



FOR IMMEDIATE RELEASE

GLOBAL NET LEASE REPORTS THIRD QUARTER 2019 RESULTS

Company to Host Investor Conference Call Today at 11 AM Eastern

New York, November 8, 2019 - Global Net Lease, Inc. (NYSE: GNL) (“GNL” or the “Company”), a real estate investment trust focused on the acquisition and management of industrial and office properties leased long-term to high quality corporate tenants in select markets in the United States and Europe, announced today its financial and operating results for the quarter ended September 30, 2019.

Third Quarter 2019 Highlights

- Revenue increased 8.4% to \$77.9 million from \$71.9 million in third quarter 2018
- Net income attributable to common stockholders was \$6.9 million or \$0.08 per share as compared to \$0.2 million or less than \$0.01 per share in third quarter 2018
- Core Funds from Operations (“Core FFO”) was \$38.6 million or \$0.45 per share as compared to \$37.8 million or \$0.54 per share in third quarter 2018
- Adjusted Funds from Operations (“AFFO”) improved to \$40.2 million as compared to \$39.6 million in the prior year third quarter
- AFFO per share was \$0.47 as compared to \$0.57 in third quarter 2018
- Acquired nine industrial and office properties for a contract purchase price of \$102.0 million at a 7.68% weighted average capitalization rate¹
- \$697.6 million of closed and pipeline acquisitions in 2019² at a weighted average capitalization rate of 7.76% with 13.6 years of remaining lease term³
- Reduced retail exposure from 9% in the third quarter 2018 to only 5% of portfolio with the sale of 33 properties, 32 of which were Family Dollar stores, for \$53.0 million and a gain of \$7.0 million
- Portfolio 99.6% leased with an 8.0 year weighted average remaining lease term⁴
- Net debt to annualized adjusted EBITDA improved to 6.7x from 6.9x in third quarter 2018⁵
- Strengthened balance sheet by extending weighted-average debt maturity to 5.7 years from 3.8 years at the close of the 2018 third quarter while weighted average interest rate remained flat at 3.0%.

James Nelson, Chief Executive Officer of GNL commented, “By continuing to execute on our investment strategy we recorded yet another quarter of year over year increased rental revenue, cash NOI, adjusted EBITDA and AFFO. The third quarter was extremely active for GNL, as we closed on \$102 million of industrial and office acquisitions at a going-in cap rate of 6.64% and weighted average cap rate of 7.68%. Our forward looking \$373 million pipeline will bring our year to date acquisitions to \$697.6 million, including a \$182 million portfolio of US and European assets in a sale leaseback transaction with a Fortune 150 tenant that we expect to close in the fourth quarter.”

**Three Months Ended
September 30,**

(In thousands, except per share data)

	2019	2018
Revenue from tenants	\$ 77,942	\$ 71,924
Net income attributable to common stockholders	\$ 6,860	\$ 177
Net income per diluted common share	\$ 0.08	\$ —
NAREIT defined FFO attributable to common stockholders	\$ 37,878	\$ 32,305
NAREIT defined FFO per diluted common share	\$ 0.44	\$ 0.47
Core FFO attributable to common stockholders	\$ 38,633	\$ 37,752
Core FFO per diluted common share	\$ 0.45	\$ 0.54
AFFO attributable to common stockholders	\$ 40,235	\$ 39,598
AFFO per diluted common share	\$ 0.47	\$ 0.57

Property Portfolio

The Company's portfolio consisted of 264 net lease properties located in seven countries and is comprised of 28.9 million rentable square feet leased to 120 tenants across 45 industries at September 30, 2019. The real estate portfolio metrics include:

- 99.6% leased with a remaining weighted-average lease term of 8.0 years
- 92.5% of the portfolio contains contractual rent increases based on square footage
- 70.7% of portfolio annualized straight-line rent derived from investment grade and implied investment grade rated tenants⁶
- 59% U.S. and 41% Europe (based on annualized straight-line rent)
- 52% Office, 43% Industrial / Distribution and 5% Retail (based on an annualized straight-line rent)

Acquisition and Disposition Activity

During the third quarter 2019, the Company acquired nine net leased assets totaling approximately 0.9 million square feet for a contract sales price of approximately \$102.0 million. These assets were purchased at a weighted average going-in capitalization rate of 6.64%⁷, and an overall weighted average capitalization rate of 7.68%¹, with a weighted average remaining lease term of 17.1 years.

