



HCP Announces Results for the Quarter Ended March 31, 2017

FIRST QUARTER 2017 AND RECENT HIGHLIGHTS

- EPS, FFO and FFO as adjusted per share, were \$0.97, \$0.61 and \$0.51, respectively
- Year-over-year three-month SPP Cash NOI growth of 4.0%
- Completed the previously announced sale of 64 triple-net assets leased to Brookdale Senior Living, Inc. ("Brookdale") and the sale and related financing of a 40% interest in our RIDEA II senior housing joint venture generating combined proceeds of \$1.6 billion
- Repaid \$1.1 billion of our debt during the quarter and remain on track to meet our previously disclosed balance sheet targets
- Sold our debt investments in Four Seasons generating proceeds of \$136 million
- Signed a 67,000 square foot lease at Phase I of The Cove life science development in South San Francisco, CA, bringing Phases I and II to 100% leased
- Peter Scott joined HCP as EVP and Chief Financial Officer
- Announced Justin Hutchens to leave the company to become CEO of U.K.-based operator HC-One
- Reaffirmed full-year 2017 FFO as adjusted and SPP Cash NOI guidance ranges

IRVINE, CA, May 2, 2017 /PRNewswire/ – HCP (NYSE:HCP) announced results for the quarter ended March 31, 2017.

| | Three Months Ended March 31, 2017 | | Three Months Ended March 31, 2016 | | Per Share Change |
|---|--------------------------------------|-----------|--------------------------------------|-----------|---------------------|
| | Amount | Per Share | Amount | Per Share | |
| <i>(in thousands, except per share amounts)</i> | | | | | |
| Net income | \$ 460,375 | \$ 0.97 | \$ 115,762 | \$ 0.25 | \$ 0.72 |
| FFO | \$ 288,249 | \$ 0.61 | \$ 319,266 | \$ 0.68 | \$ (0.07) |
| Other impairment recovery ⁽¹⁾ | (50,895) | (0.10) | — | — | (0.10) |
| Transaction-related items | 1,057 | — | 2,518 | 0.01 | (0.01) |
| Other ⁽²⁾ | 1,761 | — | — | — | — |
| FFO as adjusted | \$ 240,172 | \$ 0.51 | \$ 321,784 | \$ 0.69 | \$ (0.18) |
| FFO as adjusted from QCP | — | — | (98,207) | (0.21) | 0.21 |
| Comparable FFO as adjusted ⁽³⁾ | \$ 240,172 | \$ 0.51 | \$ 223,577 | \$ 0.48 | \$ 0.03 |
| FAD | \$ 218,555 | | \$ 309,038 | | |

(1) Relates to the sale of our Four Seasons senior notes ("Four Seasons Notes").

(2) Includes: (i) \$1.8 million of litigation provision and (ii) \$0.1 million of foreign currency remeasurement gains.

(3) Represents FFO as adjusted excluding FFO as adjusted from Quality Care Properties, Inc. ("QCP") and interest expense related to debt repaid using proceeds from the spin-off, assuming these transactions occurred at the beginning of the earliest period presented. Comparable FFO as adjusted allows management to evaluate the performance of our remaining real estate portfolio following the completion of the QCP spin-off.

In addition to the items discussed above, first quarter 2017 net income included net gain on sales of real estate of \$0.67 per share.

FFO, FFO as adjusted, FAD, Comparable FFO as adjusted, SPP Cash NOI and SPP NOI are supplemental non-GAAP financial measures that we believe are useful in evaluating the operating performance of real estate investment trusts. See "Discussion and Reconciliation of Non-GAAP Financial Measures" for the quarter ended March 31, 2017 for definitions, discussions of their uses and inherent limitations, and reconciliations to the most directly comparable financial measures calculated and presented in accordance with GAAP on the Investor Relations section of our website at <http://ir.hcpi.com/financial-reconciliation>.

SAME PROPERTY PORTFOLIO OPERATING SUMMARY

The table below outlines the three-month same-property portfolio operating results for the first quarter:

| | Year-Over-Year | | | |
|--|----------------|-------|-------------|-------------|
| | Occupancy | | SPP Growth | |
| | 1Q17 | 1Q16 | NOI | Cash NOI |
| Senior housing triple-net ("SH NNN") | 86.5% | 87.0% | 0.7% | 5.1% |
| Senior housing operating ("SHOP") | 88.1% | 89.4% | 2.9% | 2.9% |
| Life science | 97.3% | 97.8% | 4.0% | 4.7% |
| Medical office | 92.3% | 92.0% | 3.2% | 4.4% |
| Other non-reportable segments ("Other") ⁽¹⁾ | N/A | N/A | 2.1% | 0.5% |
| Total Portfolio | | | 2.6% | 4.0% |

(1) Other primarily includes our hospitals and U.K. real estate investments. See our Supplemental Report for additional details.

