



HEALTHCARE  REIT[™]

NON-GAAP FINANCIAL MEASURES
QUARTER ENDED JUNE 30, 2015

NON-GAAP FINANCIAL MEASURES

Health Care REIT, Inc. (HCN) believes that net income attributable to common stockholders (NICS), as defined by U.S. generally accepted accounting principles (U.S. GAAP), is the most appropriate earnings measurement. However, the company considers funds from operations (FFO), funds available for distribution (FAD), earnings before interest taxes depreciation and amortization (EBITDA), net operating income (NOI) and revenues per occupied room (REVPOR) to be useful supplemental measures of its operating performance.

HCN's supplemental reporting measures and similarly entitled financial measures are widely used by investors, equity and debt analysts and rating agencies in the valuation, comparison, rating and investment recommendations of companies. HCN's management uses these financial measures to facilitate internal and external comparisons to historical operating results and in making operating decisions. Additionally, these measures are utilized by the Board of Directors to evaluate management. EBITDA is also used primarily to determine our compliance with financial covenants in our primary unsecured credit facility and senior unsecured notes.

None of the supplemental reporting measures represent net income or cash flow provided from operating activities as determined in accordance with U.S. GAAP and should not be considered as alternative measures of profitability or liquidity. Finally, the supplemental reporting measures, as defined by HCN, may not be comparable to similarly entitled items reported by other real estate investment trusts or other companies. Multi-period amounts may not equal the sum of the individual quarterly amounts due to rounding.

Historical cost accounting for real estate assets in accordance with U.S. GAAP implicitly assumes that the value of real estate assets diminishes predictably over time as evidenced by the provision for depreciation. However, since real estate values have historically risen or fallen with market conditions, many industry investors and analysts have considered presentations of operating results for real estate companies that use historical cost accounting to be insufficient. In response, the National Association of Real Estate Investment Trusts (NAREIT) created funds from operations (FFO) as a supplemental measure of operating performance for REITs that excludes historical cost depreciation from net income. FFO, as defined by NAREIT, means net income attributable to common stockholders, computed in accordance with U.S. GAAP, excluding gains (or losses) from sales of real estate and impairments of depreciable assets, plus real estate depreciation and amortization, and after adjustments for unconsolidated entities and noncontrolling interests. Normalized FFO represents FFO adjusted for certain normalizing items detailed in the reconciliations.

Funds available for distribution (FAD) represents FFO excluding net straight-line rental adjustments, amortization related to above/below market leases, amortization of non-cash interest expenses and less cash used to fund capital expenditures, tenant improvements and lease commissions. Normalized FAD represents FAD adjusted for certain normalizing items detailed in the reconciliations.

Normalizing items include adjustments for certain non-recurring or infrequent income/expenses that are described in our earnings press release for the relevant period ends.

We believe that normalized FFO and normalized FAD are useful supplemental measures of operating performance because investors and equity analysts may use these measures to compare our operating performance between periods or as compared to other REITs or other companies on a consistent basis without having to account for differences caused by unanticipated and/or incalculable items.

FFO QUARTERLY RECONCILIATIONS

(in thousands, except per share information)

	Three Months Ended				
	June 30, 2014	September 30, 2014	December 31, 2014	March 31, 2015	June 30, 2015
Funds From Operations:					
Net income attributable to common stockholders	\$71,829	\$136,255	\$188,636	\$190,799	\$312,573
Depreciation and amortization	214,449	200,970	195,393	188,829	208,802
Losses/impairments (gains) on properties, net	(13,079)	(29,604)	(110,839)	(54,625)	(190,111)
Noncontrolling interests ⁽¹⁾	(9,741)	(9,359)	(8,234)	(7,249)	(10,467)
Unconsolidated entities ⁽²⁾	20,787	18,250	19,560	26,496	19,791
Funds from operations - NAREIT	284,245	316,512	284,516	344,250	340,588
Normalizing items:					
Loss (gain) on derivatives, net	351	49	(1,895)	(58,427)	-
Transaction costs	7,040	13,554	47,991	48,554	12,491
Loss (gain) on extinguishment of debt, net	531	2,692	6,484	15,401	18,887
CEO transition costs	19,688	-	-	-	-
Nonrecurring income tax benefits	-	(17,426)	-	-	-
Additional other income	-	-	-	(2,144)	-
Other expenses	-	10,262	-	695	10,583
Normalizing items attributable to noncontrolling interests and unconsolidated entities, net	4,502	488	566	1,334	1,151
Funds from operations - normalized	\$316,357	\$326,131	\$337,662	\$349,663	\$383,700
Average common shares outstanding:					
Basic	296,256	311,117	327,492	336,754	350,399
Diluted	297,995	312,812	329,130	337,812	351,366
Net income attributable to common stockholders per share:					
Basic	\$0.24	\$0.44	\$0.58	\$0.57	\$0.89
Diluted	\$0.24	\$0.44	\$0.57	\$0.56	\$0.89
Funds from operations - NAREIT per share:					
Basic	\$0.96	\$1.02	\$0.87	\$1.02	\$0.97
Diluted	\$0.95	\$1.01	\$0.86	\$1.02	\$0.97
Funds from operations normalized per share:					
Basic	\$1.07	\$1.05	\$1.03	\$1.04	\$1.10
Diluted	\$1.06	\$1.04	\$1.03	\$1.04	\$1.09
Funds From Operations - NAREIT Payout Ratio:					
Dividends paid to common stockholders	\$0.795	\$0.795	\$0.795	\$0.825	\$0.825
Diluted funds from operations -NAREIT per share	\$0.95	\$1.01	\$0.86	\$1.02	\$0.97
FFO - NAREIT payout ratio	84%	79%	92%	81%	85%
Funds From Operations Payout Ratio - Normalized:					
Dividends paid to common stockholders	\$0.795	\$0.795	\$0.795	\$0.825	\$0.825
Diluted funds from operations per share - normalized	\$1.06	\$1.04	\$1.03	\$1.04	\$1.09
FFO normalized payout ratio	75%	76%	77%	79%	76%

(1) Represents noncontrolling interests' share of net FFO adjustments.

(2) Represents HCN's share of net FFO adjustments from unconsolidated entities.

FFO YEAR-TO-DATE RECONCILIATIONS

(in thousands, except per share information)

	Six Months Ended	
	June 30, 2014	June 30, 2015
Funds From Operations:		
Net income attributable to common stockholders	\$121,851	\$503,373
Depreciation and amortization	447,766	397,631
Losses/impairments (gains) on properties, net	(13,079)	(244,736)
Noncontrolling interests ⁽¹⁾	(20,259)	(17,716)
Unconsolidated entities ⁽²⁾	36,770	46,287
Funds from operations - NAREIT	573,049	684,839
Loss (gain) on derivatives, net	351	(58,427)
Transaction costs	7,993	61,045
Loss (gain) on extinguishment of debt, net	383	34,288
CEO transition costs	19,688	-
Other expenses	-	11,278
Additional other income	-	(2,144)
Normalizing items attributable to noncontrolling	4,607	2,485
Funds from operations - normalized	<u>\$606,071</u>	<u>\$733,364</u>
Average common shares outstanding:		
Basic	293,046	343,624
Diluted	294,590	344,623
Net income attributable to common stockholders per share:		
Basic	\$0.42	\$1.46
Diluted	\$0.41	\$1.46
Funds from operations per share:		
Basic	\$1.96	\$1.99
Diluted	\$1.95	\$1.99
Funds from operations per share - normalized:		
Basic	\$2.07	\$2.13
Diluted	\$2.06	\$2.13
Funds From Operations - NAREIT Payout Ratio:		
Dividends paid to common stockholders	\$1.59	\$1.65
Diluted funds from operations per share	\$1.95	\$1.99
FFO - NAREIT payout ratio	<u>82%</u>	<u>83%</u>
Funds From Operations Payout Ratio - Normalized:		
Dividends paid to common stockholders	\$1.59	\$1.65
Diluted funds from operations per share - normalized	\$2.06	\$2.13
FFO payout ratio - normalized	<u>77%</u>	<u>77%</u>

(1) Represents noncontrolling interests' share of net FFO adjustments.

(2) Represents HCN's share of net FFO adjustments from unconsolidated entities.

