



welltower

NON-GAAP FINANCIAL MEASURES

QUARTER ENDED DECEMBER 31, 2015

Welltower 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 Net Operating Income (NOI), In-Place NOI, Same Store Cash NOI (SSCNOI), Revenues per Occupied Room (REVPOR), Same Store REVPOR (SS REVPOR), Funds From Operations (FFO), Funds Available for Distribution (FAD) and Earnings Before Interest Taxes Depreciation and Amortization (EBITDA) 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.

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 and amortization. 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 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 items as detailed in the reconciliations.

FAD represents FFO excluding net straight-line rental adjustments, amortization related to above/below market leases and 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 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				
	December 31, 2014	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015
Funds From Operations:					
Net income (loss) attributable to common stockholders	\$188,636	\$190,799	\$312,573	\$182,043	\$132,931
Depreciation and amortization	195,393	188,829	208,802	205,799	222,809
Losses/impairments (gains) on properties, net	(110,839)	(54,625)	(190,111)	(2,046)	(31,385)
Noncontrolling interests ⁽¹⁾	(8,234)	(7,249)	(10,467)	(11,647)	(9,908)
Unconsolidated entities ⁽²⁾	19,560	26,496	19,791	18,146	18,062
Funds from operations - NAREIT	284,516	344,250	340,588	392,295	332,509
Normalizing items:					
Loss (gain) on derivatives, net	(1,895)	(58,427)	-	-	-
Transaction costs	47,991	48,554	12,491	9,333	40,547
Loss (gain) on extinguishment of debt, net	6,484	15,401	18,887	584	(195)
Nonrecurring income tax benefits	-	-	-	(5,430)	-
Additional other income	-	(2,144)	-	-	(3,669)
Other expenses	-	695	10,583	-	35,648
Normalizing items attributable to noncontrolling interests and unconsolidated entities, net	566	1,334	1,151	(312)	(2,485)
Funds from operations - normalized	<u>\$337,662</u>	<u>\$349,663</u>	<u>\$383,700</u>	<u>\$396,470</u>	<u>\$402,355</u>
Average common shares outstanding:					
Basic	327,492	336,754	350,399	351,765	353,604
Diluted	329,130	337,812	351,366	353,107	354,972
Net income (loss) attributable to common stockholders per share:					
Basic	\$0.58	\$0.57	\$0.89	\$0.52	\$0.38
Diluted	\$0.57	\$0.56	\$0.89	\$0.52	\$0.37
Funds from operations - NAREIT per share:					
Basic	\$0.87	\$1.02	\$0.97	\$1.12	\$0.94
Diluted	\$0.86	\$1.02	\$0.97	\$1.11	\$0.94
Funds from operations - normalized per share:					
Basic	\$1.03	\$1.04	\$1.10	\$1.13	\$1.14
Diluted	\$1.03	\$1.04	\$1.09	\$1.12	\$1.13
Funds From Operations - NAREIT Payout Ratio:					
Dividends per common share	\$0.795	\$0.825	\$0.825	\$0.825	\$0.825
Diluted funds from operations - NAREIT per share	\$0.86	\$1.02	\$0.97	\$1.11	\$0.94
FFO - NAREIT payout ratio	<u>92%</u>	<u>81%</u>	<u>85%</u>	<u>74%</u>	<u>88%</u>
Funds From Operations - Normalized Payout Ratio:					
Dividends per common share	\$0.795	\$0.825	\$0.825	\$0.825	\$0.825
Diluted funds from operations - normalized per share	\$1.03	\$1.04	\$1.09	\$1.12	\$1.13
FFO - normalized payout ratio	<u>77%</u>	<u>79%</u>	<u>76%</u>	<u>74%</u>	<u>73%</u>

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

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

FFO ANNUAL RECONCILIATIONS

(in thousands, except per share information)

	Year Ended				
	December 31, 2011	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015
Funds From Operations					
Net income (loss) attributable to common stockholders	\$157,108	\$221,884	\$78,714	\$446,745	\$818,344
Depreciation and amortization ⁽¹⁾	423,605	533,585	873,960	844,130	826,240
Losses/impairments (gains) on properties, net	(48,966)	(71,262)	(49,138)	(153,522)	(278,167)
Noncontrolling interests ⁽²⁾	(18,557)	(21,058)	(36,304)	(37,852)	(39,271)
Unconsolidated entities ⁽³⁾	11,712	34,408	57,652	74,580	82,494
Funds from operations - NAREIT	524,902	697,557	924,884	1,174,081	1,409,640
Normalizing items:					
Non-recurring G&A expenses	-	4,316	-	-	-
Realized loss on derivatives	-	(1,825)	4,470	(1,495)	(58,427)
Transaction costs	70,224	61,609	133,401	69,538	110,926
Preferred stock redemption charge	-	6,242	-	-	-
Loss (gain) on extinguishment of debt, net	(979)	(775)	(909)	9,558	34,677
Provision for loan losses	2,010	27,008	2,110	-	-
CEO transition costs	-	-	-	19,688	-
Nonrecurring income tax benefits	-	-	-	(17,426)	(5,430)
Other expenses	-	-	-	10,262	46,926
Held for sale hospital operating expenses	1,653	215	-	-	-
Additional other income	(3,774)	-	-	-	(5,813)
Normalizing items attributable to noncontrolling interests and unconsolidated entities, net	-	-	(1,985)	5,661	(312)
Funds from operations - normalized	\$594,036	\$794,347	\$1,061,971	\$1,269,867	\$1,532,187
Average common shares outstanding:					
Basic	173,741	224,343	276,929	306,272	348,240
Diluted	174,401	225,953	278,761	307,747	349,424
Net income (loss) attributable to common stockholders per share:					
Basic	\$0.90	\$0.99	\$0.28	\$1.46	\$2.35
Diluted	\$0.90	\$0.98	\$0.28	\$1.45	\$2.34
Funds from operations - NAREIT per share:					
Basic	\$3.02	\$3.11	\$3.34	\$3.83	\$4.05
Diluted	\$3.01	\$3.09	\$3.32	\$3.82	\$4.03
Funds from operations - normalized per share:					
Basic	\$3.42	\$3.54	\$3.83	\$4.15	\$4.40
Diluted	\$3.41	\$3.52	\$3.81	\$4.13	\$4.38
Funds From Operations - NAREIT Payout Ratio:					
Dividends per common share	\$2.835	\$2.96	\$3.06	\$3.18	\$3.30
Diluted funds from operations - NAREIT per share	\$3.01	\$3.09	\$3.32	\$3.82	\$4.03
FFO - NAREIT payout ratio	94%	96%	92%	83%	82%
Funds From Operations - Normalized Payout Ratio:					
Dividends per common share	\$2.835	\$2.960	\$3.06	\$3.18	\$3.30
Diluted funds from operations - normalized per share	\$3.41	\$3.52	\$3.81	\$4.13	\$4.38
FFO - normalized payout ratio	83%	84%	80%	77%	75%

