

MEDICAL PROPERTIES TRUST INC  
Form 10-Q  
August 11, 2014  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 10-Q**

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

**For the quarterly period ended June 30, 2014**

**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**

**MEDICAL PROPERTIES TRUST, INC.**

**MPT OPERATING PARTNERSHIP, L.P.**

**(Exact Name of Registrant as Specified in Its Charter)**

|  |  |
|--|--|
| <b>MARYLAND</b>  | <b>20-0191742</b>  |
| <b>DELAWARE</b><br>(State or other jurisdiction of<br>incorporation or organization) | <b>20-0242069</b><br>(I. R. S. Employer<br>Identification No.) |
| <b>1000 URBAN CENTER DRIVE, SUITE 501</b>  |  |
| <b>BIRMINGHAM, AL</b><br>(Address of principal executive offices)                    | <b>35242</b><br>(Zip Code)                                     |
| <b>REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (205) 969-3755</b>            |  |

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 or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

|   |  |
|---|--|
| Large accelerated filer <input checked="" type="checkbox"/> (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)

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 6, 2014, Medical Properties Trust, Inc. had 173,308,511 shares of common stock, par value \$0.001, outstanding.



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**EXPLANATORY NOTE**

This report combines the Quarterly Reports on Form 10-Q for the three and six months ended June 30, 2014, 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.

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**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, 2014**

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## Condensed Consolidated Balance Sheets

| <b>(In thousands, except per share amounts)</b>  | <b>June 30, 2014</b> | <b>December 31,</b> |
|--|----------------------|---------------------|
|  | <b>(Unaudited)</b>   | <b>2013</b>         |
|  |                      | <b>(Note 2)</b>     |
| <b>Assets</b>  |                      |                     |
| Real estate assets   |                      |                     |
| Land, buildings and improvements, and intangible lease assets  | \$ 2,026,259         | \$ 1,865,455        |
| Mortgage loans   | 385,100              | 388,756             |
| Net investment in direct financing leases  | 434,311              | 431,024             |
| <br>   |                      |                     |
| Gross investment in real estate assets   | 2,845,670            | 2,685,235           |
| Accumulated depreciation and amortization  | (178,262)            | (159,776)           |
| <br>   |                      |                     |
| Net investment in real estate assets   | 2,667,408            | 2,525,459           |
| Cash and cash equivalents  | 197,023              | 45,979              |
| Interest and rent receivables  | 46,353               | 58,565              |
| Straight-line rent receivables   | 51,193               | 45,829              |
| Other loans  | 140,470              | 160,990             |
| Other assets   | 87,597               | 67,873              |
| <br>   |                      |                     |
| <b>Total Assets</b>  | <b>\$ 3,190,044</b>  | <b>\$ 2,904,695</b> |
| <br>   |                      |                     |
| <b>Liabilities and Equity</b>  |                      |                     |
| <b>Liabilities</b>   |                      |                     |
| Debt, net  | \$ 1,640,353         | \$ 1,421,681        |
| Accounts payable and accrued expenses  | 84,231               | 94,290              |
| Deferred revenue   | 27,425               | 24,114              |
| Lease deposits and other obligations to tenants  | 25,081               | 20,402              |
| <br>   |                      |                     |
| Total liabilities  | 1,777,090            | 1,560,487           |
| <b>Equity</b>  |                      |                     |
| Preferred stock, \$0.001 par value. Authorized 10,000 shares; no shares outstanding  |                      |                     |
| Common stock, \$0.001 par value. Authorized 250,000 shares; issued and outstanding 171,551 shares at June 30, 2014 and 161,310 shares at December 31, 2013 | 171                  | 161                 |

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|                                       |                     |                     |
|---------------------------------------|---------------------|---------------------|
| Additional paid in capital            | 1,750,809           | 1,618,054           |
| Distributions in excess of net income | (330,075)           | (264,804)           |
| Accumulated other comprehensive loss  | (7,689)             | (8,941)             |
| Treasury shares, at cost              | (262)               | (262)               |
| <b>Total Equity</b>                   | <b>1,412,954</b>    | <b>1,344,208</b>    |
| <b>Total Liabilities and Equity</b>   | <b>\$ 3,190,044</b> | <b>\$ 2,904,695</b> |

See accompanying notes to condensed consolidated financial statements.



**Table of Contents****MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES**

## Condensed Consolidated Statements of Operations

(Unaudited)

| (In thousands, except per share amounts)             | For the Three Months<br>Ended June 30, |                  | For the Six Months<br>Ended June 30, |                  |
|--|--|------------------|--------------------------------------|------------------|
|  | 2014                                   | 2013             | 2014                                 | 2013             |
| <b>Revenues</b>                                      |  |                  |                                      |                  |
| Rent billed  | \$ 45,928                              | \$ 31,024        | \$ 88,889                            | \$ 62,528        |
| Straight-line rent                                   | 3,178                                  | 2,777            | 5,366                                | 5,468            |
| Income from direct financing leases                  | 12,263                                 | 9,230            | 24,479                               | 17,986           |
| Interest and fee income                              | 15,191                                 | 14,093           | 30,915                               | 28,755           |
| <b>Total revenues</b>                                | <b>76,560</b>                          | <b>57,124</b>    | <b>149,649</b>                       | <b>114,737</b>   |
| <b>Expenses</b>                                      |  |                  |                                      |                  |
| Real estate depreciation and amortization            | 12,442                                 | 8,643            | 26,131                               | 17,112           |
| Impairment charges                                   | 29,631                                 |                  | 50,128                               |                  |
| Property-related                                     | (38)                                   | 649              | 700                                  | 1,062            |
| General and administrative                           | 8,206                                  | 7,111            | 17,165                               | 14,877           |
| Acquisition expenses                                 | 2,535                                  | 2,088            | 3,047                                | 2,278            |
| <b>Total operating expenses</b>                      | <b>52,776</b>                          | <b>18,491</b>    | <b>97,171</b>                        | <b>35,329</b>    |
| <b>Operating income</b>                              | <b>23,784</b>                          | <b>38,633</b>    | <b>52,478</b>                        | <b>79,408</b>    |
| <b>Other income (expense)</b>                        |  |                  |                                      |                  |
| Other income (expense)                               | 19                                     | (22)             | (30)                                 | (248)            |
| Earnings from equity and other interests             | 686                                    | 1,176            | 905                                  | 1,668            |
| Interest expense                                     | (24,362)                               | (14,641)         | (45,974)                             | (30,065)         |
| Debt refinancing costs                               | (290)                                  |                  | (290)                                |                  |
| Income tax benefit (expense)                         | (40)                                   | (115)            | 16                                   | (167)            |
| <b>Net other expense</b>                             | <b>(23,987)</b>                        | <b>(13,602)</b>  | <b>(45,373)</b>                      | <b>(28,812)</b>  |
| <b>Income (loss) from continuing operations</b>      | <b>(203)</b>                           | <b>25,031</b>    | <b>7,105</b>                         | <b>50,596</b>    |
| Income (loss) from discontinued operations           |  | 2,374            | (2)                                  | 3,018            |
| <b>Net income (loss)</b>                             | <b>(203)</b>                           | <b>27,405</b>    | <b>7,103</b>                         | <b>53,614</b>    |
| Net income attributable to non-controlling interests |  | (57)             | (65)                                 | (110)            |
|  | <b>\$ (203)</b>                        | <b>\$ 27,348</b> | <b>\$ 7,038</b>                      | <b>\$ 53,504</b> |

**Net income (loss) attributable to MPT common stockholders****Earnings per common share basic**

|  |    |    |      |    |      |    |      |
|--|----|----|------|----|------|----|------|
| Income (loss) from continuing operations attributable to MPT common stockholders   | \$ | \$ | 0.16 | \$ | 0.04 | \$ | 0.35 |
| Income (loss) from discontinued operations attributable to MPT common stockholders |    |    | 0.02 |    |      |    | 0.02 |
| Net income (loss) attributable to MPT common stockholders                          | \$ | \$ | 0.18 | \$ | 0.04 | \$ | 0.37 |

**Earnings per common share diluted**

|  |    |    |      |    |      |    |      |
|--|----|----|------|----|------|----|------|
| Income (loss) from continuing operations attributable to MPT common stockholders   | \$ | \$ | 0.16 | \$ | 0.04 | \$ | 0.34 |
| Income (loss) from discontinued operations attributable to MPT common stockholders |    |    | 0.02 |    |      |    | 0.02 |
| Net income (loss) attributable to MPT common stockholders                          | \$ | \$ | 0.18 | \$ | 0.04 | \$ | 0.36 |

**Weighted average shares outstanding:**

|                                     |         |         |         |         |
|-------------------------------------|---------|---------|---------|---------|
| Basic                               | 171,718 | 149,509 | 167,846 | 144,928 |
| Diluted                             | 172,369 | 151,056 | 168,459 | 146,291 |
| Dividends declared per common share | \$ 0.21 | \$ 0.20 | \$ 0.42 | \$ 0.40 |

See accompanying notes to condensed consolidated financial statements.

**Table of Contents****MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES**

## Condensed Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

| <b>(In thousands)</b>  | <b>For the Three Months</b> |             | <b>For the Six Months</b> |             |
|--|-----------------------------|-------------|---------------------------|-------------|
|  | <b>Ended June 30,</b>       |             | <b>Ended June 30,</b>     |             |
|  | <b>2014</b>                 | <b>2013</b> | <b>2014</b>               | <b>2013</b> |
| Net income (loss)  | \$ (203)                    | \$ 27,405   | \$ 7,103                  | \$ 53,614   |
| Other comprehensive income:                                    |                             |             |                           |             |
| Unrealized gain on interest rate swap                          | 486                         | 1,779       | 1,206                     | 2,606       |
| Foreign currency translation gain                              | 73                          |             | 46                        |             |
| Total comprehensive income                                     | 356                         | 29,184      | 8,355                     | 56,220      |
| Comprehensive income attributable to non-controlling interests |                             | (57)        | (65)                      | (110)       |
| Comprehensive income attributable to MPT common stockholders   | \$ 356                      | \$ 29,127   | \$ 8,290                  | \$ 56,110   |

See accompanying notes to condensed consolidated financial statements.

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## Condensed Consolidated Statements of Cash Flows

(Unaudited)

|  | <b>For the Six Months<br/>Ended June 30,<br/>2014                      2013<br/>(In thousands)</b> |           |
|--|--|-----------|
| <b>Operating activities</b>  |  |           |
| Net income   | \$ 7,103   | \$ 53,614 |
| Adjustments to reconcile net income to net cash provided by operating activities |  |           |
| Depreciation and amortization  | 26,715   | 17,927    |
| Straight-line rent revenue   | (6,236)  | (5,407)   |
| Straight-line rent write-off   | 950  |           |
| Impairment charges   | 50,128   |           |
| Direct financing lease interest accretion  | (3,256)  | (2,498)   |
| Share-based compensation   | 4,433  | 4,204     |
| Gain on sale of real estate  |  | (2,054)   |
| Amortization and write-off of deferred financing costs and debt discount         | 2,484  | 1,752     |
| Other adjustments  | (8,486)  | 4,605     |
| Changes in:  |  |           |
| Interest and rent receivable   | (9,064)  | (8,943)   |
| Accounts payable and accrued expenses  | (14,516)   | (6,955)   |
| Net cash provided by operating activities  | 50,255   | 56,245    |
| <b>Investing activities</b>  |  |           |
| Cash paid for acquisitions and other related investments                         | (115,000)  | (75,000)  |
| Principal received on loans receivable   | 6,829  | 3,293     |
| Net proceeds from sale of real estate  |  | 18,409    |
| Investment in loans receivable   | (5,601)  | (1,300)   |
| Construction in progress and other   | (55,159)   | (33,171)  |
| Net cash used for investing activities   | (168,931)  | (87,769)  |
| <b>Financing activities</b>  |  |           |
| Revolving credit facilities, net   | (105,000)  | (85,000)  |
| Additions to term debt   | 425,000  |           |
| Payments of term debt  | (100,132)  | (11,124)  |
| Distributions paid   | (71,809)   | (57,846)  |
| Proceeds from sale of common shares, net of offering costs                       | 128,332  | 172,853   |
| Lease deposits and other obligations to tenants                                  | 4,910  | 1,516     |
| Debt issuance costs paid and other financing activities                          | (11,496)   | (114)     |

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|  |                   |                  |
|--|-------------------|------------------|
| Net cash provided by financing activities                              | 269,805           | 20,285           |
| Increase in cash and cash equivalents for period                       | 151,129           | (11,239)         |
| Effect of exchange rate changes  | (85)              |                  |
| Cash and cash equivalents at beginning of period                       | 45,979            | 37,311           |
| <b>Cash and cash equivalents at end of period</b>                      | <b>\$ 197,023</b> | <b>\$ 26,072</b> |
| Interest paid  | \$ 41,907         | \$ 29,114        |
| Supplemental schedule of non-cash financing activities:                |                   |                  |
| Distributions declared, unpaid   | \$ 36,277         | \$ 30,081        |
| See accompanying notes to condensed consolidated financial statements. |                   |                  |

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## Condensed Consolidated Balance Sheets

| <b>(In thousands)</b>   | <b>June 30,<br/>2014<br/>(Unaudited)</b> | <b>December 31,<br/>2013<br/>(Note 2)</b> |
|---|--|---|
| <b>Assets</b>   |  |   |
| Real estate assets  |  |   |
| Land, buildings and improvements, and intangible lease assets   | \$ 2,026,259                             | \$ 1,865,455                              |
| Mortgage loans  | 385,100                                  | 388,756                                   |
| Net investment in direct financing leases   | 434,311                                  | 431,024                                   |
| <br>  |  |   |
| Gross investment in real estate assets  | 2,845,670                                | 2,685,235                                 |
| Accumulated depreciation and amortization   | (178,262)                                | (159,776)                                 |
| <br>  |  |   |
| Net investment in real estate assets  | 2,667,408                                | 2,525,459                                 |
| Cash and cash equivalents   | 197,023                                  | 45,979                                    |
| Interest and rent receivables   | 46,353                                   | 58,565                                    |
| Straight-line rent receivables  | 51,193                                   | 45,829                                    |
| Other loans   | 140,470                                  | 160,990                                   |
| Other assets  | 87,597                                   | 67,873                                    |
| <br>  |  |   |
| <b>Total Assets</b>   | <b>\$ 3,190,044</b>                      | <b>\$ 2,904,695</b>                       |
| <br>  |  |   |
| <b>Liabilities and Capital</b>  |  |   |
| Liabilities   |  |   |
| Debt, net   | \$ 1,640,353                             | \$ 1,421,681                              |
| Accounts payable and accrued expenses   | 48,055                                   | 58,538                                    |
| Deferred revenue  | 27,425                                   | 24,114                                    |
| Lease deposits and other obligations to tenants   | 25,081                                   | 20,402                                    |
| Payable due to Medical Properties Trust, Inc.   | 35,786                                   | 35,362                                    |
| <br>  |  |   |
| Total liabilities   | 1,776,700                                | 1,560,097                                 |
| Capital   |  |   |
| General Partner issued and outstanding 1,710 units at June 30, 2014 and 1,608 units at December 31, 2013  | 14,218                                   | 13,541                                    |
| Limited Partners:   |  |   |
| Common units issued and outstanding 169,841 units at June 30, 2014 and 159,702 units at December 31, 2013 | 1,406,815                                | 1,339,998                                 |
| LTIP units issued and outstanding 363 units at June 30, 2014 and 292 units at December 31, 2013           |  |   |
| Accumulated other comprehensive loss  | (7,689)                                  | (8,941)                                   |

|                                      |                     |                     |
|--------------------------------------|---------------------|---------------------|
| Total capital                        | 1,413,344           | 1,344,598           |
| <b>Total Liabilities and Capital</b> | <b>\$ 3,190,044</b> | <b>\$ 2,904,695</b> |

See accompanying notes to condensed consolidated financial statements.