BROOKDALE TRANSACTIONS, FOUR SEASONS DEBT INVESTMENT SALE, AND OTHER DISPOSITIONS

BROOKDALE ASSET SALES & TRANSITIONS

On March 29, 2017, we completed the sale of a portfolio of 64 triple-net assets leased to Brookdale at the previously announced aggregate sales price of \$1.125 billion. Proceeds from the transaction were used to repay debt and for general corporate purposes.

In January, we completed the previously announced sale of a 40% interest in our RIDEA II senior housing joint venture and the related financing of the venture, generating \$480 million of proceeds, which were used to pay down our revolving credit facility.

We continue to market an additional 25 communities triple-net leased to Brookdale and expect to sell or transition these assets during the remainder of 2017.

Combined, these transactions reduce Brookdale concentration while improving lease coverage and strengthening our balance sheet and credit profile.

FOUR SEASONS DEBT INVESTMENT SALE

In March, we sold our Four Seasons Notes for £83 million (\$101 million), which generated a £42 million (\$51 million) recovery of impairment as the sales price was above the carrying value of £41 million (\$50 million).

In March, we also sold our Four Seasons senior secured term loan at its par value plus accrued interest for £29 million (\$35 million).

Combined, the two dispositions generated cash proceeds of £112 million (\$136 million) which were used to repay GBP-denominated debt.

OTHER DISPOSITIONS

During the first quarter, we completed \$121 million of additional dispositions. Significant transactions in the quarter included:

- As previously disclosed, in January 2017, we sold four life science facilities in Salt Lake City, Utah for \$76 million to the current tenant.

- In March, we sold a hospital in Palm Beach Gardens, Florida for \$43 million to the current tenant.
- Subsequent to the first quarter, we sold a land parcel in San Diego, California for \$27 million.

THE COVE AT OYSTER POINT

During the first quarter, we signed a 10-year lease with Global Blood Therapeutics, Inc., a biotechnology company, for 67,000 square feet at Phase I of The Cove. The lease is projected to commence in December 2017 and brings Phases I and II of The Cove to 100% leased.

Construction has commenced on the \$211 million development of Phase III of The Cove, which adds two Class A buildings representing up to 336,000 square feet, with an expected delivery by the fourth quarter of 2018. Visit our website for additional information, including a link to view our development progress at The Cove, at www.hcpi.com/portfolio-diversification/life-science.

BALANCE SHEET

We repaid \$1.1 billion of debt during the first quarter using proceeds generated from the Brookdale transactions and other dispositions. We remain on track with our previously disclosed deleveraging plan and continue to target net debt to EBITDA in the low-to-mid six-times range with a target financial leverage in the 43% to 44% range by the end of 2017.

As of March 31, 2017, we had \$2.3 billion of liquidity from a combination of cash and availability under our \$2.0 billion credit facility.

We repaid \$131 million on our credit facility in early April and \$250 million of senior notes on May 1. We currently have no major senior note or secured debt maturities until early 2019.

EXECUTIVE LEADERSHIP

In February, Peter Scott joined the company as Executive Vice President and Chief Financial Officer. Mr. Scott joined HCP following a 15-year career in real estate investment banking.

On April 3, 2017, we announced that our President, Justin Hutchens, will leave HCP to become the Chief Executive Officer of HC-One, one of the largest care home providers in the United Kingdom. Mr. Hutchens will remain in his current role at HCP through June 1st to ensure a smooth transition of his duties. We have initiated the process of recruiting a new Chief Investment Officer.

DIVIDEND

On April 27, 2017, our Board declared a quarterly cash dividend of \$0.37 per common share. The dividend will be paid on May 23, 2017 to stockholders of record as of the close of business on May 8, 2017.

SUSTAINABILITY

In April, we published our 6th annual Corporate Sustainability Report highlighting the environmental, social, and governance aspects of our operations. More information about HCP's sustainability efforts can be found on our website at www.hcpi.com/sustainability.