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

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

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

(dollars per fully diluted share)

	Year Ended December 31, 2016		
	Low	Mid-point	High
Net income attributable to common stockholders	\$2.04	\$2.09	\$2.14
Losses/impairments (gains) on sale of properties, net ^(1,2)	(0.05)	(0.05)	(0.05)
Depreciation and amortization ⁽¹⁾	2.51	2.51	2.51
Funds from operations - NAREIT	\$4.50	\$4.55	\$4.60

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

(2) Includes estimated gains on expected dispositions.

FAD QUARTERLY RECONCILIATIONS

(in thousands, except per share information)

	Three Months Ended				
	December 31, 2014	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015
Funds Available for Distribution:					
Net income (loss) attributable to common stockholders	\$188,636	\$190,799	\$312,573	\$182,043	\$132,931
Depreciation and amortization	195,393	188,829	208,802	205,799	222,809
Losses/impairments (gains) on properties, net	(110,839)	(54,625)	(190,111)	(2,046)	(31,385)
Noncontrolling interests ⁽¹⁾	(6,936)	(6,338)	(9,447)	(11,515)	(8,974)
Unconsolidated entities ⁽²⁾	18,420	25,837	16,908	16,769	14,823
Gross straight-line rental income	(24,439)	(28,537)	(31,190)	(32,164)	(31,002)
Amortization related to above (below) market leases, net	236	113	757	1,992	1,155
Non-cash interest expense	(100)	119	(4,202)	3,791	2,878
Cap ex, tenant improvements, lease commissions	(15,178)	(10,485)	(15,114)	(18,865)	(19,993)
Funds available for distribution	245,193	305,712	288,976	345,804	283,242
Normalizing items:					
Loss (gain) on derivatives, net	(1,895)	(58,427)	-	-	-
Transaction costs	47,991	48,554	12,491	9,333	40,547
Loss (gain) on extinguishment of debt, net	6,484	15,401	18,887	584	(195)
Nonrecurring income tax benefits	-	-	-	(5,430)	-
Additional other income	-	(2,144)	-	-	(3,669)
Other expenses	-	695	10,583	-	35,648
Normalizing items attributable to noncontrolling interests and unconsolidated entities, net	566	1,334	1,151	(312)	(2,485)
Funds available for distribution - normalized	\$298,339	\$311,125	\$332,088	\$349,979	\$353,088
Average common shares outstanding:					
Basic	327,492	336,754	350,399	351,765	353,604
Diluted	329,130	337,812	351,366	353,107	354,972
Net income (loss) attributable to common stockholders per share:					
Basic	\$0.58	\$0.57	\$0.89	\$0.52	\$0.38
Diluted	\$0.57	\$0.56	\$0.89	\$0.52	\$0.37
Funds available for distribution per share:					
Basic	\$0.75	\$0.91	\$0.82	\$0.98	\$0.80
Diluted	\$0.74	\$0.90	\$0.82	\$0.98	\$0.80
Funds available for distribution - normalized per share:					
Basic	\$0.91	\$0.92	\$0.95	\$0.99	\$1.00
Diluted	\$0.91	\$0.92	\$0.95	\$0.99	\$0.99
Funds Available for Distribution Payout Ratio:					
Dividends per common share	\$0.795	\$0.825	\$0.825	\$0.825	\$0.825
Diluted funds available for distribution per share	\$0.74	\$0.90	\$0.82	\$0.98	\$0.80
FAD payout ratio	107%	92%	101%	84%	103%
Funds Available for Distribution - Normalized Payout Ratio:					
Dividends per common share	\$0.795	\$0.825	\$0.825	\$0.825	\$0.825
Diluted funds available for distribution - normalized per share	\$0.91	\$0.92	\$0.95	\$0.99	\$0.99
FAD - normalized payout ratio	87%	90%	87%	83%	83%

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

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

FAD ANNUAL RECONCILIATIONS

(in thousands, except per share information)