FFO ANNUAL RECONCILIATIONS

(in thousands, except per share information)

	Year Ended				
	December 31, 2010	December 31, 2011	December 31, 2012	December 31, 2013	December 31, 2014
Funds From Operations					
Net income attributable to common stockholders	\$106,882	\$157,108	\$221,884	\$78,714	\$446,745
Depreciation and amortization ⁽¹⁾	202,543	423,605	533,585	873,960	844,130
Losses/impairments (gains) on properties, net	(35,168)	(48,966)	(71,262)	(49,138)	(153,522)
Noncontrolling interests ⁽²⁾	(2,749)	(18,557)	(21,058)	(36,304)	(37,852)
Unconsolidated entities ⁽³⁾	8,514	11,712	34,408	57,652	74,580
Funds from operations - NAREIT	280,022	524,902	697,557	924,884	1,174,081
Normalizing items:					
Non-recurring G&A expenses	3,853	-	4,316	-	-
Realized loss on derivatives	-	-	(1,825)	4,470	(1,495)
Transaction costs	46,660	70,224	61,609	133,401	69,538
Preferred stock redemption charge	-	-	6,242	-	-
Loss (gain) on extinguishment of debt, net	34,171	(979)	(775)	(909)	9,558
Provision for loan losses	29,684	2,010	27,008	2,110	-
CEO transition costs	-	-	-	-	19,688
Nonrecurring income tax benefits	-	-	-	-	(17,426)
Other expenses	-	-	-	-	10,262
Held for sale hospital operating expenses	1,753	1,653	215	-	-
Additional other income	(1,000)	(3,774)	-	-	-
Normalizing items attributable to noncontrolling interests and unconsolidated entities, net	-	-	-	(1,985)	5,661
Funds from operations - normalized	\$395,143	\$594,036	\$794,347	\$1,061,971	\$1,269,867
Average common shares outstanding:					
Basic	127,656	173,741	224,343	276,929	306,272
Diluted	128,208	174,401	225,953	278,761	307,747
Net income attributable to common stockholders per share:					
Basic	\$0.84	\$0.90	\$0.99	\$0.28	\$1.46
Diluted	\$0.83	\$0.90	\$0.98	\$0.28	\$1.45
Funds from operations - NAREIT per share:					
Basic	\$2.19	\$3.02	\$3.11	\$3.34	\$3.83
Diluted	\$2.18	\$3.01	\$3.09	\$3.32	\$3.82
Funds from operations normalized per share:					
Basic	\$3.10	\$3.42	\$3.54	\$3.83	\$4.15
Diluted	\$3.08	\$3.41	\$3.52	\$3.81	\$4.13
Funds From Operations - NAREIT Payout Ratio:					
Dividends paid to common stockholders	\$2.74	\$2.835	\$2.96	\$3.06	\$3.18
Diluted funds from operations - NAREIT per share	\$2.18	\$3.01	\$3.09	\$3.32	\$3.82
FFO - NAREIT payout ratio	126%	94%	96%	92%	83%
Funds From Operations Payout Ratio - Normalized:					
Dividends paid to common stockholders	\$2.74	\$2.835	\$2.960	\$3.06	\$3.18
Diluted funds from operations per share - normalized	\$3.08	\$3.41	\$3.52	\$3.81	\$4.13
FFO normalized payout ratio	89%	83%	84%	80%	77%

(1) Depreciation and amortization includes depreciation and amortization from discontinued operations.

(2) Represents noncontrolling interests' share of depreciation and amortization.

(3) Represents HCN's share of net FFO adjustments from unconsolidated entities.

FFO OUTLOOK RECONCILIATIONS

(dollars per fully diluted share)

	Year Ended December 31, 2015		
	Low	Mid-point	High
Net income attributable to common stockholders	\$2.47	\$2.52	\$2.57
Losses/impairments (gains) on sale of properties, net ^(1,2)	(0.79)	(0.79)	(0.79)
Depreciation and amortization ⁽¹⁾	2.43	2.43	2.43
Funds from operations - NAREIT	4.11	4.16	4.21
Normalizing items, net ⁽³⁾	0.14	0.14	0.14
Funds from operations - normalized	\$4.25	\$4.30	\$4.35

(1) Amounts presented net of noncontrolling interests' share and HCN's share of unconsolidated entities.

(2) Includes estimated gains on expected dispositions.

(3) See Earnings Release dated August 4, 2015.

FAD QUARTERLY RECONCILIATIONS

(in thousands, except per share information)

	Three Months Ended				
	June 30, 2014	September 30, 2014	December 31, 2014	March 31, 2015	June 30, 2015
Funds Available for Distribution:					
Net income attributable to common stockholders	\$71,829	\$136,255	\$188,636	\$190,799	\$312,573
Depreciation and amortization	214,449	200,970	195,393	188,829	208,802
Losses/impairments (gains) on properties, net	(13,079)	(29,604)	(110,839)	(54,625)	(190,111)
Noncontrolling interests ⁽¹⁾	(8,361)	(8,157)	(6,936)	(6,338)	(9,447)
Unconsolidated entities ⁽²⁾	18,881	16,995	18,420	25,837	16,908
Gross straight-line rental income	(22,958)	(24,085)	(24,439)	(28,537)	(31,190)
Amortization related to above (below) market leases, net	280	138	236	113	757
Non-cash interest expense	1,649	547	(100)	119	(4,202)
Cap ex, tenant improvements, lease commissions	(13,796)	(17,768)	(15,178)	(10,485)	(15,114)
Funds available for distribution	248,894	275,291	245,193	305,712	288,976
Normalizing items:					
Loss (gain) on derivatives, net	351	49	(1,895)	(58,427)	-
Transaction costs	7,040	13,554	47,991	48,554	12,491
Loss (gain) on extinguishment of debt, net	531	2,692	6,484	15,401	18,887
CEO transition costs	19,688	-	-	-	-
Provision for loan losses	-	-	-	-	-
Nonrecurring income tax benefits	-	(17,426)	-	-	-
Additional other income	-	-	-	(2,144)	-
Other expenses	-	10,262	-	695	10,583
Normalizing items attributable to noncontrolling interests and unconsolidated entities, net	4,502	488	566	1,334	1,151
Funds available for distribution - normalized	\$281,006	\$284,910	\$298,339	\$311,125	\$332,088
Average common shares outstanding:					
Basic	296,256	311,117	327,492	336,754	350,399
Diluted	297,995	312,812	329,130	337,812	351,366
Net income attributable to common stockholders per share:					
Basic	\$0.24	\$0.44	\$0.58	\$0.57	\$0.89
Diluted	\$0.24	\$0.44	\$0.57	\$0.56	\$0.89
Funds available for distribution per share:					
Basic	\$0.84	\$0.88	\$0.75	\$0.91	\$0.82
Diluted	\$0.84	\$0.88	\$0.74	\$0.90	\$0.82
Funds available for distribution - normalized:					
Basic	\$0.95	\$0.92	\$0.91	\$0.92	\$0.95
Diluted	\$0.94	\$0.91	\$0.91	\$0.92	\$0.95
Funds Available for Distribution Payout Ratio:					
Dividends paid to common stockholders	\$0.795	\$0.795	\$0.795	\$0.825	\$0.825
Diluted funds available for distribution per share	\$0.84	\$0.88	\$0.74	\$0.90	\$0.82
FAD payout ratio	95%	90%	107%	92%	101%
Funds Available for Distribution Payout Ratio - Normalized					
Dividends paid to common stockholders	\$0.795	\$0.795	\$0.795	\$0.825	\$0.825
Diluted funds available for distribution per share - normalized	\$0.94	\$0.91	\$0.91	\$0.92	\$0.95
FAD payout ratio - normalized	85%	87%	87%	90%	87%

(1) Represents noncontrolling interests' share of net FAD adjustments.

(2) Represents HCN's share of net FAD adjustments from unconsolidated entities.

FAD YEAR-TO-DATE RECONCILIATIONS

(in thousands, except per share information)

	Six Months Ended	
	June 30, 2014	June 30, 2015
Funds Available for Distribution:		
Net income attributable to common stockholders	\$121,851	\$503,373
Depreciation and amortization	447,766	397,631
Losses/impairments (gains) on properties, net	(13,079)	(244,736)
Noncontrolling interests ⁽¹⁾	(17,885)	(15,786)
Unconsolidated entities ⁽²⁾	33,304	42,744
Gross straight-line rental income	(39,550)	(59,727)
Amortization related to above (below) market leases, net	365	870
Non-cash interest expense	1,980	(4,082)
Cap ex, tenant improvements, lease commissions	(26,188)	(25,599)
Funds available for distribution	508,564	594,688
Normalizing items:		
Loss (gain) on derivatives, net	351	(58,427)
Transaction costs	7,993	61,045
Loss (gain) on extinguishment of debt, net	383	34,288
CEO transition costs	19,688	-
Other expenses	-	11,278
Additional other income	-	(2,144)
Normalizing items attributable to noncontrolling interests and unconsolidated entities, net	4,607	2,485
Funds available for distribution - normalized	\$541,586	\$643,213
Average common shares outstanding:		
Basic	293,046	343,624
Diluted	294,590	344,623
Net income attributable to common stockholders per share:		
Basic	\$0.42	\$1.46
Diluted	\$0.41	\$1.46
Funds available for distribution per share:		
Basic	\$1.74	\$1.73
Diluted	\$1.73	\$1.73
Funds available for distribution - normalized:		
Basic	\$1.85	\$1.87
Diluted	\$1.84	\$1.87
Funds Available for Distribution Payout Ratio:		
Dividends paid to common stockholders	\$1.59	\$1.65
Diluted funds available for distribution per share	\$1.73	\$1.73
FAD payout ratio	92%	95%
Funds Available for Distribution Payout Ratio - Normalized		
Dividends paid to common stockholders	\$1.59	\$1.65
Diluted funds available for distribution per share - normalized	\$1.84	\$1.87
FAD payout ratio - normalized	86%	88%

(1) Represents noncontrolling interests' share of net FAD adjustments.

(2) Represents HCN's share of net FAD adjustments from unconsolidated entities.