During the three months ended September 30, 2019, the Company sold 33 properties located in the United States (32 Family Dollar retail stores and one industrial property) for a total contract sales price of \$53.0 million, resulting in a gain of \$7.0 million.

Capital Structure and Liquidity Resources

As of September 30, 2019, the Company had \$306.0 million of cash and cash equivalents. The Company's net debt to enterprise value was 45.0% with an enterprise value of \$3.5 billion based on the quarter end closing share price of \$19.50 for common stock and \$25.60 for the Series A preferred stock, with net debt of \$1.6 billion⁸, including \$1.4 billion of mortgage debt.

As of September 30, 2019, the percentage of fixed rate debt (including variable rate debt fixed with swaps) increased to 93.0% from 73.8% as of September 30, 2018. The Company's total combined debt had a weighted average interest rate of 3.0% resulting in an interest coverage ratio of 4.1 times⁹. Debt maturity increased to 5.7 years as of September 30, 2019 from 3.8 years at September 30, 2018.

Credit Facility

The Company entered into an expansion of its credit facility with KeyBank to add over \$300 million of additional commitments with total commitments of \$1.235 billion on August 1, 2019. The expanded facility improved pricing by 15 bps on the revolving credit facility and by 20 bps on the term loan. Simultaneously, the term of the revolving credit facility was extended from 2021 to 2023, with the option to extend to 2024, and the term loan facility was extended from 2022 to 2024.

Subsequent Events

Acquisitions

The Company has signed four definitive purchase and sale agreements ("PSAs") to acquire 12 net lease properties in the United States, for approximately \$93.5 million at a weighted average capitalization rate of 7.65%. The Company has signed four letters of intent ("LOIs") to acquire a total of 17 net lease properties, all located in the United States, Italy and Canada for an aggregate purchase price of \$280.0 million at a weighted average capitalization rate of 7.82%. The PSAs are subject to conditions and the LOIs may not lead to a definitive agreement. There can be no assurance that the Company will complete any of these transactions, or any future acquisitions or other investments, on a timely basis or on acceptable terms and conditions, if at all.

Dispositions

The Company has entered into definitive agreements to dispose of three net lease properties located in Germany for €130.5 million and are expected to generate €68.0 million after repayment of associated debt. The agreements are subject to conditions. There can be no assurance the Company will complete any of these transactions, or any future dispositions or other investments, on a timely basis or on acceptable terms and conditions, if at all.

Footnotes/Definitions

- ¹ Capitalization rate is a rate of return on a real estate investment property based on the expected, annualized straight-lined rental income that the property will generate under its existing lease. Capitalization rate is calculated by dividing the average annualized straight-line rental income the property will generate (before debt service and depreciation and after fixed costs and variable costs) and the purchase price of the property. The weighted average capitalization rate is based upon square feet as of the date of acquisition.
- ² Closed and pipeline acquisitions of \$697.6 million during the period from January 1, 2019 to November 4, 2019 include: (i) two acquisitions for \$23.4 million in purchase price completed in the first quarter of 2019; (ii) nine acquisitions for \$187.3 million in purchase price completed in the second quarter of 2019; (iii) nine acquisitions for \$102 million in purchase price completed in the third quarter of 2019 (iv) amendments to four leases whereby annual rent was increased at closing in exchange for the Company funding an aggregate amount of approximately \$11.4 million in capital expenditures to expand and remodel four properties of a single tenant; (v) four definitive purchase and sale agreements (“PSA”) to acquire a total of 12 net lease properties located in the United States, for an aggregate purchase price of approximately \$93.5 million; and (vi) four LOIs to acquire a total of 17 properties, eleven of which are located in the United States, for an aggregate purchase price of \$280.0 million. The PSAs are subject to conditions and the LOIs may not lead to a definitive agreement. There can be no assurance the Company will complete any of these pending transactions on their contemplated terms, or at all.
- ³ The weighted average remaining lease term in years is based upon square feet as of the date of acquisition.
- ⁴ Weighted-average remaining lease term in years is based on square feet as of September 30, 2019.
- ⁵ Adjusted Earnings before Interest, Taxes, Depreciation and Amortization (“EBITDA”). Annualized based on third quarter 2019 Adjusted EBITDA multiplied by four.
- ⁶ As used herein, “Investment Grade Rating” includes both actual investment grade ratings of the tenant or guarantor, if available, or implied investment grade. Implied Investment Grade may include actual ratings of tenant parent, guarantor parent (regardless of whether or not the parent has guaranteed the tenant’s obligation under the lease) or by using a proprietary Moody’s analytical tool, which generates an implied rating by measuring a company’s probability of default. Ratings information is as of September 30, 2019. Comprised of 39.3% leased to tenants with an actual investment grade rating and 31.4% leased to tenants with an Implied Investment Grade rating as of September 30, 2019.
- ⁷ Going-in capitalization rate is a rate of return on a real estate investment property based on the expected, cash rental income that the property will generate under its existing lease during the first year of the lease. Going-in capitalization rate is calculated by dividing the cash rental income the property will generate during the first year of the lease (before debt service and depreciation and after fixed costs and variable costs) and the purchase price of the property. The weighted average going-in capitalization rate is based upon square feet of the date of acquisition.
- ⁸ Comprised of the principal amount of GNL’s debt totaling \$1.9 billion less cash and cash equivalents totaling \$306.0 million, as of September 30, 2019.
- ⁹ The interest coverage ratio is calculated by dividing adjusted EBITDA by cash paid for interest (interest expense less non-cash portion of interest expense and amortization of mortgage (discount) premium, net) for the quarter ended September 30, 2019. Adjusted EBITDA and cash paid for interest are Non-GAAP metrics and are reconciled below.

