain transaction steps to be undertaken in relation to the Group prior to, at and immediately following Completion;

“Unconditional Date” means the Business Day on or by which all of the Conditions Precedent have been satisfied in accordance with Clause 0;

“VAT” shall have the meaning given in Schedule 7;

“VDD Reports” means each of: (a) the corporate legal vendor due diligence report relating to the Transaction prepared by Arendt & Medernach SA dated on or around the date of this Agreement; (b) the property legal vendor due diligence report relating to the Transaction prepared by Goodwin Procter LLP dated on or around the date of this Agreement; (c) the tax

and financial due diligence reports relating to the Transaction prepared by Ernst & Young GmbH dated on or around the date of this Agreement; and (d) the technical and fire protection vendor due diligence reports relating to the Transaction prepared by CBRE Preuss Valteq GmbH which are dated on or around the date of this Agreement;

“**Warranties**” means the warranties set out in Schedule 5 and “**Warranty**” means any one of them;

“**Warranty Cap**” has the meaning given in Clause 10.1;

“**Warranty Claim**” means a claim for a breach of one or more of the Warranties or Tax Warranties; and

“**Warranty Notification**” has the meaning given in Clause 8.3.

1.2 **Modifications, etc. of statutes**

References to a statute or statutory provision include:

- (a) that statute or statutory provision as from time to time modified, re-enacted or consolidated whether before or after the date of this Agreement;
- (b) any past statute or statutory provision (as from time to time modified, re-enacted or consolidated) which that statute or provision has directly or indirectly replaced; and
- (c) any subordinate legislation made from time to time under that statute or statutory provision.

1.3 **Singular, plural, gender**

References to one gender include all genders and references to the singular include the plural and vice versa.

1.4 **References to persons and companies**

References to:

- (a) a person include any company, partnership or unincorporated association (whether or not having separate legal personality); and
- (b) a company includes any company, corporation or body corporate, wherever incorporated.

1.5 **Schedules, etc.**

References to this Agreement shall include any recitals and Schedules to it and references to Clauses and Schedules are to Clauses of, and Schedules to, this Agreement. References to paragraphs and parts are to paragraphs and parts of the Schedules.

1.6 **Headings**

Headings shall be ignored in interpreting this Agreement.

1.7 **Information**

References to books, records or other information mean books, records or other information in any form including paper, electronically stored data, magnetic media, film and microfilm.

1.8 **Legal Terms**

References to any Luxembourg legal term shall, in respect of any jurisdiction other than Luxembourg, be construed as references to the term or concept which most nearly corresponds to it in that jurisdiction.

1.9 **Non-limiting effect of words**

The words “including”, “include”, “in particular” and words of similar effect shall not be deemed to limit the general effect of the words that precede them.

2. **AGREEMENT TO SUBSCRIBE FOR PRIMOTOP SHARES AND ADVANCE THE PRIMOTOP SHAREHOLDER LOAN**

2.1 On and subject to the terms of this Agreement:

- (a) the Company agrees to issue, and MPT shall procure that the Company issues, and PRIMOTOP agrees to subscribe for, the PRIMOTOP Shares at Completion; and
- (b) PRIMOTOP agrees to advance the PRIMOTOP Shareholder Loan to the Company at Completion.

2.2 MPT and the Company shall procure that on or prior to Completion any and all rights of pre-emption over the PRIMOTOP Shares are waived irrevocably by the persons entitled thereto.

3. **AMOUNTS**

3.1 **Deposit**

- (a) PRIMOTOP shall pay the Deposit by telegraphic transfer of immediately available funds to the Escrow Account on the date of this Agreement, to be held by the Escrow Agent in accordance with the terms of this Agreement and the Escrow Agreement.
- (b) If this Agreement does not proceed to Completion and is terminated pursuant to Clause 4.2(b), Clause 4.2(c), Clause 5.4(b), Clause 6.6(b), Clause 8.4(b) or Clause 14:
 - (i) PRIMOTOP shall be entitled to a return of the Deposit, together with any accrued interest thereon (if any) and MPT shall have no entitlement to, or claim in respect of, the Deposit, provided that if negative interest has accrued on the amount of the Deposit, MPT shall fund the Escrow Account so that the amount released to PRIMOTOP amounts to EUR 20,000,000; and
 - (ii) on the date of termination of this Agreement in accordance with its terms pursuant to the provisions referred to above, MPT and PRIMOTOP shall jointly instruct the Escrow Agent in accordance with the terms of the Escrow Agreement to promptly release the Deposit to PRIMOTOP (together with any accrued interest thereon (if any) or any amount made available by MPT in accordance with paragraph (i) above (as applicable) by telegraphic transfer of immediately available funds to the account nominated by PRIMOTOP;
- (c) If this Agreement does not proceed to Completion and is terminated as a result of anything other than the circumstances set out in Clause 3.1:
 - (i) MPT shall be entitled to the Deposit, plus or minus any accrued interest thereon (as applicable), and PRIMOTOP shall have no entitlement to, or claim in respect of, the Deposit; and
 - (ii) on the date of termination of this Agreement in accordance with its terms pursuant to the provisions referred to above, MPT and PRIMOTOP shall

jointly instruct the Escrow Agent in accordance with the terms of the Escrow Agreement to promptly release the Deposit to MPT (plus or minus any accrued interest thereon (as applicable)) by telegraphic transfer of immediately available funds to the account nominated by MPT.

3.2 **PRIMOTOP Shares Subscription Amount**

The consideration payable by PRIMOTOP for the subscription for the PRIMOTOP Shares under this Agreement shall be an amount in Euro equal to 50% of the Net Asset Value, of which €12,500 shall be allocated to the Company's share capital and the remainder shall be credited to the Company's share premium account (the "**PRIMOTOP Shares Subscription Amount**").

3.3 **PRIMOTOP Shareholder Loan Amount**

The amount payable by PRIMOTOP to advance the PRIMOTOP Shareholder Loan under this Agreement shall be €290,000,000 (the "**PRIMOTOP Shareholder Loan Amount**").

4. **PRE-COMPLETION**

4.1 **MPT's Pre-Completion Obligations**

- (a) MPT undertakes that, between the date of this Agreement and Completion, each Group Company shall carry on its business as a going concern in the ordinary course as carried on in the 12 months prior to the date of this Agreement save with the prior written consent of PRIMOTOP (such consent not to be unreasonably withheld or delayed).
- (b) Without prejudice to the generality of Clause 4.1(a), MPT undertakes that, between the date of this Agreement and Completion and save for implementation of the Pre-Completion Reorganisation in accordance with the Transaction Step Plan, each Group Company shall not without the prior written consent of PRIMOTOP (such consent not to be unreasonably withheld or delayed):
 - (i) enter into any agreement or incur any commitment involving any capital expenditure in excess of €500,000 exclusive of VAT in aggregate;
 - (ii) acquire, or agree to acquire, any asset for an amount, in excess of €50,000 exclusive of VAT in aggregate;
 - (iii) dispose of, or agree to dispose of, any material asset involving consideration, expenditure or liabilities exceeding €5,000,000 exclusive of VAT in aggregate or other than in the ordinary course of business and on arm's length terms;
 - (iv) incur any additional Borrowings or incur any other indebtedness including, for the avoidance of doubt, by way of an increase in the MPT Profit Participating Loan or the MPT Shareholder Loan (as applicable) or the Intragroup Loans save for any interest accrued in accordance with the terms of such agreements;
 - (v) repay, redeem or repurchase any share capital;
 - (vi) issue or allot any shares or any securities, share capital or loan capital or grant rights or create any Encumbrance over its shares or the shares it holds in a Group Company;
 - (vii) increase or reduce, or make any other alteration to (including by redemption, repurchase, subdivision, consolidation or redesignation) its shares, share capital, loan capital or any other securities;

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- (viii) pass any written resolution other than in the ordinary course of business or for the approval of the Transaction;
 - (ix) incorporate any subsidiary undertaking or effect any hive-up of assets or effect or become involved in any corporate reorganisation or discontinuation of any part of its business;
 - (x) make any loan (other than the granting of any trade credit in the ordinary course of business) to any person save for a loan to another Group Company;
 - (xi) enter into any guarantee, indemnity or other agreement to secure any obligation of a third party or create or permit to exist any Encumbrance over any of its assets or undertaking in any such case other than as may rise by operation of law;
 - (xii) initiate, settle or abandon any claim, litigation, arbitration or other proceedings or make any admission of liability in any such claim except for collection in the ordinary course of debts;
 - (xiii) make any change to its accounting methods, principles, practices or policies;
 - (xiv) make any change to its methods, principles, practices or policies of Tax accounting or payment or methods of reporting or claiming income, losses, or deductions for Tax purposes save in each case to the extent necessary to comply with applicable law or the published practices of any Tax Authority;
 - (xv) change its residence for Tax purposes or create any permanent establishment or other place of business in any other jurisdiction; or
 - (xvi) file any amended or past due tax return except for where such tax return relates to a period before the date of this Agreement or except for any RETT Notification;
 - (xvii) file any new tax return except in a manner consistent with past practice of the relevant Group Company or except for any RETT Notification;
 - (xviii) enter into any agreements, settlements or compromises with a Tax Authority or change the tax structure of the Group Companies and, for the avoidance of doubt, the submission of any RETT Notification does not qualify as such an agreement, settlement or compromise with a Tax Authority;
 - (xix) in relation to any Property:
 - (A) sell, transfer, assign or charge any Property involving consideration, expenditure or liabilities exceeding €5,000,000 exclusive of VAT or enter into any Encumbrance affecting any Property or agree to do any of the foregoing;
 - (B) terminate or serve any notice to terminate any Lease;
 - (C) agree any new rent or fee payable under any Lease other than increases or reductions already provided for in the Leases and save where the rent payable under the relevant Lease is less than €250,000 per annum;
 - (D) enter into any agreement, lease or other material commitment under which an annual sum of more than €250,000 is payable;
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- (E) vary any agreement, lease or other material commitment unless the variation is of an agreement or lease under which an annual sum of less than €250,000 is payable;
 - (F) grant or agree to grant any new lease of any Property, save where the rent payable under such lease is less than €250,000;
 - (G) release any Tenant from any material obligation under any Lease; or
 - (H) begin any court proceedings against a Tenant or other third party or take any steps to wind up (or bankrupt) any Tenant.
- (c) MPT undertakes that, between the date of this Agreement and the Completion Date and at the cost of PRIMOTOP, it shall procure that the corporate purpose of the Group Companies, as described in their respective articles of association or any other constitutional documents, will be amended to refer to a strictly real-estate purpose.