	Year Ended				
	December 31, 2011	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015
Funds Available for Distribution:					
Net income (loss) attributable to common stockholders	\$157,108	\$221,884	\$78,714	\$446,745	\$818,344
Depreciation and amortization ⁽¹⁾	423,605	533,585	873,960	844,130	826,240
Losses/impairments (gains) on properties, net	(48,966)	(71,262)	(49,138)	(153,522)	(278,167)
Noncontrolling interests ⁽²⁾	(16,325)	(17,871)	(32,031)	(32,978)	(36,275)
Unconsolidated entities ⁽³⁾	5,149	25,437	43,422	68,718	74,336
Gross straight-line rental income	(41,067)	(52,322)	(58,880)	(88,073)	(122,893)
Amortization related to above (below) market leases, net	(2,507)	873	217	739	4,018
Non-cash interest expense	13,905	11,395	4,142	2,427	2,586
Cap ex, tenant improvements, lease commissions	(36,073)	(45,175)	(60,984)	(59,134)	(64,458)
Funds available for distribution	464,318	606,544	799,422	1,029,052	1,223,731
Normalizing items:					
Non-recurring G&A expenses	-	4,316	-	-	-
Loss (gain) on derivatives, net	-	(1,825)	4,470	(1,495)	(58,427)
Transaction costs	70,224	61,609	133,401	69,538	110,926
Loss (gain) on extinguishment of debt, net	(979)	(775)	(909)	9,558	34,677
Provision for loan losses	2,010	27,008	2,110	-	-
CEO transaction costs	-	-	-	19,688	-
Nonrecurring income tax benefits	-	-	-	(17,426)	(5,430)
Other expenses	-	-	-	10,262	46,926
Held for sale hospital operating expenses	1,653	215	-	-	-
Additional other income	(3,774)	-	-	-	(5,813)
Preferred stock redemption charge	-	6,242	-	-	-
Normalizing items attributable to noncontrolling interests and unconsolidated entities, net	-	-	(1,985)	5,661	(312)
Funds available for distribution - normalized	\$523,963	\$703,334	\$936,509	\$1,124,838	\$1,346,278
Average common shares outstanding:					
Basic	173,741	224,343	276,929	306,272	348,240
Diluted	174,401	225,953	278,761	307,747	349,424
Net income (loss) attributable to common stockholders per					
Basic	\$0.90	\$0.99	\$0.28	\$1.46	\$2.35
Diluted	\$0.90	\$0.98	\$0.28	\$1.45	\$2.34
Funds available for distribution per share:					
Basic	\$2.67	\$2.70	\$2.89	\$3.36	\$3.51
Diluted	\$2.66	\$2.68	\$2.87	\$3.34	\$3.50
Funds available for distribution - normalized per share:					
Basic	\$3.02	\$3.14	\$3.38	\$3.67	\$3.87
Diluted	\$3.00	\$3.11	\$3.36	\$3.66	\$3.85
Funds Available for Distribution Payout Ratio:					
Dividends per common share	\$2.835	\$2.96	\$3.06	\$3.18	\$3.30
Diluted funds available for distribution per share	\$2.66	\$2.68	\$2.87	\$3.34	\$3.50
FAD payout ratio	107%	110%	107%	95%	94%
Funds Available for Distribution - Normalized Payout					
Dividends per common share	\$2.835	\$2.96	\$3.06	\$3.18	\$3.30
Diluted funds available for distribution - normalized per	\$3.00	\$3.11	\$3.36	\$3.66	\$3.85
FAD - normalized payout ratio	95%	95%	91%	87%	86%

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

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

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

(dollars per fully diluted share)

	Year Ended December 31, 2016		
	Low	Mid-point	High
Net income attributable to common stockholders	\$2.04	\$2.09	\$2.14
Losses/impairments (gains) on sale of properties, net ^(1,2)	(0.05)	(0.05)	(0.05)
Depreciation and amortization ⁽¹⁾	2.51	2.51	2.51
FAD-only adjustments ^(1,3)	(0.55)	(0.55)	(0.55)
Funds available for distribution	\$3.95	\$4.00	\$4.05

(1) Amounts presented net of noncontrolling interests' share and Welltower'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.

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.

Revenues per occupied room (REVPOR) is used to evaluate the revenue-generating capacity and profit potential of our seniors housing operating 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 operating portfolio.

Same store cash NOI (SSCNOI) and same store REVPOR (SS REVPOR) used to evaluate the cash-based performance of our properties under a consistent population which eliminates changes in the composition of our portfolio. For purposes of SSCNOI and SS REVPOR, same store is generally defined as those revenue-generating properties in the portfolio for the relevant reporting periods. Any properties acquired, developed/re-developed, transitioned, sold or classified as held for sale during those periods are generally excluded from the same store amounts. Normalizers include adjustments and reclassifications that in management's opinion are appropriate in considering SSCNOI, a supplemental, non-GAAP performance measure. None of these adjustments or reclassifications, which may increase or decrease SSCNOI, are reflected in the company's financial statements prepared in accordance with U.S. GAAP.