OUTLOOK

For full year 2017, we expect: EPS to range between \$1.43 and \$1.49; FFO per share to range between \$1.99 and \$2.05; and FFO as adjusted per share to range between \$1.89 and \$1.95. In addition, we expect 2017 SPP Cash NOI to increase between 2.5% and 3.5%. These estimates do not reflect the potential impact from unannounced future transactions other than capital recycling activities. For additional detail and information regarding these estimates, refer to the "Projected SPP Cash NOI" section of this release, and the 2017 Guidance section of our corresponding Supplemental Report, available in the Investor Relations section of our website at <http://ir.hcpi.com>.

| | Projected Full Year 2017 SPP NOI | | Projected Full Year 2017 SPP Cash NOI | |
|---------------------------|-------------------------------------|-------------|--|-------------|
| | Low | High | Low | High |
| Senior housing triple-net | 1.1% | 2.1% | 3.9% | 4.9% |
| Senior housing operating | 2.0% | 3.0% | 2.0% | 3.0% |
| Life science | 0.4% | 1.4% | 2.5% | 3.5% |
| Medical office | 1.3% | 2.3% | 2.0% | 3.0% |
| Other ⁽¹⁾ | 1.8% | 2.8% | 0.8% | 1.8% |
| SPP growth | 1.2% | 2.2% | 2.5% | 3.5% |

(1) Other primarily includes our hospitals and U.K. real estate investments. See our Supplemental Report for additional details.

COMPANY INFORMATION

HCP has scheduled a conference call and webcast for Tuesday, May 2, 2017 at 9:00 a.m. Pacific Time (12:00 p.m. Eastern Time) to present its performance and operating results for the quarter ended March 31, 2017. The conference call is accessible by dialing (888) 317-6003 (U.S.) or (412) 317-6061 (International). The conference ID number is 6517031. You may also access the conference call via webcast at www.hcpi.com. This link can be found in the “News and Events” section, which is under “Investor Relations”. Through May 17, 2017, an archive of the webcast will be available on our website, and a telephonic replay can be accessed by dialing (877) 344-7529 (U.S.) or (412) 317-0088 (International) and entering conference ID number 10104309. Our Supplemental Report for the current period is available, with this earnings release, on our website in the “Financial Information” section under “Investor Relations”.

ABOUT HCP

HCP, Inc. is a fully integrated real estate investment trust (REIT) that invests primarily in real estate serving the healthcare industry in the United States. HCP owns a large-scale portfolio diversified across multiple sectors, led by senior housing, life science and medical office. Recognized as a global leader in sustainability, HCP has been a publicly-traded company since 1985 and was the first healthcare REIT selected to the S&P 500 index. For more information regarding HCP, visit www.hcpi.com.

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FORWARD-LOOKING STATEMENTS

“Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995: The statements contained in this release which are not historical facts are 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. These statements include, among other things, (i) all statements under the heading “Outlook,” including without limitation with respect to expected EPS, FFO per share, FFO as adjusted per share, Comparable FFO per share, SPP NOI, SPP Cash NOI and other financial projections and assumptions, including those in the “Projected SPP NOI and Cash NOI” sections of this release, as well as comparable statements included in other sections of this release; (ii) statements regarding the payment of a quarterly cash dividend; and (iii) statements regarding timing, outcomes and other details relating to current, pending or contemplated acquisitions, dispositions, developments, joint venture transactions, capital recycling and financing activities, and other transactions discussed in this release, including without limitation those described under the heading “The Cove at Oyster Point.” These statements are made as of the date hereof, are not guarantees of future performance and are subject to known and unknown risks, uncertainties, assumptions and other factors—many of which are out of our and our management’s control and difficult to forecast—that could cause actual results to differ materially from those set forth in or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to: our reliance on a concentration of a small number of tenants and operators for a significant percentage of our revenues, with our concentration in Brookdale increasing as a result of the consummation of the spin-off of QCP on October 31, 2016; the financial condition of our existing and future tenants, operators and borrowers, including potential bankruptcies and downturns in their businesses, and their legal and regulatory proceedings, which results in uncertainties regarding our ability to continue to realize the full benefit of such tenants’ and operators’ leases and borrowers’ loans; the ability of our existing and future tenants, operators and borrowers to conduct their respective businesses in a manner sufficient to maintain or increase their revenues and to generate sufficient income to make rent and loan payments to us and our ability to recover investments made, if applicable, in their operations; competition for tenants and operators, including with respect to new leases and mortgages and the renewal or rollover of existing leases; our concentration in the healthcare property sector, particularly in life sciences, medical office buildings and hospitals, which makes our profitability more vulnerable to a downturn in a specific sector than if we were investing in multiple industries; availability of suitable properties to acquire at favorable prices, the competition for the acquisition and financing of those properties, and the costs of associated property development; our ability to negotiate the same or better terms with new tenants or operators if existing leases are not renewed or we exercise our right to foreclose on loan collateral or replace an existing tenant or operator upon default; the risks associated with our investments in joint ventures and unconsolidated entities, including our lack of sole decision making authority and our reliance on our partners’ financial condition and continued cooperation; our ability to achieve the benefits of acquisitions and other investments, including those discussed above, within expected time frames or at all, or within expected cost projections; operational risks associated with third party management contracts, including the additional regulation and liabilities of our RIDEA lease structures; the potential impact on us and our tenants, operators and borrowers from current and future litigation matters, including the possibility of larger than expected litigation costs, adverse results and related developments; the effect on our tenants and operators of legislation, executive orders and other legal requirements, including the Affordable Care Act and licensure, certification and inspection requirements, as well as laws addressing entitlement programs and related services, including Medicare and Medicaid, which may result in future reductions in reimbursements; changes in federal, state or local laws and regulations, including those affecting the healthcare industry that affect our costs of compliance or increase the costs, or otherwise affect the operations, of our tenants and operators; volatility or uncertainty in the capital markets, the availability and cost of capital as impacted by interest rates, changes in our credit ratings, and the value of our common stock, and other conditions that may adversely impact our ability to fund our obligations or consummate transactions, or reduce the earnings from potential transactions; changes in global, national and local economic or other conditions, including currency exchange rates; our ability to manage our indebtedness level and changes in the terms of such indebtedness; competition for skilled management and other key personnel; the ability to maintain our qualification as a real estate investment trust; and other risks and uncertainties described from time to time in our Securities and Exchange Commission filings. You should not place undue reliance on any forward-looking statements. We assume no, and hereby disclaim any, obligation to update any of the foregoing or any other forward-looking statements as a result of new information or new or future developments, except as otherwise required by law.