4.2 Breach of MPT's Pre-Completion Obligations

- (a) If, between the date of this Agreement and Completion, MPT becomes aware of any matter, circumstance, act or event which constitutes a breach of Clause 4.1 (a "**Gap Control Breach**"), MPT shall notify PRIMOTOP in writing as soon as practicable setting out such details as are then available (a "**Gap Control Notice**").
- (b) Should a Gap Control Notice indicate that a Material Gap Control Breach or a Material Interim Breach has occurred, or should PRIMOTOP otherwise become aware of such a Material Gap Control Breach or Material Interim Breach, PRIMOTOP shall be entitled by written notice to MPT (a "**Material Breach Event Notice**") to:
- (i) terminate this Agreement (other than the Surviving Clauses); or
 - (ii) confirm that it will effect Completion on the Completion Date, so far as practicable, having regard to but without prejudice to its rights and MPT's obligations and liabilities in relation to any Gap Control Breach or, where applicable in accordance with the provisions of Clause 8.3 and 8.4 below, any Inaccuracy Event; or
 - (iii) request that MPT remedies the relevant Material Gap Control Breach or the Material Interim Breach promptly and in any event no later than the date falling 20 Business Days following receipt by MPT of a Material Breach Event Notice (the "**Material Breach Remedy Period**").
- (c) Should PRIMOTOP request that MPT remedies the relevant Material Gap Control Breach or Material Interim Breach, MPT shall use all reasonable endeavours to remedy such matter, circumstance, act or event within the Material Breach Remedy Period. If MPT fails to do so, PRIMOTOP may terminate this Agreement (other than the Surviving Clauses) at its absolute discretion.
- (d) For the avoidance of doubt, nothing in this Clause 4.2 shall prejudice any other rights of PRIMOTOP or the obligations and liabilities of MPT in relation to any Gap Control Breach or where applicable in accordance with the provisions of Clause 8.3 and 8.4 below, any Inaccuracy Event.

4.3 Approved Transactions

- (a) Nothing in this Agreement shall prevent MPT and/or the Group Companies from:
- (i) implementing the Pre-Completion Reorganisation in accordance with the Transaction Step Plan; and/or

- (ii) implementing the Third Party Financing in accordance with the Third Party Financing Documents.

No breach of this Agreement shall be deemed to have occurred as a result of any action taken by MPT and/or the Group Companies in relation to the implementation of the Pre-Completion Reorganisation in accordance with the Transaction Step Plan and/or the implementation of the Third Party Financing in accordance with the Third Party Financing Documents.

- (b) MPT undertakes to (and procure that the Company shall):
 - (i) provide PRIMOTOP with drafts of the Third Party Financing Documents promptly once they are available and take into account any reasonable comments that PRIMOTOP may have on such drafts, it being specified that, for the avoidance of doubt, any material deviation in the Third Party Financing Documents from the terms set out in Schedule 10 shall require the prior written consent of PRIMOTOP (such consent not to be unreasonably withheld or delayed); and
 - (ii) upon receipt of such documents and in any event no later than 10 Business Days before their expected execution date, request the written approval of PRIMOTOP to the final drafts of the Third Party Financing Documents (such consent not to be unreasonably withheld or delayed).
- (c) It is specifically acknowledged that any funding provided to the Group shall be on a non-recourse basis against MPT and/or PRIMOTOP (other than, if and to the extent required by the Third Party Financing, a limited recourse pledge of their Interests in the Company) and that none of MPT and/or PRIMOTOP shall be required under this Agreement or under any financing document, to provide any guarantees, indemnities or other security on behalf of the Company and/or any other Group Company.
- (d) MPT and/or PRIMOTOP acknowledge that, in connection with the provision of Third Party Financing they shall (if requested by either Party) be entitled to receive the benefit of a pledge over the Company's limited partner interest in the Luxembourg Partnership as security for any Shareholder Loan each such Shareholder shall have advanced ("**LP Pledge**"), subject to (i) the terms of such LP Pledge (and any ancillary documents in the nature of inter creditor or subordination arrangements and the like) being agreed with the Initial Bank (or successor/other bank under the Third Party Financing) and (ii) such pledge remaining at all times solely for their benefit or the benefit of one or more of their Affiliates.

4.4 **Categories of shares**

MPT and PRIMOTOP agree that the terms and conditions of the categories of shares to be created pursuant to the Shareholders' Agreement and to be held by each of them respectively shall reflect their agreement with respect to distribution rights, including, for the avoidance of doubt, pursuant to the provisions of Clause 11 (Administrative Costs) of the Shareholders' Agreement and MPT and PRIMOTOP agree to discuss in good faith such terms and conditions between the date of this Agreement and Completion.

4.5 **Actions on Signature**

On the date of this Agreement, the Parties shall comply with their respective obligations specified in Part A of Schedule 3.

4.6 **RETT Notification**

The Parties agree that MPT and/or the Company and/or the Partnership shall be entitled to file one or more RETT Notifications with the German Tax Authorities between the date of this Agreement and Completion and each Party undertakes from time to time to execute such

documents and perform such acts as MPT and/or the Company and/or the Partnership may reasonably require for the purpose of such RETT Notifications, provided that MPT shall bear the relevant cost for such RETT Notifications and/or requested acts from PRIMOTOP.

4.7 MPT and PRIMOTOP Pre-Completion Actions

- (a) MPT and PRIMOTOP agree, between the date of this Agreement and Completion, to co-operate in good faith and use reasonable endeavours to agree:
- (i) by no later than 22 June 2018, noon CET, the form of the amended and restated articles of incorporation of the Company to be appended as Schedule 11 of this Agreement and as schedule 10 of the Shareholders' Agreement (the "**Articles**"), it being specified that the Article 2 "Purpose" shall be as set out in Schedule 11;
 - (ii) the final form Net Asset Value Report Format to be appended as schedule 11 to the Shareholders' Agreement, such format to be based on the agreed form draft appended to the Shareholders' Agreement, with any reasonable amendments as agreed between MPT and PRIMOTOP;
 - (iii) the final form information obligations to be set out at clause 4 of the Shareholders' Agreement, including the contents, nature and timing of such information obligations, such clause to be replicated *mutatis mutandis* in the relevant provisions on reporting in the Management Agreement;
 - (iv) the splitting of the form of the aggregated draft Business Plan and Annual Operating Budget into two separate documents comprising (i) the Business Plan, and (ii) the Initial Annual Operating Budget, to be appended as schedules 3 and 4 to the Shareholders' Agreement respectively;
 - (v) the completion of any details required to finalise the MPT Shareholder Loan Agreement and/ or the PRIMOTOP Shareholder Loan Agreement; and
 - (vi) the allocation of the Management Fee between the Group Companies in accordance with schedule 3 of the Management Agreement.
- (b) In the event that any of the items set out at Clause 4.7(a) above are not agreed between MPT and PRIMOTOP, in relation to 4.7(a)(i), by 22 June 2018, noon CET, and in relation to the remainder, by Completion:
- (i) in respect of the Articles:
 - (A) an independent firm of Luxembourg lawyers of international standing as agreed to by MPT and PRIMOTOP (or failing agreement on the identity of such independent firm of Luxembourg lawyers within 3 Business Days following 22 June 2018, noon CET, such independent firm of Luxembourg lawyers of international standing appointed by the courts of the judicial district of Luxembourg judging in summary proceedings upon the application of MPT or PRIMOTOP) (the "**Dispute Lawyers**") shall be instructed to deliver, by Completion, a determination of the matters remaining in dispute and the final form of the Articles, which shall be prepared (i) so as to be in compliance with the provisions of this Agreement and the Shareholders' Agreement, and (ii) on the basis that only those provisions of this Agreement and the Shareholders' Agreement required to be included in the Articles in order for the Articles to operate on a stand-alone basis shall be included; and

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- (B) the provisions of Clause 7.2 shall apply as if references to the Dispute Auditor were to the Dispute Lawyers, and references to the Completion Accounts were to the Articles;
 - (ii) the final form Net Asset Value Report Format shall be in the form of the agreed form draft;
 - (iii) the final form information obligations to be set out at clause 4 of the Shareholders' Agreement shall be in the draft form set out in clause 4 of the Shareholders' Agreement;
 - (iv) the aggregated draft Business Plan shall apply, and the Initial Annual Operating Budget shall be the cash flow of the Company in relation to the year following Completion;
 - (v) the applicable interest rate to be included in the MPT Shareholder Loan Agreement and the PRIMOTOP Shareholder Loan Agreement shall be 5.60%; and
 - (vi) the Management Fee shall be allocated in accordance with the draft provisions set out at schedule 3 of the Management Agreement.

5. CONDITIONS

5.1 Conditions to Completion

The agreement to subscribe for the PRIMOTOP Shares and to advance the PRIMOTOP Shareholder Loan to the Company, contained in Clause 2, is conditional upon the satisfaction of the following conditions (the "**Conditions Precedent**") or their satisfaction subject only to Completion:

- (a) the Competent Competition Authority clearing the Transaction in accordance with Clause 5.2(a) ("**Clearance**");
- (b) the entry into of the Third Party Financing Documents and satisfaction of all conditions precedent set out therein for a single advance of €655,000,000 to the Group on Completion, save for any condition precedent that can only be satisfied at Completion or which it is agreed by the relevant lender(s) will become a condition subsequent (provided that, for the avoidance of doubt, such agreement on conditions may not have the effect of reducing the amount of the advance made available in a single advance on or prior to Completion); and
- (c) completion of the Pre-Completion Reorganisation in accordance with the Transaction Step Plan, save for those transaction steps set out in 16 – 19 (inclusive) of the Transaction Step Plan, and for the avoidance of doubt, without any deviation thereof except with the prior written consent of PRIMOTOP.

5.2 Clearance

- (a) Clearance shall be deemed to have occurred if the Competent Competition Authority has cleared the transaction unconditionally or on conditions which MPT and PRIMOTOP accept in writing or Clearance is deemed to be obtained (i.e. because of the lapse of waiting periods or because jurisdiction has been declined).
- (b) The Parties shall be responsible for filing the application for Clearance for the Transaction with the Competent Competition Authority on behalf of all Parties and at the cost of MPT and PRIMOTOP (split 50/50).
- (c) MPT and PRIMOTOP shall co-operate in good faith in the preparation of the application as well as in any other submissions, discussions or negotiations with the

Competent Competition Authority. Each Party shall provide, without delay, all other Parties with copies of any correspondence with the Competent Competition Authority and with copies of any written statement, order, decision, communication and any inquiry or request for additional information it receives from the Competent Competition Authority, provided however, that no commercially sensitive information is shared between the Parties.