FAD ANNUAL RECONCILIATIONS

(in thousands, except per share information)

	Year Ended				
	December 31, 2010	December 31, 2011	December 31, 2012	December 31, 2013	December 31, 2014
Funds Available for Distribution:					
Net income attributable to common stockholders	\$106,882	\$157,108	\$221,884	\$78,714	\$446,745
Depreciation and amortization ⁽¹⁾	202,543	423,605	533,585	873,960	844,130
Losses/impairments (gains) on properties, net	(35,168)	(48,966)	(71,262)	(49,138)	(153,522)
Noncontrolling interests ⁽²⁾	(2,708)	(16,325)	(17,871)	(32,031)	(32,978)
Unconsolidated entities ⁽³⁾	3,485	5,149	25,437	43,422	68,718
Gross straight-line rental income	(14,717)	(41,067)	(52,322)	(58,880)	(88,073)
Amortization related to above (below) market leases, net	(2,856)	(2,507)	873	217	739
Non-cash interest expense	13,945	13,905	11,395	4,142	2,427
Cap ex, tenant improvements, lease commissions	(21,799)	(36,073)	(45,175)	(60,984)	(59,134)
Funds available for distribution	249,607	464,318	606,544	799,422	1,029,052
Normalizing items:					
Non-recurring G&A expenses	3,853	-	4,316	-	-
Loss (gain) on derivatives, net	-	-	(1,825)	4,470	(1,495)
Transaction costs	46,660	70,224	61,609	133,401	69,538
Loss (gain) on extinguishment of debt, net	34,171	(979)	(775)	(909)	9,558
Provision for loan losses	29,684	2,010	27,008	2,110	-
CEO transaction costs	-	-	-	-	19,688
Nonrecurring income tax benefits	-	-	-	-	(17,426)
Other expenses	-	-	-	-	10,262
Held for sale hospital operating expenses	1,753	1,653	215	-	-
Additional other income	(1,000)	(3,774)	-	-	-
Preferred stock redemption charge	-	-	6,242	-	-
Normalizing items attributable to noncontrolling interests and unconsolidated entities, net	-	-	-	(1,985)	5,661
Funds available for distribution - normalized	\$364,728	\$523,963	\$703,334	\$936,509	\$1,124,838
Average common shares outstanding:					
Basic	127,656	173,741	224,343	276,929	306,272
Diluted	128,208	174,401	225,953	278,761	307,747
Net income attributable to common stockholders per share:					
Basic	\$0.84	\$0.90	\$0.99	\$0.28	\$1.46
Diluted	\$0.83	\$0.90	\$0.98	\$0.28	\$1.45
Funds available for distribution per share:					
Basic	\$1.96	\$2.67	\$2.70	\$2.89	\$3.36
Diluted	\$1.95	\$2.66	\$2.68	\$2.87	\$3.34
Funds available for distribution - normalized					
Basic	\$2.86	\$3.02	\$3.14	\$3.38	\$3.67
Diluted	\$2.84	\$3.00	\$3.11	\$3.36	\$3.66
Funds Available for Distribution Payout Ratio:					
Dividends paid to common stockholders	\$2.74	\$2.835	\$2.96	\$3.06	\$3.18
Diluted funds available for distribution per share	\$1.95	\$2.66	\$2.68	\$2.87	\$3.34
FAD payout ratio	141%	107%	110%	107%	95%
Funds Available for Distribution Payout Ratio - Normalized:					
Dividends paid to common stockholders	\$2.74	\$2.835	\$2.96	\$3.06	\$3.18
Diluted funds available for distribution per share - normalized	\$2.84	\$3.00	\$3.11	\$3.36	\$3.66
FAD payout ratio - normalized	96%	95%	95%	91%	87%

(1) Depreciation and amortization includes depreciation and amortization from discontinued operations.

(2) Represents noncontrolling interests' share of net FAD adjustments.

(3) Represents HCN's share of net FAD adjustments from unconsolidated entities.

FAD OUTLOOK RECONCILIATIONS

(dollars per fully diluted share)

	Year Ended December 31, 2015		
	Low	Mid-point	High
Net income attributable to common stockholders	\$2.47	\$2.52	\$2.57
Losses/impairments (gains) on sale of properties, net ^(1,2)	(0.79)	(0.79)	(0.79)
Depreciation and amortization ⁽¹⁾	2.43	2.43	2.43
FAD-only adjustments ^(1,3)	(0.42)	(0.42)	(0.42)
Funds available for distribution	3.69	3.74	3.79
Normalizing items, net ⁽⁴⁾	0.14	0.14	0.14
Funds available for distribution - normalized	\$3.83	\$3.88	\$3.93

(1) Amounts presented net of noncontrolling interests' share and HCN's share of unconsolidated entities.

(2) Includes estimated gains on expected dispositions.

(3) Includes straight-line rent, above/below amortization, non-cash interest and cap-ex, tenant improvements and lease commissions.

(4) See Earnings Release dated August 4, 2015.

NOI, IN-PLACE NOI, SSCNOI AND REVPOR

Net operating income (NOI) is used to evaluate the operating performance of our properties. We define NOI as total revenues, including tenant reimbursements, less property operating expenses. Property operating expenses represent costs associated with managing, maintaining and servicing tenants for our seniors housing operating and medical facility properties. These expenses include, but are not limited to, property-related payroll and benefits, property management fees, marketing, housekeeping, food service, maintenance, utilities, property taxes and insurance. General and administrative expenses represent costs unrelated to property operations or transaction costs. These expenses include, but are not limited to, payroll and benefits, professional services, office expenses and depreciation of corporate fixed assets.

In-Place NOI represents NOI excluding interest income, other income, and non-cash NOI and adjusted for timing of current quarter portfolio changes such as acquisitions, development conversions, segment transitions, dispositions and investments held for sale.

Same store cash NOI (SSCNOI) is used to evaluate the cash-based operating performance of our properties under a consistent population which eliminates changes in the composition of our portfolio. For purposes of SSCNOI, same store is generally defined as those revenue-generating properties in the portfolio for the entire reporting periods as presented. Entrance fee communities for periods prior to 1Q15 and any properties acquired, developed, transitioned, sold or classified as held for sale during those periods are generally excluded from the same store amounts.

Revenues per occupied room (REVPOR) is used to evaluate the revenue-generating capacity and profit potential of our seniors housing portfolio independent of fluctuating occupancy rates. REVPOR is also used in comparison against industry and competitor statistics, if known, to evaluate the quality of our seniors housing portfolio. SS REVPOR is used to evaluate the REVPOR performance of our properties under a consistent population which eliminates changes in the composition of our portfolio.

We believe NOI, In-Place NOI, SSCNOI, REVPOR and SS REVPOR provide investors relevant and useful information because they measure the operating performance of our properties at the property level on an unleveraged basis. We use NOI, In-Place NOI, SSCNOI, REVPOR and SS REVPOR to make decisions about resource allocations and to assess the property level performance of our properties.

NOI QUARTERLY RECONCILIATION

(dollars in thousands at HCN pro rata ownership)

	Three Months Ended				
	June 30, 2014	September 30, 2014	December 31, 2014	March 31, 2015	June 30, 2015
Revenues:					
Seniors housing triple-net					
Rental income	\$126,394	\$131,376	\$136,357	\$137,807	\$145,482
Interest income	4,091	4,333	6,263	8,059	8,483
Other income	306	96	52	694	291
Total revenues	130,791	135,805	142,672	146,560	154,256
Long-term/post-acute care					
Rental income	110,154	111,576	115,506	120,001	122,894
Interest income	3,508	2,924	2,616	6,639	9,707
Other income	13	878	1,466	3,118	679
Total revenues	113,675	115,378	119,588	129,758	133,280
Hospitals					
Rental income	10,497	6,410	2,788	5,203	10,208
Interest income	381	263	157	-	-
Other income	6	6	6	71	-
Total revenues	10,884	6,679	2,951	5,274	10,208
Seniors housing operating					
Resident fees and service	476,302	490,912	496,417	503,278	539,700
Interest income	11	1,054	1,054	1,031	1,042
Other income	1,260	319	1,532	1,014	3,200
Total revenues	477,573	492,285	499,003	505,323	543,942
Outpatient medical					
Rental income	98,869	102,477	108,984	112,648	113,864
Interest income	942	770	707	1,265	1,345
Other income	362	206	160	160	195
Total revenues	100,173	103,453	109,851	114,073	115,404
Life science					
Rental income	10,763	9,862	9,615	10,029	9,287
Non-segment/corporate					
Other income	76	106	479	22	39
Total					
Rental income	356,677	361,701	373,250	385,688	401,735
Resident fees and service	476,302	490,912	496,417	503,278	539,700
Interest income	8,933	9,344	10,797	16,994	20,577
Other income	2,023	1,611	3,695	5,079	4,404
Total revenues	843,935	863,568	884,159	911,039	966,416
Property operating expenses:					
Long-term/post-acute care ⁽¹⁾	120	3	-	-	-
Hospitals	327	38	-	-	-
Seniors housing operating	315,092	325,093	332,397	344,070	362,032
Outpatient medical	32,816	33,768	34,925	36,885	36,647
Life science	3,752	3,859	3,748	4,182	3,662
Total property operating expenses	352,107	362,761	371,070	385,137	402,341
Net operating income:					
Seniors housing triple-net	130,791	135,805	142,672	146,560	154,256
Long-term/post-acute care	113,555	115,375	119,588	129,758	133,280
Hospitals	10,557	6,641	2,951	5,274	10,208
Seniors housing operating	162,481	167,192	166,606	161,253	181,910
Outpatient medical	67,357	69,685	74,926	77,188	78,757
Life science	7,011	6,003	5,867	5,847	5,625
Non-segment/corporate	76	106	479	22	39
Net operating income⁽²⁾	\$491,828	\$500,807	\$513,089	\$525,902	\$564,075

Notes:

During the quarter ended December 31, 2014, certain properties were reclassified from Hospitals to the newly named Long-Term/Post-Acute Care category, which was previously called Skilled Nursing/Post-Acute. Accordingly, all periods have been restated to reflect the current classifications.