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 Welltower pro rata ownership)

	Three Months Ended				
	December 31, 2014	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015
Revenues:					
Seniors housing triple-net					
Rental income	\$136,357	\$137,807	\$145,482	\$149,271	\$152,690
Interest income	6,263	8,059	8,483	9,384	10,003
Other income	52	694	291	198	284
Total revenues	142,672	146,560	154,256	158,853	162,977
Long-term/post-acute care					
Rental income	115,506	120,001	122,894	124,723	126,070
Interest income	2,616	6,639	9,707	10,071	11,761
Other income	1,466	3,118	679	771	763
Total revenues	119,588	129,758	133,280	135,565	138,594
Hospitals					
Rental income	2,788	5,203	10,208	10,203	10,042
Interest income	157	-	-	-	-
Other income	6	71	-	-	-
Total revenues	2,951	5,274	10,208	10,203	10,042
Seniors housing operating					
Resident fees and service	496,417	503,278	539,700	545,452	579,530
Interest income	1,054	1,031	1,042	1,054	1,054
Other income	1,532	1,014	3,200	753	1,038
Total revenues	499,003	505,323	543,942	547,259	581,622
Outpatient medical					
Rental income	108,984	112,648	113,864	116,647	115,948
Interest income	707	1,265	1,345	1,872	1,372
Other income	160	160	195	308	4,020
Total revenues	109,851	114,073	115,404	118,827	121,340
Life science					
Rental income	9,615	10,029	9,287	-	-
Non-segment/corporate					
Other income	479	22	39	22	1,008
Total					
Rental income	373,250	385,688	401,735	400,844	404,750
Resident fees and service	496,417	503,278	539,700	545,452	579,530
Interest income	10,797	16,994	20,577	22,381	24,190
Other income	3,695	5,079	4,404	2,052	7,113
Total revenues	884,159	911,039	966,416	970,729	1,015,583
Property operating expenses:					
Long-term/post-acute care ⁽¹⁾	-	-	-	-	-
Hospitals	-	-	-	-	-
Seniors housing operating	332,397	344,070	362,032	365,966	393,889
Outpatient medical	34,925	36,885	36,647	38,074	36,347
Life science	3,748	4,182	3,662	-	-
Total property operating expenses	371,070	385,137	402,341	404,040	430,236
Net operating income:					
Seniors housing triple-net	142,672	146,560	154,256	158,853	162,977
Long-term/post-acute care	119,588	129,758	133,280	135,565	138,594
Hospitals	2,951	5,274	10,208	10,203	10,042
Seniors housing operating	166,606	161,253	181,910	181,293	187,733
Outpatient medical	74,926	77,188	78,757	80,753	84,993
Life science	5,867	5,847	5,625	-	-
Non-segment/corporate	479	22	39	22	1,008
Net operating income⁽²⁾	\$513,089	\$525,902	\$564,075	\$566,689	\$585,347

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 12 for a reconciliation to net income (loss) attributable to common stockholders.

NOI QUARTERLY RECONCILIATION

(dollars in thousands)

	Three Months Ended				
	December 31, 2014	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015
Net operating income ⁽¹⁾	\$513,089	\$525,902	\$564,075	\$566,689	\$585,347
Reconciling items:					
Interest expense ⁽²⁾	(120,707)	(121,080)	(118,861)	(121,130)	(131,097)
Depreciation and amortization	(195,393)	(188,829)	(208,802)	(205,799)	(222,809)
General & administrative expenses	(27,616)	(34,755)	(38,474)	(36,950)	(36,854)
Transaction costs	(47,991)	(48,937)	(12,491)	(9,333)	(40,547)
Gain (loss) on derivatives, net	1,895	58,427	-	-	-
Gain (loss) on extinguishment of debt, net	(6,484)	(15,401)	(18,887)	(584)	195
Other expenses	-	-	(10,583)	-	(35,648)
Income tax benefit (expense)	(5,101)	304	(7,417)	3,344	(2,682)
Non-operating expense from unconsolidated entities & noncontrolling interests	(16,057)	(20,834)	(8,212)	974	(2,172)
Gain (loss/impairment) on properties, net	110,839	54,625	190,111	2,046	31,385
Preferred dividends	(16,352)	(16,352)	(16,352)	(16,352)	(16,352)
Loss (income) attributable to noncontrolling interests	(1,486)	(2,271)	(1,534)	(862)	4,165
	<u>(324,453)</u>	<u>(335,103)</u>	<u>(251,502)</u>	<u>(384,646)</u>	<u>(452,416)</u>
Net income (loss) attributable to common stockholders	<u>\$188,636</u>	<u>\$190,799</u>	<u>\$312,573</u>	<u>\$182,043</u>	<u>\$132,931</u>

(1) See page 11. Amounts reflected at Welltower pro rata ownership.

(2) Includes amounts related to properties sold or classified as held for sale.

NOI ANNUAL RECONCILIATION

(dollars in thousands at Welltower pro rata ownership)