Conference Call

GNL will host a conference call on November 8, 2019 at 11:00 a.m. ET to discuss its financial and operating results.

Dial-in instructions for the conference call and the replay are outlined below. This conference call will also be broadcast live over the Internet and can be accessed by all interested parties through the GNL website, www.globalnetlease.com, in the “Investor Relations” section.

To listen to the live call, please go to GNL’s “Investor Relations” section of the website at least 15 minutes prior to the start of the call to register and download any necessary audio software. For those who are not able to listen to the live broadcast, a replay will be available shortly after the call on the GNL website at www.globalnetlease.com.

Conference Call Details

Live Call

Dial-In (Toll Free): 1-888-317-6003

International Dial-In: 1-412-317-6061

Canada Dial-In (Toll Free): 1-866-284-3684

Participant Elite Entry Number: 4252341

*Conference Replay**

Domestic Dial-In (Toll Free): 1-877-344-7529

International Dial-In: 1-412-317-0088

Canada Dial-In (Toll Free): 1-855-669-9658

Conference Number: 10136148

*Available one hour after the end of the conference call through February 8, 2020.

Supplemental Schedules

The Company will file supplemental information packages with the Securities and Exchange Commission (the “SEC”) to provide additional disclosure and financial information. Once posted, the supplemental package can be found under the “Presentations” tab in the Investor Relations section of GNL’s website at www.globalnetlease.com and on the SEC website at www.sec.gov.

About Global Net Lease, Inc.

Global Net Lease, Inc. (NYSE: GNL) is a publicly traded real estate investment trust listed on the NYSE focused on acquiring a diversified global portfolio of commercial properties, with an emphasis on sale-leaseback transactions involving single tenant, mission critical income producing net-leased assets across the United States, Western and Northern Europe. Additional information about GNL can be found on its website at www.globalnetlease.com.

Important Notice

The statements in this press release that are not historical facts may be forward-looking statements. These forward-looking statements involve risks and uncertainties that could cause actual results or events to be materially different. In addition, words such as “may,” “will,” “seeks,” “anticipates,” “believes,” “estimates,” “expects,” “plans,” “intends,” “would,” or similar expressions indicate a forward-looking statement, although not all forward-looking statements contain these identifying words. Any statements referring to the future value of an investment in GNL, as well as the success that GNL may have in executing its business plan, are also forward-looking statements. There are a number of risks, uncertainties and other important factors that could cause GNL’s actual results to differ materially from those contemplated by such forward-looking statements, including those risks, uncertainties and other important factors set forth in the “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” sections of GNL’s Annual Report on Form 10-K for the year ended December 31, 2018 filed on February 28, 2019 and all other filings with the SEC after that date, as such risks, uncertainties and other important factors may be updated from time to time in GNL’s subsequent reports. Further, forward looking statements speak only as of the date they are made, and GNL undertakes no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results over time, except as required by law.