5.3 Responsibility for Satisfaction and Notification

- (a) MPT and PRIMOTOP shall act in good faith and use all reasonable endeavours to ensure that Clearance is obtained, provided that MPT and PRIMOTOP shall not be obliged to accept any conditions or obligations.
- (b) Without prejudice to Clause 4.3(b)(ii), MPT shall act in good faith and use all reasonable endeavours, and PRIMOTOP shall act in good faith and cooperate with MPT, to ensure that the Condition Precedent set out in Clause 5.1(b) is satisfied as soon as possible and, in any event, prior to the Long Stop Date.
- (c) MPT shall ensure that the Condition Precedent set out in Clause 5.1(c) is satisfied as soon as possible, subject to any reasonable timing implications relating to the finalisation of the Third Party Financing, and, in any event, prior to the Long Stop Date.
- (d) MPT shall keep PRIMOTOP regularly informed regarding the progress of, and/or any issue or delay arising in relation to, the Pre-Completion Reorganisation and in relation to the negotiation and entering into of the Third Party Financing Documents.
- (e) Each of MPT and PRIMOTOP shall give notice to the other of the satisfaction of any of the Conditions Precedent without delay upon becoming aware of the same.

5.4 Non-Satisfaction

- (a) The Conditions Precedent set out in Clauses 5.1(a) and 5.1(b) are not capable of being waived by any Party. The Condition Precedent set out in Clause 5.1(c) can only be waived by PRIMOTOP, without prejudice to any right to claim damages with respect to such Condition Precedent not being satisfied.
- (b) If the Unconditional Date has not occurred on or before the Long Stop Date (or such later date as the Parties may agree in writing), this Agreement shall automatically terminate (other than the Surviving Clauses) on the next Business Day.
- (c) In such event, no Party (nor any of its Affiliates) shall have any claim or right under this Agreement of any nature against the other Party (or any of its Affiliates) except in respect of: (i) a breach by a Party of its obligations under this Agreement including in particular under Clauses 5.3(a) to 5.3(e) above (in which case, the other Parties shall be entitled to remedies for breach of the relevant Clause by such Party); (ii) any rights and liabilities that have accrued before termination; or (iii) the Surviving Clauses.

6. COMPLETION

6.1 Pre-Completion Actions

- (a) At least twenty (20) Business Days prior to the Completion Date, MPT shall provide PRIMOTOP with a draft of the Estimated Completion Accounts in accordance with Clause 7.1(a) and the calculation of the Estimated Net Asset Value (calculated by or on behalf of MPT acting reasonably and in good faith) (the "**Estimated Net Asset Value Notification**").
- (b) During such period of twenty (20) Business Days, PRIMOTOP shall be entitled to discuss the draft Estimated Completion Accounts and the calculation of the Estimated

Net Asset Value with MPT and raise any comments and/or questions it may reasonably have on the draft of the Estimated Completion Accounts and the calculation of the Estimated Net Asset Value and to request any justification from MPT in this respect. For the avoidance of doubt, if there is any disagreement between the Parties regarding the draft Estimated Completion Accounts and/or calculation of the Estimated Net Asset Value, the Estimated PRIMOTOP Shares Subscription Amount will be calculated based on the draft Estimated Completion Accounts and the calculation of the Estimated Net Asset Value as provided by MPT in accordance with Clause 6.1(a).

- (c) Prior to the date hereof, MPT has provided PRIMOTOP with an email confirmation from MPT setting out the list of the Properties in respect of which MPT are co-insured, and a letter from McGriif, Seibels & Williams, Inc. (the insurance brokers for the Group Companies) setting out all the claims made under the insurance policies entered into by the MPT Group relating to the Properties since the inception of such insurance policies until the date hereof; MPT shall use reasonable endeavours to provide PRIMOTOP, within five (5) Business Days prior to the Completion Date, with an updated letter from McGriif, Seibels & Williams, Inc. setting out all the claims made under the insurance policies entered into by the MPT Group relating to the Properties since the inception of such insurance policies until the date of such letter.

6.2 **Date and Place**

Completion shall take place at the offices of Arendt & Medernach SA on the Completion Date or at such other place within the Grand Duchy of Luxembourg or on such other time or date as MPT and PRIMOTOP may agree in writing.

6.3 **Completion Events**

On Completion, the Parties shall comply with their respective Completion Obligations.

6.4 **Payments on Completion**

- (a) On Completion:
- (i) PRIMOTOP shall pay an aggregate amount in cash equal to the Estimated PRIMOTOP Shares Subscription Amount to the Company by telegraphic transfer of immediately available funds to the Company's Account for the subscription for the PRIMOTOP Shares;
 - (ii) the Deposit (plus or minus any accrued interest thereon (as applicable)) shall be released to the Company in part satisfaction of PRIMOTOP's obligation to pay the PRIMOTOP Shareholder Loan Amount to the Company;
 - (iii) PRIMOTOP shall pay an aggregate amount in cash equal to the PRIMOTOP Shareholder Loan Amount, less the amount of the Deposit (plus or minus any accrued interest thereon (as applicable)), to the Company by telegraphic transfer of immediately available funds to the Company's Account; and
 - (iv) PRIMOTOP shall pay an amount in cash equal to €945,043 to MPT by telegraphic transfer of immediately available funds to the bank account nominated by MPT, corresponding to PRIMOTOP's portion of the costs of the VDD Reports prepared in the context of the Transaction which the Parties have agreed will be borne by PRIMOTOP plus the costs incurred in amending the articles of association or any other constitutional documents of the Group Companies in accordance with Clause 4.1(c) provided these costs have been booked in the Completion Accounts, reduced by the amount of any negative interest accrued on the Deposit (if any).

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- (b) All sums payable under Clause 6.4(a) shall be paid free and clear of all deductions, withholdings, set-offs or counterclaims whatsoever save as may be required by law.
 - (c) For the avoidance of doubt, all costs and fees incurred in connection with the issuance of the Third Party Financing shall be the responsibility of, and be borne by, the Group.

6.5 **Payment of MPT Distribution**

- (a) Subject to applicable law, MPT and PRIMOTOP shall exercise all voting and other rights and powers available to them as shareholders in the Company so as to procure that the Company distributes an amount equal to the MPT Distribution to MPT in accordance with the terms of the Shareholders' Agreement and this Clause 6.5.
- (b) Promptly following advance of the Third Party Financing to the Company, the Company shall distribute an amount equal to the Third Party Financing Amount to MPT, in part payment of the MPT Distribution, in the following priority:
 - (i) payments of all interest on the MPT Shareholder Loan as at the date of such distribution;
 - (ii) repayment of any principal on the MPT Shareholder Loan in an amount equal to the outstanding amount of principal on the MPT Shareholder Loan as at the date of such distribution minus €290,000,000; and
 - (iii) interim dividend for the difference between the amount of the Third Party Financing Amount and the aggregate of the amounts referred to in points (i) and (ii) above; it being specified that the payment of such interim dividend shall be made net of any withholdings or deduction required by any applicable laws and that any withholdings or deduction shall be treated as amounts distributed to MPT under this Clause 6.5(b)(iii).
- (c) Promptly following Completion, the Company shall distribute an amount equal to the MPT Distribution minus the Third Party Financing Amount to MPT, in final payment of the MPT Distribution, in the following priority:
 - (i) payments of all interest on the MPT Shareholder Loan as at the Completion Date (if any);
 - (ii) repayment of any principal on the MPT Shareholder Loan in an amount equal to the outstanding amount of principal on the MPT Shareholder Loan as at Completion Date minus €290,000,000 (if any); and
 - (iii) interim dividend for the difference between the amount of the MPT Distribution minus the Third Party Financing Amount and the aggregate of the amounts referred to in points (i) and (ii) above; it being specified that the payment of such interim dividend shall be made net of any withholdings or deduction required by any applicable laws and that any withholdings or deduction shall be treated as amounts distributed to MPT under this Clause 6.5(c)(iii).

Breach of Completion Obligations

- (a) If one of the Parties fails to comply with any of its Completion Obligation, MPT, in the case of non-compliance by PRIMOTOP, or PRIMOTOP, in the case of non-compliance by MPT or the Company, shall be entitled by written notice to the other served on or following the Completion Date:
- (i) to effect Completion so far as practicable having regard to the defaults which have occurred and without prejudice to its rights and the other Parties' obligations and liabilities in relation to such default; or
 - (ii) make time of the essence by:
 - (A) specifying the details of the relevant non-compliance; and
 - (B) fixing a new date for Completion (being not less than 20 Business Days after the date on which such notice is received by the non-complying Party) (the "**New Completion Date**"), in which case the provisions of Clause 6.1, 6.3, 6.4 of this Agreement and Part B of Schedule 3 of this Agreement shall apply to Completion as so deferred.
- (b) In the event that the non-compliance referred to in Clause 6.6(a) is not remedied by the New Completion Date, MPT in the case of non-compliance by PRIMOTOP and PRIMOTOP in the case of non-compliance by MPT or the Company may by written notice to the other served on or following the New Completion Date:
- (i) effect Completion so far as practicable having regard to the defaults which have occurred and without prejudice to its rights and the other Parties' obligations and liabilities in relation to such defaults; or
 - (ii) terminate this Agreement (other than the Surviving Clauses).
- (c) For the avoidance of doubt, nothing in this Clause 6.6 shall prejudice:
- (i) any other rights of PRIMOTOP under this Agreement in relation to a breach by MPT or the Company of a Completion Obligation; or
 - (ii) any other rights of MPT under this Agreement in relation to a breach by PRIMOTOP of a Completion Obligation.

7. POST-COMPLETION ADJUSTMENTS**7.1 Completion Accounts**

- (a) MPT shall ensure that a draft of the Completion Accounts is prepared by MPT as soon as possible after Completion, in English as if a fiscal year had ended on the relevant Completion Date in the following manner (the "**Draft Completion Accounts**"):
- (i) in accordance with the applicable provisions of Luxembourg law, especially the generally accepted accounting principles in Luxembourg (Law of 19th December, 2002 on the register of commerce and companies and the accounting and annual accounts); and
 - (ii) maintaining formal and material accounting consistency, in particular applying the valuation principles, uses of estimates as well as options to capitalise or to include items consistently with past practices.