**Table of Contents****MPT OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES**

## Condensed Consolidated Statements of Operations

(Unaudited)

| (In thousands, except per unit amounts)                                     | For the Three Months<br>Ended June 30, |                  | For the Six Months<br>Ended June 30, |                  |
|---|--|------------------|--------------------------------------|------------------|
|   | 2014                                   | 2013             | 2014                                 | 2013             |
| <b>Revenues</b>   |  |                  |                                      |                  |
| Rent billed   | \$ 45,928                              | \$ 31,024        | \$ 88,889                            | \$ 62,528        |
| Straight-line rent  | 3,178                                  | 2,777            | 5,366                                | 5,468            |
| Income from direct financing leases   | 12,263                                 | 9,230            | 24,479                               | 17,986           |
| Interest and fee income   | 15,191                                 | 14,093           | 30,915                               | 28,755           |
| <b>Total revenues</b>   | <b>76,560</b>                          | <b>57,124</b>    | <b>149,649</b>                       | <b>114,737</b>   |
| <b>Expenses</b>   |  |                  |                                      |                  |
| Real estate depreciation and amortization                                   | 12,442                                 | 8,643            | 26,131                               | 17,112           |
| Impairment charges  | 29,631                                 |                  | 50,128                               |                  |
| Property-related  | (38)                                   | 649              | 700                                  | 1,062            |
| General and administrative  | 8,206                                  | 7,111            | 17,165                               | 14,877           |
| Acquisition expenses  | 2,535                                  | 2,088            | 3,047                                | 2,278            |
| <b>Total operating expenses</b>   | <b>52,776</b>                          | <b>18,491</b>    | <b>97,171</b>                        | <b>35,329</b>    |
| <b>Operating income</b>   | <b>23,784</b>                          | <b>38,633</b>    | <b>52,478</b>                        | <b>79,408</b>    |
| <b>Other income (expense)</b>   |  |                  |                                      |                  |
| Interest and other income (expense)   | 19                                     | (22)             | (30)                                 | (248)            |
| Earnings from equity and other interests                                    | 686                                    | 1,176            | 905                                  | 1,668            |
| Interest expense  | (24,362)                               | (14,641)         | (45,974)                             | (30,065)         |
| Debt refinancing costs  | (290)                                  |                  | (290)                                |                  |
| Income tax benefit (expense)  | (40)                                   | (115)            | 16                                   | (167)            |
| <b>Net other expense</b>  | <b>(23,987)</b>                        | <b>(13,602)</b>  | <b>(45,373)</b>                      | <b>(28,812)</b>  |
| <b>Income (loss) from continuing operations</b>                             | <b>(203)</b>                           | <b>25,031</b>    | <b>7,105</b>                         | <b>50,596</b>    |
| Income (loss) from discontinued operations                                  |  | 2,374            | (2)                                  | 3,018            |
| <b>Net income (loss)</b>  | <b>(203)</b>                           | <b>27,405</b>    | <b>7,103</b>                         | <b>53,614</b>    |
| Net income (loss) attributable to non-controlling interests                 |  | (57)             | (65)                                 | (110)            |
| <b>Net income (loss) attributable to MPT Operating Partnership partners</b> | <b>\$ (203)</b>                        | <b>\$ 27,348</b> | <b>\$ 7,038</b>                      | <b>\$ 53,504</b> |



**Earnings per units basic**

|   |    |    |      |    |      |    |      |
|---|----|----|------|----|------|----|------|
| Income (loss) from continuing operations attributable to MPT Operating Partnership partners   | \$ | \$ | 0.16 | \$ | 0.04 | \$ | 0.35 |
| Income (loss) from discontinued operations attributable to MPT Operating Partnership partners |    |    | 0.02 |    |      |    | 0.02 |
| Net income (loss) attributable to MPT Operating Partnership partners                          | \$ | \$ | 0.18 | \$ | 0.04 | \$ | 0.37 |

**Earnings per units diluted**

|   |    |    |      |    |      |    |      |
|---|----|----|------|----|------|----|------|
| Income (loss) from continuing operations attributable to MPT Operating Partnership partners   | \$ | \$ | 0.16 | \$ | 0.04 | \$ | 0.34 |
| Income (loss) from discontinued operations attributable to MPT Operating Partnership partners |    |    | 0.02 |    |      |    | 0.02 |
| Net income (loss) attributable to MPT Operating Partnership partners                          | \$ | \$ | 0.18 | \$ | 0.04 | \$ | 0.36 |

**Weighted average units outstanding:**

|                             |         |         |         |         |
|-----------------------------|---------|---------|---------|---------|
| Basic                       | 171,718 | 149,509 | 167,846 | 144,928 |
| Diluted                     | 172,369 | 151,056 | 168,459 | 146,291 |
| Dividends declared per unit | \$ 0.21 | \$ 0.20 | \$ 0.42 | \$ 0.40 |

See accompanying notes to condensed consolidated financial statements.

**Table of Contents****MPT OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES**

## Condensed Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

| (In thousands)  | For the Three Months<br>Ended June 30, |           | For the Six Months<br>Ended June 30, |           |
|---|--|-----------|--------------------------------------|-----------|
|   | 2014                                   | 2013      | 2014                                 | 2013      |
| Net income (loss)   | \$ (203)                               | \$ 27,405 | \$ 7,103                             | \$ 53,614 |
| Other comprehensive income:   |  |           |                                      |           |
| Unrealized gain on interest rate swap                                   | 486                                    | 1,779     | 1,206                                | 2,606     |
| Foreign currency translation gain                                       | 73                                     |           | 46                                   |           |
| Total comprehensive income  | 356                                    | 29,184    | 8,355                                | 56,220    |
| Comprehensive income attributable to non-controlling interests          |  | (57)      | (65)                                 | (110)     |
| Comprehensive income attributable to MPT Operating Partnership partners | \$ 356                                 | \$ 29,127 | \$ 8,290                             | \$ 56,110 |

See accompanying notes to condensed consolidated financial statements.

**Table of Contents****MPT OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES**

## Condensed Consolidated Statements of Cash Flows

(Unaudited)

|  | <b>For the Six Months<br/>Ended June 30,<br/>2014                  2013<br/>(In thousands)</b> |           |
|--|--|-----------|
| <b>Operating activities</b>  |  |           |
| Net income   | \$ 7,103   | \$ 53,614 |
| Adjustments to reconcile net income to net cash provided by operating activities |  |           |
| Depreciation and amortization  | 26,715   | 17,927    |
| Straight-line rent revenue   | (6,236)  | (5,407)   |
| Straight-line rent write-off   | 950  |           |
| Impairment Charges   | 50,128   |           |
| Direct financing lease interest accretion  | (3,256)  | (2,498)   |
| Share-based compensation   | 4,433  | 4,204     |
| Gain on sale of real estate  |  | (2,054)   |
| Amortization and write-off of deferred financing costs and debt discount         | 2,484  | 1,752     |
| Other adjustments  | (8,486)  | 4,605     |
| Changes in:  |  |           |
| Interest and rent receivable   | (9,064)  | (8,943)   |
| Accounts payable and accrued expenses  | (14,516)   | (6,955)   |
| Net cash provided by operating activities  | 50,255   | 56,245    |
| <b>Investing activities</b>  |  |           |
| Cash paid for acquisitions and other related investments                         | (115,000)  | (75,000)  |
| Principal received on loans receivable   | 6,829  | 3,293     |
| Proceeds from sale of real estate  |  | 18,409    |
| Investment in loans receivable   | (5,601)  | (1,300)   |
| Construction in progress and other   | (55,159)   | (33,171)  |
| Net cash used for investing activities   | (168,931)  | (87,769)  |
| <b>Financing activities</b>  |  |           |
| Revolving credit facilities, net   | (105,000)  | (85,000)  |
| Additions to term debt   | 425,000  |           |
| Payments of term debt  | (100,132)  | (11,124)  |
| Distributions paid   | (71,809)   | (57,846)  |
| Proceeds from sale of units, net of offering costs                               | 128,332  | 172,853   |
| Lease deposits and other obligations to tenants                                  | 4,910  | 1,516     |
| Debt issuance costs paid and other financing activities                          | (11,496)   | (114)     |

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|   |                   |                  |
|---|-------------------|------------------|
| Net cash provided by financing activities               | 269,805           | 20,285           |
| Increase in cash and cash equivalents for period        | 151,129           | (11,239)         |
| Effect of exchange rate changes                         | (85)              |                  |
| Cash and cash equivalents at beginning of period        | 45,979            | 37,311           |
| <b>Cash and cash equivalents at end of period</b>       | <b>\$ 197,023</b> | <b>\$ 26,072</b> |
| Interest paid   | \$ 41,907         | \$ 29,114        |
| Supplemental schedule of non-cash financing activities: |                   |                  |
| Distributions declared, unpaid                          | \$ 36,277         | \$ 30,081        |

See accompanying notes to condensed consolidated financial statements.

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**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 April 6, 2004, and accordingly, elected REIT status upon the filing in September 2005 of the calendar year 2004 federal income tax return. Accordingly, we will not be subject to U.S. federal income tax, provided that we continue to qualify as a REIT and our distributions to our stockholders equal or exceed our taxable income. Certain activities we undertake must be conducted by entities which we elected to be treated as taxable REIT subsidiaries ("TRSs"). Our TRSs are subject to both U.S. federal and state income taxes.

Our primary business strategy is to acquire and develop real estate and improvements, primarily for long-term lease to providers of healthcare services such as operators of general acute care hospitals, inpatient physical rehabilitation hospitals, long-term acute care hospitals, surgery centers, centers for treatment of specific conditions such as cardiac, pulmonary, cancer, and neurological hospitals, and other healthcare-oriented facilities. We also make mortgage and other loans to operators of similar facilities. In addition, we may obtain profits or equity interests in our tenants, from time to time, in order to enhance our overall return. We manage our business as a single business segment. All of our properties are located in the United States and Europe we made our first acquisition outside the United States in the fourth quarter of 2013.

**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 United States for interim financial information, including rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles 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 month periods ended June 30, 2014, are not necessarily indicative of the results that may be expected for the year ending December 31, 2014. The condensed consolidated balance sheet at December 31, 2013 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 United States 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, 2013. During the six months ended June 30, 2014, there were no material changes to these policies, except as noted below with respect to discontinued operations.

*Reclassifications:* Certain reclassifications have been made to the condensed consolidated financial statements to conform to the 2014 consolidated financial statement presentation. These reclassifications had no impact on stockholders' equity or net income.

*Recent Accounting Developments:* In 2014, the FASB issued Accounting Standards Update 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* (ASU 2014-08), which raises the threshold for disposals to qualify as discontinued operations. A discontinued operation is defined as: (1) a component of an entity or group of components that has been disposed of or classified as held for sale and represents a strategic shift that has or will have a major effect on an entity's operations and financial results; or (2) an acquired business that is classified as held for sale on the acquisition date. ASU 2014-08 also requires additional disclosures regarding discontinued operations, as well as material disposals that do not meet the definition of discontinued operations. We adopted ASU 2014-08 for the quarter ended March 31, 2014. The application of this guidance is prospective from the date of adoption and should result in our not generally having to reflect single property disposals as discontinued operations in the future.

In May 2014, the FASB issued Accounting Standards Update ( ASU ) 2014-09, *Revenue from Contracts with Customers (Topic 606)* ( ASU 2014-09 ). ASU 2014-09 is a comprehensive new revenue recognition model requiring a company to recognize revenue to depict the transfer of goods or services to a customer at an amount reflecting the consideration it expects to receive in exchange for those goods or services. In adopting ASU 2014-09, companies may use either a full retrospective or a modified retrospective approach. Additionally, this guidance requires improved disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. ASU 2014-09 is effective for the first interim period within annual reporting periods beginning after December 15, 2016, and early adoption is not permitted. We are currently in the process of evaluating the impact the adoption of ASU 2014-09 will have on our financial position and results of operations.

**Table of Contents***Variable Interest Entities*

At June 30, 2014, we had loans to and/or equity investments in several variable interest entities ( VIEs ) for which we are not the primary beneficiary. 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, 2014 (in thousands):

| <b>VIE Type</b>    | <b>Maximum Loss<br/>Exposure(1)</b> | <b>Asset Type</b>        |                               |
|--------------------|-------------------------------------|--------------------------|-------------------------------|
|                    |                                     | <b>Classification</b>    | <b>Carrying<br/>Amount(2)</b> |
| Loans, net         | \$ 248,794                          | Mortgage and other loans | \$ 208,509                    |
| Equity investments | \$ 18,785                           | Other assets             | \$ 5,141                      |



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(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 borrower or investee) that most significantly impact the VIE's economic performance. As of June 30, 2014, we were not required to provide financial support through a liquidity arrangement or otherwise to our unconsolidated VIEs, including circumstances in which it could be exposed to further losses (e.g., cash short falls).

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

See Note 3 for additional description of the nature, purpose and activities of our more significant VIEs and interests therein.

**3. Real Estate and Lending Activities***Acquisitions*2014 Activity

On March 31, 2014, we acquired a general acute care hospital and an adjacent parcel of land for an aggregate purchase price of \$115 million from a joint venture of LHP Hospital Group, Inc. and Hackensack University Medical Center Mountainside. The facility was simultaneously leased back to the seller under a lease with a 15-year initial term with a 3-year extension option, followed by a further 12-year extension option at fair market value. The lease provides for consumer price-indexed annual rent increases, subject to a specified floor and ceiling. The lease includes a customary right of first refusal with respect to a subsequent proposed sale of the facility.

2013 Activity

On June 11, 2013, we acquired the real estate of two acute care hospitals in Kansas from affiliates of Prime Healthcare Services, Inc. ( Prime ) for a combined purchase price of \$75 million and leased the facilities to the operator under a master lease agreement. The master lease is for 10 years and contains two renewal options of five years each, and the rent increases annually based on the greater of the consumer price-index or 2%. This lease is accounted for as a direct financing lease ( DFL ).

As part of these acquisitions, we acquired the following assets:

|   | 2014     | 2013 |
|---|----------|------|
| <b>Assets Acquired</b>  |          |      |
| Land  | \$ 8,515 | \$   |
| Building  | 99,602   |      |
| Intangible lease assets subject to amortization (weighted average useful life 15 years) | 6,883    |      |

|  |            |           |
|--|------------|-----------|
| Net investments in direct financing leases |            | 75,000    |
| Total assets acquired                      | \$ 115,000 | \$ 75,000 |

The purchase price allocation attributable to the facility acquired in the 2014 first quarter along with the facilities acquired from IASIS and RHM in the 2013 third and fourth quarters is preliminary as we are waiting on additional information to perform our final analysis. When all relevant information is obtained, and if changes to our provisional purchase price allocations are needed, we will retrospectively adjust to reflect the new information obtained about the facts and circumstances that existed as of the respective acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date.

**Table of Contents***Development Activities*

During the first six months of 2014, we completed construction and began recording rental income on the following facilities:

Northern Utah Rehabilitation Hospital This \$19 million inpatient rehabilitation facility located in South Ogden, Utah is leased to Ernest pursuant to the 2012 master lease.

First Choice ER (a subsidiary of Adeptus Health) We completed 8 acute care facilities for this tenant during 2014 totaling approximately \$29.5 million, including Nacogdoches, Alvin, Brodie, Firestone, Frisco, Briar Forest, North Gate and Cedar Hill. These facilities are leased pursuant to the master lease entered into in 2013.