Contacts:

Investors and Media:

Email: investorrelations@globalnetlease.com

Phone: (212) 415-6510

Global Net Lease, Inc.
Consolidated Balance Sheets
(In thousands)

	September 30, 2019	December 31, 2018
	(Unaudited)	
ASSETS		
Real estate investments, at cost:		
Land	\$ 388,269	\$ 398,911
Buildings, fixtures and improvements	2,463,275	2,345,202
Construction in progress	8,185	1,235
Acquired intangible lease assets	641,307	675,551
Total real estate investments, at cost	3,501,036	3,420,899
Less accumulated depreciation and amortization	(499,507)	(437,974)
Total real estate investments, net	3,001,529	2,982,925
Assets held for sale	107,868	112,902
Cash and cash equivalents	305,962	100,324
Restricted cash	3,950	3,369
Derivative assets, at fair value	7,473	8,730
Unbilled straight-line rent	51,195	47,183
Operating lease right-of-use asset	49,274	—
Prepaid expenses and other assets	41,827	22,245
Due from related parties	20	16
Deferred tax assets	3,254	3,293
Goodwill and other intangible assets, net	21,595	22,180
Deferred financing costs, net	14,652	6,311
Total Assets	\$ 3,608,599	\$ 3,309,478
LIABILITIES AND EQUITY		
Mortgage notes payable, net	\$ 1,366,818	\$ 1,129,807
Revolving credit facility	101,405	363,894
Term loan, net	389,885	278,727
Acquired intangible lease liabilities, net	31,559	35,757
Derivative liabilities, at fair value	10,638	3,886
Due to related parties	299	790
Accounts payable and accrued expenses	20,741	31,529
Operating lease liability	23,547	—
Prepaid rent	20,338	16,223
Deferred tax liability	14,603	15,227
Taxes payable	3	2,228
Dividends payable	3,416	2,664
Total Liabilities	1,983,252	1,880,732
Commitments and contingencies		
Stockholders' Equity:		
7.25% Series A cumulative redeemable preferred shares	67	54
Common stock	2,225	2,091
Additional paid-in capital	2,322,419	2,031,981
Accumulated other comprehensive (loss) income	(14,618)	6,810
Accumulated deficit	(694,714)	(615,448)
Total Stockholders' Equity	1,615,379	1,425,488
Non-controlling interest	9,968	3,258
Total Equity	1,625,347	1,428,746
Total Liabilities and Equity	\$ 3,608,599	\$ 3,309,478

Global Net Lease, Inc.
Consolidated Statements of Operations (Unaudited)
(In thousands, except share and per share data)

	Three Months Ended September 30,	
	2019	2018
Revenue from tenants	\$ 77,942	\$ 71,924
Expenses:		
Property operating	8,205	5,301
Fire recovery	—	31
Operating fees to related parties	8,220	6,956
Impairment charges	6,375	—
Acquisition, transaction and other costs	192	2,804
General and administrative	3,250	3,215
Equity-based compensation	2,501	2,053
Depreciation and amortization	31,620	30,195
Total expenses	60,363	50,555
Operating income before gain on dispositions of real estate investments	17,579	21,369
Gain (loss) on dispositions of real estate investments	6,977	(1,933)
Operating income	24,556	19,436
Other income (expense):		
Interest expense	(16,154)	(15,104)
Loss on extinguishment of debt	(563)	(2,612)
Gain on derivative instruments	3,044	1,290
Unrealized loss on undesignated foreign currency advances and other hedge ineffectiveness	—	108
Other income	(2)	44
Total other expense, net	(13,675)	(16,274)
Net income before income taxes	10,881	3,162
Income tax expense	(940)	(530)
Net income	9,941	2,632
Preferred stock dividends	(3,081)	(2,455)
Net income attributable to common stockholders	\$ 6,860	\$ 177
Basic and Diluted Earnings Per Share:		
Basic and diluted net income per share attributable to common stockholders	\$ 0.08	\$ —
Basic weighted average shares outstanding	85,255	69,442
Diluted weighted average shares outstanding	86,203	69,442

Global Net Lease, Inc.
Quarterly Reconciliation of Non-GAAP Measures (Unaudited)
(In thousands)