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- (b) Furthermore, MPT shall prepare the calculation of the Net Asset Value (the “**Net Asset Value Statement**”) as soon as reasonably practicable after Completion in accordance with the specific policies and adjustments set out in Part A of Schedule 4 and with the method set out in Part B of Schedule 4. In any event, the Draft Completion Accounts and the calculation of the Net Asset Value shall be provided to the Auditor on or before the date falling 60 Business Days after Completion. The Auditor shall audit the Draft Completion Accounts by applying the principles set forth in ISA 800 for compliance with the provisions of this Agreement and issue an unqualified auditor certificate (*Prüfungsvermerk*). Furthermore, the Auditor shall review the draft calculation of the Net Asset Value and issue an unqualified auditor certificate (*Prüfungsvermerk*). The Parties shall ask the Auditor to issue such certificates as soon as practicable and, to the extent possible, within thirty (30) Business Days after being provided with the Draft Completion Accounts.
- (c) The audited Draft Completion Accounts and the reviewed calculation of the Net Asset Value shall be delivered to PRIMOTOP on or before the date falling 5 Business Days after the date on which the Auditor has issued the unqualified auditor certificates (*Prüfungsvermerks*) referred to in Clause 7.1(b).
- (d) MPT and PRIMOTOP shall co-operate with each other with regard to the preparation, review, agreement or determination of the audited Draft Completion Accounts and reviewed calculation of the Net Asset Value.
- (e) MPT and the Company shall, subject to reasonable notice, make available during normal office hours to PRIMOTOP and its representatives and accountants all books, records and information (including access to personnel) as PRIMOTOP may reasonably require until the date that the Completion Accounts and the Net Asset Value are agreed or determined in accordance with this Agreement.
- (f) PRIMOTOP shall notify MPT in writing whether or not it accepts the audited Draft Completion Accounts and calculation of the Net Asset Value by no later than the date falling 30 Business Days after the date on which the audited Draft Completion Accounts and the calculation of the Net Asset Value are delivered to PRIMOTOP (the “**CA Notice**”). If the CA Notice confirms that PRIMOTOP agrees entirely with the audited Draft Completion Accounts and calculation of the Net Asset Value, then they shall be final and binding on the Parties for all purposes (and shall respectively constitute the Completion Accounts and calculation of the Net Asset Value for the purposes of this Agreement). If the CA Notice sets out that PRIMOTOP disagrees with the audited Draft Completion Accounts and calculation of the Net Asset Value, it will include reasonable details of the reasons for any disagreement and any suggested adjustment, together with, to the extent available, reasonable supporting evidence for each adjustment, including any relevant working papers (a “**CA Objection Notice**”).
- (g) If a CA Objection Notice is so served by PRIMOTOP during such 30 Business Day period, MPT and PRIMOTOP shall attempt in good faith to resolve any matters in dispute and agree a final form of the Draft Completion Accounts and the calculation of the Net Asset Value on or before the date falling 15 Business Days after the date on which MPT receives such CA Objection Notice. If the Draft Completion Accounts and the calculation of the Net Asset Value are so agreed by MPT and PRIMOTOP in such period, then they shall be final and binding on the parties for all purposes and the Completion Accounts as so agreed shall then constitute the Completion Accounts for the purposes of this Agreement. In the absence of agreement between MPT and PRIMOTOP within that time period (or such longer time period as MPT and PRIMOTOP may agree) (such period being the “**Resolution Period**”) an independent firm of chartered accountants of international standing as agreed to by MPT and PRIMOTOP (or failing agreement on the identity of such independent firm of chartered accountants within 5 Business Days from the end of the Resolution Period, such independent firm of chartered accountants of international standing appointed on the application of MPT or PRIMOTOP to the President for the time being of the
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Institut des Réviseurs d'Entreprises de Luxembourg) (the "**Dispute Auditor**") shall be instructed to deliver a determination of the matters remaining in dispute and a calculation of the Net Asset Value and revised Draft Completion Accounts adjusted only to take account of the matters determined by the Dispute Auditor within 40 Business Days (or such later date as MPT, PRIMOTOP and the Dispute Auditor agree in writing) of confirmation and acknowledgment by the Dispute Auditor of its appointment. The following shall apply once the Dispute Auditor has been appointed:

- (i) MPT and PRIMOTOP shall each prepare a written statement within 15 Business Days of the Dispute Auditor's appointment on the matters in dispute which (together with the relevant supporting documents) shall be submitted to the Dispute Auditor for determination and copied at the same time to the other;
 - (ii) following delivery of their respective submissions, MPT and PRIMOTOP shall each have the opportunity to comment once only on the other's submission by written comment delivered to the Dispute Auditor not later than 10 Business Days after receipt of the other's submission and, thereafter, neither MPT nor PRIMOTOP shall be entitled to make further statements or submissions except insofar as the Dispute Auditor so requests (in which case it shall, on each occasion, give the other Party (unless otherwise directed) 10 Business Days to respond to any statements or submission so made); and
 - (iii) in giving its determination, the Dispute Auditor shall state what adjustments (if any) are necessary, solely for the purposes of this Agreement, to the Draft Completion Accounts in respect of the matters in dispute in order to comply with the requirements of this Agreement and to determine finally the Completion Accounts.
- (h) As so revised, the Draft Completion Accounts and the calculation of the Net Asset Value shall then constitute the Completion Accounts and the Net Asset Value for the purposes of this Agreement.
- (i) Within 20 Business Days following the Completion Accounts and the calculation of the Net Asset Value becoming final for the purposes of this Agreement, the Seller shall provide PRIMOTOP with a copy of the Business Plan updated in order to take into account the Completion Accounts.

7.2 **Dispute Auditor**

- (a) The Dispute Auditor:
- (i) shall act as expert and not as arbitrator;
 - (ii) shall decide on the procedure to be followed in the determination (provided that any such procedure does not conflict with any procedures set out herein); and
 - (iii) shall be required only to determine those matters that this Agreement provides should be determined by it and deliver such determination and any calculation, statement or accounts required to be provided by it by this Agreement promptly and in writing to the Parties.
- (b) In the absence of fraud or manifest error, the decision of the Dispute Auditor and any determination and any calculation, statement or accounts required to be provided by it by this Agreement shall be final and binding on the Parties for all purposes.
- (c) MPT and PRIMOTOP shall each use reasonable endeavors to co-operate with the Dispute Auditor and to enable it to reach its determination within the time period set by this Agreement including by co-operating with any procedure set by this

Agreement and/or the Dispute Auditor. In particular, MPT and PRIMOTOP shall each provide and MPT shall procure that the Company provides, the other Party and the Dispute Auditor with or with access to all such documents and information as are in their possession or under their control, and access to all relevant personnel upon reasonable prior notice and during normal working hours, as may from time to time be requested by the Dispute Auditor in its absolute discretion.

- (d) MPT and PRIMOTOP shall each be responsible for their own costs in connection with the preparation, review and agreement or determination of the Completion Accounts. The fees and expenses of the Dispute Auditor shall be borne by the Company to the fullest extent permitted by law.

7.3 Adjustments to Consideration

On the date falling 10 Business Days after the Completion Accounts and the Net Asset Value becomes final and binding on the parties in accordance with this Agreement:

- (a) if the amount of the Net Asset Value is less than the amount of the Estimated Net Asset Value:
- (i) MPT shall pay an amount equal to the Consideration Excess to the Company by way of additional equity subscription, which shall be booked exclusively in the account 115 of the Luxembourg standard chart of account (*apport en capitaux propres non rémunéré par des titres*) of the Company with no corresponding issuance of Shares; and
 - (ii) upon receipt by the Company of the Consideration Excess, MPT and PRIMOTOP shall procure, as far as they lawfully can, that a payment in an amount equal to the Consideration Excess is made by the Company to PRIMOTOP by way of repayment of the account 115 of the Luxembourg standard chart of account (*apport en capitaux propres non rémunéré par des titres*) and/or the Company's share premium account, with no corresponding cancellation of Shares; or
- (b) if the amount of the Net Asset Value is greater than the amount of the Estimated Net Asset Value:
- (i) PRIMOTOP shall pay an amount equal to the Consideration Shortfall to the Company by way of an additional equity subscription, which shall be booked exclusively in the account 115 of the Luxembourg standard chart of account (*apport en capitaux propres non rémunéré par des titres*) of the Company with no corresponding issuance of Shares; and
 - (ii) upon receipt by the Company of the Consideration Shortfall, MPT and PRIMOTOP shall procure, as far as they lawfully can, that a payment in an amount equal to the Consideration Shortfall is made by the Company to MPT by way of repayment of the account 115 of the Luxembourg standard chart of account (*apport en capitaux propres non rémunéré par des titres*) and/or the Company's share premium account, with no corresponding cancellation of Shares,
- (c) if the difference between: (i) the sum of the amount of cash in the Estimated Completion Accounts exceeding the amount received by the Company following advance of the Third Party Financing net of any debt issuance costs and the other Estimated Current Assets (excluding cash); and (ii) the Estimated Current Liabilities is less than the difference between: (x) the sum of the amount of cash in the Completion Accounts exceeding the amount received by the Company following advance of the Third Party Financing net of any debt issuance costs and the other Current Assets (excluding cash); and (y) the Current Liabilities, MPT shall pay an amount equal to the positive difference between the latter and the former of these two amounts to the

Company by way of additional equity subscription, which shall be booked exclusively in the account 115 of the Luxembourg standard chart of account (*apport en capitaux propres non rémunéré par des titres*) of the Company with no corresponding issuance of Shares;

- (d) if the difference between: (i) the sum of the amount of cash in the Estimated Completion Accounts exceeding the amount received by the Company following advance of the Third Party Financing net of any debt issuance costs and the other Estimated Current Assets (excluding cash); and (ii) the Estimated Current Liabilities is greater than the difference between: (x) the sum of the amount of cash in the Completion Accounts exceeding the amount received by the Company following advance of the Third Party Financing net of any debt issuance costs and the other Current Assets (excluding cash); and (y) the Current Liabilities, the Company shall pay to MPT an amount equal to the positive difference between the former and the latter of these two amounts by way of repayment of the account 115 of the Luxembourg standard chart of account (*apport en capitaux propres non rémunéré par des titres*) and/or the Company's share premium account, with no corresponding cancellation of Shares;

all payments pursuant to this Clause 7.3 shall be made by telegraphic transfer of immediately available funds to the account nominated by PRIMOTOP, MPT or the Company (as applicable), free and clear of all set-offs and counterclaims and, with respect to the payments made to MPT or PRIMOTOP, net of any withholdings or deduction required by any applicable laws, it being specified that any withholdings or deduction shall be treated as amounts distributed to MPT or PRIMOTOP (as applicable) under this Clause 7.3.