During the first six months of 2014, we began construction on two additional facilities pursuant to the master funding and development agreement with First Choice ER.

In regards to our Twelve Oaks facility, approximately 55% of this facility is being occupied, pursuant to a 15 year lease.

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

| Property                                 | Location       | Property Type       | Operator                    | Commitment | Costs Incurred            |                                 |
|--|----------------|---------------------|-----------------------------|------------|---------------------------|---------------------------------|
|  |                |                     |                             |            | as of<br>June 30,<br>2014 | Estimated<br>Completion<br>Date |
| Oakleaf Surgical Hospital                | Altoona, WI    | Acute Care Hospital | National Surgical Hospitals | \$ 33,500  | \$ 28,669                 | 3Q 2014                         |
| First Choice ER - Allen                  | Allen, TX      | Acute Care Hospital | Adeptus Health              | 6,187      | 3,365                     | 3Q 2014                         |
| First Choice ER - Broomfield             | Broomfield, CO | Acute Care Hospital | Adeptus Health              | 5,238      | 2,515                     | 3Q 2014                         |
| First Choice ER - Spring                 | Spring, TX     | Acute Care Hospital | Adeptus Health              | 5,804      | 2,676                     | 3Q 2014                         |
| First Choice ER - Fountain               | Fountain, CO   | Acute Care Hospital | Adeptus Health              | 6,194      | 3,380                     | 3Q 2014                         |
| First Choice ER - Missouri City (Sienna) | Houston, TX    | Acute Care Hospital | Adeptus Health              | 5,394      | 3,565                     | 3Q 2014                         |
| First Choice ER - Pearland               | Pearland, TX   | Acute Care Hospital | Adeptus Health              | 5,691      | 2,331                     | 4Q 2014                         |
| First Choice ER - Thornton               | Thornton, CO   | Acute Care Hospital | Adeptus Health              | 6,029      | 2,652                     | 4Q 2014                         |
| First Choice ER - Missouri City          | Houston, TX    | Acute Care Hospital | Adeptus Health              | 5,693      | 2,516                     | 4Q 2014                         |

(Dulles)

First Choice ER -

|               |            |                     |                |       |     |         |
|---------------|------------|---------------------|----------------|-------|-----|---------|
| Commerce City | Denver, CO | Acute Care Hospital | Adeptus Health | 5,371 | 707 | 4Q 2014 |
|---------------|------------|---------------------|----------------|-------|-----|---------|

|                  |                  |
|------------------|------------------|
| <b>\$ 85,101</b> | <b>\$ 52,376</b> |
|------------------|------------------|

*Disposals*

In April 2013, we sold two long-term acute care hospitals, Summit Hospital of Southeast Arizona and Summit Hospital of Southeast Texas, for total proceeds of \$18.5 million, resulting in a gain of \$2.1 million.

**Table of Contents***Leasing Operations*

All of our leases are accounted for as operating leases except for the master lease of 13 Ernest facilities and five Prime facilities which are accounted for as direct financing leases ( DFLs ). The components of our net investment in DFLs consisted of the following (dollars in thousands):

|   | <b>As of June 30,<br/>2014</b> | <b>As of December 31,<br/>2013</b> |
|---|--------------------------------|------------------------------------|
| Minimum lease payments receivable         | \$ 1,626,490                   | \$ 1,647,567                       |
| Estimated residual values                 | 211,888                        | 211,863                            |
| Less: Unearned income                     | (1,404,067)                    | (1,428,406)                        |
| Net investment in direct financing leases | \$ 434,311                     | \$ 431,024                         |

**Monroe Facility**

As of June 30, 2014 and December 31, 2013, our net investment (exclusive of the related real estate) in Monroe was as follows:

|                                      | <b>As of June 30,<br/>2014</b> | <b>As of December 31,<br/>2013</b> |
|--------------------------------------|--------------------------------|------------------------------------|
| Loans                                | \$ 32,943                      | \$ 31,341                          |
| Less: Loan impairment reserve        | (32,943)                       | (12,000)                           |
| Loans, net                           |                                | 19,341                             |
| Interest, rent and other receivables |                                | 20,972                             |
| Net investment                       | \$                             | \$ 40,313                          |

The current operator of our Monroe facility has not made all payments required by the real estate lease agreement and working capital loan agreement, and we have deemed these assets to be impaired. During 2010, we recorded a \$12 million impairment charge on the working capital loan and fully reserved for unbilled straight-line rent receivables as well. Since 2010, we have not recognized any interest income on the Monroe loan and have not recorded any unbilled rent revenue. In addition, we stopped recording billed rental revenue on April 1, 2013.

During the first quarter of 2014, we executed a non-binding letter of intent with a third party with respect to a restructuring of our investment in the form of a new joint venture that would acquire the real estate of our Monroe facility and related assets in exchange for a combination of cash and promissory notes along with the potential of additional cash, if any, to be generated from our share in this new joint venture's operations. Based on those new developments and the fair value of the loan's underlying collateral at that time (using Level 2 inputs), we recorded an approximate \$20.5 million impairment charge in the 2014 first quarter. Subsequent to the 2014 first quarter, we terminated this non-binding letter of intent.

In July 2014, we entered into an agreement with a third-party to manage the Monroe Hospital. In addition, we entered into a non-binding letter of intent with this same party to lease the facility for initial cash rents of \$2.1 million. These agreements contemplate a bankruptcy filing by the existing tenant and do not provide us with any recovery on the past due receivables at June 30, 2014. Based on these new developments and the fair value of our real estate and the underlying collateral of our loan (using Level 2 inputs), we recorded a \$26.5 million impairment charge in the 2014 second quarter. This charge effectively reduces our overall investment in Monroe to the fair value of the underlying real estate, or \$25 million, which we believe is fully recoverable at June 30, 2014.

**Table of Contents****Bucks facility**

On May 20, 2014, the tenant of our Bucks facility gave notice of their intent to exercise the lease's purchase option. Pursuant to this purchase option, the tenant acquired the facility on August 6, 2014 for \$35 million. At June 30, 2014, we met the criteria to classify this facility as an Asset Held for Sale; thus, we wrote down this facility to fair market value less cost to sell, resulting in a \$3.1 million real estate impairment charge. The sale of the Bucks facility is not a strategic shift in our operations, and therefore the results of the Bucks operations have not been reclassified as discontinued operations.

**Florence facility**

On March 6, 2013, the tenant of our facility in Phoenix, Arizona filed for Chapter 11 bankruptcy; but continues to pay rent. We have a letter of credit for approximately \$1.2 million to cover any rent and other monetary payments not made. Although no assurances can be made that we will not have any impairment charges in the future, we believe our real estate investment in Florence of approximately \$28 million at June 30, 2014, is fully recoverable.

**Gilbert facility**

In the first quarter of 2014, the tenant of our facility in Gilbert, Arizona filed for Chapter 11 bankruptcy; we sent notice of termination of the lease prior to the bankruptcy filing. As a result of the lease terminating, we recorded a charge of approximately \$1 million to reserve against the straight-line rent receivables. In addition, we accelerated the amortization of the related lease intangible asset resulting in \$1.1 million of additional expense in the 2014 first quarter. At June 30, 2014, we have \$0.3 million of outstanding receivables, which we believe are collectible. Although no assurances can be made that we will not have any impairment charges or write-offs of receivables in the future, we believe our real estate investment in Gilbert of approximately \$14 million at June 30, 2014, is fully recoverable.

**Loans**

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

|                                 | <b>As of<br/>June 30,<br/>2014</b> | <b>As of<br/>December 31,<br/>2013</b> |
|---------------------------------|------------------------------------|--|
| Mortgage loans                  | \$ 385,100                         | \$ 388,756                             |
| Acquisition loans               | 108,772                            | 109,655                                |
| Working capital and other loans | 28,346                             | 47,983                                 |
| Convertible loan                | 3,352                              | 3,352                                  |
|                                 | <b>\$ 525,570</b>                  | <b>\$ 549,746</b>                      |

The decrease in our working capital and other loans is primarily due to the impairment charge incurred on our Monroe loan during 2014 – see Note 3, Leasing Operations for further discussion.

On March 1, 2012, pursuant to our convertible note agreement, we converted \$1.7 million of our \$5.0 million convertible note into a 9.9% equity interest in the operator of our Hoboken University Medical Center facility. At

June 30, 2014, \$3.3 million remains outstanding on the convertible note, and we retain the option, subject to regulatory approvals, to convert this remainder into 15.1% of equity interest in the operator.

*Concentrations of Credit Risk*

For the three months ended June 30, 2014 and 2013, revenue from affiliates of Prime (including rent and interest from mortgage loans) accounted for 27.9% and 32.5%, respectively, of total revenue. For the six months ended June 30, 2014 and 2013, revenue from affiliates of Prime (including rent and interest from mortgage loans) accounted for 28.5% and 31.9%, respectively, of total revenue. From an investment concentration perspective, Prime represented 22.3% and 24.5% of our total assets at June 30, 2014 and December 31, 2013, respectively.

For the three months ended June 30, 2014 and 2013, revenue from affiliates of Ernest (including rent and interest from mortgage and acquisition loans) accounted for 18.2% and 20.4%, respectively, of total revenue. For the six months ended June 30, 2014 and 2013, revenue from affiliates of Ernest (including rent and interest from mortgage and acquisition loans) accounted for 18.9% and 20.5%, respectively, of total revenue. From an investment concentration perspective, Ernest represented 15.1% and 15.9% of our total assets at June 30, 2014 and December 31, 2013, respectively.



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On an individual property basis, we had no investment of any single property greater than 4% of our total assets as of June 30, 2014.

From a geographic perspective, investments located in California represented 17.1% of our total assets at June 30, 2014, down from 18.7% at December 31, 2013. Investments located in Texas represented 21.3% of our total assets at June 30, 2014, down slightly from 22.7% at December 31, 2013. In addition, we further expanded our portfolio into Europe with the RHM portfolio acquisition in 2013, which represents less than 8% of total assets at June 30, 2014.

**4. Debt**

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

|                                 | As of June 30,<br>2014 |               | As of December 31,<br>2013 |               |
|---------------------------------|------------------------|---------------|----------------------------|---------------|
|                                 | Balance                | Interest Rate | Balance                    | Interest Rate |
| Revolving credit facility       | \$                     | Variable      | \$ 105,000                 | Variable      |
| 2006 Senior Unsecured Notes     | 125,000                | Various       | 125,000                    | Various       |
| 2011 Senior Unsecured Notes     | 450,000                | 6.875%        | 450,000                    | 6.875%        |
| 2012 Senior Unsecured Notes:    |                        |               |                            |               |
| Principal amount                | 350,000                | 6.375%        | 350,000                    | 6.375%        |
| Unamortized premium             | 2,697                  |               | 2,873                      |               |
|                                 | 352,697                |               | 352,873                    |               |
| 2013 Senior Unsecured Notes (A) | 273,840                | 5.750%        | 274,860                    | 5.750%        |
| 2014 Senior Unsecured Notes     | 300,000                | 5.500%        |                            |               |
| Term loans                      | 138,816                | Various       | 113,948                    | Various       |
|                                 | \$ 1,640,353           |               | \$ 1,421,681               |               |

(A) These notes are Euro-denominated and reflect the exchange rate at June 30, 2014 and December 31, 2013, respectively.

As of June 30, 2014, principal payments due for our debt (which exclude the effects of any premiums recorded) are as follows (in thousands):

|            |           |
|------------|-----------|
| 2014       | \$ 134    |
| 2015       | 283       |
| 2016       | 125,298   |
| 2017       | 320       |
| 2018       | 12,781    |
| Thereafter | 1,498,840 |

|       |              |
|-------|--------------|
| Total | \$ 1,637,656 |
|-------|--------------|

*Credit Facility*

On June 19, 2014, we closed on a new \$900 million senior unsecured credit facility (the *Credit Facility* ). The *Credit Facility* is comprised of a \$775 million senior unsecured revolving credit facility (the *Revolving credit facility* ) and a \$125 million senior unsecured term loan facility (the *Term Loan* ). The *Credit Facility* has an accordion feature that allows us to expand the size of the facility by up to \$250 million through increases to the *Revolving credit facility*, *Term Loan*, both or as a separate term loan tranche. The *Credit Facility* replaces our existing \$400 million unsecured revolving credit facility and \$100 million unsecured term loan. This transaction resulted in a refinancing charge of approximately \$0.3 million in the 2014 second quarter.

The *Revolving credit facility* matures in June 2018 and can be extended for an additional 12 months at our option. The *Revolving credit facility* s interest rate is (1) the higher of the *prime rate* , federal funds rate plus 0.50%, or Eurodollar rate plus 1.00%, plus a spread initially set at 1.00%, but that is adjustable from 0.70% to 1.25% based on current total leverage, or (2) LIBOR

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plus a spread initially set at 2.00%, but that is adjustable from 1.70% to 2.25% based on current total leverage. The pricing grid for the Revolving credit facility may be further adjusted subject to an investment grade rating being obtained. In addition to interest expense, we are required to pay a quarterly commitment fee on the undrawn portion of the revolving credit facility, ranging from 0.25% to 0.35% per year. At June 30, 2014, we had no borrowings outstanding on the Revolving credit facility.

The Term Loan matures in June 2019. The Term Loan's interest rate is (1) the higher of the prime rate, federal funds rate plus 0.50%, or Eurodollar rate plus 1.00%, plus a spread initially set at 0.95%, but that is adjustable from 0.60% to 1.20% based on current total leverage, or (2) LIBOR plus a spread initially set at 1.95%, but that is adjustable from 1.60% to 2.20% based on current total leverage. The pricing grid for the Term Loan may be similarly adjusted subject to an investment grade rating being obtained.

*2014 Senior Unsecured Notes*

On April 17, 2014, we completed a \$300 million senior unsecured notes offering (2014 Senior Unsecured Notes). Interest on the Notes will be payable semi-annually on May 1 and November 1 of each year, commencing on November 1, 2014. The 2014 Senior Unsecured Notes will pay interest in cash at a rate of 5.50% per year. The Notes mature on May 1, 2024. We may redeem some or all of the 2014 Senior Unsecured Notes at any time prior to May 1, 2019 at a make-whole redemption price. On or after May 1, 2019, we may redeem some or all of the Notes at a premium that will decrease over time. In addition, at any time and from time to time prior to May 1, 2017, we may redeem up to 35% of the aggregate principal amount of the 2014 Senior Unsecured Notes using the proceeds of one or more equity offerings. The 2014 Senior Unsecured Notes are fully and unconditionally guaranteed, jointly and severally, on an unsecured basis, by certain subsidiary guarantors. In the event of a change of control, each holder of the 2014 Senior Unsecured Notes may require us to repurchase some or all of our 2014 Senior Unsecured Notes at a repurchase price equal to 101% of the aggregate principal amount of the 2014 Senior Unsecured Notes plus accrued and unpaid interest to the date of purchase.

*Interest Rate Swap*

During the second quarter 2010, we entered into an interest rate swap to manage our exposure to variable interest rates by fixing \$65 million of our 2006 Senior Unsecured Notes, which started July 31, 2011 (date on which the interest rate turned variable) through maturity date (or July 2016), at a rate of 5.507%. We also entered into an interest rate swap to fix \$60 million of our 2006 Senior Unsecured Notes which started October 31, 2011 (date on which the related interest rate turned variable) through the maturity date (or October 2016) at a rate of 5.675%. The fair value of the interest rate swaps was \$7.8 million and \$9.0 million as of June 30, 2014 and December 31, 2013, respectively, which is reflected in accounts payable and accrued expenses on the consolidated balance sheets.