CONTACT

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Vice President – Finance and Investor Relations
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HCP, Inc.

Consolidated Balance Sheets

In thousands, except share and per share data
(unaudited)

| | March 31, 2017 | December 31, 2016 |
|--|----------------------|----------------------|
| Assets | | |
| Real estate: | | |
| Buildings and improvements | \$ 11,008,771 | \$ 11,692,654 |
| Development costs and construction in progress | 430,007 | 400,619 |
| Land | 1,772,174 | 1,881,487 |
| Accumulated depreciation and amortization | <u>(2,577,248)</u> | <u>(2,648,930)</u> |
| Net real estate | 10,633,704 | 11,325,830 |
| Net investment in direct financing leases ("DFLs") | 712,540 | 752,589 |
| Loans receivable, net | 788,486 | 807,954 |
| Investments in and advances to unconsolidated joint ventures | 827,202 | 571,491 |
| Accounts receivable, net of allowance of \$3,941 and \$4,459, respectively | 31,500 | 45,116 |
| Cash and cash equivalents | 764,114 | 94,730 |
| Restricted cash | 60,806 | 42,260 |
| Intangible assets, net | 432,109 | 479,805 |
| Assets held for sale, net | — | 927,866 |
| Other assets, net | <u>605,407</u> | <u>711,624</u> |
| Total assets | <u>\$ 14,855,868</u> | <u>\$ 15,759,265</u> |
| Liabilities and equity | | |
| Bank line of credit | \$ 492,421 | \$ 899,718 |
| Term loans | 274,103 | 440,062 |
| Senior unsecured notes | 7,136,336 | 7,133,538 |
| Mortgage debt | 147,329 | 623,792 |
| Other debt | 91,263 | 92,385 |
| Intangible liabilities, net | 54,472 | 58,145 |
| Liabilities of assets held for sale, net | — | 3,776 |
| Accounts payable and accrued liabilities | 344,908 | 417,360 |
| Deferred revenue | <u>141,561</u> | <u>149,181</u> |
| Total liabilities | <u>8,682,393</u> | <u>9,817,957</u> |
| Common stock, \$1.00 par value: 750,000,000 shares authorized; 468,446,208 and 468,081,489 shares issued and outstanding, respectively | 468,446 | 468,081 |
| Additional paid-in capital | 8,203,778 | 8,198,890 |
| Cumulative dividends in excess of earnings | (2,802,218) | (3,089,734) |
| Accumulated other comprehensive loss | <u>(28,658)</u> | <u>(29,642)</u> |
| Total stockholders' equity | <u>5,841,348</u> | <u>5,547,595</u> |
| Joint venture partners | 154,161 | 214,377 |
| Non-managing member unitholders | <u>177,966</u> | <u>179,336</u> |
| Total noncontrolling interests | <u>332,127</u> | <u>393,713</u> |
| Total equity | <u>6,173,475</u> | <u>5,941,308</u> |
| Total liabilities and equity | <u>\$ 14,855,868</u> | <u>\$ 15,759,265</u> |