8. WARRANTIES

8.1 Warranties

- (a) Subject to Clause 8.2, MPT warrants to PRIMOTOP that the Warranties and the Tax Warranties are (and will be) true and accurate as at: (i) the date of this Agreement and (ii) the Completion Date (and at all times between the date of this Agreement and the Completion Date) as if they had been repeated at Completion immediately before the issuance of the PRIMOTOP Shares.
- (b) MPT acknowledges and agrees that PRIMOTOP has entered into this Agreement and will subscribe for the PRIMOTOP Shares and advance the PRIMOTOP Shareholder Loan in reliance upon the Warranties and the Tax Warranties.
- (c) Each of the Warranties and the Tax Warranties shall be separate and independent and shall not be limited by reference to any other paragraph of Schedule 5 or Schedule 7 or by anything in this Agreement.
- (d) Any Warranty or Tax Warranty qualified by the expression "so far as MPT is aware" or any similar expression shall, unless otherwise stated, be deemed to refer to the actual awareness and knowledge of Ed Aldag, Steve Hamner, Emmett Mclean, Robert Moss, Emilie Guirimand, Jean-Marc Mc Lean, James Kevin Hanna and Luke Savage.
- (e) PRIMOTOP acknowledges and agrees that MPT does not give or make any warranty or representation as to the accuracy of the Business Plan, forecasts, estimates, projections, statements of intent or statements of opinion provided to PRIMOTOP or any of its directors, officers, employees agents or advisers on or prior to the date of this Agreement, and that MPT has not provided any advice in relation to Tax to PRIMOTOP or any of its directors, officers, employees agents or advisers in connection with this Agreement, any other Transaction Document or any matter or thing to be done or omitted to be done in connection with this Agreement or any other Transaction Document.

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- (f) PRIMOTOP agrees and undertakes to MPT and the Company that, except in the case of fraud and subject to applicable law, PRIMOTOP has no rights against, and shall not make any claim against any present or former employee, director, agent or officer of any of the Group Companies or any member of MPT's Group on whom PRIMOTOP may have relied prior to entry into this Agreement or any other Transaction Document (including in relation to any information supplied or omitted to be supplied by any such person in connection with the Warranties, this Agreement or any other Transaction Document).

8.2 MPT's Disclosures

- (a) The Warranties and the Tax Warranties are subject to the following matters:
- (i) any matter which is Fairly Disclosed in the Disclosure Letter or the Supplemental Disclosure Letter (as applicable) (whether specifically or in the documents or information included in the Disclosure Letter or the Supplemental Disclosure Letter, as applicable, by way of reference); and
 - (ii) any matter or thing done or omitted to be done after the date of this Agreement as expressly contemplated and approved in this Agreement or otherwise at the express request in writing, or with the express prior approval in writing of, PRIMOTOP.
- (b) For the avoidance of doubt, none of the matters, events, acts or circumstances disclosed in the Disclosure Letter or the Supplemental Disclosure Letter will limit MPT's obligations under this Agreement with respect to any Indemnity Losses or the Tax Covenant.

8.3 Notification

If, after the date of this Agreement, MPT or the Manager becomes aware:

- (a) that any of the Warranties or Tax Warranties was untrue or inaccurate in any respect as at the date of this Agreement;
- (b) of any event or matter which occurred prior to the date of this Agreement and which is likely to result in any of the Warranties or Tax Warranties being or becoming untrue or inaccurate; or
- (c) of any event or matter that occurs between the date of this Agreement and the Completion Date and which results in or is likely to result in any of the Warranties or Tax Warranties being or becoming untrue or inaccurate in any respect,

MPT shall notify PRIMOTOP in writing as soon as practicable (and in any event no later than 5 Business Days after having become aware of the like) setting out such details as are available or reasonably obtainable (a "**Warranty Notification**"). In the case of any failure by MPT to notify PRIMOTOP in accordance with this Clause 8.3, the time limitation periods set out in Clause 10.2 shall start only from the date that notification is actually provided or, if earlier, from the date on which PRIMOTOP otherwise becomes aware of the relevant facts, circumstance or event.

8.4 Warranty Material Inaccuracy

- (a) Should a Warranty Notification indicate that a Material Inaccuracy Event has occurred, or should PRIMOTOP otherwise become aware that a Material Inaccuracy Event has occurred (including, with respect to an Interim Material Inaccuracy Event, as a result of the disclosure of such Material Inaccuracy Event in the Supplemental Disclosure Letter), prior to the Completion Date, PRIMOTOP will be entitled by written notice to MPT (a "**Material Inaccuracy Event Notice**"), to:

- (i) confirm that it will effect Completion on the Completion Date, so far as practicable (without prejudice, subject to Completion, to the right of PRIMOTOP to make a Warranty Claim or a Tax Claim (as applicable) with respect to the relevant Material Inaccuracy Event unless, with respect to an Interim Material Inaccuracy Event, to the extent Fairly Disclosed in the Supplemental Disclosure Letter); or
 - (ii) request that MPT remedies the relevant Material Inaccuracy Event promptly and in any event no later than the date falling 20 Business Days following receipt by MPT of a Material Inaccuracy Event Notice (the "**Material Inaccuracy Remedy Period**");
- (b) Should PRIMOTOP request that MPT remedies the relevant Material Inaccuracy Event in accordance with Clause 8.4(a)(ii), MPT shall use all reasonable endeavours to remedy such matter, circumstance, act or event within the Material Inaccuracy Remedy Period. If MPT fails to do so, PRIMOTOP may terminate this Agreement (other than the Surviving Clauses).
- (c) For the avoidance of doubt, if PRIMOTOP elects to effect Completion on the Completion Date, so far as practicable, in accordance with Clause 8.4(a)(i):
- (i) neither PRIMOTOP nor any of its Affiliates shall have any claim or right under this Agreement of any nature against MPT or any of its Affiliates in relation to an Interim Material Inaccuracy Event to the extent Fairly Disclosed in the Supplemental Disclosure Letter, but
 - (ii) PRIMOTOP (and its Affiliates) shall retain all its rights to make a claim under this Agreement in relation to a Pre-Signing Material Inaccuracy Event.
- (d) For the avoidance of doubt, PRIMOTOP shall, subject to Completion, have a right to make a Warranty Claim or a Tax Claim (as applicable):
- (i) with respect to any matter referred to in Clauses 8.3(a) and 8.3(b); and
 - (ii) with respect to any matter referred to in Clause 8.3(c) provided that, with respect to a Warranty Claim only (excluding, for the avoidance of doubt, claims under the Tax Covenant), PRIMOTOP shall not have a right to make a Warranty Claim with respect to any matter that is Fairly Disclosed in the Supplemental Disclosure Letter.

8.5 PRIMOTOP's Warranties

PRIMOTOP warrants to MPT that the PRIMOTOP Warranties:

- (a) are true and accurate as of the date of this Agreement; and
- (b) will be true and accurate at Completion (and at all times between the date of this Agreement and the Completion Date) as if they had been repeated at Completion.

9. TAX

9.1 General

The provisions of Schedule 7 to this Agreement apply in relation to the matters to which they relate.

9.2 **Effect**

Part 1, Part 2 and Part 3 (excluding the Tax Covenant) and Part 4 of Schedule 7 shall come into effect on the date of this Agreement. The Tax Covenant shall come into effect on Completion. The Tax Warranties (Part 2 of Schedule 7) are given as of the date of this Agreement and as of the Completion Date (and at all times between the date of this Agreement and the Completion Date) as if they had been repeated at Completion immediately before the issuance of the PRIMOTOP Shares.

10. **MPT'S LIABILITY WITH RESPECT TO WARRANTY CLAIMS**

MPT's liability with respect to a Loss resulting from a matter, event, act or circumstance which results in any of the Warranties or Tax Warranties being untrue or inaccurate is subject to Completion and will be determined in accordance with the provisions of this Clause 10.

10.1 **Financial Limitations for Warranty Claims**

- (a) MPT shall not be liable for any individual Warranty Claim (or a series of Warranty Claims arising from substantially identical facts or circumstances) unless the amount of the liability in respect of that Warranty Claim (or a series of Warranty Claims arising from substantially identical facts or circumstances) exceeds €250,000.
- (b) MPT shall not be liable for any Warranty Claim unless the amount of the liability in respect of that Warranty Claim when aggregated with the amount of the liability in respect of all other Warranty Claims exceeds €1,000,000 in which event MPT shall be liable for the whole amount of such Warranty Claim, and not merely the excess.
- (c) The maximum aggregate liability of MPT in respect of all Warranty Claims is and shall not exceed in any way whatsoever €75,000,000, such amount being reduced to €25,000,000 on the date fifteen (15) months following Completion if no Warranty Claim has been made prior to that date (the "**Warranty Cap**").

10.2 **Time Limitation for Claims**

MPT shall not be liable for any Warranty Claim and/or Tax Claim unless a notice of the relevant claim is given by PRIMOTOP to MPT:

- (a) in the case of any Tax Claim (excluding a claim for breach of any Tax Warranty), by no later than 31 January 2026;
- (b) in the case of any Warranty Claim in respect of a Tax Warranty, within a period of 5 years from the Completion Date; and
- (c) in the case of any Warranty Claim in respect of a Warranty (excluding any Tax Warranty), within a period of 2 years from the Completion Date.

Any claim notified by PRIMOTOP to MPT pursuant to this Clause shall specify the matters set out in Clause 12.2.

10.3 **Contingent Liabilities**

MPT shall not be liable under this Agreement or the Tax Covenant in respect of any liability which is contingent unless and until such contingent liability becomes an actual liability and is due and payable.

10.4 **Losses**

MPT shall not be liable under this Agreement or the Tax Covenant in respect of any indirect or consequential Losses, including, for the avoidance of doubt, any loss of profits (other than loss of rent or loss in respect of punitive damages).

10.5 **Provisions**

MPT shall not be liable for any Warranty Claim (excluding a Tax Claim, in respect of which the provisions of Schedule 7 shall apply) if and to the extent that provisions or reserves is made in the Completion Accounts for the matter giving rise to the claim or the liability was paid on or before Completion Date and the Completion Accounts reflected that payment and the Net Asset Value was reduced accordingly.