We designated our interest rate swaps as cash flow hedges. Accordingly, the effective portion of changes in the fair value of our swaps is recorded as a component of accumulated other comprehensive income/loss on the balance sheet and reclassified into earnings in the same period, or periods, during which the hedged transactions effect earnings, while any ineffective portion is recorded through earnings immediately. We did not have any hedge ineffectiveness in the periods; therefore, there was no income statement effect recorded during the three and six month periods ended June 30, 2014 or 2013. We do not expect any of the current losses included in accumulated other comprehensive loss to be reclassified into earnings in the next 12 months. At June 30, 2014 and December 31, 2013, we had \$4.1 million and \$5.0 million, respectively, posted as collateral, which is currently reflected in other assets on our consolidated balance sheets.

*Covenants*

Our debt facilities impose certain restrictions on us, including, but not limited to, restrictions on our ability to: incur debt; 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 agreement governing our Credit Facility limit the amount of dividends we can pay to 95% of normalized adjusted funds from operations, as defined in the agreements, on a rolling four quarter basis. The indentures governing our 2011, 2012, 2013 and 2014 Senior Unsecured Notes also limit the amount of dividends we can pay based on the sum of 95% of funds from operations, proceeds of equity issuances and certain other net cash proceeds. Finally, our 2011, 2012, 2013 and 2014 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, unsecured leverage ratio, consolidated adjusted net worth, and unsecured interest coverage ratio. This 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 facility, the entire outstanding balance may become immediately due and payable. At June 30, 2014, we were in compliance with all such financial and operating covenants.

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**5. Common Stock/Partners Capital**

*Medical Properties Trust, Inc.*

On March 11, 2014, we completed an underwritten public offering of 7.7 million shares of our common stock, resulting in net proceeds of approximately \$100.2 million, after deducting estimated offering expenses. We also granted the underwriters a 30-day option to purchase up to an additional 1.2 million shares of common stock. The option, which was exercised in full, closed on April 8, 2014 and resulted in additional net proceeds of approximately \$16 million.

In January 2014, we put an at-the-market equity offering program in place, giving us the ability to sell up to \$250 million of stock with a commission of 1.25%. During the first quarter of 2014, we sold 0.9 million shares of our common stock under our at-the-market equity offering program, at an average price of \$13.21 per share resulting in total proceeds, net of commission, of \$12.3 million.

On February 28, 2013, we completed an offering of 12.7 million shares of our common stock (including 1.7 million shares sold pursuant to the exercise in full of the underwriters' option to purchase additional shares) at a price of \$14.25 per share, resulting in net proceeds (after underwriting discount and expenses) of \$172.9 million.

*MPT Operating Partnership, L.P.*

At June 30, 2014, the Company has a 99.9% ownership interest in the Operating Partnership with the remainder owned by three other partners, two of whom are employees and one of whom is a director. During the six months ended June 30, 2014 and 2013, the partnership issued 9.8 million and 12.7 million units, respectively, in direct response to the common stock offerings by Medical Properties Trust, Inc.

**6. Stock Awards**

We adopted the 2013 Equity Incentive Plan (the "Equity Incentive Plan") during 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 7,643,651 shares of common stock for awards under the Equity Incentive Plan for which 6,436,291 shares remain available for future stock awards as of June 30, 2014. We awarded the following during the six months ended June 2014 and 2013:

*Time-based awards* We granted 345,984 and 258,736 shares in 2014 and 2013, respectively, of time-based restricted stock to management, independent directors and certain employees. These awards vest quarterly based on service, over three years, in equal amounts.

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*Performance-based awards* Our management team and certain employees were awarded 324,754 and 222,566 of performance based awards in 2014 and 2013, respectively. These awards vest ratably over a three year period based on the achievement of certain total shareholder return measures, with a carry-back and carry-forward provision through December 31, 2017 (for the 2013 awards) and December 31, 2018 (for the 2014 awards). Dividends on these awards are paid only upon achievement of the performance measures.

*Multi-year Performance-based awards* We awarded 500,000 and 550,000 shares in 2014 and 2013, respectively, of multi-year performance-based awards to management. These shares are subject to three-year cumulative performance hurdles based on measures of total shareholder return. At the end of the three-year performance period, any earned shares will be subject to an additional two years of ratable time-based vesting on an annual basis. Dividends are paid on these shares only upon achievement of the performance measures.

**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. Included in our accounts payable and accrued expenses are our interest rate swaps, which are recorded at fair value based on Level 2 observable market assumptions using standardized derivative pricing models. 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 2011, 2012, 2013 and 2014 Senior Unsecured Notes, using Level 2 inputs such as quotes from securities dealers and market makers. We estimate the fair value of our 2006 Senior Unsecured Notes, revolving credit facility, and term loans using Level 2 inputs based on the present value of future payments, discounted at a rate which we consider appropriate for such debt.

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

| Asset (Liability)             | June 30,<br>2014 |               | December 31,<br>2013 |               |
|-------------------------------|------------------|---------------|----------------------|---------------|
|                               | Book<br>Value    | Fair<br>Value | Book<br>Value        | Fair<br>Value |
| Interest and rent receivables | \$ 46,353        | \$ 40,158     | \$ 58,565            | \$ 44,415     |
| Loans (1)                     | 328,037          | 343,958       | 351,713              | 358,383       |
| Debt, net                     | (1,640,354)      | (1,740,184)   | (1,421,681)          | (1,486,090)   |

(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 and related loans, which were acquired in 2012, are being 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 equity interests or loans.

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At June 30, 2014, these amounts were as follows (in thousands):

| <b>Asset Type</b>  | <b>Fair Value</b> | <b>Cost</b> | <b>Asset Type Classification</b> |
|--------------------|-------------------|-------------|----------------------------------|
| Mortgage loans     | \$ 100,000        | \$ 100,000  | Mortgage loans                   |
| Acquisition loans  | 97,533            | 97,533      | Other loans                      |
| Equity investments | 3,300             | 3,300       | Other assets                     |
|                    | \$ 200,833        | \$ 200,833  |                                  |

Our mortgage loans with Ernest are recorded at fair value based on Level 3 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 acquisition loans and equity investments in Ernest are 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 these loans and equity investments 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 these cash flow models, 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, 2014.

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):

| <b>Basis Point Change in Marketability Discount</b> | <b>Estimated Increase (Decrease) In Fair Value</b> |
|---|--|
| +100 basis points                                   | \$ (375)   |
| - 100 basis points                                  | 375  |

Because the fair value of Ernest investments noted above approximate their original cost, we did not recognize any unrealized gains/losses during the first half of 2014.

**8. Discontinued Operations**



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The following table presents the results of discontinued operations, which include the revenue and expenses of facilities disposed of in 2013, for the three and six months ended June 30, 2014 and 2013 (dollar amounts in thousands except per share/unit amounts):

|                                    | <b>For the Three Months</b> |             | <b>For the Six Months</b> |             |
|------------------------------------|-----------------------------|-------------|---------------------------|-------------|
|                                    | <b>Ended June 30,</b>       |             | <b>Ended June 30,</b>     |             |
|                                    | <b>2014</b>                 | <b>2013</b> | <b>2014</b>               | <b>2013</b> |
| Revenues                           | \$                          | \$ 411      | \$                        | \$ 1,238    |
| Gain (loss) on sale                |                             | 2,054       |                           | 2,054       |
| Income                             |                             | 2,374       | (2)                       | 3,018       |
| Earnings per share/unit    diluted | \$                          | \$ 0.02     | \$                        | \$ 0.02     |

**Table of Contents****9. Earnings Per Share/Common Unit***Medical Properties Trust, Inc.*

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

|   | <b>For the Three Months<br/>Ended June 30,</b> |             |
|---|--|-------------|
|   | <b>2014</b>                                    | <b>2013</b> |
| <b>Numerator:</b>   |  |             |
| Income (loss) from continuing operations  | \$ (203)                                       | \$ 25,031   |
| Non-controlling interests share in continuing operations                                  |  | (57)        |
| Participating securities share in earnings  | (195)  | (179)       |
| Income (loss) from continuing operations, less participating securities share in earnings | (398)  | 24,795      |
| Income from discontinued operations attributable to MPT common stockholders               |  | 2,374       |
| Net income (loss), less participating securities share in earnings                        | \$ (398)                                       | \$ 27,169   |
| <b>Denominator:</b>   |  |             |
| Basic weighted-average common shares  | 171,718  | 149,509     |
| Dilutive potential common shares  | 651  | 1,547       |
| Dilutive weighted-average common shares   | 172,369  | 151,056     |

|  | <b>For the Six Months<br/>Ended June 30,</b> |             |
|--|--|-------------|
|  | <b>2014</b>                                  | <b>2013</b> |
| <b>Numerator:</b>  |  |             |
| Income from continuing operations  | \$ 7,105                                     | \$ 50,596   |
| Non-controlling interests share in continuing operations                           | (65)   | (110)       |
| Participating securities share in earnings   | (404)  | (372)       |
| Income from continuing operations, less participating securities share in earnings | 6,636  | 50,114      |
| Income (loss) from discontinued operations attributable to MPT common stockholders | (2)  | 3,018       |

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|   |          |           |
|---|----------|-----------|
| Net income, less participating securities share in earnings | \$ 6,634 | \$ 53,132 |
|---|----------|-----------|

**Denominator:**

|                                      |         |         |
|--------------------------------------|---------|---------|
| Basic weighted-average common shares | 167,846 | 144,928 |
| Dilutive potential common shares     | 613     | 1,363   |

|   |         |         |
|---|---------|---------|
| Dilutive weighted-average common shares | 168,459 | 146,291 |
|---|---------|---------|

**Table of Contents***MPT Operating Partnership, L.P.*

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

|   | <b>For the Three Months<br/>Ended June 30,</b> |             |
|---|--|-------------|
|   | <b>2014</b>                                    | <b>2013</b> |
| <b>Numerator:</b>   |  |             |
| Income (loss) from continuing operations  | \$ (203)                                       | \$ 25,031   |
| Non-controlling interests share in continuing operations                                      |  | (57)        |
| Participating securities share in earnings  | (195)  | (179)       |
| Income (loss) from continuing operations, less participating securities share in earnings     | (398)  | 24,795      |
| Income from discontinued operations attributable to MPT Operating Partnership partners        |  | 2,374       |
| Net income (loss), less participating securities share in earnings                            | \$ (398)                                       | \$ 27,169   |
| <b>Denominator:</b>   |  |             |
| Basic weighted-average units  | 171,718  | 149,509     |
| Dilutive potential units  | 651  | 1,547       |
| Dilutive weighted-average units   | 172,369  | 151,056     |
| <b>For the Six Months<br/>Ended June 30,</b>  |  |             |
|   | <b>2014</b>                                    | <b>2013</b> |
| <b>Numerator:</b>   |  |             |
| Income from continuing operations   | \$ 7,105                                       | \$ 50,596   |
| Non-controlling interests share in continuing operations                                      | (65)   | (110)       |
| Participating securities share in earnings  | (404)  | (372)       |
| Income from continuing operations, less participating securities share in earnings            | 6,636  | 50,114      |
| Income (loss) from discontinued operations attributable to MPT Operating Partnership partners | (2)  | 3,018       |
| Net income, less participating securities share in earnings                                   | \$ 6,634                                       | \$ 53,132   |

**Denominator:**

|                                 |         |         |
|---------------------------------|---------|---------|
| Basic weighted-average units    | 167,846 | 144,928 |
| Dilutive potential units        | 613     | 1,363   |
| Dilutive weighted-average units | 168,459 | 146,291 |

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### **10. Commitments and Contingencies**

#### *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.

### **11. Subsequent Events**

On July 29, 2014, we executed a binding \$150 million agreement with Adeptus Health for the development of acute care hospitals and free-standing emergency departments in the states of Texas, Colorado and Arizona. These facilities will be leased to Adeptus Health pursuant to a new master lease agreement that has a 15-year initial term with three extension options of five years each that provides for annual rent increases based on changes in the consumer price index. This new master lease agreement is cross-defaulted with the original master lease executed with First Choice ER in 2013.

On July 1, 2014, we acquired an acute care hospital in Peasedown St. John, United Kingdom from Circle Health Ltd., through its subsidiary Circle Hospital (Bath) Ltd. The sale/leaseback transaction, excluding any transfer taxes, is valued at approximately £28.3 million. The lease has an initial term of 15-years with a tenant option to extend the lease for an additional 15 years. The lease includes annual rent increases, which will equal the year-over-year change in the retail price index ( RPI ) with a floor of 2% and a cap of 5%. With this transaction, we will incur approximately £1.1 million of transfer and other taxes that will be expensed as acquisition costs.

### **12. Condensed Consolidating Financial Information**

The following tables present the condensed consolidating financial information for (a) Medical Properties Trust, Inc. ( Parent ) and a guarantor to our 2011, 2012, 2013 and 2014 Senior Unsecured Notes), (b) MPT Operating Partnership, L.P. and MPT Finance Corporation ( Subsidiary Issuers ), (c) on a combined basis, the guarantors of our 2011, 2012, 2013 and 2014 Senior Unsecured Notes ( Subsidiary Guarantors ), and (d) on a combined basis, the non-guarantor subsidiaries ( Non-Guarantor Subsidiaries ). Separate financial statements of the Subsidiary Guarantors are not presented because the guarantee by each 100% owned Subsidiary Guarantor is joint and several, and we believe separate financial statements and other disclosures regarding the Subsidiary Guarantors are not material to investors. Furthermore, there are no significant legal restrictions on the Parent 's ability to obtain funds from its subsidiaries by dividend or loan.

The guarantees by the Subsidiary Guarantors may be released and discharged upon: (1) any sale, exchange or transfer of all of the capital stock of a Subsidiary Guarantor; (2) the merger or consolidation of a Subsidiary Guarantor with a Subsidiary Issuer or any other Subsidiary Guarantor; (3) the proper designation of any Subsidiary Guarantor by the Subsidiary Issuers as unrestricted for covenant purposes under the indenture governing the 2011, 2012, 2013 and 2014 Senior Unsecured Notes; (4) the legal defeasance or covenant defeasance or satisfaction and discharge of the indenture; (5) a liquidation or dissolution of a Subsidiary Guarantor permitted under the indenture governing the 2011, 2012, 2013 and 2014 Senior Unsecured Notes; or (6) the release or discharge of the Subsidiary Guarantor from its guarantee obligations under our revolving credit facility.

Subsequent to June 30, 2013, certain of our subsidiaries were re-designated as non-guarantors of our 2011, 2012, 2013 and 2014 Senior Unsecured Notes as the underlying properties were sold in 2013 or related mortgage loans paid off in 2014. In addition, certain of our subsidiaries previously classified as non-guarantors are guarantors as of June 30,

2014. With these re-designations, we have restated the 2013 consolidating financial information below to reflect these changes.