	Year Ended				
	December 31, 2011	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015
Revenues:					
Seniors housing triple-net					
Rental income	\$307,095	\$372,960	\$432,648	\$519,741	\$585,250
Interest income	21,014	16,156	14,378	18,502	35,929
Other income	6,166	1,495	1,331	556	1,467
Total revenues	334,275	390,611	448,357	538,799	622,646
Long-term/post-acute care					
Rental income	351,886	415,439	393,899	437,682	493,688
Interest income	16,237	11,621	11,833	12,571	38,178
Other income	497	952	139	2,392	5,331
Total revenues	368,620	428,012	405,871	452,645	537,197
Hospitals					
Rental income	32,174	42,620	43,808	30,548	35,656
Interest income	3,094	2,877	2,004	1,182	-
Other income	26	25	25	24	71
Total revenues	35,294	45,522	45,837	31,754	35,727
Seniors housing operating					
Resident fees and services	408,386	692,696	1,659,586	1,919,947	2,167,960
Interest income	-	6,208	757	2,119	4,181
Other income	-	-	397	3,161	6,005
Total revenues	408,386	698,904	1,660,740	1,925,227	2,178,146
Outpatient medical					
Rental income	235,451	322,625	367,651	408,160	459,107
Interest income	723	2,181	3,683	3,292	5,854
Other income	3,916	1,887	1,908	1,022	4,683
Total revenues	240,090	326,693	373,242	412,474	469,644
Life science					
Rental income	43,429	43,754	44,976	41,217	19,317
Non-segment/corporate					
Other income	690	669	296	677	1,091
Total					
Rental income	970,035	1,197,398	1,282,982	1,437,348	1,593,018
Resident fees and services	408,386	692,696	1,659,586	1,919,947	2,167,960
Interest income	41,068	39,043	32,655	37,666	84,141
Other income	11,295	5,028	4,096	7,832	18,649
Total revenues	1,430,784	1,934,165	2,979,319	3,402,793	3,863,768
Property operating expenses:					
Long-term/post-acute care ⁽¹⁾	58	745	635	274	-
Hospitals	1,819	550	598	456	-
Seniors housing operating	282,438	467,600	1,119,280	1,280,636	1,465,958
Outpatient medical	66,864	97,971	118,031	134,018	147,953
Life science	13,151	13,667	15,433	15,201	7,844
Total property operating expenses	364,330	580,533	1,253,977	1,430,585	1,621,755
Net operating income:					
Seniors housing triple-net	334,275	390,611	448,357	538,799	622,646
Long-term/post-acute care	368,562	427,267	405,236	452,371	537,197
Hospitals	33,475	44,972	45,239	31,298	35,727
Seniors housing operating	125,948	231,304	541,460	644,591	712,189
Outpatient medical	173,226	228,722	255,211	278,456	321,691
Life science	30,278	30,087	29,543	26,016	11,472
Non-segment/corporate	690	669	296	677	1,091
Net operating income⁽²⁾	\$1,066,454	\$1,353,632	\$1,725,342	\$1,972,208	\$2,242,013

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.

(dollars in thousands)

	Year Ended				
	December 31, 2011	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015
Net operating income ⁽¹⁾	\$1,066,454	\$1,353,632	\$1,725,342	\$1,972,208	\$2,242,013
Reconciling items:					
Interest expense	(321,999)	(383,300)	(462,606)	(481,197)	(492,169)
Depreciation and amortization ⁽²⁾	(423,605)	(533,585)	(873,960)	(844,130)	(826,240)
General & administrative expenses ⁽²⁾	(77,201)	(97,341)	(108,318)	(142,943)	(147,416)
Transaction costs	(70,224)	(61,609)	(133,401)	(69,538)	(110,926)
Gain (loss) on derivatives, net	-	1,825	(4,470)	1,495	58,427
Gain (loss) on extinguishment of debt, net	979	775	909	(9,558)	(34,677)
Provision for loan losses	(2,010)	(27,008)	(2,110)	-	-
Other expenses	-	-	-	(10,262)	(46,231)
Income tax benefit (expense)	(1,388)	(7,612)	(7,491)	1,267	(6,451)
Non-operating expenses from unconsolidated entities & noncontrolling interests	(7,256)	(22,199)	(44,753)	(58,564)	(25,948)
Gain (loss/impairment) on properties, net	48,966	71,262	49,138	153,522	278,167
Preferred dividends	(60,502)	(69,129)	(66,336)	(65,408)	(65,406)
Preferred stock redemption charge	-	(6,242)	-	-	-
Loss (income) attributable to noncontrolling interests	4,894	2,415	6,770	(147)	(4,799)
	<u>(909,346)</u>	<u>(1,131,748)</u>	<u>(1,646,628)</u>	<u>(1,525,463)</u>	<u>(1,423,669)</u>
Net income (loss) attributable to common stockholders	<u>\$157,108</u>	<u>\$221,884</u>	<u>\$78,714</u>	<u>\$446,745</u>	<u>\$818,344</u>

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

(2) Includes amounts related to discontinued operations.

SAME STORE CASH NOI RECONCILIATIONS

(dollars in thousands at Welltower pro rata ownership)

	Three Months Ended				
	December 31, 2014	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015
Seniors housing triple-net					
NOI ⁽¹⁾	\$ 142,672	\$ 146,560	\$ 154,256	\$ 158,853	\$ 162,977
Non-cash NOI on same store properties	(5,236)	(6,843)	(6,818)	(7,566)	(8,982)
NOI attributable to non-same store properties	(21,556)	(22,795)	(29,836)	(32,898)	(34,711)
Normalizing adjustments ⁽²⁾	(172)	130	49	(22)	122
SSCNOI	115,708	117,052	117,651	118,367	119,406
Long-term/post-acute care					
NOI ⁽¹⁾	119,588	129,758	133,280	135,565	138,594
Non-cash NOI on same store properties	(14,799)	(16,156)	(16,707)	(16,649)	(16,557)
NOI attributable to non-same store properties	(14,288)	(22,965)	(23,611)	(25,713)	(28,771)
SSCNOI	90,501	90,637	92,962	93,203	93,266
Hospitals					
NOI ⁽¹⁾	2,951	5,274	10,208	10,203	10,042
NOI attributable to non-same store properties	(2,951)	(5,274)	(10,208)	(10,203)	(10,042)
SSCNOI	-	-	-	-	-
Seniors housing operating					
NOI ⁽¹⁾	166,606	161,253	181,910	181,293	187,733
Non-cash NOI on same store properties	246	245	247	249	248
NOI attributable to non-same store properties	(6,676)	(10,207)	(20,074)	(22,666)	(33,800)
NOI attributable to pre-Welltower ownership ⁽³⁾	242	86	22	531	531
Normalizing adjustments ⁽²⁾	(6,007)	541	(170)	2,432	4,827
SSCNOI	154,411	151,918	161,935	161,839	159,539
Outpatient Medical					
NOI ⁽¹⁾	74,926	77,188	78,757	80,753	84,993
Non-cash NOI on same store properties	(2,186)	(1,732)	(1,706)	(1,567)	(1,407)
NOI attributable to non-same store properties	(5,009)	(6,972)	(7,724)	(10,160)	(13,752)
SSCNOI	67,731	68,484	69,327	69,026	69,834
Life Science					
NOI ⁽¹⁾	5,867	5,847	5,625	-	-
Non-cash NOI on same store properties	(5,867)	(5,847)	(5,625)	-	-
SSCNOI	-	-	-	-	-
Corporate					
NOI ⁽¹⁾	479	22	39	22	1,008
NOI attributable to non-same store properties	(479)	(22)	(39)	(22)	(1,008)
SSCNOI	-	-	-	-	-
Total					
NOI ⁽¹⁾	513,089	525,902	564,075	566,689	585,347
Non-cash NOI on same store properties	(21,975)	(24,486)	(24,984)	(25,533)	(26,698)
NOI attributable to non-same store properties	(56,998)	(73,952)	(97,068)	(101,662)	(122,084)
Same store cash NOI pre-Welltower ownership	242	86	22	531	531
Normalizing Adjustments	(6,007)	541	(170)	2,432	4,949
SSCNOI	\$ 428,351	\$ 428,091	\$ 441,875	\$ 442,457	\$ 442,045