	Three Months Ended September 30,	
	2019	2018
Adjusted EBITDA		
Net income	\$ 9,941	\$ 2,632
Depreciation and amortization	31,620	30,195
Interest expense	16,154	15,104
Income tax expense	940	530
Impairment charges	6,375	—
Equity-based compensation	2,501	2,053
Non-cash portion of incentive fee	—	180
Acquisition and transaction related	192	2,804
(Gain) loss on dispositions of real estate investments	(6,977)	1,933
Fire recovery	—	31
Gain on derivative instruments	(3,044)	(1,290)
Unrealized income on undesignated foreign currency advances and other hedge ineffectiveness	—	(108)
Loss on extinguishment of debt	563	2,612
Other loss (income)	2	(44)
Adjusted EBITDA	58,267	56,632
Net operating income (NOI)		
Operating fees to related parties	8,220	6,956
General and administrative	3,250	3,215
NOI	69,737	66,803
Amortization of above- and below- market leases and ground lease assets and liabilities, net	341	488
Straight-line rent	(1,506)	(1,492)
Cash NOI	\$ 68,572	\$ 65,799
Cash Paid for Interest:		
Interest Expense	\$ 16,154	\$ 15,104
Non-cash portion of interest expense	(1,906)	(1,339)
Amortization of mortgage (discount) premium, net	(30)	(601)
Total cash paid for interest	\$ 14,218	\$ 13,164

Global Net Lease, Inc.
Quarterly Reconciliation of Non-GAAP Measures (Unaudited)
(In thousands)

	Three Months Ended	
	September 30,	
	2019	2018
Net income attributable to stockholders (in accordance with GAAP)	\$ 6,860	\$ 177
Impairment charges	6,375	—
Depreciation and amortization	31,620	30,195
(Gain) loss on dispositions of real estate investments	(6,977)	1,933
FFO (defined by NAREIT) ^[1]	37,878	32,305
Acquisition, transaction and other costs ^[2]	192	2,804
Loss on extinguishment of debt ^[3]	563	2,612
Fire loss ^[4]	—	31
Core FFO attributable to common stockholders ^[1]	38,633	37,752
Non-cash equity-based compensation	2,501	2,053
Non-cash portion of incentive fee	—	180
Non-cash portion of interest expense	1,906	1,339
Amortization of above- and below-market leases and ground lease assets and liabilities, net	341	488
Straight-line rent	(1,506)	(1,492)
Unrealized income on undesignated foreign currency advances and other hedge ineffectiveness	—	(108)
Eliminate unrealized gains on foreign currency transactions ^[5]	(1,670)	(1,215)
Amortization of mortgage discounts and premiums, net	30	601
Adjusted funds from operations (AFFO) attributable to common stockholders ^[1]	\$ 40,235	\$ 39,598

Footnotes:

- [1] For the three months ended September 30, 2018 includes income from a lease termination fee of \$3.0 million, which is recorded in rental income in the unaudited consolidated statements of operations, related to a real estate asset sold during the three months ended September 30, 2018.
- [2] For the three months ended September 30, 2019, primarily includes litigation costs resulting from the termination of the Former Service Provider. For the three months ended September 30, 2018, primarily includes litigation costs resulting from the termination of the Former Service Provider, costs to refinance foreign debt and fees associated with the exploration of a potential equity offering.
- [3] For the three months ended September 30, 2018, includes non-cash write-off of deferred financing costs of \$1.5 million and prepayment penalties paid on early extinguishment of debt of \$1.1 million.
- [4] Recovery arising from clean-up costs related to a fire sustained at one of our office properties.
- [5] For AFFO purposes, we add back unrealized (gain) loss. For the three months ended September 30, 2019, gains on derivative instruments were \$3.0 million, which consisted of unrealized gains of \$1.7 million and realized gains of \$1.3 million. For the three months ended September 30, 2018, gains on derivative instruments were \$1.3 million, which consisted of unrealized gains of \$1.2 million and realized gains of \$0.1 million.

Caution on Use of Non-GAAP Measures

Funds from Operations (“FFO”), Core Funds from Operations (“Core FFO”), Adjusted Funds from Operations (“AFFO”), Adjusted Earnings before Interest, Taxes, Depreciation and Amortization (“Adjusted EBITDA”), and Net Operating Income (“NOI”) should not be construed to be more relevant or accurate than the current GAAP methodology in calculating net income or in its applicability in evaluating our operating performance. The method utilized to evaluate the value and performance of real estate under GAAP should be construed as a more relevant measure of operational performance and considered more prominently than the non-GAAP measures.

Other REITs may not define FFO in accordance with the current National Association of Real Estate Investment Trusts (“NAREIT”) definition (as we do), or may interpret the current NAREIT definition differently than we do, or may calculate Core FFO or AFFO differently than we do. Consequently, our presentation of FFO, Core FFO and AFFO may not be comparable to other similarly-titled measures presented by other REITs.