10.6 **Matters Arising Subsequent to this Agreement**

MPT shall not be liable for any Warranty Claim to the extent that the same would not have occurred but for:

- (a) any matter or thing done or omitted to be done pursuant to and in compliance with this Agreement (excluding, for the avoidance of doubt, Schedule 7 and excluding any matter or thing done or omitted to be done in relation to any Approved Transaction) or otherwise at the request in writing or with the approval in writing of PRIMOTOP;
- (b) any act or omission of PRIMOTOP or any member of PRIMOTOP's Group, or their respective directors, officers, employees or agents or successors in title, after Completion;
- (c) the passing of, or any change in, after the Completion Date, any law, rule, regulation or administrative practice of any government, governmental department, agency or regulatory body including (without prejudice to the generality of the foregoing) any increase in the rates of Tax or any imposition of Tax or any withdrawal of relief from Tax not actually (or prospectively) in effect at the date of this Agreement;
- (d) any change after the Completion Date of any generally accepted interpretation or application of any legislation; or
- (e) any change in accounting or Tax policy, bases or practice of PRIMOTOP introduced or having effect after Completion except where such change was necessary in order to comply with any applicable legal, regulatory, financial reporting or other requirement.

10.7 **Insurance**

MPT and PRIMOTOP shall procure, each within the limits of their powers under the Shareholders' Agreement, that all reasonable steps are taken to recover any Losses suffered by a Group Company pursuant to any relevant policy of insurance. MPT shall not be liable for any Warranty Claim and/or Tax Claim to the extent that the Losses suffered by a Group Company in respect of which such claim is made are covered, in whole or in part, by such policy of insurance and actual recovery is made under such policy of insurance.

10.8 **Right to Recover**

- (a) If, before MPT pays an amount in discharge of any Warranty Claim and/or Tax Claim, any Group Company recovers (whether by payment, discount, credit, relief, insurance or otherwise) from a third party, including any third party responsible for the preparation of any VDD Report, a sum which indemnifies or compensates such Group Company (in whole or in part) in respect of the loss or liability which is the subject matter of a claim, this sum (less any costs and expenses (including any Tax incurred in obtaining such recovery) shall be deducted, on an After Tax Basis, from

the amount to be paid by MPT in relation to such claim, and MPT and PRIMOTOP shall procure that all reasonable steps are taken to make such recovery from any relevant third party.

- (b) If MPT has paid an amount in discharge of any Warranty Claim and/or Tax Claim and a Group Company recovers (whether by payment, discount, credit, relief, insurance or otherwise) from a third party, including any third party responsible for the preparation of any VDD Report, a sum which indemnifies or compensates such Group Company (in whole or in part) in respect of the loss or liability which is the subject matter of the claim, MPT and PRIMOTOP agree that the relevant Group Company shall pay to MPT as soon as practicable after receipt of such sum by the relevant Group Company, an amount equal to the lesser of:
- (i) the sum recovered from the third party less any costs and expenses (including any Tax) incurred in obtaining such recovery; and
 - (ii) the amount already paid by MPT to PRIMOTOP or the relevant Group Company less any costs and expenses (including any Tax) incurred in obtaining such recovery.

10.9 **Double Claims**

PRIMOTOP shall not be entitled to recover from MPT under this Agreement or the Tax Covenant or the Shareholders' Agreement more than once in respect of the same Losses or Indemnity Losses suffered and, without prejudice to the generality of the foregoing, MPT shall not be liable in respect of:

- (a) any breach of the Agreement if and to the extent that the Losses or Indemnity Losses (as relevant) resulting from or connected with such breach are or have been included in a claim under the Tax Covenant or the Shareholders' Agreement which has been satisfied; or
- (b) a claim under the Tax Covenant if and to the extent that the Losses or Indemnity Losses (as relevant) in respect of which such claim was made are or have been included in a claim for breach of the Agreement or the Shareholders' Agreement which has been satisfied.

In circumstances where PRIMOTOP would have claims for recovery of any Losses, Taxes or Indemnity Losses under several provisions under this Agreement, the Tax Covenant and/or the Shareholders' Agreement, it is agreed and understood that PRIMOTOP shall be free to choose the basis on which it wants to recover. Without prejudice to the no double recovery principle set out in this Clause 10.9, PRIMOTOP may make use of one or more provisions available to it to make a claim.

10.10 **Mitigation of Losses and Indemnity Losses**

MPT and PRIMOTOP shall procure that all reasonable steps are taken and all reasonable assistance is given (by them or by any of their Affiliates) to avoid or mitigate any Losses and/or Indemnity Losses which in the absence of mitigation might give rise to a liability in respect of any claim under this Agreement (including, for the avoidance of doubt, the Tax Covenant), to the extent of their respective powers in accordance with this Agreement, the Shareholders' Agreement, the Articles and the Management Agreement.

10.11 **Fraud**

None of the limitations contained in this Clause 10 or Part D of Schedule 7 shall apply to any claim which arises or is increased, or to the extent to which it arises or is increased, as the consequence of, or which is delayed as a result of, dishonest or deliberate misstatement, gross negligence or concealment or other fraud by MPT or any other member of the MPT Group.

10.12 Calculation of Loss

- (a) The amount of any payment to be made by MPT to PRIMOTOP pursuant to this Clause 10 shall:
- (i) with respect to any Loss suffered or incurred by PRIMOTOP, be based on 100% of the Loss (on an After Tax Basis) determined pursuant to the provisions of this Agreement; and
 - (ii) with respect to any Loss suffered or incurred by a Group Company, be calculated by applying PRIMOTOP's Relevant Proportion at the date of payment to the amount of the Loss (on an After Tax Basis) determined pursuant to the provisions of this Agreement.
- (b) Any amount to be paid to the Company pursuant to Clause 10 shall be based on 100% of the Loss suffered or incurred by the relevant Group Company determined pursuant to the provisions of this Agreement and shall be made by way of additional equity subscription, which shall be booked exclusively in the account 115 of the Luxembourg standard chart of account (*apport en capitaux propres non rémunéré par des titres*) of the Company with no corresponding issuance of Shares, provided that with respect to any Loss suffered or incurred by a Group Company for which MPT decides to pay the Company, only half of the amount paid by MPT to the Company shall be counted towards the Warranty Cap.

11. SPECIFIC INDEMNITY

11.1 Indemnity

- (a) MPT hereby undertakes, subject to Completion, to indemnify and hold harmless PRIMOTOP or, with respect to Indemnity Losses of a Group Company, PRIMOTOP or the Company (at MPT's option), on a euro for euro basis and on an After Tax Basis, from Indemnity Losses suffered or incurred by PRIMOTOP or any Group Company.
- (b) MPT's liability with respect to Indemnity Losses shall be limited to the aggregate of the PRIMOTOP Share Subscription Amount and the PRIMOTOP Shareholder Loan Amount (the "**Indemnity Cap**"), provided that, with respect to any Indemnity Loss suffered or incurred by a Group Company for which MPT decides to pay the Company, only half of the amount paid by MPT to the Company shall be counted towards the Indemnity Cap.

11.2 Limitations on Indemnification

- (a) Time Limitation for Claims

MPT shall not be liable for any Indemnity Losses Claim unless a notice of the relevant claim is given by PRIMOTOP to MPT: (i) within a period of 7 years from the Completion Date if such claim does not relate to Tax; or (ii) if such claim relates to Tax, by no later than 31 January 2026.

- (b) Provisions

MPT shall not be liable for any Indemnity Losses if and to the extent that provisions or reserves are made in the Completion Accounts for the matter giving rise to the claim or the liability was paid on or before the Completion Date and the Completion Accounts reflected that payment and the Net Asset Value was reduced accordingly.

(c) Matters Arising Subsequent to this Agreement

MPT shall not be liable for any Indemnity Losses to the extent that the same would not have occurred but for:

- (i) any matter or thing done or omitted to be done at the request in writing of PRIMOTOP;
- (ii) any act or omission of PRIMOTOP or any member of PRIMOTOP's Group, or their respective directors, officers, employees or agents or successors in title, after Completion;
- (iii) any change in accounting or Tax policy, bases or practice of PRIMOTOP introduced or having effect after Completion except where such change was necessary in order to comply with any applicable legal, regulatory, financial reporting or other requirement.

(d) Insurance

MPT and PRIMOTOP, each within the limits of their powers under the Shareholders' Agreement, shall procure that all reasonable steps are taken to recover any Indemnity Losses suffered by a Group Company pursuant to any relevant policy of insurance. MPT shall not be liable for any Indemnity Losses to the extent that the Indemnity Losses suffered by a Group Company in respect of which such claim is made are covered, in whole or in part, by such policy of insurance and actual recovery is made under such policy of insurance.

(e) Right to Recover

- (i) If, before MPT pays an amount in discharge of any claim for Indemnity Losses, PRIMOTOP and/or any Group Company recovers (whether by payment, discount, credit, relief, insurance or otherwise) from a third party, including any third party responsible for the preparation of any VDD Report, a sum which indemnifies or compensates PRIMOTOP and/or the relevant Group Company (in whole or in part) in respect of such Indemnity Losses, this sum (less any costs and expenses (including any Tax incurred in obtaining such recovery) shall be deducted, on an After Tax Basis, from the Indemnity Losses, and MPT and PRIMOTOP, each within the limits of their powers under the Shareholders' Agreement, shall procure that all reasonable steps are taken to make such recovery from any relevant third party.
- (ii) If MPT has paid an amount in discharge of any claim for Indemnity Losses and PRIMOTOP and/or any Group Company recovers (whether by payment, discount, credit, relief, insurance or otherwise) from a third party, including any third party responsible for the preparation of any VDD Report, a sum which indemnifies or compensates PRIMOTOP and/or the relevant Group Company (in whole or in part) in respect of such Indemnity Losses, MPT and PRIMOTOP agree that PRIMOTOP and/or the relevant Group Company (as applicable) shall pay to MPT as soon as practicable after receipt of such sum by PRIMOTOP and/or the relevant Group Company (as applicable), an amount equal to the lesser of:
 - (A) the sum recovered from the third party less any costs and expenses (including any Tax) incurred in obtaining such recovery; and
 - (B) the amount of Indemnity Losses already paid by MPT to PRIMOTOP or the relevant Group Company less any costs and expenses (including any Tax) incurred in obtaining such recovery.