(1) See page 11 for calculation of NOI.

(2) Includes adjustments to translate Canadian properties at a USD/CAD rate of 1.2506 and adjustments to translate UK properties at a GBP/USD rate of 1.5439.

(3) Includes adjustments for NOI relating to properties pre-Welltower ownership and to reflect consistent ownership percentages between prior quarters and current quarter.

(dollars in thousands at Welltower pro rata ownership)

	Seniors Housing Triple-Net	Long-Term /Post-Acute Care	Hospital	Seniors Housing Operating	Outpatient Medical	Corporate / Other	Total
Three months ended December 31, 2015:							
Revenues	\$ 162,977	\$ 138,594	\$ 10,042	\$ 581,622	\$ 121,340	\$ 1,008	\$ 1,015,583
Property operating expenses	-	-	-	393,889	36,347	-	430,236
Net operating income⁽¹⁾	\$ 162,977	\$ 138,594	\$ 10,042	\$ 187,733	\$ 84,993	\$ 1,008	\$ 585,347
Adjust:							
Interest income	(10,003)	(11,761)	-	(1,054)	(1,372)	-	(24,190)
Other income	(284)	(763)	-	(1,038)	(4,020)	(1,008)	(7,113)
Sold / held for sale	(545)	(129)	(2,790)	-	(2,544)	-	(6,008)
Non-cash NOI	(5,860)	(17,309)	(1,869)	195	(1,569)	-	(26,412)
Timing adjustments ⁽²⁾	2,079	1,040	-	2,006	159	-	5,284
In-Place NOI	\$ 148,364	\$ 109,672	\$ 5,383	\$ 187,842	\$ 75,647	\$ -	\$ 526,908
Annualized In-Place NOI	\$ 593,456	\$ 438,688	\$ 21,532	\$ 751,368	\$ 302,588	\$ -	\$ 2,107,632

(1) See page 11 for calculation of NOI.

(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)

	1Q15	2Q15	3Q15	4Q15	TTM
Total:					
SHO pro rata NOI ⁽¹⁾	\$ 161,253	\$ 181,910	\$ 181,293	\$ 187,733	\$ 712,189
Adjustments ⁽²⁾	(9,335)	(19,975)	(19,454)	(28,194)	(76,958)
Total local SSCNOI	\$ 151,918	\$ 161,935	\$ 161,839	\$ 159,539	\$ 635,231
Average units in service ⁽³⁾					30,739
SSCNOI per unit in USD					<u>\$ 20,665</u>
United States:					
Total SHO SSCNOI	\$ 151,918	\$ 161,935	\$ 161,839	\$ 159,539	\$ 635,231
Adjustments ⁽²⁾	(43,607)	(44,819)	(46,366)	(45,217)	(180,009)
Total local SSCNOI	\$ 108,311	\$ 117,116	\$ 115,473	\$ 114,322	\$ 455,222
Average units in service ⁽³⁾					19,829
SSCNOI per unit in USD					<u>\$ 22,958</u>
United Kingdom:					
Total SHO SSCNOI	\$ 151,918	\$ 161,935	\$ 161,839	\$ 159,539	\$ 635,231
Adjustments ⁽²⁾	(131,254)	(140,644)	(139,810)	(138,282)	(549,990)
Total local SSCNOI	\$ 20,664	\$ 21,291	\$ 22,029	\$ 21,257	\$ 85,241
Average units in service ⁽³⁾					2,584
SSCNOI per unit in USD					<u>\$ 32,988</u>
SSCNOI per unit in GBP ⁽⁴⁾					<u>£ 21,367</u>
Canada:					
Total SHO SSCNOI	\$ 151,918	\$ 161,935	\$ 161,839	\$ 159,539	\$ 635,231
Adjustments ⁽²⁾	(128,975)	(138,407)	(137,502)	(135,579)	(540,463)
Total local SSCNOI	\$ 22,943	\$ 23,528	\$ 24,337	\$ 23,960	\$ 94,768
Average units in service ⁽³⁾					8,326
SSCNOI per unit in USD					<u>\$ 11,382</u>
SSCNOI per unit in CAD ⁽⁴⁾					<u>\$ 14,234</u>

(1) Represents total SHO NOI at Welltower pro rata ownership. See page 11.