HCP, Inc.
Consolidated Statements of Operations
In thousands, except per share data
(unaudited)

| | Three Months Ended March 31, | |
|---|---------------------------------|------------|
| | 2017 | 2016 |
| Revenues: | | |
| Rental and related revenues | \$ 286,218 | \$ 290,380 |
| Tenant recoveries | 33,675 | 31,375 |
| Resident fees and services | 140,232 | 165,763 |
| Income from direct financing leases | 13,712 | 14,910 |
| Interest income | 18,331 | 18,029 |
| Total revenues | 492,168 | 520,457 |
| Costs and expenses: | | |
| Interest expense | 86,718 | 122,062 |
| Depreciation and amortization | 136,554 | 139,855 |
| Operating | 159,081 | 175,957 |
| General and administrative | 22,478 | 25,451 |
| Acquisition and pursuit costs | 1,057 | 2,475 |
| Total costs and expenses | 405,888 | 465,800 |
| Other income (expense): | | |
| Gain on sales of real estate, net | 317,258 | — |
| Other income, net | 51,208 | 1,292 |
| Total other income, net | 368,466 | 1,292 |
| Income before income taxes and equity income (loss) from unconsolidated joint ventures | 454,746 | 55,949 |
| Income tax benefit (expense) | 6,162 | (3,704) |
| Equity income (loss) from unconsolidated joint ventures | 3,269 | (908) |
| Income from continuing operations | 464,177 | 51,337 |
| Discontinued operations: | | |
| Income before income taxes | — | 117,742 |
| Income taxes | — | (49,334) |
| Total discontinued operations | — | 68,408 |
| Net income | 464,177 | 119,745 |
| Noncontrolling interests' share in earnings | (3,032) | (3,626) |
| Net income attributable to HCP, Inc. | 461,145 | 116,119 |
| Participating securities' share in earnings | (770) | (357) |
| Net income applicable to common shares | \$ 460,375 | \$ 115,762 |
| Earnings per common share: | | |
| Basic | \$ 0.98 | \$ 0.25 |
| Diluted | \$ 0.97 | \$ 0.25 |
| Weighted average shares used to calculate earnings per common share: | | |
| Basic | 468,299 | 466,074 |
| Diluted | 475,173 | 466,262 |

HCP, Inc.
Consolidated Statements of Cash Flows
In thousands
(unaudited)

| | Three Months Ended March 31, | |
|---|---------------------------------|------------------|
| | 2017 | 2016 |
| Cash flows from operating activities: | | |
| Net income | \$ 464,177 | \$ 119,745 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization of real estate, in-place lease and other intangibles: | | |
| Continuing operations | 136,554 | 139,855 |
| Discontinued operations | — | 1,467 |
| Amortization of deferred compensation | 3,765 | 5,345 |
| Amortization of deferred financing costs | 3,858 | 5,280 |
| Straight-line rents | (5,007) | (7,576) |
| Equity (income) loss from unconsolidated joint ventures | (3,269) | 908 |
| Distributions of earnings from unconsolidated joint ventures | 7,842 | 1,589 |
| Gain on sales of real estate, net | (317,258) | — |
| Deferred income tax (benefit) expense | (8,130) | 49,156 |
| Foreign exchange and other gains, net | (77) | (89) |
| Gain on sale of marketable securities | (50,895) | — |
| Other non-cash items | (583) | (922) |
| Changes in: | | |
| Accounts receivable, net | 3,467 | 3,705 |
| Other assets, net | (2,331) | (6,847) |
| Accounts payable and accrued liabilities | (38,984) | (42,999) |
| Net cash provided by operating activities | <u>193,129</u> | <u>268,617</u> |
| Cash flows from investing activities: | | |
| Acquisitions of real estate | — | (94,271) |
| Development of real estate | (75,166) | (99,096) |
| Leasing costs and tenant and capital improvements | (22,693) | (19,964) |
| Proceeds from sales of real estate, net | 1,166,265 | — |
| Contributions to unconsolidated joint ventures | (8,109) | (10,136) |
| Distributions in excess of earnings from unconsolidated joint ventures | 870 | 5,336 |
| Net proceeds from the sale and recapitalization of RIDEA II | 480,613 | — |
| Proceeds from the sales of Four Seasons investments | 135,538 | — |
| Principal repayments on DFLs, loans receivable and other | 49,826 | 155,320 |
| Investments in loans receivable and other | (15,000) | (117,282) |
| Decrease in restricted cash | 3,073 | 14,336 |
| Net cash provided by (used in) investing activities | <u>1,715,217</u> | <u>(165,757)</u> |
| Cash flows from financing activities: | | |
| Net (repayments) borrowings under bank line of credit | (375,812) | 422,897 |
| Repayments under bank line of credit | (37,032) | — |
| Repayment of term loan | (169,113) | — |
| Repayments of senior unsecured notes | — | (500,000) |
| Repayments of mortgage and other debt | (478,314) | (36,918) |
| Issuance of common stock and exercise of options | 3,472 | 34,122 |
| Repurchase of common stock | (3,532) | (3,628) |
| Dividends paid on common stock | (173,629) | (268,186) |
| Issuance of noncontrolling interests | 650 | 2,200 |
| Distributions to noncontrolling interests | (5,659) | (4,889) |
| Net cash used in financing activities | <u>(1,238,969)</u> | <u>(354,402)</u> |
| Effect of foreign exchange on cash and cash equivalents | 7 | (293) |
| Net increase (decrease) in cash and cash equivalents | 669,384 | (251,835) |
| Cash and cash equivalents, beginning of period | 94,730 | 346,500 |
| Cash and cash equivalents, end of period | <u>\$ 764,114</u> | <u>\$ 94,665</u> |
| Less: cash and cash equivalents of discontinued operations | — | (3,578) |
| Cash and cash equivalents of continuing operations, end of period | <u>\$ 764,114</u> | <u>\$ 91,087</u> |