(1) Certain of the reclassified properties referenced above had incurred property operating expenses in prior periods but all such properties have been sold as of December 31, 2014 and no such costs are expected to be incurred going forward.

(2) See page 14 for a reconciliation to net income (loss) attributable to common stockholders.

NOI QUARTERLY RECONCILIATION

(dollars in thousands)

	Three Months Ended				
	June 30, 2014	September 30, 2014	December 31, 2014	March 31, 2015	June 30, 2015
Net operating income ⁽¹⁾	\$491,828	\$500,807	\$513,089	\$525,903	\$564,075
Reconciling items:					
Interest expense ⁽²⁾	(121,099)	(118,435)	(120,707)	(121,080)	(118,861)
Depreciation and amortization	(214,449)	(200,970)	(195,393)	(188,829)	(208,802)
General & administrative expenses	(51,660)	(30,803)	(27,616)	(35,138)	(38,474)
Transaction costs	(7,040)	(13,554)	(47,991)	(48,554)	(12,491)
Gain (loss) on derivatives, net	(351)	(49)	1,895	58,427	-
Gain (loss) on extinguishment of debt, net	(531)	(2,692)	(6,484)	(15,401)	(18,887)
Other expenses	-	(10,262)	-	-	(10,583)
Income tax benefit (expense)	(1,569)	10,198	(5,101)	304	(7,417)
Non-operating expense from unconsolidated entities & noncontrolling interests	(20,354)	(11,073)	(16,057)	(20,834)	(8,212)
Gain (loss/impairment) on properties, net	13,079	29,604	110,839	54,625	190,111
Preferred dividends	(16,352)	(16,352)	(16,352)	(16,352)	(16,352)
Loss (income) attributable to noncontrolling interests	327	(164)	(1,486)	(2,271)	(1,534)
	<u>(419,999)</u>	<u>(364,552)</u>	<u>(324,453)</u>	<u>(335,103)</u>	<u>(251,502)</u>
Net income (loss) attributable to common stockholders	<u>\$71,829</u>	<u>\$136,255</u>	<u>\$188,636</u>	<u>\$190,800</u>	<u>\$312,573</u>

(1) See page 13. Amounts reflected at HCN pro rata ownership.

(2) Includes amounts related to discontinued operations.

NOI YEAR-TO-DATE RECONCILIATION

(dollars in thousands at HCN pro rata ownership)

	Six Months Ended	
	June 30, 2014	June 30, 2015
Revenues		
Seniors housing triple-net		
Rental income	\$252,009	\$283,289
Interest income	7,905	16,542
Other income	408	985
Total revenues	260,322	300,816
Long-term/post-acute care		
Rental income	210,600	242,895
Interest income	7,032	16,346
Other income	70	3,797
Total revenues	217,702	263,038
Hospitals		
Rental income	21,350	15,411
Interest income	763	-
Other income	(10)	71
Total revenues	22,103	15,482
Seniors housing operating		
Resident fees and service		
Resident fees and services	932,617	1,042,978
Interest income	11	2,073
Other income	1,310	4,214
Total revenues	933,938	1,049,265
Outpatient medical		
Rental income	196,678	226,512
Interest income	1,815	2,610
Other income	657	355
Total revenues	199,150	229,477
Life sciences		
Rental income	21,739	19,316
Non-segment/corporate		
Other income	91	61
Total		
Rental income	702,376	787,423
Resident fees and service		
Resident fees and services	932,617	1,042,978
Interest income	17,526	37,571
Other income	2,526	9,483
Total revenues	1,655,045	1,877,455
Property operating expenses:		
Seniors housing operating	623,146	706,102
Long-term/post-acute care	271	-
Hospitals	419	-
Medical office buildings	65,325	73,532
Life science	7,594	7,844
Total property operating expenses	696,755	787,478
Net operating income:		
Seniors housing triple-net	260,322	300,816
Long-term/post-acute care	217,431	263,038
Hospitals	21,684	15,482
Seniors housing operating	310,792	343,163
Outpatient medical	133,825	155,945
Life science	14,145	11,472
Non-segment/corporate	91	61
Net operating income	\$958,290	\$1,089,977

Notes: Includes amounts attributable to discontinued operations and HCN's share of revenues and expenses from unconsolidated joint ventures. See page 16 for reconciliation to net income (loss) attributable to common stockholders.

NOI YEAR-TO-DATE RECONCILIATION

(dollars in thousands)

	Six Months Ended	
	June 30, 2014	June 30, 2015
Net operating income ⁽¹⁾	\$958,290	\$1,089,977
Reconciling items		
Interest expense ⁽²⁾	(242,055)	(239,942)
Depreciation and amortization ⁽²⁾	(447,766)	(397,631)
General & administrative expenses	(84,524)	(73,612)
Transaction costs	(7,993)	(61,045)
Gain (loss) on derivatives, net	(351)	58,247
Gain (loss) on extinguishment of debt, net	(383)	(34,288)
Other expenses	-	(10,583)
Income tax benefit (expense)	(3,830)	(7,113)
Non-operating expense from unconsolidated entities & noncontrolling interests	(31,413)	(28,866)
Gain (loss/impairment) on properties, net	13,079	244,736
Preferred dividends	(32,705)	(32,703)
Loss (income) attributable to noncontrolling interests	1,502	(3,804)
	<u>(836,439)</u>	<u>(586,604)</u>
Net income (loss) attributable to common stockholders	<u>\$121,851</u>	<u>\$503,373</u>

(1) See page 15. Amounts reflected at HCN pro rata ownership.

(2) Includes amounts related to discontinued operations.

NOI ANNUAL RECONCILIATION

(dollars in thousands at HCN pro rata ownership)

	Year Ended				
	December 31, 2010	December 31, 2011	December 31, 2012	December 31, 2013	December 31, 2014
Revenues:					
Seniors housing triple-net					
Rental income	\$220,383	\$307,095	\$372,960	\$432,648	\$519,741
Interest income	21,562	21,014	16,156	14,378	18,502
Other income	3,058	6,166	1,495	1,331	556
Total revenues	245,003	334,275	390,611	448,357	538,799
Long-term/post acute care					
Rental income	195,791	351,886	415,439	393,899	437,682
Interest income	16,388	16,237	11,621	11,833	12,571
Other income	354	497	952	139	2,392
Total revenues	212,533	368,620	428,012	405,871	452,645
Hospitals					
Rental income	16,723	32,174	42,620	43,808	30,548
Interest income	2,149	3,094	2,877	2,004	1,182
Other income	35	26	25	25	24
Total revenues	18,907	35,294	45,522	45,837	31,754
Seniors housing operating					
Resident fees and services	40,805	408,386	692,696	1,659,586	1,919,947
Interest income	-	-	6,208	757	2,119
Other income	-	-	-	397	3,161
Total revenues	40,805	408,386	698,904	1,660,740	1,925,227
Outpatient medical					
Rental income	169,268	235,451	322,625	367,651	408,160
Interest income	756	723	2,181	3,683	3,292
Other income	923	3,916	1,887	1,908	1,022
Total revenues	170,947	240,090	326,693	373,242	412,474
Life science					
Rental income	34,002	43,429	43,754	44,976	41,217
Non-segment/corporate					
Other income	2,874	690	669	296	677
Total					
Rental income	636,167	970,035	1,197,398	1,282,982	1,437,348
Resident fees and services	40,805	408,386	692,696	1,659,586	1,919,947
Interest income	40,855	41,068	39,043	32,655	37,666
Other income	7,244	11,295	5,028	4,096	7,832
Total revenues	725,071	1,430,784	1,934,165	2,979,319	3,402,793
Property operating expenses:					
Long-term/post acute care ⁽¹⁾	-	58	745	635	274
Hospitals	1,753	1,819	550	598	456
Seniors housing operating	26,097	282,438	467,600	1,119,280	1,280,636
Outpatient medical	51,792	66,864	97,971	118,031	134,018
Life science	9,707	13,151	13,667	15,433	15,201
Total property operating expenses	89,349	364,330	580,533	1,253,977	1,430,585
Net operating income:					
Seniors housing triple-net	245,003	334,275	390,611	448,357	538,799
Long-term/post acute care	212,533	368,562	427,267	405,236	452,371
Hospitals	17,154	33,475	44,972	45,239	31,298
Seniors housing operating	14,708	125,948	231,304	541,460	644,591
Outpatient medical	119,155	173,226	228,722	255,211	278,456
Life science	24,295	30,278	30,087	29,543	26,016
Non-segment/corporate	2,874	690	669	296	677
Net operating income⁽²⁾	\$635,722	\$1,066,454	\$1,353,632	\$1,725,342	\$1,972,208

During the quarter ended December 31, 2014, certain properties were reclassified from Hospitals to the newly named Long-Term/Post-Acute Care category, which was previously called Skilled Nursing/Post-Acute. Accordingly, all periods have been restated to reflect the current classifications.