**Table of Contents****Condensed Consolidated Balance Sheet****June 30, 2014****(in thousands)**

|  | <b>Parent</b>       | <b>Subsidiary Issuers</b> | <b>Subsidiary Guarantors</b> | <b>Non-Guarantor Subsidiaries</b> | <b>Eliminations</b>   | <b>Total Consolidated</b> |
|--|---------------------|---------------------------|------------------------------|-----------------------------------|-----------------------|---------------------------|
| <b>Assets</b>  |                     |                           |                              |                                   |                       |                           |
| <b>Real estate assets</b>                                    |                     |                           |                              |                                   |                       |                           |
| Land, buildings and improvements and intangible lease assets | \$                  | \$                        | \$ 1,959,605                 | \$ 66,654                         | \$                    | \$ 2,026,259              |
| Mortgage loans   |                     |                           | 285,100                      | 100,000                           |                       | 385,100                   |
| Net investment in direct financing leases                    |                     |                           | 213,966                      | 220,345                           |                       | 434,311                   |
| Gross investment in real estate assets                       |                     |                           | 2,458,671                    | 386,999                           |                       | 2,845,670                 |
| Accumulated depreciation and amortization                    |                     |                           | (169,260)                    | (9,002)                           |                       | (178,262)                 |
| Net investment in real estate assets                         |                     |                           | 2,289,411                    | 377,997                           |                       | 2,667,408                 |
| Cash and cash equivalents                                    |                     | 120,030                   | 26,705                       | 50,288                            |                       | 197,023                   |
| Interest and rent receivables                                |                     | 832                       | 18,655                       | 26,866                            |                       | 46,353                    |
| Straight-line rent receivables                               |                     |                           | 40,900                       | 10,293                            |                       | 51,193                    |
| Other loans  |                     |                           | 1,100                        | 139,370                           |                       | 140,470                   |
| Net intercompany receivable                                  | 35,785              | 2,028,913                 |                              |                                   | (2,064,698)           |                           |
| Investment in subsidiaries                                   | 1,413,344           | 880,837                   | 43,159                       |                                   | (2,337,340)           |                           |
| Other assets   |                     | 46,340                    | 857                          | 40,400                            |                       | 87,597                    |
| <b>Total Assets</b>  | <b>\$ 1,449,129</b> | <b>\$ 3,076,952</b>       | <b>\$ 2,420,787</b>          | <b>\$ 645,214</b>                 | <b>\$ (4,402,038)</b> | <b>\$ 3,190,044</b>       |
| <b>Liabilities and Equity</b>                                |                     |                           |                              |                                   |                       |                           |
| <b>Liabilities</b>   |                     |                           |                              |                                   |                       |                           |
| Debt, net  | \$                  | \$ 1,626,537              | \$                           | \$ 13,816                         | \$                    | \$ 1,640,353              |
| Accounts payable and accrued expenses                        | 36,175              | 37,438                    | 10,103                       | 515                               |                       | 84,231                    |
| Net intercompany payable                                     |                     |                           | 1,620,097                    | 444,601                           | (2,064,698)           |                           |
| Deferred revenue   |                     | 220                       | 21,046                       | 6,159                             |                       | 27,425                    |
|  |                     | (587)                     | 21,579                       | 4,089                             |                       | 25,081                    |



Lease deposits and other obligations to tenants

|                   |           |           |           |         |             |           |
|-------------------|-----------|-----------|-----------|---------|-------------|-----------|
| Total liabilities | 36,175    | 1,663,608 | 1,672,825 | 469,180 | (2,064,698) | 1,777,090 |
| Total equity      | 1,412,954 | 1,413,344 | 747,962   | 176,034 | (2,337,340) | 1,412,954 |

**Total Liabilities and Equity**

|  |              |              |              |            |                |              |
|--|--------------|--------------|--------------|------------|----------------|--------------|
|  | \$ 1,449,129 | \$ 3,076,952 | \$ 2,420,787 | \$ 645,214 | \$ (4,402,038) | \$ 3,190,044 |
|--|--------------|--------------|--------------|------------|----------------|--------------|

**Table of Contents****Condensed Consolidated Statements of Operations****For the Three Months Ended June 30, 2014****(in thousands)**

|   | <b>Parent</b> | <b>Subsidiary Issuers</b> | <b>Subsidiary Guarantors</b> | <b>Non-Guarantor Subsidiaries</b> | <b>Eliminations</b> | <b>Total Consolidated</b> |
|---|---------------|---------------------------|------------------------------|-----------------------------------|---------------------|---------------------------|
| <b>Revenues</b>                                 |               |                           |                              |                                   |                     |                           |
| Rent billed                                     | \$            | \$                        | \$ 43,592                    | \$ 6,240                          | \$ (3,904)          | \$ 45,928                 |
| Straight-line rent                              |               |                           | 2,491                        | 687                               |                     | 3,178                     |
| Income from direct financing leases             |               |                           | 11,652                       | 5,898                             | (5,287)             | 12,263                    |
| Interest and fee income                         |               | 8,360                     | 13,666                       | 7,422                             | (14,257)            | 15,191                    |
| <b>Total revenues</b>                           |               | <b>8,360</b>              | <b>71,401</b>                | <b>20,247</b>                     | <b>(23,448)</b>     | <b>76,560</b>             |
| <b>Expenses</b>                                 |               |                           |                              |                                   |                     |                           |
| Real estate depreciation and amortization       |               |                           | 11,940                       | 502                               |                     | 12,442                    |
| Impairment charges                              |               | 289                       | 21,975                       | 7,367                             |                     | 29,631                    |
| Property-related                                |               | 168                       | (105)                        | 9,090                             | (9,191)             | (38)                      |
| General and administrative                      |               | 8,500                     | 55                           | (349)                             |                     | 8,206                     |
| Acquisition expenses                            |               | 2,510                     | 25                           |                                   |                     | 2,535                     |
| <b>Total operating expenses</b>                 |               | <b>11,467</b>             | <b>33,890</b>                | <b>16,610</b>                     | <b>(9,191)</b>      | <b>52,776</b>             |
| Operating income (expense)                      |               | (3,107)                   | 37,511                       | 3,637                             | (14,257)            | 23,784                    |
| <b>Other income (expense)</b>                   |               |                           |                              |                                   |                     |                           |
| Other income (expense)                          |               | 19                        |                              |                                   |                     | 19                        |
| Earnings from equity and other interests        |               |                           | 111                          | 575                               |                     | 686                       |
| Interest income (expense)                       |               | (24,724)                  | (6,636)                      | (7,259)                           | 14,257              | (24,362)                  |
| Debt refinancing costs                          |               | (290)                     |                              |                                   |                     | (290)                     |
| Income tax benefit (expense)                    |               |                           | (32)                         | (8)                               |                     | (40)                      |
| <b>Net other income (expense)</b>               |               | <b>(24,995)</b>           | <b>(6,557)</b>               | <b>(6,692)</b>                    | <b>14,257</b>       | <b>(23,987)</b>           |
| <b>Income (loss) from continuing operations</b> |               |                           |                              |                                   |                     |                           |
| Income from discontinued operations             |               | (28,102)                  | 30,954                       | (3,055)                           |                     | (203)                     |
| Equity in earnings of                           | (203)         | 27,899                    | 1,042                        |                                   | (28,738)            |                           |

consolidated subsidiaries, net of  
income taxes

|            |       |       |        |         |          |       |
|------------|-------|-------|--------|---------|----------|-------|
| Net income | (203) | (203) | 31,996 | (3,055) | (28,738) | (203) |
|------------|-------|-------|--------|---------|----------|-------|

Net income (loss) attributable to  
non-controlling interests

|   |                 |                 |                  |                   |                    |                 |
|---|-----------------|-----------------|------------------|-------------------|--------------------|-----------------|
| <b>Net income attributable to<br/>MPT common stockholders</b> | <b>\$ (203)</b> | <b>\$ (203)</b> | <b>\$ 31,996</b> | <b>\$ (3,055)</b> | <b>\$ (28,738)</b> | <b>\$ (203)</b> |
|---|-----------------|-----------------|------------------|-------------------|--------------------|-----------------|

**Table of Contents****Condensed Consolidated Statements of Operations****For the Six Months Ended June 30, 2014****(in thousands)**

|   | <b>Parent</b> | <b>Subsidiary Issuers</b> | <b>Subsidiary Guarantors</b> | <b>Non-Guarantor Subsidiaries</b> | <b>Eliminations</b> | <b>Total Consolidated</b> |
|---|---------------|---------------------------|------------------------------|-----------------------------------|---------------------|---------------------------|
| <b>Revenues</b>   |               |                           |                              |                                   |                     |                           |
| Rent billed   | \$            | \$                        | \$ 84,543                    | \$ 11,928                         | \$ (7,582)          | \$ 88,889                 |
| Straight-line rent  |               |                           | 3,888                        | 1,478                             |                     | 5,366                     |
| Income from direct financing leases                                 |               |                           | 23,261                       | 11,770                            | (10,552)            | 24,479                    |
| Interest and fee income   |               | 18,492                    | 28,863                       | 15,293                            | (31,733)            | 30,915                    |
| <b>Total revenues</b>   |               | 18,492                    | 140,555                      | 40,469                            | (49,867)            | 149,649                   |
| <b>Expenses</b>   |               |                           |                              |                                   |                     |                           |
| Real estate depreciation and amortization                           |               |                           | 25,204                       | 927                               |                     | 26,131                    |
| Impairment charges  |               | 289                       | 21,975                       | 27,864                            |                     | 50,128                    |
| Property-related  |               | 339                       | 325                          | 18,170                            | (18,134)            | 700                       |
| General and administrative  |               | 16,649                    | 258                          | 258                               |                     | 17,165                    |
| Acquisition expenses  |               | 2,886                     | 161                          |                                   |                     | 3,047                     |
| <b>Total operating expenses</b>                                     |               | 20,163                    | 47,923                       | 47,219                            | (18,134)            | 97,171                    |
| Operating income (expense)  |               | (1,671)                   | 92,632                       | (6,750)                           | (31,733)            | 52,478                    |
| <b>Other income (expense)</b>                                       |               |                           |                              |                                   |                     |                           |
| Other income (expense)  |               | (30)                      |                              |                                   |                     | (30)                      |
| Earnings from equity and other interests                            |               |                           | 111                          | 794                               |                     | 905                       |
| Interest income (expense)   |               | (46,546)                  | (16,533)                     | (14,628)                          | 31,733              | (45,974)                  |
| Debt refinancing costs  |               | (290)                     |                              |                                   |                     | (290)                     |
| Income tax benefit expense  |               |                           | 32                           | (16)                              |                     | 16                        |
| <b>Net other income (expense)</b>                                   |               | (46,866)                  | (16,390)                     | (13,850)                          | 31,733              | (45,373)                  |
| <b>Income (loss) from continuing operations</b>                     |               |                           |                              |                                   |                     |                           |
| Income (loss) from discontinued operations                          |               |                           |                              | (2)                               |                     | (2)                       |
| Equity in earnings of consolidated subsidiaries net of income taxes | 7,103         | 55,640                    | 2,163                        |                                   | (64,906)            |                           |

|   |                 |                 |                  |                    |                    |                 |
|---|-----------------|-----------------|------------------|--------------------|--------------------|-----------------|
| Net income  | 7,103           | 7,103           | 78,405           | (20,602)           | (64,906)           | 7,103           |
| Net income (loss) attributable to non-controlling interests | (65)            | (65)            |                  |                    | 65                 | (65)            |
| <b>Net income attributable to MPT common stockholders</b>   | <b>\$ 7,038</b> | <b>\$ 7,038</b> | <b>\$ 78,405</b> | <b>\$ (20,602)</b> | <b>\$ (64,841)</b> | <b>\$ 7,038</b> |

**Table of Contents****Condensed Consolidated Statements of Comprehensive Income****For the Three Months Ended June 30, 2014****(in thousands)**

|   | <b>Parent</b> | <b>Subsidiary Issuers</b> | <b>Subsidiary Guarantors</b> | <b>Non-Guarantor Subsidiaries</b> | <b>Eliminations</b> | <b>Total Consolidated</b> |
|---|---------------|---------------------------|------------------------------|-----------------------------------|---------------------|---------------------------|
| Net income (loss)   | \$ (203)      | \$ (203)                  | \$ 31,996                    | \$ (3,055)                        | \$ (28,738)         | \$ (203)                  |
| Other comprehensive income:   |               |                           |                              |                                   |                     |                           |
| Unrealized gain on interest rate swap                               | 486           | 486                       |                              |                                   | (486)               | 486                       |
| Foreign currency translation gain                                   | 73            | 73                        |                              |                                   | (73)                | 73                        |
| <b>Total comprehensive income</b>                                   | <b>356</b>    | <b>356</b>                | <b>31,996</b>                | <b>(3,055)</b>                    | <b>(29,297)</b>     | <b>356</b>                |
| Comprehensive income attributable to non-controlling interests      |               |                           |                              |                                   |                     |                           |
| <b>Comprehensive income attributable to MPT common stockholders</b> | <b>\$ 356</b> | <b>\$ 356</b>             | <b>\$ 31,996</b>             | <b>\$ (3,055)</b>                 | <b>\$ (29,297)</b>  | <b>\$ 356</b>             |

**Condensed Consolidated Statements of Comprehensive Income****For the Six Months Ended June 30, 2014****(in thousands)**

|  | <b>Parent</b>   | <b>Subsidiary Issuers</b> | <b>Subsidiary Guarantors</b> | <b>Non-Guarantor Subsidiaries</b> | <b>Eliminations</b> | <b>Total Consolidated</b> |
|--|-----------------|---------------------------|------------------------------|-----------------------------------|---------------------|---------------------------|
| Net income (loss)  | \$ 7,103        | \$ 7,103                  | \$ 78,405                    | \$ (20,602)                       | \$ (64,906)         | \$ 7,103                  |
| Other comprehensive income:                                    |                 |                           |                              |                                   |                     |                           |
| Unrealized gain on interest rate swap                          | 1,206           | 1,206                     |                              |                                   | (1,206)             | 1,206                     |
| Foreign currency translation gain                              | 46              | 46                        |                              |                                   | (46)                | 46                        |
| <b>Total comprehensive income</b>                              | <b>8,355</b>    | <b>8,355</b>              | <b>78,405</b>                | <b>(20,602)</b>                   | <b>(66,158)</b>     | <b>8,355</b>              |
| Comprehensive income attributable to non-controlling interests | (65)            | (65)                      |                              |                                   | 65                  | (65)                      |
|  | <b>\$ 8,290</b> | <b>\$ 8,290</b>           | <b>\$ 78,405</b>             | <b>\$ (20,602)</b>                | <b>\$ (66,093)</b>  | <b>\$ 8,290</b>           |

**Comprehensive income  
attributable to MPT common  
stockholders**

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**Table of Contents****Condensed Consolidated Statements of Cash Flows****For the Six Months Ended June 30, 2014****(in thousands)**

|  | Parent   | Subsidiary<br>Issuers | Subsidiary Non-Guarantor<br>Guarantors | Subsidiary<br>Eliminations | Non-Guarantor<br>Subsidiaries | Total<br>Consolidated |
|--|----------|-----------------------|--|----------------------------|-------------------------------|-----------------------|
| <b>Operating Activities</b>                                      |          |                       |  |                            |                               |                       |
| Net cash provided by (used in) operating activities              | \$ (35)  | \$ (41,011)           | \$ 106,136                             | \$ (14,835)                | \$                            | \$ 50,255             |
| <b>Investing Activities</b>                                      |          |                       |  |                            |                               |                       |
| Cash paid for acquisitions and other related investments         |          |                       | (115,000)                              |                            |                               | (115,000)             |
| Principal received on loans receivable                           |          |                       |  | 6,829                      |                               | 6,829                 |
| Net proceeds from sale of real estate                            |          |                       |  |                            |                               |                       |
| Investments in loans receivable                                  |          |                       |  | (5,601)                    |                               | (5,601)               |
| Construction in progress and other                               |          | (382)                 | (53,671)                               | (1,106)                    |                               | (55,159)              |
| Net cash provided by (used in) investing activities              |          | (382)                 | (168,671)                              | 122                        |                               | (168,931)             |
| <b>Financing Activities</b>                                      |          |                       |  |                            |                               |                       |
| Revolving credit facilities, net                                 |          | (105,000)             |  |                            |                               | (105,000)             |
| Additions to term debt, net of discount                          |          | 425,000               |  |                            |                               | 425,000               |
| Payments of term debt  |          | (100,000)             |  | (132)                      |                               | (100,132)             |
| Distributions paid   | (71,686) | (71,809)              |  |                            | 71,686                        | (71,809)              |
| Proceeds from sale of common shares/units, net of offering costs | 128,332  | 128,332               |  |                            | (128,332)                     | 128,332               |
| Lease deposits and other obligations to tenants                  |          | (404)                 | 3,645                                  | 1,669                      |                               | 4,910                 |
| Net payments relating to intercompany financing                  | (56,611) | (122,015)             | 58,586                                 | 63,394                     | 56,646                        |                       |
| Debt issuance costs paid and other financing activities          |          | (11,496)              |  |                            |                               | (11,496)              |
| Net cash provided by financing activities                        | 35       | 142,608               | 62,231                                 | 64,931                     |                               | 269,805               |
| Increase (decrease) in cash and cash equivalents for period      |          | 101,215               | (304)                                  | 50,218                     |                               | 151,129               |



|   |                   |                  |                  |                   |
|---|-------------------|------------------|------------------|-------------------|
| Effects of exchange rate changes on cash          |                   | (85)             |                  | (85)              |
| Cash and cash equivalents at beginning of period  | 18,815            | 27,094           | 70               | 45,979            |
| <b>Cash and cash equivalents at end of period</b> | <b>\$ 120,030</b> | <b>\$ 26,705</b> | <b>\$ 50,288</b> | <b>\$ 197,023</b> |