(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 15 for descriptions of normalizing items.

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

(4) Based on GBP/USD rate of 1.5439 and USD/CAD rate of 1.2506.

(dollars in thousands, except REVPOR)

	Total Portfolio	United States	United Kingdom	Canada
Three months ended December 31, 2015:				
Consolidated revenues	\$586,826	\$586,826	\$586,826	\$586,826
Unconsolidated revenues attributable to Welltower ⁽¹⁾	39,149	39,149	39,149	39,149
Less revenues attributable to noncontrolling interests ⁽²⁾	(44,353)	(44,353)	(44,353)	(44,353)
Total revenues at Welltower pro rata ownership	581,622	581,622	581,622	581,622
Less revenues not included in REVPOR calculation	(2,040)	(2,040)	(2,040)	(2,040)
Adjustment for standardized currency rates ⁽³⁾	9,291	-	4,766	4,525
Less revenues not derived in country	-	(165,016)	(506,875)	(487,273)
Total local revenues	\$588,873	\$414,566	\$77,473	\$96,834
Average occupied units/month	35,284	20,926	2,588	11,770
REVPOR/month in USD	\$5,518	\$6,550	\$9,897	\$2,720
REVPOR/month in local currency ⁽³⁾			£6,410	\$3,402

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

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

(3) Based on USD/CAD rate of 1.2506 and GBP/USD rate of 1.5439.

SS REVPOR GROWTH RECONCILIATION

(dollars in thousands, except REVPOR)

	1Q14	1Q15	2Q14	2Q15	3Q14	3Q15	4Q14	4Q15	Avg.
Total:									
Consolidated SHO revenues ⁽¹⁾	\$ 456,319	\$ 494,561	\$ 468,914	\$ 539,805	\$ 483,791	\$ 547,081	\$ 488,546	\$ 586,826	
Pro rata adjustments ⁽²⁾	46	10,762	8,659	4,137	8,494	178	10,457	(5,204)	
SHO pro rata revenues ⁽³⁾	\$ 456,365	\$ 505,323	\$ 477,573	\$ 543,942	\$ 492,285	\$ 547,259	\$ 499,003	\$ 581,622	
Adjustments ⁽⁴⁾	(16,477)	(48,686)	(14,596)	(67,249)	(16,970)	(58,342)	(22,222)	(89,844)	
SHO SS revenues ⁽⁵⁾	\$ 439,888	\$ 456,637	\$ 462,977	\$ 476,693	\$ 475,315	\$ 488,917	\$ 476,781	\$ 491,778	
Avg. occupied units/month ⁽⁸⁾	26,133	26,336	27,214	27,144	27,706	27,651	27,902	27,893	
SHO SS REVPOR ⁽⁹⁾	\$ 5,689	\$ 5,860	\$ 5,687	\$ 5,870	\$ 5,672	\$ 5,846	\$ 5,649	\$ 5,829	
SS REVPOR growth		3.0%		3.2%		3.1%		3.2%	3.1%
United States:									
SHO SS revenues ⁽⁵⁾	\$ 439,888	\$ 456,637	\$ 462,977	\$ 476,693	\$ 475,315	\$ 488,917	\$ 476,781	\$ 491,778	
Less non-US SS revenues ⁽⁶⁾	(116,953)	(119,567)	(118,403)	(118,934)	(126,450)	(129,340)	(122,994)	(127,252)	
US SHO revenues ⁽⁷⁾	\$ 322,935	\$ 337,070	\$ 344,574	\$ 357,759	\$ 348,865	\$ 359,577	\$ 353,787	\$ 364,526	
Avg. occupied units/month ⁽⁸⁾	16,732	16,857	17,793	17,782	17,797	17,752	18,039	17,977	
US SHO SS REVPOR ⁽⁹⁾	\$ 6,523	\$ 6,758	\$ 6,473	\$ 6,725	\$ 6,481	\$ 6,697	\$ 6,484	\$ 6,704	
US SS REVPOR growth		3.0%		3.9%		3.3%		3.4%	3.6%
United Kingdom:									
SHO SS revenues ⁽⁵⁾	\$ 439,888	\$ 456,637	\$ 462,977	\$ 476,693	\$ 475,315	\$ 488,917	\$ 476,781	\$ 491,778	
Less non-UK SS revenues ⁽⁶⁾	(380,655)	(396,693)	(402,714)	(417,178)	(409,027)	(421,074)	(415,151)	(427,643)	
UK SHO revenues ⁽⁷⁾	\$ 59,233	\$ 59,944	\$ 60,263	\$ 59,515	\$ 66,288	\$ 67,843	\$ 61,630	\$ 64,135	
Avg. occupied units/month ⁽⁸⁾	2,024	2,002	2,026	1,968	2,340	2,350	2,219	2,244	
UK SHO SS REVPOR ⁽⁹⁾	\$ 9,891	\$ 10,119	\$ 9,941	\$ 10,110	\$ 9,364	\$ 9,544	\$ 9,184	\$ 9,450	
UK SS REVPOR growth		2.3%		1.7%		1.9%		2.9%	2.2%
Canada:									
SHO SS revenues ⁽⁵⁾	\$ 439,888	\$ 456,637	\$ 462,977	\$ 476,693	\$ 475,315	\$ 488,917	\$ 476,781	\$ 491,778	
Less non-CA SS revenues ⁽⁶⁾	(382,168)	(397,014)	(404,837)	(417,274)	(415,153)	(427,420)	(415,417)	(428,661)	
CA SHO revenues ⁽⁷⁾	\$ 57,720	\$ 59,623	\$ 58,140	\$ 59,419	\$ 60,162	\$ 61,497	\$ 61,364	\$ 63,117	
Avg. occupied units/month ⁽⁸⁾	7,378	7,477	7,395	7,394	7,572	7,550	7,644	7,672	
CA SHO SS REVPOR ⁽⁹⁾	\$ 2,644	\$ 2,695	\$ 2,628	\$ 2,686	\$ 2,627	\$ 2,693	\$ 2,654	\$ 2,720	
CA SS REVPOR growth		1.9%		2.2%		2.5%		2.5%	2.3%