(1) Certain of the reclassified properties referenced above had incurred property operating expenses in prior periods but all such properties have been sold as of December 31, 2014 and no such costs are expected to be incurred going forward.

(2) See page 18 for a reconciliation to net income (loss) attributable to common stockholders.

NOI ANNUAL RECONCILIATION

(dollars in thousands)

	Year Ended				
	December 31, 2010	December 31, 2011	December 31, 2012	December 31, 2013	December 31, 2014
Net operating income ⁽¹⁾	\$635,722	\$1,066,454	\$1,353,632	\$1,725,342	\$1,972,208
Reconciling items:					
Interest expense	(160,960)	(321,999)	(383,300)	(462,606)	(481,197)
Depreciation and amortization ⁽²⁾	(202,543)	(423,605)	(533,585)	(873,960)	(844,130)
General & administrative expenses ⁽²⁾	(54,626)	(77,201)	(97,341)	(108,318)	(142,943)
Transaction costs	(46,660)	(70,224)	(61,609)	(133,401)	(69,538)
Gain (loss) on derivatives, net	-	-	1,825	(4,470)	1,495
Gain (loss) on extinguishment of debt, net	(34,171)	979	775	909	(9,558)
Provision for loan losses	(29,684)	(2,010)	(27,008)	(2,110)	-
Other expenses	-	-	-	-	(10,262)
Income tax benefit (expense)	(364)	(1,388)	(7,612)	(7,491)	1,267
Non-operating expenses from unconsolidated entities & noncontrolling interests	(12,998)	(7,256)	(22,199)	(44,753)	(58,564)
Gain (loss/impairment) on properties, net	35,168	48,966	71,262	49,138	153,522
Preferred dividends	(21,645)	(60,502)	(69,129)	(66,336)	(65,408)
Preferred stock redemption charge	-	-	(6,242)	-	-
Loss (income) attributable to noncontrolling interests	(357)	4,894	2,415	6,770	(147)
	(528,840)	(909,346)	(1,131,748)	(1,646,628)	(1,525,463)
Net income (loss) attributable to common stockholders	<u>\$106,882</u>	<u>\$157,108</u>	<u>\$221,884</u>	<u>\$78,714</u>	<u>\$446,745</u>

(1) See page 17. Amounts reflected at HCN pro rata ownership.

(2) Includes amounts related to discontinued operations.

SAME STORE CASH NOI RECONCILIATIONS

(dollars in thousands at HCN pro rata ownership)

	Three Months Ended					
	June 30, 2014	September 30, 2014	December 31, 2014	March 31, 2015	June 30, 2015	
Seniors housing triple-net						
NOI ⁽¹⁾	\$ 130,791	\$ 135,805	\$ 142,672	\$ 146,560	\$ 154,256	
Non-cash NOI on same store properties	(5,626)	(6,140)	(5,422)	(6,618)	(6,575)	
NOI attributable to non-same store properties	(13,134)	(16,546)	(22,977)	(24,491)	(31,808)	
SSCNOI	112,031	113,119	114,273	115,451	115,873	
Long-term/post-acute care						
NOI ⁽¹⁾	113,555	115,375	119,588	129,758	133,280	
Non-cash NOI on same store properties	(13,767)	(14,112)	(14,325)	(15,682)	(16,297)	
NOI attributable to non-same store properties	(11,272)	(12,692)	(16,442)	(25,127)	(25,698)	
SSCNOI	88,516	88,571	88,821	88,949	91,285	
Hospitals						
NOI ⁽¹⁾	10,557	6,641	2,951	5,274	10,208	
NOI attributable to non-same store properties	(10,557)	(6,641)	(2,951)	(5,274)	(10,208)	
SSCNOI	-	-	-	-	-	
Seniors housing operating						
NOI ⁽¹⁾	162,481	167,192	166,606	161,253	181,910	
Non-cash NOI on same store properties	264	247	246	245	247	
NOI attributable to non-same store properties	(1,207)	(2,060)	(5,566)	(9,610)	(21,262)	
NOI attributable to pre-HCN ownership ⁽²⁾	321	314	112	-	-	
Normalizing adjustments ⁽³⁾	(6,030)	(5,452)	(3,690)	563	73	
SSCNOI	155,829	160,241	157,708	152,451	160,968	
Outpatient Medical						
NOI ⁽¹⁾	67,357	69,685	74,926	77,188	78,757	
Non-cash NOI on same store properties	(2,172)	(1,746)	(1,553)	(1,262)	(1,575)	
NOI attributable to non-same store properties	(3,740)	(6,735)	(11,507)	(13,404)	(14,165)	
SSCNOI	61,445	61,204	61,866	62,522	63,017	
Life Science						
NOI ⁽¹⁾	7,011	6,003	5,867	5,847	5,625	
Non-cash NOI on same store properties	(7,011)	(6,003)	(5,867)	(5,847)	(5,625)	
SSCNOI	-	-	-	-	-	
Corporate						
NOI ⁽¹⁾	76	106	479	22	39	
NOI attributable to non-same store properties	(76)	(106)	(479)	(22)	(39)	
SSCNOI	-	-	-	-	-	
Total						
NOI ⁽¹⁾	491,828	500,807	513,089	525,902	564,075	
Non-cash NOI on same store properties	(21,301)	(21,751)	(21,054)	(23,317)	(24,200)	
NOI attributable to non-same store properties	(46,997)	(50,783)	(65,789)	(83,775)	(108,805)	
Same store cash NOI pre-HCN ownership	321	314	112	-	-	
Normalizing Adjustments	(6,030)	(5,452)	(3,690)	563	73	
SSCNOI	\$ 417,821	\$ 423,135	\$ 422,668	\$ 419,373	\$ 431,143	

(1) See page 13 for calculation of NOI.

(2) Primarily includes the majority partner's share of NOI for certain Sunrise properties in which HCN previously had a minority interest but owned 100% in 4Q14.

(3) Primarily includes adjustments to normalize management fees at the contractual rate, adjustments to translate Canadian properties at a USD/CAD rate of 1.01 prior to 3/31/2015 and 1.2506 thereafter, and adjustments to translate UK properties at a GBP/USD rate of 1.60 prior to 3/31/2015 and 1.5439 thereafter.

IN-PLACE NOI RECONCILIATION

(dollars in thousands at HCN pro rata ownership)

	Seniors Housing Triple- Net	Long-Term /Post- Acute Care	Hospital	Seniors Housing Operating	Outpatient Medical	Life Science	Corporate / Other	Total
Three months ended June 30, 2015:								
Revenues	\$ 154,256	\$ 133,280	\$ 10,208	\$ 543,942	\$ 115,404	\$ 9,287	\$ 39	\$ 966,416
Property operating expenses	-	-	-	362,032	36,647	3,662	-	402,341
Net operating income⁽¹⁾	\$ 154,256	\$ 133,280	\$ 10,208	\$ 181,910	\$ 78,757	\$ 5,625	\$ 39	\$ 564,075
Adjust:								
Interest income	(8,483)	(9,707)	-	(1,042)	(1,345)	-	-	(20,577)
Other income	(291)	(679)	-	(3,200)	(195)	-	(39)	(4,404)
Sold / held for sale	(599)	(358)	(2,790)	-	(2,206)	(5,605)	-	(11,558)
Non-cash NOI	(8,781)	(17,133)	(1,918)	263	(1,789)	(20)	-	(29,378)
Timing adjustments ⁽²⁾	1,703	1,154	-	1,344	3,700	-	-	7,901
In-Place NOI	\$ 137,805	\$ 106,557	\$ 5,500	\$ 179,275	\$ 76,922	\$ -	\$ -	\$ 506,059
Annualized In-Place NOI	\$ 551,220	\$ 426,228	\$ 22,000	\$ 717,100	\$ 307,688	\$ -	\$ -	\$ 2,024,236

(1) See pages 13.

(2) Represents timing adjustments for current quarter acquisitions, construction conversions and segment transitions.

SHO SSCNOI/UNIT RECONCILIATION

(dollars in thousands, except per unit amounts, at pro rata ownership)

	3Q14	4Q14	1Q15	2Q15	TTM
Total:					
SHO pro rata NOI ⁽¹⁾	\$ 167,192	\$ 166,606	\$ 161,253	\$ 181,910	\$ 676,961
Adjustments ⁽²⁾	(6,951)	(8,898)	(8,802)	(20,942)	(45,593)
Total local SSCNOI	\$ 160,241	\$ 157,708	\$ 152,451	\$ 160,968	\$ 631,368
Average units in service ⁽³⁾					30,318
SSCNOI per unit in USD					<u>\$ 20,825</u>
United States:					
Total SHO SSCNOI	\$ 160,241	\$ 157,708	\$ 152,451	\$ 160,968	\$ 631,368
Adjustments ⁽²⁾	(47,692)	(46,997)	(44,706)	(44,636)	(184,031)
Total local SSCNOI	\$ 112,549	\$ 110,711	\$ 107,745	\$ 116,332	\$ 447,337
Average units in service ⁽³⁾					19,806
SSCNOI per unit in USD					<u>\$ 22,586</u>
United Kingdom:					
Total SHO SSCNOI	\$ 160,241	\$ 157,708	\$ 152,451	\$ 160,968	\$ 631,368
Adjustments ⁽²⁾	(136,024)	(133,328)	(130,352)	(139,495)	(539,199)
Total local SSCNOI	\$ 24,217	\$ 24,380	\$ 22,099	\$ 21,473	\$ 92,169
Average units in service ⁽³⁾					2,270
SSCNOI per unit in USD					<u>\$ 40,603</u>
SSCNOI per unit in GBP ⁽⁴⁾					<u>£ 26,299</u>
Canada:					
Total SHO SSCNOI	\$ 160,241	\$ 157,708	\$ 152,451	\$ 160,968	\$ 631,368
Adjustments ⁽²⁾	(136,766)	(135,091)	(129,844)	(137,805)	(539,506)
Total local SSCNOI	\$ 23,475	\$ 22,617	\$ 22,607	\$ 23,163	\$ 91,862
Average units in service ⁽³⁾					8,243
SSCNOI per unit in USD					<u>\$ 11,145</u>
SSCNOI per unit in CAD ⁽⁴⁾					<u>\$ 13,938</u>

(1) Represents total SHO NOI at HCN pro rata ownership. See page 13.