We consider FFO, Core FFO and AFFO useful indicators of our performance. Because FFO, Core FFO and AFFO calculations exclude such factors as depreciation and amortization of real estate assets and gain or loss from sales of operating real estate assets (which can vary among owners of identical assets in similar conditions based on historical cost accounting and useful-life estimates), FFO, Core FFO and AFFO presentations facilitate comparisons of operating performance between periods and between other REITs.

As a result, we believe that the use of FFO, Core FFO and AFFO, together with the required GAAP presentations, provide a more complete understanding of our operating performance including relative to our peers and a more informed and appropriate basis on which to make decisions involving operating, financing, and investing activities. However, FFO, Core FFO and AFFO are not indicative of cash available to fund ongoing cash needs, including the ability to make cash distributions. Investors are cautioned that FFO, Core FFO and AFFO should only be used to assess the sustainability of our operating performance excluding these activities, as they exclude certain costs that have a negative effect on our operating performance during the periods in which these costs are incurred. Adjustments for unconsolidated partnerships and joint ventures are calculated to reflect the proportionate share of adjustments for non-controlling interest to arrive at FFO, Core FFO and AFFO, as applicable.

Funds from Operations, Core Funds from Operations and Adjusted Funds from Operations

Funds from Operations

Due to certain unique operating characteristics of real estate companies, as discussed below, NAREIT, an industry trade group, has promulgated a measure known as FFO, which we believe to be an appropriate supplemental measure to reflect the operating performance of a REIT. FFO is not equivalent to net income or loss as determined under GAAP.

We calculate FFO, a non-GAAP measure, consistent with the standards established over time by the Board of Governors of NAREIT, as restated in a White Paper approved by the Board of Governors of NAREIT effective in December 2018 (the "White Paper"). The White Paper defines FFO as net income or loss computed in accordance with GAAP, excluding depreciation and amortization related to real estate, gain and loss from the sale of certain real estate assets, gain and loss from change in control and impairment write-downs of certain real estate assets and investments in entities when the impairment is directly attributable to decreases in the value of depreciable real estate held by the entity. Our FFO calculation complies with NAREIT's definition.

The historical accounting convention used for real estate assets requires straight-line depreciation of buildings and improvements, and straight-line amortization of intangibles, which implies that the value of a real estate asset diminishes predictably over time, especially if not adequately maintained or repaired and renovated as required by relevant circumstances or as requested or required by lessees for operational purposes in order to maintain the value disclosed. We believe that, because real estate values historically rise and fall with market conditions, including inflation, interest rates, unemployment and consumer spending, presentations of operating results for a REIT using historical accounting for depreciation and certain other items may be less informative. Historical accounting for real estate involves the use of GAAP. Any other method of accounting for real estate such as the fair value method cannot be construed to be any more accurate or relevant than the comparable methodologies of real estate valuation found in GAAP. Nevertheless, we believe that the use of FFO, which excludes the impact of real estate related depreciation and amortization, among other things, provides a more complete understanding of our performance to investors and to management, and when compared year over year, reflects the impact on our operations from trends in occupancy rates, rental rates, operating costs, general and administrative expenses, and interest costs, which may not be immediately apparent from net income.

Core Funds from Operations

In calculating Core FFO, we start with FFO, then we exclude certain non-core items such as acquisition, transaction and other costs, as well as certain other costs that are considered to be non-core, such as debt extinguishment costs, fire loss and other costs related to damages at our properties. The purchase of properties, and the corresponding expenses associated with that process, is a key operational feature of our core business plan to generate operational income and cash flows in order to make dividend payments to stockholders. In evaluating investments in real estate, we differentiate the costs to acquire the investment from the operations derived from the investment. We also add back non-cash write-offs of deferred financing costs and prepayment penalties incurred with the early extinguishment of debt which are included in net income but are considered financing cash flows when paid in the statement of cash flows. We consider these write-offs and prepayment penalties to be capital transactions and not indicative of operations. By excluding expensed acquisition, transaction and other costs as well as non-core costs, we believe Core FFO provides useful supplemental information that is comparable for each type of real estate investment and is consistent with management's analysis of the investing and operating performance of our properties.