11.3 Calculation of Indemnification

- (a) The amount of any payment to be made by MPT to PRIMOTOP pursuant to Clause 11.1 shall:
- (i) with respect to any Indemnity Loss suffered or incurred by PRIMOTOP, be based on 100% of the Indemnity Loss (on an After Tax Basis) determined pursuant to the provisions of this Agreement; and
 - (ii) with respect to any Indemnity Loss suffered or incurred by a Group Company, be calculated by applying PRIMOTOP's Relevant Proportion at the date of payment to the amount of the Indemnity Loss (on an After Tax Basis) determined pursuant to the provisions of this Agreement.
- (b) Any amount to be paid to the Company pursuant to Clause 11.1 shall be based on 100% of the Indemnity Loss suffered or incurred by the relevant Group Company determined pursuant to the provisions of this Agreement and shall be made by way of additional equity subscription, which shall be booked exclusively in the account 115 of the Luxembourg standard chart of account (*apport en capitaux propres non rémunéré par des titres*) of the Company with no corresponding issuance of Shares.

12. CLAIMS

12.1 Notification of Potential Claims

If PRIMOTOP or any Group Company becomes aware of any fact, matter or circumstance that may give rise to a claim against MPT under this Agreement (other than a Tax Claim, in respect of which the provisions of the Tax Covenant shall apply), PRIMOTOP shall as soon as reasonably practicable give a notice in writing to MPT setting out such information as is reasonably necessary to enable MPT to assess the merits of the claim and a failure from PRIMOTOP to comply with this Clause 12.1 shall not have any effect on MPT's liability under such claim. For the avoidance of doubt, any notification of a potential claim shall suspend the time periods provided in Clause 10.2 with respect to the subject matter of such potential claim, until such day as a notification of claim, specifying all the elements listed in Clause 12.2 is capable of being made by PRIMOTOP.

12.2 Notification of Claims under this Agreement

Notices of claims under this Agreement or the Tax Covenant shall be given by PRIMOTOP to MPT within the time limits specified in Clause 10.2 and shall specify all reasonable information in relation to the legal and factual basis of the claim and the evidence on which PRIMOTOP relies and setting out, to the extent reasonably possible, PRIMOTOP's estimate of the amount of Losses which is, or is to be, the subject of the claim (including any Losses which are contingent on the occurrence of any future event).

12.3 Commencement of Proceedings

Any claim notified pursuant to Clause 12.2 shall (if it has not been previously satisfied, settled or withdrawn) be deemed to be irrevocably withdrawn twelve months after the notice is given pursuant to Clause 12.2 unless at the relevant time legal proceedings in respect of the claim have been commenced by being both issued and served.

12.4 Third-Party Claims

If a Warranty Claim is a result of, or is in connection with, a claim by or liability to a third party, MPT shall keep PRIMOTOP informed of the developments and progress of the claim and its defense and shall promptly provide PRIMOTOP, at its reasonable request, with a copy of all material notices, communications and filings (including court papers) relating to such claim and its defense.

13. **PAYMENT**

13.1 **Timing**

Any payment by MPT under Clause 10, Clause 11 or under Schedule 7 (to the extent concerning Tax Warranties) is due within ten (10) Business Days after agreement by the Parties on the amount of such payment or final determination in accordance with Clause 16.13 of the amount due hereunder. For the avoidance of doubt, in relation to the Tax Covenant, Schedule 7 Part 3 Clause 1.2 shall prevail.

13.2 **After Tax Basis**

Where MPT makes a payment under Clause 10 or Clause 11 to PRIMOTOP, MPT's liability under shall not be increased as a result of payment being made on an After Tax Basis in circumstances where PRIMOTOP is resident in, or attributes such payment to a permanent establishment or taxable presence in, a jurisdiction other than Luxembourg or has assigned its rights under this Agreement to another person to the intent that MPT should only be liable to the extent that it would have been liable had PRIMOTOP not been so resident, so attributed a payment or assigned its rights.

14. **MPT TERMINATION RIGHT IN CASE OF A RETT LAW CHANGE OR RETT LAW CHANGE ANNOUNCEMENT**

14.1 **MPT Termination Right**

It is expressly agreed that in the event of a RETT Law Change or a RETT Law Change Announcement which would be likely, in the reasonable opinion of MPT (having regard to any RETT tax advice obtained by MPT), and (in the case of a RETT Law Change Announcement) on the assumption that legislation is enacted pursuant to such RETT Law Change Announcement, to result in: (a) RETT being triggered on the subscription by PRIMOTOP of the PRIMOTOP Shares pursuant to this Agreement; and/or (b) the applicable holding periods under the RETTA (under sec. 1 para 2a RETTA and sec. 5 and 6 RETTA including as those provisions may be amended or replaced) being extended from the current five (5) year period to a period of ten (10) or more years (calculated from the date of Completion) becoming applicable to any Pre-Completion Reorganisation or the Transaction, MPT shall have the right to terminate this Agreement prior to Completion with immediate effect (the "**MPT Termination Right**"), by way of serving written notice to this effect to PRIMOTOP in accordance with the provisions of Clause 16.9 (the "**MPT Termination Notice**").

14.2 **Exercise of MPT Termination Right**

If MPT exercises the MPT Termination Right:

- (a) The Deposit shall be released in accordance with the provisions of Clause 3.1.
- (b) MPT shall pay to PRIMOTOP, concomitantly with the delivery of the MPT Termination Notice, by telegraphic transfer of immediately available funds to the account nominated by PRIMOTOP, an amount of EUR 2,500,000 (inclusive of any VAT (if applicable at all)) corresponding to: (i) the estimate of the costs incurred by PRIMOTOP in relation to the Transaction; and (ii) the costs relating to the funding of the Deposit and the blocking of the amounts necessary to fund the PRIMOTOP Shares Subscription Amount and the PRIMOTOP Shareholder Loan Amount. For the avoidance of doubt, this amount shall be final and definitive between the Parties and neither MPT nor PRIMOTOP shall have any other obligation towards the other, without prejudice to any accrued rights of the Parties and to the Parties' obligations and liabilities with respect to any prior default.
- (c) For the avoidance of doubt, PRIMOTOP shall not be liable to pay any amount to MPT including, for the avoidance of doubt: (a) any amount in relation to the change of the articles of association of the Group Companies in accordance with the provisions of

Clause 4.1(c); or (b) any amount relating to the costs of the VDD Reports in accordance with the provisions of Clause 6.4(a)(iv).

15. **CONFIDENTIALITY**

15.1 **Announcements**

- (a) No announcement, public communication or circular in connection with the existence or the subject matter of this Agreement, any Transaction Agreement or any other agreement entered into pursuant to this Agreement shall be made or issued by or on behalf of any member of MPT's Group or any member of PRIMOTOP's Group without the prior written approval of MPT and PRIMOTOP (such approval not to be unreasonably withheld or delayed).
- (b) This shall not affect any:
 - (i) announcement, communication or circular required by law or any governmental or regulatory body or the rules and regulations of any recognised stock exchange provided that the Party with an obligation to make an announcement or communication or issue a circular shall consult with the other Party insofar as is legally permissible and reasonably practicable before complying with such an obligation; or
 - (ii) any communication with a Tax Authority reasonably required for the efficient management of the Tax affairs of the person making the communication or any of its Affiliates.

15.2 **Confidentiality**

- (a) Subject to Clause 15.2(b), the Parties shall treat as strictly confidential and not disclose or use any information received or obtained as a result of entering into this Agreement, any Transaction Agreement or any other agreement entered into pursuant to this Agreement which relates to:
 - (i) the Transaction and/or the provisions of this Agreement, any Transaction Document and of any other agreement entered into pursuant to or in connection with any Transaction Document;
 - (ii) the negotiations relating to the Transaction, any Transaction Document and any agreement entered into pursuant to or in connection with any Transaction Document;
 - (iii) (in the case of MPT and the Company) any information relating to the business, financial or other affairs of PRIMOTOP's Group; and
 - (iv) (in the case of PRIMOTOP) any information relating to the business, financial or other affairs of MPT's Group including, prior to Completion, the Group Companies.
- (b) Clause 15.2(a) shall not prohibit disclosure or use of any information if and to the extent:
 - (i) the disclosure or use is required by law, any governmental or regulatory body or the rules and regulations of any recognised stock exchange;
 - (ii) the disclosure or use is required to vest the full benefit of this Agreement or any Transaction Document in each of MPT, PRIMOTOP and the Company (as the case may be);

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- (iii) the disclosure or use is required for the purpose of any judicial proceedings arising out of this Agreement, any Transaction Document or any other agreement entered into under or pursuant to this Agreement;
 - (iv) the disclosure is made to a Tax Authority and is reasonably required for the efficient management of the Tax affairs of the disclosing Party or any of its Affiliates;
 - (v) the disclosure is made to statutory auditors, custodians or investors of a Party which are bound by a confidentiality duty (legal, professional or contractual);
 - (vi) the disclosure is made to professional advisers of a Party (as the case may be) on terms that such professional advisers undertake to treat such information as strictly confidential;
 - (vii) the disclosure is made to a potential purchaser of any of the shares and ownership interests of any Group Company or any Property or to a potential debt or equity funder of any of them, in each case on terms that such persons undertake to treat such information as strictly confidential;
 - (viii) the information is or becomes publicly available (other than by breach of this Agreement);
 - (ix) the other party has given prior written approval to the disclosure or use; or
 - (x) the information is independently developed after Completion,

provided that prior to disclosure or use of any information pursuant to Clause 15.2(b)(i), (ii) or (iii), the Party concerned shall, where not prohibited by law, promptly notify the other Party of such requirement with a view to providing that other Party with the opportunity to contest such disclosure or use or otherwise to agree the timing and content of such disclosure or use.

16. OTHER PROVISIONS

16.1 Further Assurances

- (a) Each of MPT, PRIMOTOP and the Company shall, and shall use reasonable endeavours to procure that any necessary third party shall, from time to time execute such documents and perform such acts and things as either of them may reasonably require to give effect to this Agreement and to give the other the full benefit of this Agreement.
- (b) Each of MPT, PRIMOTOP and the Company shall procure that its Affiliates comply with all obligations under the Agreement which are expressed to apply to any such Affiliate.

16.2 Whole Agreement

- (a) This Agreement and the other Transaction Documents together contain the whole agreement between the Parties relating to the subject matter of this Agreement at the date of this Agreement to the exclusion of any terms implied by law which may be excluded by contract and supersedes any previous written or oral agreement between the Parties in relation to the matters dealt with in this Agreement.
- (b) PRIMOTOP agrees and acknowledges that, in entering into this Agreement, it is not relying on any representation, warranty or undertaking not expressly incorporated into it.