(2) Represents NOI not derived from local country properties or from non-SS properties, as well as non-cash NOI and normalizing adjustments for local country properties. See page 19 for descriptions of normalizing items.

(3) Represents average occupied units for SS properties related solely to referenced country on a pro rata basis.

(4) Translated at GBP/USD rate of 1.5439 and USD/CAD rate of 1.2506.

SENIORS HOUSING OPERATING REVPOR

(dollars in thousands, except REVPOR)

	Total Portfolio	United States	United Kingdom	Canada
Consolidated revenues	\$539,805	\$539,805	\$539,805	\$539,805
Unconsolidated revenues attributable to HCN ⁽¹⁾	39,664	39,664	39,664	39,664
Less revenues attributable to noncontrolling interests ⁽²⁾	(35,527)	(35,527)	(35,527)	(35,527)
Total revenues at HCN pro rata ownership	543,942	543,942	543,942	543,942
Less revenues not included in REVPOR calculation	(4,175)	(4,175)	(4,175)	(4,175)
Adjustment for standardized currency rates ⁽³⁾	(826)	-	511	(1,337)
Less revenues not derived in country	-	(152,982)	(466,759)	(459,794)
Total local revenues	\$538,941	\$386,785	\$73,519	\$78,636
Average occupied units/month	31,213	19,211	2,666	9,336
REVPOR/month in USD	\$5,771	\$6,729	\$9,216	\$2,815
REVPOR/month in local currency ⁽³⁾			£5,969	\$3,521

(1) Represents HCN's interest in joint venture properties in which HCN is the minority partner.

(2) Represents minority partners' share in joint venture properties in which HCN is the majority partner.

(3) Translated at GBP/USD rate of 1.5439 and USD/CAD rate of 1.2506.

SS REVPO R GROWTH RECONCILIATION

(dollars in thousands, except REVPO R)

	3Q13	3Q14	4Q13	4Q14	1Q14	1Q15	2Q14	2Q15	Avg.
Total:									
Consolidated SHO revenues ⁽¹⁾	\$ 466,296	\$ 483,791	\$ 452,030	\$ 488,546	\$ 456,319	\$ 494,561	\$ 468,914	\$ 539,805	
Pro rata adjustments ⁽²⁾	(8,598)	8,494	(3,517)	10,457	46	10,762	8,659	4,137	
SHO pro rata revenues ⁽³⁾	\$ 457,698	\$ 492,285	\$ 448,513	\$ 499,003	\$ 456,365	\$ 505,323	\$ 477,573	\$ 543,942	
Adjustments ⁽⁴⁾	(19,998)	(25,696)	(218)	(26,686)	(16,477)	(48,686)	(14,596)	(67,249)	
SHO SS revenues ⁽⁵⁾	\$ 437,700	\$ 466,589	\$ 448,295	\$ 472,317	\$ 439,888	\$ 456,637	\$ 462,977	\$ 476,693	
Avg. occupied units/month ⁽⁸⁾	25,693	26,187	25,980	26,423	26,133	26,336	27,214	27,223	
SHO SS REVPO R ⁽⁹⁾	\$ 5,632	\$ 5,890	\$ 5,705	\$ 5,910	\$ 5,689	\$ 5,860	\$ 5,687	\$ 5,870	
SS REVPO R growth		4.6%		3.6%		3.0%		3.2%	3.6%
United States:									
SHO SS revenues ⁽⁵⁾	\$ 437,700	\$ 466,589	\$ 448,295	\$ 472,317	\$ 439,888	\$ 456,637	\$ 462,977	\$ 476,693	
Less non-US SS revenues ⁽⁶⁾	(128,560)	(137,533)	(131,937)	(139,190)	(116,953)	(119,567)	(118,403)	(118,934)	
US SHO revenues ⁽⁷⁾	\$ 309,140	\$ 329,056	\$ 316,358	\$ 333,127	\$ 322,935	\$ 337,070	\$ 344,574	\$ 357,759	
Avg. occupied units/month ⁽⁸⁾	16,395	16,665	16,563	16,820	16,732	16,857	17,793	17,782	
US SHO SS REVPO R ⁽⁹⁾	\$ 6,234	\$ 6,528	\$ 6,315	\$ 6,548	\$ 6,523	\$ 6,758	\$ 6,473	\$ 6,725	
US SS REVPO R growth		4.7%		3.7%		3.6%		3.9%	4.0%
United Kingdom:									
SHO SS revenues ⁽⁵⁾	\$ 437,700	\$ 466,589	\$ 448,295	\$ 472,317	\$ 439,888	\$ 456,637	\$ 462,977	\$ 476,693	
Less non-UK SS revenues ⁽⁶⁾	(379,291)	(402,506)	(387,799)	(408,059)	(380,655)	(396,693)	(402,714)	(417,178)	
UK SHO revenues ⁽⁷⁾	\$ 58,409	\$ 64,083	\$ 60,496	\$ 64,258	\$ 59,233	\$ 59,944	\$ 60,263	\$ 59,515	
Avg. occupied units/month ⁽⁸⁾	1,949	2,034	1,980	2,042	2,024	2,002	2,026	1,968	
UK SHO SS REVPO R ⁽⁹⁾	\$ 9,908	\$ 10,414	\$ 10,103	\$ 10,406	\$ 9,891	\$ 10,119	\$ 9,941	\$ 10,110	
UK SS REVPO R growth		5.1%		3.0%		2.3%		1.7%	3.0%
Canada:									
SHO SS revenues ⁽⁵⁾	\$ 437,700	\$ 466,589	\$ 448,295	\$ 472,317	\$ 439,888	\$ 456,637	\$ 462,977	\$ 476,693	
Less non-CA SS revenues ⁽⁶⁾	(367,549)	(393,139)	(376,854)	(397,385)	(382,168)	(397,014)	(404,837)	(417,274)	
CA SHO revenues ⁽⁷⁾	\$ 70,151	\$ 73,450	\$ 71,441	\$ 74,932	\$ 57,720	\$ 59,623	\$ 58,140	\$ 59,419	
Avg. occupied units/month ⁽⁸⁾	7,349	7,488	7,437	7,562	7,378	7,477	7,395	7,394	
CA SHO SS REVPO R ⁽⁹⁾	\$ 3,156	\$ 3,243	\$ 3,176	\$ 3,276	\$ 2,644	\$ 2,695	\$ 2,628	\$ 2,686	
CA SS REVPO R growth		2.8%		3.1%		1.9%		2.2%	2.5%

(1) Represents total consolidated revenues per U.S. GAAP which agree to or are derived from the relevant 10Q/K.

(2) Represents amounts attributable to joint venture partners, both majority and minority.

(3) Represents total SHO revenues at HCN pro rata ownership.

(4) Represents revenues not derived from local country properties or from non-SS properties, as well as non-cash revenues and normalizing adjustments for local country properties.

(5) Represents SS SHO revenues at HCN pro rata ownership.

(6) Represents pro rata SS revenues derived outside the referenced country.

(7) Represents pro rata SS revenues derived solely from referenced country.

(8) Represents average occupied units for SS properties related solely to referenced country on a pro rata basis.

(9) Represents pro rata SS average revenues generated per occupied room per month related solely to the referenced country.