HCP, Inc.
Funds From Operations
In thousands, except per share data
(Unaudited)

| | Three Months Ended March 31, | |
|---|---------------------------------|-------------------|
| | 2017 | 2016 |
| Net income applicable to common shares | \$ 460,375 | \$ 115,762 |
| Depreciation and amortization | 136,554 | 141,322 |
| Other depreciation and amortization ⁽¹⁾ | 3,010 | 2,962 |
| Gain on sales of real estate, net | (317,258) | — |
| Taxes associated with real estate dispositions ⁽²⁾ | (5,499) | 53,177 |
| Equity (income) loss from unconsolidated joint ventures | (3,269) | 908 |
| FFO from unconsolidated joint ventures | 18,308 | 10,378 |
| Noncontrolling interests' and participating securities' share in earnings | 3,802 | 3,983 |
| Noncontrolling interests' and participating securities' share in FFO | (7,774) | (9,226) |
| FFO applicable to common shares | \$ 288,249 | \$ 319,266 |
| Distributions on dilutive convertible units | 2,803 | 3,583 |
| Diluted FFO applicable to common shares | \$ 291,052 | \$ 322,849 |
| Diluted FFO per common share | <u>0.61</u> | <u>0.68</u> |
| Weighted average shares used to calculate diluted FFO per share | <u>475,173</u> | <u>472,186</u> |
| Impact of adjustments to FFO: | | |
| Other impairment recovery ⁽³⁾ | \$ (50,895) | \$ — |
| Transaction-related items ⁽⁴⁾ | 1,057 | 2,518 |
| Litigation provision | 1,838 | — |
| Foreign currency remeasurement gains | (77) | — |
| | <u>\$ (48,077)</u> | <u>\$ 2,518</u> |
| FFO as adjusted applicable to common shares | <u>\$ 240,172</u> | <u>\$ 321,784</u> |
| Distributions on dilutive convertible units and other | 2,877 | 3,579 |
| Diluted FFO as adjusted applicable to common shares | \$ 243,049 | \$ 325,363 |
| Per common share impact of adjustments on diluted FFO | <u>\$ (0.10)</u> | <u>\$ 0.01</u> |
| Diluted FFO as adjusted per common share | <u>\$ 0.51</u> | <u>\$ 0.69</u> |
| Weighted average shares used to calculate diluted FFO as adjusted per share | <u>475,173</u> | <u>472,186</u> |
| FFO as adjusted from QCP | <u>\$ —</u> | <u>\$ 98,207</u> |
| Diluted Comparable FFO as adjusted applicable to common shares⁽⁵⁾ | \$ 243,049 | \$ 227,156 |
| FFO as adjusted from QCP per common share | <u>\$ —</u> | <u>\$ 0.21</u> |
| Diluted Comparable FFO as adjusted per common share | \$ 0.51 | \$ 0.48 |

- (1) Other depreciation and amortization includes DFL depreciation and lease incentive amortization (reduction of straight-line rents) for the consideration given to terminate the 30 purchase options on the 153-property amended lease portfolio in the 2014 Brookdale transaction.
- (2) For the three months ended March 31, 31 2017, represents income tax benefit associated with the disposition of real estate assets in our RIDEA II transaction. For the three months ended March 31, 2016, represents income tax expense associated with state built-in gain tax payable upon the disposition of specific real estate assets, of which \$49 million relates to the HCR ManorCare, Inc. real estate portfolio.
- (3) Relates to the sale of our Four Seasons Notes.
- (4) On January 1, 2017, we early adopted the FASB ASU No. 2017-01, *Clarifying the Definition of a Business*, which prospectively results in recognizing the majority of our real estate acquisitions as asset acquisitions rather than business combinations. Acquisition and pursuit costs relating to completed asset acquisitions are capitalized, including those costs incurred prior to January 1, 2017. Real estate acquisitions completed prior to January 1, 2017 were deemed business combinations and the related acquisition and pursuit costs were expense as incurred.
- (5) Represents FFO as adjusted excluding FFO as adjusted from QCP and interest expense related to debt repaid using proceeds from the spin-off, assuming these transactions occurred at the beginning of the earliest period presented. Comparable FFO as adjusted allows management to evaluate the performance of our remaining real estate portfolio following the completion of the QCP spin-off.