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- (c) Subject to applicable laws, each of the Parties agrees and acknowledges that its only right and remedy in relation to any representation, warranty or undertaking made or given in connection with this Agreement shall be for breach of the terms of this Agreement and each of the Parties waives all other rights and remedies (including those in tort or arising under statute) in relation to any such representation, warranty or undertaking.
 - (d) In Clauses 16.2(a) to 16.2(c), "this Agreement" includes the Tax Covenant, the Transaction Documents and all other agreements entered into pursuant to or in connection with this Agreement.
 - (e) Nothing in this Clause 16.2 excludes or limits any liability for (or remedy in respect of) fraud or fraudulent misrepresentation.

16.3 **Assignment**

None of the Parties may, without the prior written consent of the other, assign, grant any security interest over, hold on trust or otherwise transfer the benefit of the whole or any part of this Agreement or any other Transaction Document.

16.4 **Variation**

No variation of this Agreement shall be effective unless in writing and signed by or on behalf of each of MPT, PRIMOTOP and the Company.

16.5 **Time of the Essence**

Time shall be of the essence of this Agreement both as regards any dates, times and periods mentioned and as regards any dates, times and periods which may be substituted for them in accordance with this Agreement or by agreement in writing between MPT, PRIMOTOP and the Company.

16.6 **Costs**

- (a) MPT shall bear all costs incurred by it in connection with the preparation, negotiation and entry into of this Agreement and all other agreements entered into pursuant to this Agreement.
- (b) PRIMOTOP shall bear all costs incurred by it in connection with the preparation, negotiation and entry into of this Agreement and all other agreements entered into pursuant to this Agreement.

16.7 **Stamp Duty, Fees and Taxes**

- (a) PRIMOTOP shall bear the cost of all registration fees, stamp and transfer taxes and duties or their equivalents in all jurisdictions (including any RETT which may be incurred by any Group Company) provided such RETT is not comprised in an Indemnity Loss where such fees, taxes and duties are payable in respect of the subscription for the PRIMOTOP Shares pursuant to this Agreement but excluding any RETT which is chargeable as a result of a RETT Law Change (including a change with retroactive effect). PRIMOTOP shall be responsible for arranging the payment of all such fees, taxes and duties if and to the extent such fees, taxes and duties shall be borne by PRIMOTOP in accordance with the previous sentence, including fulfilling any administrative or reporting obligation imposed by the jurisdiction in question in connection with such payment. PRIMOTOP shall indemnify MPT and the Group Companies against any Losses suffered by them or any member of MPT's Group as a result of PRIMOTOP failing to comply with its obligations under this Clause 16.7(a).
- (b) MPT shall bear any RETT payable in respect of the subscription for the PRIMOTOP Shares pursuant to this Agreement which is chargeable as a result of a RETT Law

Change (such as RETT, the "Change of Law RETT") and MPT shall be responsible for arranging the payment of any Change of Law RETT including fulfilling any administrative or reporting obligation imposed by Germany in connection with such payment. MPT shall indemnify PRIMOTOP and the Group Companies against any Losses suffered by them or any member of PRIMOTOP's Group as a result of MPT failing to comply with its obligations under this Clause 16.7(b).

16.8 **Interest**

If either of MPT or PRIMOTOP default in the payment when due of any sum payable under this Agreement, its liability shall be increased to include interest on such sum from the date when such payment is due until the date of actual payment (after as well as before judgment) at a rate per annum of 4% above the base rate from time to time of HSBC Bank plc. Such interest shall accrue from day to day and shall be compounded monthly.

16.9 **Notices**

(a) Any notice or other communication in connection with this Agreement (each, a "Notice") shall be:

- (i) in writing;
- (ii) delivered by hand, email, recorded delivery or courier.

(b) A Notice to MPT shall be sent to the following address, or such other person or address as MPT may notify to PRIMOTOP and the Company from time to time:

Address: 1000 Urban Center Drive, Suite 501, 35242, Birmingham, Alabama, USA

Attention: Steve Hamner

(c) A Notice to PRIMOTOP shall be sent to the following address, or such other person or address as PRIMOTOP may notify to MPT and the Company from time to time:

Address: 43-45 Allée Scheffer – 2520 Luxembourg

Attention: Ronan Bodere

(d) A Notice to the Company shall be sent to the following address, or such other person or address as the Company may notify to MPT and PRIMOTOP from time to time:

Address: 25, rue Philippe II, L-2340, Luxembourg, Grand Duchy of Luxembourg

Attention: Luke Savage

(e) Subject to Clause 16.9(f), a Notice shall be effective upon receipt and shall be deemed to have been received:

- (i) at 9.00 am on the third Business Day following the date of posting, in the case of recorded delivery,
- (ii) at the time of delivery, if delivered by hand or courier; or
- (iii) at the time of receipt, if sent by email.

(f) Any Notice not received on a Business Day or received after 17:00 CET on any Business Day in the place of receipt shall be deemed to be received at 10:00 CET on the following Business Day.

16.10 **Invalidity**

- (a) If any provision in this Agreement shall be held to be illegal, invalid or unenforceable, in whole or in part, the provision shall apply with whatever deletion or modification is necessary so that the provision is legal, valid and enforceable and gives effect to the commercial intention of the parties.
- (b) To the extent it is not possible to delete or modify the provision, in whole or in part, under Clause 16.10(a), then such provision or part of it shall, to the extent that it is illegal, invalid or unenforceable, be deemed not to form part of this Agreement and the legality, validity and enforceability of the remainder of this Agreement shall, subject to any deletion or modification made under Clause 16.10(a), not be affected.

16.11 **Waivers, Rights and Remedies**

No failure or delay by MPT, PRIMOTOP or the Company in exercising any right or remedy provided by law or under this Agreement or any Transaction Document shall impair such right or remedy or operate or be construed as a waiver or variation of it or preclude its exercise at any subsequent time and no single or partial exercise of any such right or remedy shall preclude any further exercise of it or the exercise of any other remedy.

16.12 **Counterparts**

This Agreement may be entered into in any number of counterparts. Each counterpart is an original, but all of which taken together shall constitute one and the same instrument. Each of MPT, PRIMOTOP and the Company may enter into this Agreement by signing any such counterpart. Delivery of a counterpart of this Agreement by e-mail attachment or telecopy shall be an effective mode of delivery.

16.13 **Governing Law and Submission to Jurisdiction**

- (a) This Agreement and any non-contractual obligations arising out of or in connection with this Agreement shall be governed by and construed in accordance with Luxembourg law.
- (b) Each of MPT, PRIMOTOP and the Company irrevocably agrees that the courts of the judicial district of Luxembourg (*arrondissement judiciaire de Luxembourg*) are to have exclusive jurisdiction to settle any dispute (including claims for set-off and counterclaims) which may arise out of or in connection with this Agreement and the agreements to be entered into pursuant to it and that accordingly any proceedings arising out of or in connection with this Agreement shall be brought in such courts. Each of MPT, PRIMOTOP and the Company irrevocably submits to the jurisdiction of such courts and waives any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

16.14 **Effect of Termination of this Agreement**

- (a) Any termination of this Agreement in accordance with its terms shall be without prejudice to any accrued rights of the Parties and to the Parties' obligations and liabilities with respect to any prior default.
- (b) The following Clauses shall survive any termination of this Agreement in accordance with its terms: Clauses 1, 3.1(b), 3.1(c), 5.4, 14, 15 and 16 (the "**Surviving Clauses**").

IN WITNESS WHEREOF this Agreement has been duly executed.

Signed by **MEDICAL PROPERTIES TRUST, LLC**
as general partner for and on behalf of
MPT OPERATING PARTNERSHIP, L.P.

By: /s/ R. Steven Hamner
Name: R. Steven Hamner
Title: Executive Vice President & CFO

Signed for and on behalf of
PRIMOTOP HOLDING S.À R.L.

By: /s/ Laurent Flechet /s/ Ronan Bodere
Name: Laurent Flechet Ronan Bodere
Title: Managers of Primonial Luxembourg Fund Services, Management
Company of Primotop Holding S.à r.l.

Signed for and on behalf of
MPT RHM HOLDCO S.À R.L.

By: /s/ Robert Moss /s/ Emilie Guirimand
Name: Robert Moss Emilie Guirimand
Title: Manager Manager

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934**

I, Edward K. Aldag, Jr., certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Medical Properties Trust, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2018

/s/ Edward K. Aldag, Jr.

Edward K. Aldag, Jr.

Chairman, President and Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934**

I, R. Steven Hamner, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Medical Properties Trust, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2018

/s/ R. Steven Hamner

R. Steven Hamner

Executive Vice President and Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934**

I, Edward K. Aldag, Jr., certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of MPT Operating Partnership, L.P.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2018

/s/ Edward K. Aldag, Jr.

Edward K. Aldag, Jr.

Chairman, President and Chief Executive Officer of the sole member of the general partner of MPT Operating Partnership, L.P.

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934**

I, R. Steven Hamner, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of MPT Operating Partnership, L.P.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2018

/s/ R. Steven Hamner

R. Steven Hamner

Executive Vice President and Chief Financial Officer of the sole member of the general partner of MPT Operating Partnership, L.P.

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934 AND 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this quarterly report on Form 10-Q of Medical Properties Trust, Inc. (the "Company") for the quarter ended June 30, 2018 (the "Report"), each of the undersigned, Edward K. Aldag, Jr. and R. Steven Hamner, certifies, pursuant to Section 18 U.S.C. Section 1350, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2018

/s/ Edward K. Aldag, Jr.

Edward K. Aldag, Jr.

Chairman, President and Chief Executive Officer

/s/ R. Steven Hamner

R. Steven Hamner

Executive Vice President and Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934 AND 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this quarterly report on Form 10-Q of MPT Operating Partnership, L.P. (the "Company") for the quarter ended June 30, 2018 (the "Report"), each of the undersigned, Edward K. Aldag, Jr. and R. Steven Hamner, certifies, pursuant to Section 18 U.S.C. Section 1350, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2018

/s/ Edward K. Aldag, Jr.

Edward K. Aldag, Jr.

Chairman, President and Chief Executive Officer of the sole member of the general partner of MPT Operating Partnership, L.P.

/s/ R. Steven Hamner

R. Steven Hamner

Executive Vice President and Chief Financial Officer of the sole member of the general partner of MPT Operating Partnership, L.P.