SSCNOI GROWTH RECONCILIATION

(dollars in thousands)

	3Q13	3Q14	4Q13	4Q14	1Q14	1Q15	2Q14	2Q15	Avg.
Total:									
SHO pro rata NOI ⁽¹⁾	\$ 152,733	\$ 167,192	\$ 146,699	\$ 166,606	\$ 148,311	\$ 161,253	\$ 162,481	\$ 181,910	
Adjustments ⁽²⁾	(3,784)	(6,942)	1,950	(9,460)	(6,379)	(15,051)	(6,652)	(20,942)	
SHO pro rata SSCNOI ⁽³⁾	\$ 148,949	\$ 160,250	\$ 148,649	\$ 157,146	\$ 141,932	\$ 146,202	\$ 155,829	\$ 160,968	
SHO SSCNOI growth		7.6%		5.7%		3.0%		3.3%	4.9%
United States:									
SHO pro rata SSCNOI ⁽³⁾	\$ 148,949	\$ 160,250	\$ 148,649	\$ 157,146	\$ 141,932	\$ 146,202	\$ 155,829	\$ 160,968	
Less non-US SSCNOI ⁽⁴⁾	(50,798)	(54,410)	(49,283)	(53,777)	(45,398)	(44,684)	(45,259)	(44,636)	
US SHO SSCNOI ⁽⁵⁾	\$ 98,151	\$ 105,840	\$ 99,366	\$ 103,369	\$ 96,534	\$ 101,518	\$ 110,570	\$ 116,332	
US SHO SSCNOI growth		7.8%		4.0%		5.2%		5.2%	5.6%
United Kingdom:									
SHO pro rata SSCNOI ⁽³⁾	\$ 148,949	\$ 160,250	\$ 148,649	\$ 157,146	\$ 141,932	\$ 146,202	\$ 155,829	\$ 160,968	
Less non-UK SSCNOI ⁽⁴⁾	(126,181)	(134,922)	(126,280)	(131,626)	(118,761)	(123,887)	(133,062)	(139,495)	
UK SHO SSCNOI ⁽⁵⁾	\$ 22,768	\$ 25,328	\$ 22,369	\$ 25,520	\$ 23,171	\$ 22,315	\$ 22,767	\$ 21,473	
UK SHO SSCNOI growth		11.2%		14.1%		-3.7%		-5.7%	4.0%
Canada:									
SHO pro rata SSCNOI ⁽³⁾	\$ 148,949	\$ 160,250	\$ 148,649	\$ 157,146	\$ 141,932	\$ 146,202	\$ 155,829	\$ 160,968	
Less non-CA SSCNOI ⁽⁴⁾	(120,919)	(131,168)	(121,735)	(128,889)	(119,705)	(123,833)	(133,337)	(137,805)	
CA SHO SSCNOI ⁽⁵⁾	\$ 28,030	\$ 29,082	\$ 26,914	\$ 28,257	\$ 22,227	\$ 22,369	\$ 22,492	\$ 23,163	
CA SHO SSCNOI growth		3.8%		5.0%		0.6%		3.0%	3.1%

Notes:

- (1) Represents total SHO NOI at HCN pro rata ownership. See page 13.
(2) Represents NOI not derived from local country properties or from non-SS properties, as well as non-cash NOI and normalizing adjustments for local country properties.
(3) Represents SHO SSCNOI at HCN pro rata ownership.
(4) Represents pro rata SSCNOI derived outside the referenced country.
(5) Represents pro rata SSCNOI derived solely from referenced country.

EBITDA AND ADJUSTED EBITDA

EBITDA stands for earnings before interest taxes depreciation and amortization. We believe that EBITDA, along with net income and cash flow provided from operating activities, is an important supplemental measure because it provides additional information to assess and evaluate the performance of our operations.

Covenants in our primary unsecured credit facility and senior unsecured notes contain financial ratios based on a definition of EBITDA that is specific to those agreements. Failure to satisfy these covenants could result in an event of default that could have a material adverse impact on our cost and availability of capital, which could in turn have a material adverse impact on our consolidated results of operations, liquidity and/or financial condition. Due to the materiality of these debt agreements and the financial covenants, we have defined EBITDA to include adjustments for stock-based compensation expense, provision for loan losses and gains/losses on extinguishment of debt. We also disclose Adjusted EBITDA which represents EBITDA (as defined) adjusted for transaction costs, gains/losses/impairments on properties, gains/losses on derivatives and timing adjustments for intraquarter investment activity. We use EBITDA and Adjusted EBITDA primarily to measure our interest and fixed charge coverage ratios. Fixed charges include total interest (excluding capitalized interest and non-cash interest expenses), secured debt principal amortization and preferred dividends. We also utilize EBITDA and Adjusted EBITDA to measure our net debt ratios, which is total debt less cash divided by annualized quarterly EBITDA and Adjusted EBITDA.

ADJUSTED EBITDA QUARTERLY RECONCILIATIONS

(dollars in thousands)

	Three Months Ended				
	June 30, 2014	September 30, 2014	December 31, 2014	March 31, 2015	June 30, 2015
Adjusted EBITDA:					
Net income	\$87,854	\$152,771	\$206,474	\$209,422	\$330,459
Interest expense ⁽¹⁾	121,099	118,435	120,707	121,080	118,861
Income tax expense (benefit)	1,569	(10,198)	5,101	(304)	7,417
Depreciation and amortization	214,449	200,970	195,393	188,829	208,802
Stock-based compensation	14,170	4,271	5,967	9,054	11,124
Loss (gain) on extinguishment of debt, net	531	2,692	6,484	15,401	18,887
EBITDA	\$439,672	\$468,941	\$540,126	\$543,482	\$695,550
Transaction costs ⁽²⁾	7,040	13,554	47,991	48,554	12,491
Losses/impairments (gains) on properties, net	(13,079)	(29,604)	(110,839)	(54,625)	(190,111)
Loss / (gain) on derivatives, net ⁽²⁾	351	49	(1,895)	(58,427)	-
CEO transition costs ⁽²⁾	10,465	-	-	-	-
Additional other income ⁽²⁾	-	-	-	(2,144)	-
Other expenses ⁽²⁾	-	10,262	-	-	4,988
Timing adjustments ⁽³⁾	3,630	(442)	(4,515)	9,981	(3,656)
Total adjustments	8,407	(6,181)	(69,258)	(56,661)	(176,288)
Adjusted EBITDA	\$448,079	\$462,760	\$470,868	\$486,821	\$519,262
Interest Coverage Ratio:					
Interest expense ⁽¹⁾	\$121,099	\$118,435	\$120,707	\$121,080	\$118,861
Non-cash interest expense	(1,649)	(547)	100	(119)	4,202
Capitalized interest	1,700	1,779	2,066	2,387	2,060
Total interest	121,150	119,667	122,873	123,348	125,123
EBITDA	\$439,672	\$468,941	\$540,126	\$543,482	\$695,550
Interest coverage ratio	3.63x	3.92x	4.40x	4.41x	5.56x
Adjusted EBITDA	\$448,079	\$462,760	\$470,868	\$486,821	\$519,262
Adjusted interest coverage ratio	3.70x	3.87x	3.83x	3.95x	4.15x
Fixed Charge Coverage Ratio:					
Total interest ⁽¹⁾	\$121,150	\$119,667	\$122,873	\$123,348	\$125,123
Secured debt principal amortization	15,803	14,549	16,473	15,630	17,336
Preferred dividends	16,352	16,352	16,352	16,352	16,352
Total fixed charges	153,305	150,568	155,698	155,330	158,811
EBITDA	\$439,672	\$468,941	\$540,126	\$543,482	\$695,550
Fixed charge coverage ratio	2.87x	3.11x	3.47x	3.50x	4.38x
Adjusted EBITDA	\$448,079	\$462,760	\$470,868	\$486,821	\$519,262
Adjusted fixed charge coverage ratio	2.92x	3.07x	3.02x	3.13x	3.27x
Net Debt to Adjusted EBITDA Ratio:					
Total debt	\$10,345,196	\$10,282,842	\$10,828,013	\$11,014,789	\$11,552,367
Less: cash and cash equivalents ⁽⁴⁾	(207,354)	(1,047,010)	(473,726)	(221,766)	(217,942)
Net debt	10,137,842	9,235,832	10,354,287	10,793,023	11,334,425
EBITDA Annualized	\$1,758,688	\$1,875,764	\$2,160,504	\$2,173,928	\$2,782,200
Net debt to EBITDA ratio	5.76x	4.92x	4.79x	4.96x	4.07x
Adjusted EBITDA Annualized	\$1,792,316	\$1,851,040	\$1,883,472	\$1,947,284	\$2,077,048
Net debt to adjusted EBITDA ratio	5.66x	4.99x	5.50x	5.54x	5.46x

(1) Interest expense includes properties sold or classified as held for sale.

(2) Normalizing items include adjustments for certain non-recurring or infrequent income/expenses that are described in our earnings press release for the relevant period ends.

(3) Represents timing adjustments for acquisitions, dispositions, construction conversions and segment transitions for the relevant periods. See page 20.

(4) Includes IRC section 1031 deposits, if any.

EBITDA YEAR-TO-DATE RECONCILIATIONS

(dollars in thousands)

	Six Months Ended	
	June 30, 2014	June 30, 2015
Adjusted EBITDA:		
Net income	\$153,054	\$539,880
Interest expense ⁽¹⁾	242,055	239,942
Income tax expense (benefit)	3,830	7,113
Depreciation and amortization ⁽¹⁾	447,766	397,631
Stock-based compensation	21,837	20,178
Loss (gain) on extinguishment of debt, net	383	34,288
EBITDA	\$868,925	\$1,239,032
Transaction costs ⁽²⁾	7,993	61,045
Losses/impairments (gains) on properties, net	(13,079)	(244,736)
Loss / (gain) on derivatives, net ⁽²⁾	351	(58,427)
CEO transition costs ⁽²⁾	10,465	-
Other expenses ⁽²⁾	-	4,988
Additional other income ⁽²⁾	-	(2,144)
Timing adjustments ⁽³⁾	8,472	6,325
Total adjustments	14,202	(232,949)
Adjusted EBITDA	\$883,127	\$1,006,083
Interest Coverage Ratio:		
Interest expense ⁽¹⁾	\$242,055	\$239,942
Non-cash interest expense	(1,979)	4,082
Capitalized interest	3,306	4,446
Total interest	243,382	248,470
EBITDA	\$868,925	\$1,239,032
Interest coverage ratio	3.57x	4.99x
Adjusted EBITDA	\$883,127	\$1,006,083
Adjusted interest coverage ratio	3.63x	4.05x
Fixed Charge Coverage Ratio:		
Total interest ⁽¹⁾	\$243,382	\$248,470
Secured debt principal amortization	31,258	32,966
Preferred dividends	32,705	32,703
Total fixed charges	307,345	314,139
EBITDA	\$868,925	\$1,239,032
Fixed charge coverage ratio	2.83x	3.94x
Adjusted EBITDA	\$883,127	\$1,006,083
Adjusted fixed charge coverage ratio	2.87x	3.20x

(1) Interest expense and depreciation include discontinued operations.