**Table of Contents****Condensed Consolidated Balance Sheet****December 31, 2013****(in thousands)**

|  | <b>Parent</b>       | <b>Subsidiary Issuers</b> | <b>Subsidiary Guarantors</b> | <b>Subsidiary Non-Guarantor Subsidiaries</b> | <b>Eliminations</b>   | <b>Total Consolidated</b> |
|--|---------------------|---------------------------|------------------------------|--|-----------------------|---------------------------|
| <b>Assets</b>  |                     |                           |                              |  |                       |                           |
| <b>Real estate assets</b>                                    |                     |                           |                              |  |                       |                           |
| Land, buildings and improvements and intangible lease assets | \$                  | \$                        | \$ 1,796,415                 | \$ 69,040                                    | \$                    | \$ 1,865,455              |
| Mortgage loans   |                     |                           | 285,106                      | 103,650                                      |                       | 388,756                   |
| Investment in direct financing leases                        |                     |                           | 212,543                      | 218,481                                      |                       | 431,024                   |
| Gross investment in real estate assets                       |                     |                           | 2,294,064                    | 391,171                                      |                       | 2,685,235                 |
| Accumulated depreciation and amortization                    |                     |                           | (151,624)                    | (8,152)                                      |                       | (159,776)                 |
| Net investment in real estate assets                         |                     |                           | 2,142,440                    | 383,019                                      |                       | 2,525,459                 |
| Cash and cash equivalents                                    |                     | 18,815                    | 27,094                       | 70   |                       | 45,979                    |
| Interest and rent receivables                                |                     | 336                       | 31,492                       | 26,737                                       |                       | 58,565                    |
| Straight-line rent receivables                               |                     |                           | 37,015                       | 8,814  |                       | 45,829                    |
| Other loans  |                     | 178                       | 1,100                        | 159,712                                      |                       | 160,990                   |
| Net intercompany receivable                                  | 35,363              | 1,907,474                 |                              |  | (1,942,837)           |                           |
| Investment in subsidiaries                                   | 1,344,598           | 825,153                   | 42,407                       |  | (2,212,158)           |                           |
| Other assets   |                     | 37,311                    | 1,096                        | 29,466                                       |                       | 67,873                    |
| <b>Total Assets</b>  | <b>\$ 1,379,961</b> | <b>\$ 2,789,267</b>       | <b>\$ 2,282,644</b>          | <b>\$ 607,818</b>                            | <b>\$ (4,154,995)</b> | <b>\$ 2,904,695</b>       |
| <b>Liabilities and Equity</b>                                |                     |                           |                              |  |                       |                           |
| <b>Liabilities</b>   |                     |                           |                              |  |                       |                           |
| Debt, net  | \$                  | \$ 1,407,733              | \$                           | \$ 13,948                                    | \$                    | \$ 1,421,681              |
| Accounts payable and accrued expenses                        | 35,753              | 36,887                    | 20,500                       | 1,150  |                       | 94,290                    |
| Net intercompany payable                                     |                     |                           | 1,556,634                    | 386,203                                      | (1,942,837)           |                           |
| Deferred revenue   |                     | 232                       | 17,866                       | 6,016  |                       | 24,114                    |
| Lease deposits and other obligations to tenants              |                     | (183)                     | 18,163                       | 2,422  |                       | 20,402                    |

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|                                     |                     |                     |                     |                   |                       |                     |
|-------------------------------------|---------------------|---------------------|---------------------|-------------------|-----------------------|---------------------|
| Total liabilities                   | 35,753              | 1,444,669           | 1,613,163           | 409,739           | (1,942,837)           | 1,560,487           |
| Total equity                        | 1,344,208           | 1,344,598           | 669,481             | 198,079           | (2,212,158)           | 1,344,208           |
| <b>Total Liabilities and Equity</b> | <b>\$ 1,379,961</b> | <b>\$ 2,789,267</b> | <b>\$ 2,282,644</b> | <b>\$ 607,818</b> | <b>\$ (4,154,995)</b> | <b>\$ 2,904,695</b> |

**Table of Contents****Condensed Consolidated Statements of Operations****For the Three Months Ended June 30, 2013****(in thousands)**

|  | Parent        | Subsidiary<br>Issuers | Subsidiary<br>Guarantors | Non-Guarantor<br>Subsidiaries | Eliminations    | Total<br>Consolidated |
|--|---------------|-----------------------|--------------------------|-------------------------------|-----------------|-----------------------|
| <b>Revenues</b>  |               |                       |                          |                               |                 |                       |
| Rent billed  | \$            | \$                    | \$ 29,051                | \$ 5,088                      | \$ (3,115)      | \$ 31,024             |
| Straight-line rent   |               |                       | 2,171                    | 606                           |                 | 2,777                 |
| Income from direct financing leases                                  |               |                       | 8,664                    | 5,509                         | (4,943)         | 9,230                 |
| Interest and fee income  |               | 5,052                 | 9,120                    | 7,006                         | (7,085)         | 14,093                |
| <b>Total revenues</b>  |               | <b>5,052</b>          | <b>49,006</b>            | <b>18,209</b>                 | <b>(15,143)</b> | <b>57,124</b>         |
| <b>Expenses</b>  |               |                       |                          |                               |                 |                       |
| Real estate depreciation and amortization                            |               |                       | 8,229                    | 414                           |                 | 8,643                 |
| Property-related   |               | 104                   | 335                      | 8,267                         | (8,057)         | 649                   |
| General and administrative   |               | 7,674                 |                          | (563)                         |                 | 7,111                 |
| Acquisition expenses   |               | 2,088                 |                          |                               |                 | 2,088                 |
| <b>Total operating expenses</b>                                      |               | <b>9,866</b>          | <b>8,564</b>             | <b>8,118</b>                  | <b>(8,057)</b>  | <b>18,491</b>         |
| <b>Operating income (loss)</b>                                       |               | <b>(4,814)</b>        | <b>40,442</b>            | <b>10,091</b>                 | <b>(7,086)</b>  | <b>38,633</b>         |
| <b>Other income (expense)</b>  |               |                       |                          |                               |                 |                       |
| Other income (expense)   |               | (20)                  |                          | (2)                           |                 | (22)                  |
| Earnings from equity and other interests                             |               |                       | 233                      | 943                           |                 | 1,176                 |
| Interest income (expense)  |               | (14,726)              | 318                      | (7,319)                       | 7,086           | (14,641)              |
| Income tax benefit (expense)   |               |                       |                          | (115)                         |                 | (115)                 |
| <b>Net other income (expense)</b>                                    |               | <b>(14,746)</b>       | <b>551</b>               | <b>(6,493)</b>                | <b>7,086</b>    | <b>(13,602)</b>       |
| <b>Income (loss) from continuing operations</b>                      |               | <b>(19,560)</b>       | <b>40,993</b>            | <b>3,598</b>                  |                 | <b>25,031</b>         |
| Income (loss) from discontinued operations                           |               |                       |                          | 2,374                         |                 | 2,374                 |
| Equity in earnings of consolidated subsidiaries, net of income taxes | 27,405        | 46,965                | 1,121                    |                               | (75,491)        |                       |
| <b>Net income</b>  | <b>27,405</b> | <b>27,405</b>         | <b>42,114</b>            | <b>5,972</b>                  | <b>(75,491)</b> | <b>27,405</b>         |

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|   |      |      |  |  |    |      |
|---|------|------|--|--|----|------|
| Net income (loss) attributable to non-controlling interests | (57) | (57) |  |  | 57 | (57) |
|---|------|------|--|--|----|------|

|   |           |           |           |          |             |           |
|---|-----------|-----------|-----------|----------|-------------|-----------|
| <b>Net income attributable to MPT common stockholders</b> | \$ 27,348 | \$ 27,348 | \$ 42,114 | \$ 5,972 | \$ (75,434) | \$ 27,348 |
|---|-----------|-----------|-----------|----------|-------------|-----------|

**Table of Contents****Condensed Consolidated Statements of Operations****For the Six Months Ended June 30, 2013****(in thousands)**

|   | Parent        | Subsidiary<br>Issuers | Subsidiary<br>Guarantors | Non-Guarantor<br>Subsidiaries | Eliminations     | Total<br>Consolidated |
|---|---------------|-----------------------|--------------------------|-------------------------------|------------------|-----------------------|
| <b>Revenues</b>   |               |                       |                          |                               |                  |                       |
| Rent billed   | \$            | \$                    | \$ 58,657                | \$ 9,621                      | \$ (5,750)       | \$ 62,528             |
| Straight-line rent  |               |                       | 4,489                    | 979                           |                  | 5,468                 |
| Income from direct financing leases                                 |               |                       | 16,868                   | 10,994                        | (9,876)          | 17,986                |
| Interest and fee income   |               | 10,108                | 18,267                   | 14,554                        | (14,174)         | 28,755                |
| <b>Total revenues</b>   |               | <b>10,108</b>         | <b>98,281</b>            | <b>36,148</b>                 | <b>(29,800)</b>  | <b>114,737</b>        |
| <b>Expenses</b>   |               |                       |                          |                               |                  |                       |
| Real estate depreciation and amortization                           |               |                       | 16,262                   | 850                           |                  | 17,112                |
| Property-related  |               | 276                   | 537                      | 15,875                        | (15,626)         | 1,062                 |
| General and administrative  |               | 14,419                |                          | 458                           |                  | 14,877                |
| Acquisition expenses  |               | 2,278                 |                          |                               |                  | 2,278                 |
| <b>Total operating expenses</b>                                     |               | <b>16,973</b>         | <b>16,799</b>            | <b>17,183</b>                 | <b>(15,626)</b>  | <b>35,329</b>         |
| <b>Operating income (loss)</b>                                      |               | <b>(6,865)</b>        | <b>81,482</b>            | <b>18,965</b>                 | <b>(14,174)</b>  | <b>79,408</b>         |
| <b>Other income (expense)</b>                                       |               |                       |                          |                               |                  |                       |
| Other income (expense)  |               | (42)                  |                          | (206)                         |                  | (248)                 |
| Earnings from equity and other interests                            |               |                       | 233                      | 1,435                         |                  | 1,668                 |
| Interest income (expense)   |               | (30,243)              | 628                      | (14,624)                      | 14,174           | (30,065)              |
| Income tax benefit (expense)  |               |                       |                          | (167)                         |                  | (167)                 |
| <b>Net other income (expense)</b>                                   |               | <b>(30,285)</b>       | <b>861</b>               | <b>(13,562)</b>               | <b>14,174</b>    | <b>(28,812)</b>       |
| <b>Income (loss) from continuing operations</b>                     |               | <b>(37,150)</b>       | <b>82,343</b>            | <b>5,403</b>                  |                  | <b>50,596</b>         |
| Income (loss) from discontinued operations                          |               |                       |                          | 3,018                         |                  | 3,018                 |
| Equity in earnings of consolidated subsidiaries net of income taxes | 53,614        | 90,764                | 2,242                    |                               | (146,620)        |                       |
| <b>Net income</b>   | <b>53,614</b> | <b>53,614</b>         | <b>84,585</b>            | <b>8,421</b>                  | <b>(146,620)</b> | <b>53,614</b>         |

|   |       |       |  |  |     |       |
|---|-------|-------|--|--|-----|-------|
| Net income (loss) attributable to non-controlling interests | (110) | (110) |  |  | 110 | (110) |
|---|-------|-------|--|--|-----|-------|

|   |           |           |           |          |              |           |
|---|-----------|-----------|-----------|----------|--------------|-----------|
| <b>Net income attributable to MPT common stockholders</b> | \$ 53,504 | \$ 53,504 | \$ 84,585 | \$ 8,421 | \$ (146,510) | \$ 53,504 |
|---|-----------|-----------|-----------|----------|--------------|-----------|

**Table of Contents****Condensed Consolidated Statements of Comprehensive Income****For the Three Months Ended June 30, 2013****(in thousands)**

|  | <b>Parent</b> | <b>Subsidiary Issuers</b> | <b>Subsidiary Guarantors</b> | <b>Non-Guarantor Subsidiaries</b> | <b>Eliminations</b> | <b>Total Consolidated</b> |
|--|---------------|---------------------------|------------------------------|-----------------------------------|---------------------|---------------------------|
| Net income   | \$ 27,405     | \$ 27,405                 | \$ 42,114                    | \$ 5,972                          | \$ (75,491)         | \$ 27,405                 |
| Other comprehensive income:                                    |               |                           |                              |                                   |                     |                           |
| Unrealized gain on interest rate swap                          | 1,779         | 1,779                     |                              |                                   | (1,779)             | 1,779                     |
| Total comprehensive income                                     | 29,184        | 29,184                    | 42,114                       | 5,972                             | (77,270)            | 29,184                    |
| Comprehensive income attributable to non-controlling interests | (57)          | (57)                      |                              |                                   | 57                  | (57)                      |

**Comprehensive income attributable to MPT common stockholders**

\$ 29,127    \$ 29,127    \$ 42,114    \$ 5,972    \$ (77,213)    \$ 29,127

**Condensed Consolidated Statements of Comprehensive Income****For the Six Months Ended June 30, 2013****(in thousands)**

|  | <b>Parent</b> | <b>Subsidiary Issuers</b> | <b>Subsidiary Guarantors</b> | <b>Non-Guarantor Subsidiaries</b> | <b>Eliminations</b> | <b>Total Consolidated</b> |
|--|---------------|---------------------------|------------------------------|-----------------------------------|---------------------|---------------------------|
| Net income   | \$ 53,614     | \$ 53,614                 | \$ 84,585                    | \$ 8,421                          | \$ (146,620)        | \$ 53,614                 |
| Other comprehensive income:                                    |               |                           |                              |                                   |                     |                           |
| Unrealized gain on interest rate swap                          | 2,606         | 2,606                     |                              |                                   | (2,606)             | 2,606                     |
| Total comprehensive income                                     | 56,220        | 56,220                    | 84,585                       | 8,421                             | (149,226)           | 56,220                    |
| Comprehensive income attributable to non-controlling interests | (110)         | (110)                     |                              |                                   | 110                 | (110)                     |