HCP, Inc.
Funds Available for Distribution
In thousands
(Unaudited)

| | Three Months Ended March 31, | |
|--|---------------------------------|------------|
| | 2017 | 2016 |
| FFO as adjusted applicable to common shares | \$ 240,172 | \$ 321,784 |
| Amortization of deferred compensation | 3,765 | 5,345 |
| Amortization of deferred financing costs | 3,858 | 5,280 |
| Straight-line rents | (5,007) | (7,576) |
| Other depreciation and amortization | (3,010) | (2,962) |
| Leasing costs and tenant and capital improvements ⁽¹⁾ | (23,287) | (20,482) |
| Lease restructure payments | 540 | 6,294 |
| CCRC entrance fees ⁽²⁾ | 3,649 | 5,502 |
| Deferred income taxes | (2,374) | (2,942) |
| Other FAD adjustments | 249 | (1,205) |
| FAD applicable to common shares | \$ 218,555 | \$ 309,038 |
| Distributions on dilutive convertible units | 2,803 | 3,583 |
| Diluted FAD applicable to common shares | \$ 221,358 | \$ 312,621 |

(1) Includes our share of leasing costs and tenant and capital improvements from unconsolidated joint ventures.

(2) Represents our 49% share of non-refundable entrance fees as the fees are collected by our CCRC JV, net of CCRC JV entrance fee amortization.

HCP, Inc.
Projected SPP NOI and Cash NOI⁽¹⁾
Dollars in thousands
(Unaudited)

For the projected full year 2017 (low):

| | SH NNN | SHOP | Life Science | Medical Office | Other | Total |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Cash NOI | \$ 322,500 | \$ 259,600 | \$ 275,000 | \$ 290,200 | \$ 114,200 | \$ 1,261,500 |
| Interest income | — | — | — | — | 47,800 | 47,800 |
| Cash NOI plus interest income | 322,500 | 259,600 | 275,000 | 290,200 | 162,000 | 1,309,300 |
| Interest income | — | — | — | — | (47,800) | (47,800) |
| Adjustments to cash NOI ⁽²⁾ | 400 | (18,200) | (400) | 4,100 | 4,200 | (9,900) |
| NOI | 322,900 | 241,400 | 274,600 | 294,300 | 118,400 | 1,251,600 |
| Non-SPP NOI | (39,700) | (49,050) | (35,400) | (41,500) | (8,600) | (174,250) |
| SPP NOI | 283,200 | 192,350 | 239,200 | 252,800 | 109,800 | 1,077,350 |
| Adjustments to SPP NOI ⁽²⁾ | 5,600 | — | 5,100 | 1,200 | (4,100) | 7,800 |
| SPP cash NOI | \$ 288,800 | \$ 192,350 | \$ 244,300 | \$ 254,000 | \$ 105,700 | 1,085,150 |
| Addback adjustments ⁽³⁾ | | | | | | 166,450 |
| Other income and expenses ⁽⁴⁾ | | | | | | 377,400 |
| Costs and expenses ⁽⁵⁾ | | | | | | (947,700) |
| Net income | | | | | | \$ 681,300 |

For the projected full year 2017 (high):

| | SH NNN | SHOP | Life Science | Medical Office | Other | Total |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Cash NOI | \$ 326,600 | \$ 262,300 | \$ 277,900 | \$ 292,900 | \$ 115,400 | \$ 1,275,100 |
| Interest income | — | — | — | — | 48,700 | 48,700 |
| Cash NOI plus interest income | 326,600 | 262,300 | 277,900 | 292,900 | 164,100 | 1,323,800 |
| Interest income | — | — | — | — | (48,700) | (48,700) |
| Adjustments to cash NOI ⁽²⁾ | 500 | (18,400) | (400) | 4,100 | 4,200 | (10,000) |
| NOI | 327,100 | 243,900 | 277,500 | 297,000 | 119,600 | 1,265,100 |
| Non-SPP NOI | (41,100) | (49,700) | (35,900) | (41,700) | (8,700) | (177,100) |
| SPP NOI | 286,000 | 194,200 | 241,600 | 255,300 | 110,900 | 1,088,000 |
| Adjustments to SPP NOI ⁽²⁾ | 5,600 | — | 5,100 | 1,200 | (4,150) | 7,750 |
| SPP cash NOI | \$ 291,600 | \$ 194,200 | \$ 246,700 | \$ 256,500 | \$ 106,750 | 1,095,750 |
| Addback adjustments ⁽³⁾ | | | | | | 169,350 |
| Other income and expenses ⁽⁴⁾ | | | | | | 384,900 |
| Costs and expenses ⁽⁵⁾ | | | | | | (940,200) |
| Net income | | | | | | \$ 709,800 |