Adjusted Funds from Operations

In calculating AFFO, we start with Core FFO, then we exclude certain income or expense items from AFFO that we consider more reflective of investing activities, other non-cash income and expense items and the income and expense effects of other activities that are not a fundamental attribute of our business plan. These items include early extinguishment of debt (adjustment included in Core FFO) and unrealized gain and loss, which may not ultimately be realized, such as gain or loss on derivative instruments, gain or loss on foreign currency transactions, and gain or loss on investments. In addition, by excluding non-cash income and expense items such as amortization of above-market and below-market leases intangibles, amortization of deferred financing costs, straight-line rent and equity-based compensation from AFFO, we believe we provide useful information regarding income and expense items which have a direct impact on our ongoing operating performance. We also include the realized gain or loss on foreign currency exchange contracts for AFFO as such items are part of our ongoing operations and affect our current operating performance. By providing AFFO, we believe we are presenting useful information that can be used to better assess the sustainability of our ongoing operating performance without the impact of transactions or other items that are not related to the ongoing performance of our portfolio of properties. AFFO presented by us may not be comparable to AFFO reported by other REITs that define AFFO differently.

In calculating AFFO, we exclude certain expenses which under GAAP are characterized as operating expenses in determining operating net income. All paid and accrued merger, acquisition, transaction and other costs (including prepayment penalties for debt extinguishments) and certain other expenses negatively impact our operating performance during the period in which expenses are incurred or properties are acquired will also have negative effects on returns to investors, but are not reflective of on-going performance. Further, under GAAP, certain contemplated non-cash fair value and other non-cash adjustments are considered operating non-cash adjustments to net income. In addition, as discussed above, we view gain and loss from fair value adjustments as items which are unrealized and may not ultimately be realized and not reflective of ongoing operations and are therefore typically adjusted for when assessing operating performance. Excluding income and expense items detailed above from our calculation of AFFO provides information consistent with management's analysis of our operating performance. Additionally, fair value adjustments, which are based on the impact of current market fluctuations and underlying assessments of general market conditions, but can also result from operational factors such as rental and occupancy rates, may not be directly related or attributable to our current operating performance. By excluding such changes that may reflect anticipated and unrealized gain or loss, we believe AFFO provides useful supplemental information. We believe that in order to facilitate a clear understanding of our operating results, AFFO should be examined in conjunction with net income (loss) as presented in our consolidated financial statements. AFFO should not be considered as an alternative to net income (loss) as an indication of our performance or to cash flows as a measure of our liquidity or ability to make distributions.

Adjusted Earnings before Interest, Taxes, Depreciation and Amortization, and Net Operating Income

We believe that Adjusted EBITDA, which is earnings before interest, taxes, depreciation and amortization adjusted for acquisition, transaction and other costs, other non-cash items and including our pro-rata share from unconsolidated joint ventures, is an appropriate measure of our ability to incur and service debt. Adjusted EBITDA should not be considered as an alternative to cash flows from operating activities, as a measure of our liquidity or as an alternative to net income as an indicator of our operating activities. Other REITs may calculate Adjusted EBITDA differently and our calculation should not be compared to that of other REITs. NOI is a non-GAAP financial measure equal to net income (loss), the most directly comparable GAAP financial measure, less discontinued operations, interest, other income and income from preferred equity investments and investment securities, plus corporate general and administrative expense, acquisition, transaction and other costs, depreciation and amortization, other non-cash expenses and interest expense. We use NOI internally as a performance measure and believe NOI provides useful information to investors regarding our financial condition and results of operations because it reflects only those income and expense items that are incurred at the property level. Therefore, we believe NOI is a useful measure for evaluating the operating performance of our real estate assets and to make decisions about resource allocations. Further, we believe NOI is useful to investors as a performance measure because, when compared across periods, NOI reflects the impact on operations from trends in occupancy rates, rental rates, operating costs and acquisition activity on an unlevered basis, providing perspective not immediately apparent from net income. NOI excludes certain components from net income in order to provide results that are more closely related to a property's results of operations. For example, interest expense is not necessarily linked to the operating performance of a real estate asset and is often incurred at the corporate level as opposed to the property level. In addition, depreciation and amortization, because of historical cost accounting and useful life estimates, may distort operating performance at the property level. NOI presented by us may not be comparable to NOI reported by other REITs that define NOI differently. We believe that in order to facilitate a clear understanding of our operating results, NOI should be examined in conjunction with net income (loss) as presented in our consolidated financial statements. NOI should not be considered as an alternative to net income (loss) as an indication of our performance or to cash flows as a measure of our liquidity.

