

REALTY INCOME ANNUAL REPORT

For the sixth year in a row, Realty Income Corporation (NYSE: O) hired us to produce their annual report. With a successful track-record of growth based on high-quality real estate acquisitions, we focused on the key strategies and benefits of their successful business model.

HIGH-QUALITY GROWTH



REALTY INCOME
The Monthly Dividend Company®

2016 ANNUAL REPORT

CONSERVATIVE CAPITAL STRUCTURE

HIGH-QUALITY BALANCE SHEET

Our commitment to the dividend is demonstrated by the way we manage our balance sheet. We believe it is important to maintain a conservative capital structure that is primarily equity financed in order to protect the dividend. At the end of 2016, our total market capitalization was \$12.3 billion, of which \$12.0 billion, or 70%, was common equity.

When we use debt to fund our growth, we structure it in a conservative manner. Over the life of the company, over 92% of the bond volume we have issued has been for terms of 10 years or longer, and 100% of our outstanding bonds are fixed-rate and unsecured. As of December 31, 2016, our debt-to-EBITDA ratio was a healthy 5.7x. We maintain a \$2.0 billion line of credit, which provides us flexibility to cover an acquisition quickly and then opportunistically use equity and/or long-term debt when capital market dynamics are most advantageous to us. Our investment grade credit ratings of Baa1, BBB+ /BBB+ (based on S&P Metrics, with "Positive" outlook) by both Moody's and S&P continue to provide us with a low cost of public unsecured debt.

	Debt + Preferred Equity to Total Capitalization	Fixed Charge Coverage Ratio
2016	32%	4.2x
2015	29%	4.0x
2014	33%	3.4x
2013	38%	3.0x
2012	40%	2.7x

CONSERVATIVE CAPITAL STRUCTURE

Amount in Billions

% of Total

As of 12/31/16

Common Equity

Debt

Preferred Stock

Total Capitalization

\$15.0

\$5.9

\$0.4

\$11.3

70%

26%

2%

100%



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MONTHLY DIVIDENDS

SUPPORTED BY HIGH-QUALITY CASH FLOW

As "The Monthly Dividend Company," we remain committed to operating our company in a manner that provides our shareholders with dependable monthly dividends that increase over time. At the core of every business decision we make is the focus on protecting and growing the dividend. Our commitment is evidenced by our track record of dividend performance. Since our company's listing on the NYSE in 1994, we have increased the dividend every year at a compound average annual growth rate of approximately 5% and have never cut the dividend. We are one of only two REITs in the S&P High Yield Dividend Aristocrats® index, which includes companies that have increased their dividend every year for at least 25 years.

To quantify the benefit to our shareholders of what we often refer to as the "magic" of rising dividends over time, we consider a theoretical hypothetical investment in 1,000 Realty Income shares 10 years ago. As a result of the dividends received and the dividend increases on these shares over time, the investment's yield on cost grows. Today, that shareholder would receive:

8.8%

dividend yield on the original investment (vs. original yield of 5.5%)

69%

of the original investment received in dividends

60%

increase in the amount of annual dividends paid



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