**Comprehensive income attributable to MPT common stockholders**

\$ 56,110    \$ 56,110    \$ 84,585    \$ 8,421    \$ (149,116)    \$ 56,110





**Table of Contents****Condensed Consolidated Statements of Cash Flows****For the Six Months Ended June 30, 2013****(in thousands)**

|   | <b>Parent</b> | <b>Subsidiary Issuers</b> | <b>Subsidiary Guarantors</b> | <b>Subsidiary Non-Guarantor Subsidiaries</b> | <b>Eliminations</b> | <b>Total Consolidated</b> |
|---|---------------|---------------------------|------------------------------|--|---------------------|---------------------------|
| <b>Operating Activities</b>                                     |               |                           |                              |  |                     |                           |
| Net cash provided by (used in) operating activities             | \$ (35)       | \$ (29,090)               | \$ 83,872                    | \$ 1,498                                     | \$                  | \$ 56,245                 |
| <b>Investing Activities</b>                                     |               |                           |                              |  |                     |                           |
| Cash paid for acquisitions and other related investments        |               |                           | (75,000)                     |  |                     | (75,000)                  |
| Principal received on loans receivable                          |               |                           |                              | 3,293  |                     | 3,293                     |
| Net proceeds from sale of real estate                           |               |                           |                              | 18,409                                       |                     | 18,409                    |
| Investments in loans receivable                                 |               |                           |                              | (1,300)                                      |                     | (1,300)                   |
| Construction in progress and other                              |               | (621)                     | (33,144)                     | 594  |                     | (33,171)                  |
| Net cash used in investing activities                           |               | (621)                     | (108,144)                    | 20,996                                       |                     | (87,769)                  |
| <b>Financing Activities</b>                                     |               |                           |                              |  |                     |                           |
| Revolving credit facilities, net                                |               | (85,000)                  |                              |  |                     | (85,000)                  |
| Payments of term debt   |               | (11,000)                  |                              | (124)  |                     | (11,124)                  |
| Distributions paid  | (57,712)      | (57,846)                  |                              |  | 57,712              | (57,846)                  |
| Proceeds from sale of common stock/units, net of offering costs | 172,853       | 172,853                   |                              |  | (172,853)           | 172,853                   |
| Lease deposits and other obligations to tenants                 |               | (159)                     | 558                          | 1,117  |                     | 1,516                     |
| Net payments relating to intercompany financing                 | (115,106)     | 1,417                     | 22,149                       | (23,601)                                     | 115,141             |                           |
| Debt issuance costs paid and other financing activities         |               | (114)                     |                              |  |                     | (114)                     |
| Net cash provided by (used in) financing activities             | 35            | 20,151                    | 22,707                       | (22,608)                                     |                     | 20,285                    |
| Increase in cash and cash equivalents for period                |               | (9,560)                   | (1,565)                      | (114)  |                     | (11,239)                  |
|   |               | 35,483                    | 1,565                        | 263  |                     | 37,311                    |

Cash and cash equivalents at  
beginning of period

|   |    |           |    |        |    |           |
|---|----|-----------|----|--------|----|-----------|
| <b>Cash and cash equivalents at<br/>end of period</b> | \$ | \$ 25,923 | \$ | \$ 149 | \$ | \$ 26,072 |
|---|----|-----------|----|--------|----|-----------|

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**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 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, 2013.

**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 Securities and Exchange Commission (SEC) under the Securities Exchange Act of 1934. Such factors include, among others, the following:

U.S. (both national and local) and European economic, business, real estate and other market conditions;

the competitive environment in which we operate;

the execution of our business plan;

financing risks;

acquisition and development risks;

potential environmental contingencies and other liabilities;

other factors affecting real estate industry generally or the healthcare real estate industry in particular;

our ability to maintain our status as a REIT for 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 healthcare, and other regulatory requirements; and

U.S. national and local economic conditions, as well as conditions in Europe and 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, and institutions that hold our cash balances, which may expose us to increased risks of default by these parties;

our ability to obtain equity or debt financing on attractive terms or at all, which may adversely impact our ability to pursue acquisition and development opportunities and reference 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 revenues are derived primarily from rents we earn pursuant to the lease agreements with our tenants and from interest income from loans to our tenants and other facility owners. 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. 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 lease and loan 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:

the historical and prospective operating margins (measured by a tenant's earnings before interest, taxes, depreciation, amortization and facility rent) of each tenant or borrower and at each facility;

the ratio of our tenants' and 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 Medicare, Medicaid/MediCal, managed care, commercial insurance, and private pay patients; and

the effect of evolving healthcare regulations on our tenants' and borrowers' profitability.

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;

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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' 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 2013 Annual Report on Form 10-K, for a discussion of our critical accounting policies, which include revenue recognition, investment in real estate, purchase price allocation, loans, losses from rent receivables, stock-based compensation, our fair value option election, and our accounting policy on consolidation. During the six months ended June 30, 2014, there were no material changes to these policies, except as noted in Note 2 to the condensed consolidated financial statements with respect to discontinued operations.

## **Overview**

We are a self-advised real estate investment trust ( REIT ) focused on investing in and owning net-leased healthcare facilities across the United States and selectively in foreign jurisdictions. We have operated as a REIT since April 6, 2004, and accordingly, elected REIT status upon the filing of our calendar year 2004 federal income tax return. Medical Properties Trust, Inc. was incorporated under Maryland law on August 27, 2004, 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 tenants' profits and losses.

At June 30, 2014, our portfolio consisted of 118 properties: 100 facilities (of the 110 facilities that we own, of which two are subject to long-term ground leases) are leased to 25 tenants, 10 are under development, and the remaining eight assets are in the form of mortgage loans to three operators. Our facilities consisted of 56 general acute care hospitals, 23 long-term acute care hospitals, 31 inpatient rehabilitation hospitals, two medical office buildings, and six wellness centers.

All of our investments are currently located in the United States and Europe.

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

## **Revenue by property type:**

|                                  | <b>For the Three<br/>Months Ended</b> |                       | <b>For the Three<br/>Months Ended</b> |                       |
|----------------------------------|---------------------------------------|-----------------------|---------------------------------------|-----------------------|
|                                  | <b>June 30,<br/>2014</b>              | <b>% of<br/>Total</b> | <b>June 30,<br/>2013</b>              | <b>% of<br/>Total</b> |
| General Acute Care Hospitals (A) | \$ 45,599                             | 59.6%                 | \$ 33,237                             | 58.2%                 |
| Long-term Acute Care Hospitals   | 13,338                                | 17.4%                 | 13,406                                | 23.5%                 |
| Rehabilitation Hospitals         | 17,208                                | 22.5%                 | 10,065                                | 17.6%                 |
| Wellness Centers                 | 415                                   | 0.5%                  | 416                                   | 0.7%                  |
| <b>Total revenue</b>             | <b>\$ 76,560</b>                      | <b>100.0%</b>         | <b>\$ 57,124</b>                      | <b>100.0%</b>         |

|                                  | <b>For the Six<br/>Months Ended</b> |                       | <b>For the Six<br/>Months Ended</b> |                       |
|----------------------------------|-------------------------------------|-----------------------|-------------------------------------|-----------------------|
|                                  | <b>June 30,<br/>2014</b>            | <b>% of<br/>Total</b> | <b>June 30,<br/>2013</b>            | <b>% of<br/>Total</b> |
| General Acute Care Hospitals (A) | \$ 86,986                           | 58.1%                 | \$ 66,820                           | 58.3%                 |
| Long-term Acute Care Hospitals   | 27,096                              | 18.1%                 | 26,873                              | 23.4%                 |
| Rehabilitation Hospitals         | 34,736                              | 23.2%                 | 20,214                              | 17.6%                 |
| Wellness Centers                 | 831                                 | 0.6%                  | 830                                 | 0.7%                  |
| <b>Total revenue</b>             | <b>\$ 149,649</b>                   | <b>100.0%</b>         | <b>\$ 114,737</b>                   | <b>100.0%</b>         |

(A) Includes two medical office buildings associated with two of our general acute care hospitals.



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We have 39 employees as of August 6, 2014. We believe that any foreseeable increase in the number of our employees will have only immaterial effects on our operations and general and administrative expenses. We believe that our relations with our employees are good. None of our employees are members of any labor union.

**Results of Operations*****Three Months Ended June 30, 2014 Compared to June 30, 2013***

Net income (loss) for the three months ended June 30, 2014, was (\$0.2) million, compared to \$27.3 million for the three months ended June 30, 2013. This decline is due to the \$26.5 million impairment charge taken on our Monroe loan and other assets along with a \$3.1 million real estate impairment charge taken on our Bucks County facility in the 2014 second quarter. Funds from operations ( FFO ), after adjusting for certain items (as more fully described in Reconciliation of Non-GAAP Financial Measures), was \$44.5 million, or \$0.26 per diluted share for the 2014 second quarter as compared to \$35.9 million, or \$0.24 per diluted share for the 2013 second quarter. This 24% increase in FFO is primarily due to the increase in revenue from acquisitions made since June 2013 along with the completion of the First Choice development properties in 2014.

A comparison of revenues for the three month periods ended June 30, 2014 and 2013 is as follows, as adjusted in 2013 for discontinued operations (dollar amounts in thousands):

|                                     | <b>2014</b>      | <b>% of<br/>Total</b> | <b>2013</b>      | <b>% of<br/>Total</b> | <b>Year over<br/>Year<br/>Change</b> |
|-------------------------------------|------------------|-----------------------|------------------|-----------------------|--------------------------------------|
| Base rents                          | \$ 45,928        | 60.0%                 | \$ 31,024        | 54.3%                 | 48.0%                                |
| Straight-line rents                 | 3,178            | 4.2%                  | 2,777            | 4.9%                  | 14.4%                                |
| Income from direct financing leases | 12,263           | 16.0%                 | 9,230            | 16.2%                 | 32.9%                                |
| Interest from loans and fee income  | 15,191           | 19.8%                 | 14,093           | 24.6%                 | 7.6%                                 |
| <b>Total revenue</b>                | <b>\$ 76,560</b> | <b>100.0%</b>         | <b>\$ 57,124</b> | <b>100.0%</b>         | <b>34.0%</b>                         |

Our total revenue for the 2014 second quarter is up \$19.4 million or 34.0% over the prior year. This increase is made up of the following:

Base rents up \$14.9 million over the prior year of which \$0.9 million is from our annual escalation provisions in our leases, \$12.5 million is from incremental revenue from acquisitions made in 2013, and \$1.5 million is incremental revenue from development properties that were completed and put into service in 2013 and 2014.

Straight-line rents up \$0.4 million primarily due to incremental revenue from acquisitions made in 2013 partially offset by the write-off of unbilled rent related to our Gilbert property see Note 3 to Item 1 of this Form 10-Q for further details.

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Income from direct financing leases up \$3.0 million over the prior year of which \$0.1 million is from our annual escalation provisions in our leases and \$2.9 million is from incremental revenue from acquisitions made in 2013.

Interest from loans up \$1.1 million over the prior year of which \$0.4 million is from our annual escalation provisions in our loans and \$0.7 million is from new loans made since June 2013.

Real estate depreciation and amortization during the second quarter of 2014 increased to \$12.4 million from \$8.6 million in 2013, due to the incremental depreciation from the properties acquired since June 30, 2013 and the development properties completed in 2013 and 2014.

During the 2014 second quarter, we recorded a \$3.1 million real estate impairment charge on our Bucks facility and a \$26.5 million impairment charge on our Monroe facility see Note 3 to Item 1 of this Form 10-Q for further details.

Acquisition expenses increased from \$2.1 million in 2013 to \$2.5 million in 2014 primarily as a result of the acquisition in the first quarter of 2014 and continued activity to pursue potential deals.

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General and administrative expenses totaled \$8.2 million for the 2014 second quarter, which is 10.7% of total revenues, down from 12.4% of total revenues in the prior year second quarter. The drop in general and administrative expenses as a percentage of revenue is primarily due to our business model as we can generally increase our revenue significantly without increasing our head count and related expense at the same rate. On a dollar basis, general and administrative expenses were up \$1.1 million from the prior year second quarter due to travel and international administrative expenses, which are up as a result of the growth and expansion of our company since the 2013 second quarter.

Interest expense, for the quarters ended June 30, 2014 and 2013, totaled \$24.7 million and \$14.6 million, respectively. This increase is primarily related to higher average debt balances in the current year quarter associated with our 2014 and 2013 Senior Unsecured Notes, the \$150 million tack on offering to our 2012 Senior Unsecured Notes and our new Credit Facility all of which closed after the 2013 second quarter. In addition, we recorded a \$0.3 million refinancing charge in the 2014 second quarter related to the replacement of our old credit facility. Our weighted average interest rates was 5.9% for the quarter ended June 30, 2014, which is a slight decline from 6% in 2013. See Note 4 to our Condensed Consolidated Financial Statements in Item 1 to this Form 10-Q for further information on our debt activities.

In addition to the items noted above, net income (loss) for the second quarter in both years was impacted by discontinued operations related to property disposals prior to 2014. See Note 8 to our Condensed Consolidated Financial Statements in Item 1 to this Form 10-Q for further information.

***Six Months Ended June 30, 2014 Compared to June 30, 2013***

Net income for the six months ended June 30, 2014, was \$7.0 million compared to net income of \$53.5 million for the six months ended June 30, 2013 primarily due to the \$50.1 million of impairment charges taken in 2014. See Note 3 to Item 1 of this Form 10-Q for further details. FFO, after adjusting for certain items (as more fully described in Reconciliation of Non-GAAP Financial Measures), was \$87.2 million, or \$0.52 per diluted share for the first six months in 2014 as compared to \$70.7 million, or \$0.48 per diluted share for the first six months of 2013. This 23% increase in FFO is primarily due to the increase in revenue from acquisitions made subsequent to June 2013.

A comparison of revenues for the six month periods ended June 30, 2014 and 2013 is as follows (dollar amounts in thousands):

|                                     | <b>2014</b>       | <b>% of<br/>Total</b> | <b>2013</b>       | <b>% of<br/>Total</b> | <b>Year over<br/>Year<br/>Change</b> |
|-------------------------------------|-------------------|-----------------------|-------------------|-----------------------|--------------------------------------|
| Base rents                          | \$ 88,889         | 59.4%                 | \$ 62,528         | 54.5%                 | 42.2 %                               |
| Straight-line rents                 | 5,366             | 3.6%                  | 5,468             | 4.7%                  | ( 0.2)%                              |
| Income from direct financing leases | 24,479            | 16.3%                 | 17,986            | 15.7%                 | 36.1 %                               |
| Interest from loans and fee income  | 30,915            | 20.7%                 | 28,755            | 25.1%                 | 7.5 %                                |
| <b>Total revenue</b>                | <b>\$ 149,649</b> | <b>100.0%</b>         | <b>\$ 114,737</b> | <b>100.0%</b>         | <b>30.4 %</b>                        |

Our total revenue for the first six months of 2014 is up \$34.9 million or 30.4% over the prior year. This increase is made up of the following:

Base rents up \$26.4 million over the prior year of which \$1.6 million is from our annual escalation provisions in our leases, \$22.7 million is from incremental revenue from acquisitions made in the second half of 2013, and \$3.0 million is incremental revenue from development properties that were completed and put into service in 2013 and 2014. Approximately \$1 million of base rents were recorded in the first half of 2013 related to our Monroe property but none was recorded in the current year.

Straight-line rents down (\$0.1) million primarily due to the write-off of unbilled rent related to our Gilbert property partially offset by the increase due to acquisitions see Note 3 to Item 1 of this Form 10-Q for further details.

Income from direct financing leases up \$6.5 million over the prior year of which \$0.2 million is from our annual escalation provisions in our leases and \$6.3 million is from incremental revenue from acquisitions made in 2013.

Interest from loans up \$2.2 million over the prior year of which \$0.8 million is from our annual escalation provisions in our loans and \$1.9 million is primarily from new loans made since June 2013 partially offset by the repayment of loans in late 2013 and 2014.

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Real estate depreciation and amortization during the first six months of 2014 was \$26.1 million, compared to \$17.1 million in the same period of 2013 due to the incremental depreciation from the properties acquired since June 2013 and the development properties completed in 2013 and 2014.