For the year ended December 31, 2016:

| | SH NNN | SHOP | Life Science | Medical Office | Other | Total |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Cash NOI | \$ 408,842 | \$ 263,828 | \$ 289,051 | \$ 270,437 | \$ 119,629 | \$ 1,351,787 |
| Interest income | — | — | — | — | 88,808 | 88,808 |
| Cash NOI plus interest income | 408,842 | 263,828 | 289,051 | 270,437 | 208,437 | 1,440,595 |
| Interest income | — | — | — | — | (88,808) | (88,808) |
| Adjustments to cash NOI ⁽²⁾ | 7,566 | (20,076) | 3,006 | 3,557 | 3,016 | (2,931) |
| NOI | 416,408 | 243,752 | 292,057 | 273,994 | 122,645 | 1,348,856 |
| Non-SPP NOI | (136,315) | (55,213) | (53,805) | (24,404) | (14,759) | (284,496) |
| SPP NOI | 280,093 | 188,539 | 238,252 | 249,590 | 107,886 | 1,064,360 |
| Adjustments to SPP NOI ⁽²⁾ | (2,107) | — | 114 | (547) | (2,977) | (5,517) |
| SPP cash NOI | \$ 277,986 | \$ 188,539 | \$ 238,366 | \$ 249,043 | \$ 104,909 | 1,058,843 |
| Addback adjustments ⁽³⁾ | | | | | | 290,013 |
| Other income and expenses ⁽⁴⁾ | | | | | | 217,278 |
| Costs and expenses ⁽⁵⁾ | | | | | | (1,191,963) |
| Discontinued operations | | | | | | 265,755 |
| Net income | | | | | | \$ 639,926 |

Projected SPP NOI change for the full year 2017:

| | <u>Senior Housing Triple-net</u> | <u>SHOP</u> | <u>Life Science</u> | <u>Medical Office</u> | <u>Other</u> | <u>Total</u> |
|------|--------------------------------------|-------------|---------------------|---------------------------|--------------|--------------|
| Low | 1.1% | 2.0% | 0.4% | 1.3% | 1.8% | 1.2% |
| High | 2.1% | 3.0% | 1.4% | 2.3% | 2.8% | 2.2% |

Projected SPP cash (adjusted) NOI change for the full year 2017:

| | <u>Senior Housing Triple-net</u> | <u>SHOP</u> | <u>Life Science</u> | <u>Medical Office</u> | <u>Other</u> | <u>Total</u> |
|------|--------------------------------------|-------------|---------------------|---------------------------|--------------|--------------|
| Low | 3.9% | 2.0% | 2.50% | 2.0% | 0.8% | 2.5% |
| High | 4.9% | 3.0% | 3.50% | 3.0% | 1.8% | 3.5% |

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- (1) The foregoing projections reflect management's view as of May 2, 2017 of current and future market conditions, including assumptions with respect to rental rates, occupancy levels, development items and the earnings impact of the events referenced in this release. These projections do not reflect the impact of unannounced future transactions, except as described herein, other impairments or recoveries, the future bankruptcy or insolvency of our operators, lessees, borrowers or other obligors, the effect of any future restructuring of our contractual relationships with such entities, gains or losses on marketable securities, ineffectiveness related to our cash flow hedges, or larger than expected litigation settlements and related expenses related to existing or future litigation matters. Our actual results may differ materially from the projections set forth above. The aforementioned ranges represent management's best estimates based upon the underlying assumptions as of the date of this press release. Except as otherwise required by law, management assumes no, and hereby disclaims any, obligation to update any of the foregoing projections as a result of new information or new or future developments.
 - (2) Represents straight-line rents, DFL non-cash interest, amortization of market lease intangibles, net, lease termination fees and non-refundable entrance fees as the fees are collected by our CCRC JV, net of CCRC JV entrance fee amortization.
 - (3) Represents non-SPP NOI and adjustments to SPP NOI.
 - (4) Represents interest income, gain on sales of real estate, net, other income, net, income taxes and equity income (loss) from unconsolidated joint ventures, excluding NOI.
 - (5) Represents interest expense, depreciation and amortization, general and administrative expenses, acquisition and pursuit costs, and loss on debt extinguishments.