(2) Normalizing items include adjustments for certain non-recurring or infrequent income/expenses that are described in our earnings press release for the relevant period ends.

(3) Represents timing adjustments for acquisitions, dispositions, construction conversions and segment transitions for the relevant periods.

ADJUSTED EBITDA ANNUAL RECONCILIATIONS

(dollars in thousands)

	Year Ended				
	December 31, 2010	December 31, 2011	December 31, 2012	December 31, 2013	December 31, 2014
Adjusted EBITDA:					
Net income	\$128,884	\$212,716	\$294,840	\$138,280	\$512,300
Interest expense ⁽¹⁾	160,960	321,999	383,300	462,606	481,197
Income tax expense (benefit)	364	1,388	7,612	7,491	(1,267)
Depreciation and amortization ⁽¹⁾	202,543	423,605	533,585	873,960	844,130
Stock-based compensation	11,823	10,786	18,521	20,177	32,075
Provision for loan losses	29,684	2,010	27,008	2,110	-
Loss (gain) on extinguishment of debt, net	34,171	(979)	(775)	(909)	9,558
EBITDA	\$568,429	\$971,525	\$1,264,091	\$1,503,715	\$1,877,993
Transaction costs ⁽²⁾	46,660	70,224	61,609	133,401	69,538
Losses/impairments (gains) on properties, net	(35,168)	(48,966)	(71,262)	(49,138)	(153,522)
Loss / (gain) on derivatives, net ⁽²⁾	-	-	(1,825)	4,470	(1,495)
CEO transition costs ⁽²⁾	-	-	-	-	10,465
Other expenses ⁽²⁾	-	-	-	-	10,262
Timing adjustments ⁽³⁾	12,442	76,586	20,358	27,362	3,515
Total adjustments	23,934	97,844	8,880	116,095	(61,237)
Adjusted EBITDA	\$592,363	\$1,069,369	\$1,272,971	\$1,619,810	\$1,816,756
Interest Coverage Ratio:					
Interest expense ⁽¹⁾	\$160,960	\$321,999	\$383,300	\$462,606	\$481,197
Non-cash interest expense	(13,945)	(13,905)	(11,395)	(4,044)	(2,427)
Capitalized interest	20,792	13,164	9,777	6,700	7,150
Total interest	167,807	321,258	381,682	465,262	485,920
EBITDA	\$568,429	\$971,525	\$1,264,091	\$1,503,715	\$1,877,993
Interest coverage ratio	3.39x	3.02x	3.31x	3.23x	3.86x
Adjusted EBITDA	\$592,363	\$1,069,369	\$1,272,971	\$1,619,810	\$1,816,756
Adjusted interest coverage ratio	3.53x	3.33x	3.34x	3.48x	3.74x
Fixed Charge Coverage Ratio:					
Total interest ⁽¹⁾	\$167,807	\$321,258	\$381,682	\$465,262	\$485,920
Secured debt principal amortization	16,652	27,804	38,744	56,205	62,280
Preferred dividends	21,645	60,502	69,129	66,336	65,408
Total fixed charges	206,104	409,564	489,555	587,803	613,608
EBITDA	\$568,429	\$971,525	\$1,264,091	\$1,503,715	\$1,877,993
Fixed charge coverage ratio	2.76x	2.37x	2.58x	2.56x	3.06x
Adjusted EBITDA	\$592,363	\$1,069,369	\$1,272,971	\$1,619,810	\$1,816,756
Adjusted fixed charge coverage ratio	2.87x	2.61x	2.60x	2.76x	2.96x
Net Debt to Adjusted EBITDA Ratio:					
Total debt	\$4,469,736	\$7,240,752	\$8,531,899	\$10,652,014	\$10,828,013
Less: cash and cash equivalents ⁽⁴⁾	(131,570)	(163,482)	(1,033,764)	(158,780)	(473,726)
Net debt	4,338,166	7,077,270	7,498,135	10,493,234	10,354,287
EBITDA	\$568,429	\$971,525	\$1,264,091	\$1,503,715	\$2,160,504
Net debt to EBITDA ratio	7.63x	7.28x	5.93x	6.98x	4.79x
Adjusted EBITDA	\$592,363	\$1,069,369	\$1,272,971	\$1,619,810	\$1,816,756
Net debt to adjusted EBITDA ratio	7.32x	6.62x	5.89x	6.48x	5.70x

(1) Interest expense and depreciation include discontinued operations.

(2) Normalizing items include adjustments for certain non-recurring or infrequent income/expenses that are described in our earnings press releases for the relevant period ends.

(3) Represents timing adjustments for acquisitions, dispositions, construction conversions and segment transitions for the relevant periods.

(4) Includes IRC section 1031 deposits, if any.

ADJUSTED EBITDA TRAILING TWELVE MONTHS RECONCILIATIONS

(dollars in thousands)

	Twelve Months Ended				
	June 30, 2014	September 30, 2014	December 31, 2014	March 31, 2015	June 30, 2015
Adjusted EBITDA:					
Net income	\$212,355	\$331,522	\$512,300	\$656,521	\$899,126
Interest expense ⁽¹⁾	483,082	484,975	481,197	481,321	479,083
Income tax expense (benefit)	7,341	(5,934)	(1,267)	(3,832)	2,016
Depreciation and amortization ⁽¹⁾	934,128	892,117	844,130	799,641	793,994
Stock-based compensation	29,320	29,635	32,075	33,462	30,416
Provision for loan losses	2,110	2,110	-	-	-
Loss (gain) on extinguishment of debt, net	(218)	6,542	9,558	25,108	43,464
EBITDA	\$1,668,118	\$1,740,967	\$1,877,993	\$1,992,221	\$2,248,099
Transaction costs ⁽²⁾	47,276	37,239	69,538	117,140	122,590
Losses/impairments (gains) on properties, net	(9,722)	(34,619)	(153,522)	(208,147)	(385,179)
Loss / (gain) on derivatives, net ⁽²⁾	5,229	406	(1,495)	(59,922)	(60,273)
CEO transition costs ⁽²⁾	10,465	10,465	10,465	10,465	-
Other expenses ⁽²⁾	-	10,262	10,262	10,262	15,250
Additional other income ⁽²⁾	-	-	-	(2,144)	(2,144)
Timing adjustments ⁽³⁾	(3,151)	(14,171)	3,515	15,301	1,368
Total adjustments	50,097	9,582	(61,237)	(117,045)	(308,388)
Adjusted EBITDA	\$1,718,215	\$1,750,549	\$1,816,756	\$1,875,176	\$1,939,711
Interest Coverage Ratio:					
Interest expense ⁽¹⁾	\$483,082	\$484,975	\$481,197	\$481,321	\$479,083
Non-cash interest expense	(1,292)	(2,790)	(2,427)	(2,215)	8,292
Capitalized interest	7,014	7,087	7,150	7,931	6,366
Total interest	488,804	489,272	485,920	487,037	491,011
EBITDA	\$1,668,118	\$1,740,967	\$1,877,993	\$1,992,221	\$2,248,099
Interest coverage ratio	3.41x	3.56x	3.86x	4.09x	4.58x
Adjusted EBITDA	\$1,718,215	\$1,750,549	\$1,816,756	\$1,875,176	\$1,939,711
Adjusted interest coverage ratio	3.52x	3.58x	3.74x	3.85x	3.95x
Fixed Charge Coverage Ratio:					
Total interest ⁽¹⁾	\$488,804	\$489,272	\$485,920	\$487,037	\$491,011
Secured debt principal amortization	62,827	62,119	62,280	62,455	63,988
Preferred dividends	65,838	65,588	65,408	65,408	65,408
Total fixed charges	617,469	616,979	613,608	614,900	620,407
EBITDA	\$1,668,118	\$1,740,967	\$1,877,993	\$1,992,221	\$2,248,099
Fixed charge coverage ratio	2.70x	2.82x	3.06x	3.24x	3.62x
Adjusted EBITDA	\$1,718,215	\$1,750,549	\$1,816,756	\$1,875,176	\$1,939,711
Adjusted fixed charge coverage ratio	2.78x	2.84x	2.96x	3.05x	3.13x

(1) Interest expense and depreciation include discontinued operations.

(2) Normalizing items include adjustments for certain non-recurring or infrequent income/expenses that are described in our earnings press releases for the relevant period ends.

(3) Represents timing adjustments for acquisitions, dispositions, construction conversions and segment transitions for the relevant periods.