Acquisition expenses increased from \$2.3 million in 2013 to \$3.0 million in 2014 primarily as a result of the acquisition in the 2014 first quarter and continued activity to pursue potential deals.

General and administrative expenses in the first two quarters of 2014 totaled \$17.2 million, which is 11.5% of revenues down from 13.0% of revenues in the prior year as revenues are up over the prior year. The drop in general and administrative expenses as a percentage of revenue is primarily due to our business model as we can generally increase our revenue significantly without increasing our head count and related expense at the same rate. On a dollar basis, general and administrative expenses were up \$2.3 million from the prior year first six months due to higher compensation expense, travel and international administrative expenses, which are up as a result of the growth and expansion of our company since June 2013.

Interest expense for the first six months of 2014 and 2013 totaled \$46.3 million and \$30.1 million, respectively. This increase is primarily related to higher average debt balances in the current year associated with our 2014 and 2013 Senior Unsecured Notes, the \$150 million tack on offering to our 2012 Senior Unsecured Notes and our new Credit Facility all of which closed after the 2013 second quarter. In addition, we recorded a \$0.3 million refinancing charge in the 2014 second quarter related to the replacement of our old credit facility. Our weighted average interest rates was 5.9% for the first six months of 2014, down slightly from 6% in 2013. See Note 4 to our Condensed Consolidated Financial Statements in Item 1 to this Form 10-Q for further information on our debt activities.

In addition to the items noted above, net income (loss) for the first six months in both years was impacted by discontinued operations related to property disposals prior to 2014. See Note 8 to our Condensed Consolidated Financial Statements in Item 1 to this Form 10-Q for further information.

## **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.

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The following table presents a reconciliation of FFO to net income attributable to MPT common stockholders for the three and six months ended June 30, 2014 and 2013 (\$ amounts in thousands, except per share data):

|  | For the Three Months Ended |               | For the Six Months Ended |               |
|--|----------------------------|---------------|--------------------------|---------------|
|  | June 30, 2014              | June 30, 2013 | June 30, 2014            | June 30, 2013 |
| <b>FFO information:</b>  |                            |               |                          |               |
| Net income (loss) attributable to MPT common stockholders          | \$ (203)                   | \$ 27,348     | \$ 7,038                 | \$ 53,504     |
| Participating securities share in earnings                         | (195)                      | (179)         | (404)                    | (372)         |
| Net income (loss), less participating securities share in earnings | \$ (398)                   | \$ 27,169     | \$ 6,634                 | \$ 53,132     |
| Depreciation and amortization:                                     |                            |               |                          |               |
| Continuing operations  | 12,442                     | 8,643         | 26,131                   | 17,112        |
| Discontinued operations  |                            | 75            |                          | 253           |
| Real estate impairment charges                                     | 5,974                      |               | 5,974                    |               |
| Loss (gain) on sale of real estate                                 |                            | (2,054)       |                          | (2,054)       |
| Funds from operations  | \$ 18,018                  | \$ 33,833     | \$ 38,739                | \$ 68,443     |
| Write-off of straight line rent                                    |                            |               | 950                      |               |
| Loan and other impairment charge                                   | 23,657                     |               | 44,154                   |               |
| Debt refinancing costs   | 290                        |               | 290                      |               |
| Acquisition costs  | 2,535                      | 2,088         | 3,047                    | 2,278         |
| Normalized funds from operations                                   | \$ 44,500                  | \$ 35,921     | \$ 87,180                | \$ 70,721     |
| <b>Per diluted share data:</b>                                     |                            |               |                          |               |
| Net income (loss), less participating securities share in earnings | \$                         | \$ 0.18       | \$ 0.04                  | \$ 0.36       |
| Depreciation and amortization:                                     |                            |               |                          |               |
| Continuing operations  | 0.07                       | 0.06          | 0.16                     | 0.12          |
| Discontinued operations  |                            |               |                          |               |
| Real estate impairment charges                                     | 0.03                       |               | 0.03                     |               |
| Loss (gain) on sale of real estate                                 |                            | (0.02)        |                          | (0.01)        |
| Funds from operations  | \$ 0.10                    | \$ 0.22       | \$ 0.23                  | \$ 0.47       |
| Write-off of straight line rent                                    |                            |               | 0.01                     |               |
| Loan and other impairment charge                                   | 0.14                       |               | 0.26                     |               |
| Debt refinancing costs   |                            |               |                          |               |
| Acquisition costs  | 0.02                       | 0.02          | 0.02                     | 0.01          |
| Normalized funds from operations                                   | \$ 0.26                    | \$ 0.24       | \$ 0.52                  | \$ 0.48       |

**Disclosure of Contractual Obligations**

The following table summarizes known material contractual obligations (including interest) as of June 30, 2014, excluding the impact of subsequent events (amounts in thousands):

| <b>Contractual Obligations</b>             | <b>Less Than<br/>1 Year</b> | <b>1-3 Years</b>  | <b>3-5 Years</b>  | <b>After<br/>5 Years</b> | <b>Total</b>        |
|--|-----------------------------|-------------------|-------------------|--------------------------|---------------------|
| 2006 Senior Unsecured Notes(1)             | \$ 6,985                    | \$ 134,555        | \$                | \$                       | \$ 141,540          |
| 2011, 2012 and 2014 Senior Unsecured Notes | 70,392                      | 139,500           | 139,500           | 1,311,313                | 1,660,705           |
| 2013 Senior Unsecured Notes(5)             | 15,746                      | 31,492            | 31,492            | 297,459                  | 376,189             |
| Revolving credit facility(2)               | 2,625                       | 5,250             | 2,625             |                          | 10,500              |
| Term loans                                 | 3,809                       | 7,625             | 143,684           |                          | 155,118             |
| Operating lease commitments(3)             | 2,731                       | 5,535             | 5,349             | 42,029                   | 55,644              |
| Purchase obligations(4)                    | 70,834                      |                   |                   |                          | 70,834              |
| <b>Totals</b>                              | <b>\$ 173,122</b>           | <b>\$ 323,957</b> | <b>\$ 322,650</b> | <b>\$ 1,650,801</b>      | <b>\$ 2,470,530</b> |



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- (1) The interest rates on these notes are currently variable rates, but we entered into interest rate swaps to fix these interest rates until maturity. For \$65 million of our \$125 million senior notes, the rate is 5.507% and for \$60 million of our \$125 million senior notes the rate is 5.675%. See Note 4 to our Condensed Consolidated Financial Statements in Item 1 to this Form 10-Q for further information.
- (2) As of June 19, 2014, we have a new \$775 million revolving credit facility that replaced our previous \$400 million facility. However, this table assumes balance and rate in effect at June 30, 2014 (which was \$ million as of June 30, 2014) remains in effect through maturity. This also reflects unused credit facility fees assuming balance remains in effect through maturity.
- (3) Most of our contractual obligations to make operating lease payments are related to ground leases for which we are reimbursed by our tenants along with corporate office and equipment leases.
- (4) Includes approximately \$68.9 million of future expenditures related to development projects.
- (5) Our 2013 Senior Unsecured Notes are Euro-denominated. We used the exchange rate at June 30, 2014, (or 1.37) in preparing this table.

**LIQUIDITY AND CAPITAL RESOURCES**

*2014 Cash Flow Activity*

During the six months ended June 30, 2014, we generated \$50.3 million of cash flow 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 \$71.8 million and certain investing activities including the additional funding of our development activities.

In regards to other financing activities in which we used such net proceeds to ultimately fund our \$115 million property acquisition on March 31, 2014, to fund other investment activities, and to pay down our revolving credit facility, we did the following:

- a) On March 11, 2014, we completed an underwritten public offering of 7.7 million shares of our common stock, resulting in net proceeds of approximately \$100.2 million, after deducting estimated offering expenses. We also granted the underwriters a 30-day option to purchase up to an additional 1.2 million shares of common stock. The option, which was exercised in full, closed on April 8, 2014 and resulted in additional net proceeds of approximately \$16 million.
- b) On April 17, 2014, we completed a \$300 million senior unsecured notes offering.
- c) On June 19, 2014, we closed on a new \$900 million senior unsecured credit facility (the Credit Facility). The Credit Facility is comprised of a \$775 million senior unsecured revolving credit facility and a \$125 million senior unsecured term loan facility. The Credit Facility replaces our previous \$400 million unsecured revolving credit facility and \$100 million unsecured term loan.

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*2013 Cash Flow Activity*

During the first six months of 2013, operating cash flows, which primarily consisted of rent and interest from mortgage and other loans, were \$56.2 million, which with cash on-hand, were principally used to fund our dividends of \$57.8 million.

On February 28, 2013, we completed an offering of 12.7 million shares of our common stock (including 1.7 million shares sold pursuant to the exercise in full of the underwriters' option to purchase additional shares) at a price of \$14.25 per share, resulting in net proceeds (after underwriting discount and expenses) of \$172.9 million. Proceeds from this offering and property sales were used to pay down \$85 million on our revolving credit facility and fund our investing activities including our acquisitions and development activities.

*Short-term Liquidity Requirements:* As of June 30, 2014, we have less than \$0.2 million in debt principal payments due in 2014 – see debt maturity schedule below. At August 6, 2014, our availability under our revolving credit facility plus cash on-hand (including the proceeds received from the sale of our Bucks facility) approximated \$950 million. In addition, we established an at-the-market equity offering program in January 2014 under which we may sell up to \$250 million in shares (of which \$12.5 million has been sold through August 6, 2014) which may be used for general corporate purposes as needed. We believe that the liquidity available to us, our current monthly cash receipts from rent and loan interest, and the availability under our at-the-market equity offering program is sufficient to fund our operations, debt and interest obligations, our firm commitments (including capital expenditures, if any, and expected funding requirements on our development projects), dividends in order to comply with REIT requirements, and our current investment strategies for the next twelve months.

*Long-term Liquidity Requirements:* As of June 30, 2014, we have less than \$0.5 million in debt principal payments due between now and July 2016. With our liquidity at August 6, 2014 of approximately \$950 million along with our current monthly cash receipts from rent and loan interest and with the availability under our at-the-market equity offering 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 capital expenditures, if any, and expected funding requirements on our development projects) for the next several years. We also believe such liquidity is sufficient to cover our current investment goals.

However, if such liquidity is not enough or if we engage in acquisitions at levels significantly greater than our current plan, we may need additional capital, which we believe is currently available in the market such as the following:

amending or entering into new bank term loans,

issuance of new debt securities, including senior unsecured notes,

sale of equity securities,

entering into joint venture arrangements, and/or

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proceeds from strategic property sales,  
However, there is no assurance that conditions will remain favorable for such possible transactions or that our plans will be successful.

As of June 30, 2014, principal payments due for our debt (which exclude the effects of any premiums recorded) are as follows (in thousands):

|            |    |           |
|------------|----|-----------|
| 2014       | \$ | 134       |
| 2015       |    | 283       |
| 2016       |    | 125,298   |
| 2017       |    | 320       |
| 2018       |    | 12,781    |
| Thereafter |    | 1,498,840 |
| Total      | \$ | 1,637,656 |

**Table of Contents****Distribution Policy**

The table below is a summary of our distributions declared during the two year period ended June 30, 2014:

| <b>Declaration Date</b> | <b>Record Date</b> | <b>Date of Distribution</b> | <b>Distribution per Share</b> |
|-------------------------|--------------------|-----------------------------|-------------------------------|
| May 15, 2014            | June 12, 2014      | July 10, 2014               | \$ 0.21                       |
| February 21, 2014       | March 14, 2014     | April 11, 2014              | \$ 0.21                       |
| November 7, 2013        | December 3, 2013   | January 7, 2014             | \$ 0.21                       |
| August 15, 2013         | September 12, 2013 | October 10, 2013            | \$ 0.20                       |
| May 23, 2013            | June 13, 2013      | July 11, 2013               | \$ 0.20                       |
| February 14, 2013       | March 14, 2013     | April 11, 2013              | \$ 0.20                       |
| October 30, 2012        | November 23, 2012  | January 5, 2013             | \$ 0.20                       |
| August 16, 2012         | September 13, 2012 | October 11, 2012            | \$ 0.20                       |

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. See Note 4 to our condensed consolidated financial statements in Item 1 to this Form 10-Q for any restrictions placed on dividends by our new credit facility.

**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 exposure. 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.

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, 2014, our outstanding debt totaled \$1.6 billion, which consisted of fixed-rate debt of \$1.5 billion (including \$125.0 million of floating debt swapped to fixed) and variable rate debt of \$125.0 million. If market interest rates increase by one percentage point, the fair value of our fixed rate debt at June 30, 2014 would decrease by \$8.2 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 \$1.3 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 \$1.3 million per year. This assumes that the average amount outstanding under our variable rate debt for a year is \$125 million, the balance of such variable rate debt at June 30, 2014.

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***Foreign Currency Sensitivity***

With our acquisition of the properties in Germany in 2013, we are subject to fluctuations in U.S. and Euro currency exchange rates that may, from time to time, affect our financial condition and results of operations. Increases or decreases in the value of the Euro relative to the US dollar may impact the amount of net income we report. Based solely on operating results for the first six month of 2014 and on an annualized basis, if the Euro exchange rate were to change by 1%, our net income would change by less than \$0.1 million.

**Item 4. Controls and Procedures.**

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 timely alerting them to material information required to be disclosed by us in the reports that we file with the SEC.

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.**

None.

**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, 2013.

**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.

**Table of Contents****Item 5. Other Information.**

(a) None.

(b) None.

**Item 6. Exhibits.**

| <b>Exhibit</b> | <b>Description</b>   |
|----------------|--|
| <b>Number</b>  | <b>Description</b>   |
| 4.1(1)         | Fifth Supplemental Indenture, dated April 17, 2014, to Indenture dated October 10, 2013, among the Company, the Operating Partnership, MPT Finance, the Subsidiary Guarantors and Wilmington Trust, National Association, as Trustee.  |
| 4.2            | Sixth Supplemental Indenture, dated June 30, 2014, to Indenture dated October 10, 2013, among the Company, the Operating Partnership, MPT Finance, the Subsidiary Guarantors and Wilmington Trust, National Association, as Trustee.   |
| 4.3            | Twelfth Supplemental Indenture, dated June 30, 2014, to Indenture dated February 17, 2012, among the Company, the Operating Partnership, MPT Finance, the Subsidiary Guarantors and Wilmington Trust, National Association, as Trustee.  |
| 4.4            | Fifteenth Supplemental Indenture, dated June 30, 2014, to Indenture dated April 26, 2011, among the Company, the Operating Partnership, MPT Finance, the Subsidiary Guarantors and Wilmington Trust, National Association, as Trustee.   |
| 10.1(2)        | Amended and Restated Revolving Credit and Term Loan Agreement, dated as of June 19, 2014, among Medical Properties Trust, Inc., MPT Operating Partnership, L.P., the several lenders from time to time party thereto, Bank of America, N.A., as syndication agent, and JPMorgan Chase Bank, N.A., as administrative agent. |
| 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           |  |



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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 |

- (1) Incorporated by reference to Medical Properties Trust, Inc.'s Current Report on Form 8-K filed with the Commission on April 23, 2014.
- (2) Incorporated by reference to Medical Properties Trust, Inc.'s Current Report on Form 8-K filed with the Commission on June 25, 2014.

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**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/ R. Steven Hamner  
R. Steven Hamner  
Executive Vice President and Chief Financial Officer

(Principal Financial and Accounting Officer)

**MPT OPERATING PARTNERSHIP, L.P.**

By: /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.

(Principal Financial and Accounting Officer)

Date: August 11, 2014

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## INDEX TO EXHIBITS

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