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

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

(3) Represents total SHO revenues at Welltower 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 Welltower 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)

	1Q14	1Q15	2Q14	2Q15	3Q14	3Q15	4Q14	4Q15	Avg.
Total:									
SHO pro rata NOI ⁽¹⁾	\$ 148,311	\$ 161,253	\$ 162,481	\$ 181,910	\$ 167,192	\$ 181,293	\$ 166,606	\$ 187,733	
Adjustments ⁽²⁾	(6,379)	(15,051)	(6,652)	(20,942)	(9,136)	(18,898)	(12,195)	(28,194)	
SHO pro rata SSCNOI ⁽³⁾	\$ 141,932	\$ 146,202	\$ 155,829	\$ 160,968	\$ 158,056	\$ 162,395	\$ 154,411	\$ 159,539	
SHO SSCNOI growth		3.0%		3.3%		2.7%		3.3%	3.1%
United States:									
SHO pro rata SSCNOI ⁽³⁾	\$ 141,932	\$ 146,202	\$ 155,829	\$ 160,968	\$ 158,056	\$ 162,395	\$ 154,411	\$ 159,539	
Less non-US SSCNOI ⁽⁴⁾	(45,398)	(44,684)	(45,259)	(44,636)	(47,537)	(47,866)	(44,768)	(45,217)	
US SHO SSCNOI ⁽⁵⁾	\$ 96,534	\$ 101,518	\$ 110,570	\$ 116,332	\$ 110,519	\$ 114,529	\$ 109,643	\$ 114,322	
US SHO SSCNOI growth		5.2%		5.2%		3.6%		4.3%	4.6%
United Kingdom:									
SHO pro rata SSCNOI ⁽³⁾	\$ 141,932	\$ 146,202	\$ 155,829	\$ 160,968	\$ 158,056	\$ 162,395	\$ 154,411	\$ 159,539	
Less non-UK SSCNOI ⁽⁴⁾	(118,761)	(123,887)	(133,062)	(139,495)	(134,251)	(138,866)	(132,550)	(138,282)	
UK SHO SSCNOI ⁽⁵⁾	\$ 23,171	\$ 22,315	\$ 22,767	\$ 21,473	\$ 23,805	\$ 23,529	\$ 21,861	\$ 21,257	
UK SHO SSCNOI growth		-3.7%		-5.7%		-1.2%		-2.8%	-3.3%
Canada:									
SHO pro rata SSCNOI ⁽³⁾	\$ 141,932	\$ 146,202	\$ 155,829	\$ 160,968	\$ 158,056	\$ 162,395	\$ 154,411	\$ 159,539	
Less non-CA SSCNOI ⁽⁴⁾	(119,705)	(123,833)	(133,337)	(137,805)	(134,324)	(138,058)	(131,504)	(135,579)	
CA SHO SSCNOI ⁽⁵⁾	\$ 22,227	\$ 22,369	\$ 22,492	\$ 23,163	\$ 23,732	\$ 24,337	\$ 22,907	\$ 23,960	
CA SHO SSCNOI growth		0.6%		3.0%		2.5%		4.6%	2.7%

Notes:

- (1) Represents total SHO NOI at Welltower pro rata ownership. See page 11.
- (2) Represents NOI not derived from non-SS properties, as well as non-cash NOI and normalizing adjustments for SS properties. See page 15 for descriptions of non-SSCNOI items.
- (3) Represents SHO SSCNOI at Welltower pro rata ownership.
- (4) Represents pro rata SSCNOI derived outside the referenced country.
- (5) Represents pro rata SSCNOI derived solely from referenced country.

EBITDA stands for earnings before interest, taxes, depreciation and amortization. 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. Adjusted EBITDA 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 believe that EBITDA and Adjusted EBITDA, along with net income and cash flow provided from operating activities, are important supplemental measure because they provide additional information to assess and evaluate the performance of our operations. We primarily utilize EBITDA and Adjusted EBITDA to measure our interest coverage ratio, which represents EBITDA or Adjusted EBITDA divided by total interest, and our fixed charge coverage ratio, which represents EBITDA or Adjusted EBITDA divided by fixed charges. Fixed charges include total interest, secured debt principal amortization and preferred dividends.

ADJUSTED EBITDA QUARTERLY RECONCILIATIONS

(dollars in thousands)

	Three Months Ended				
	December 31, 2014	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015
Adjusted EBITDA:					
Net income	\$206,474	\$209,422	\$330,459	\$199,257	\$149,416
Interest expense ⁽¹⁾	120,707	121,080	118,861	121,130	131,097
Income tax expense (benefit)	5,101	(304)	7,417	(3,344)	2,682
Depreciation and amortization	195,393	188,829	208,802	205,799	222,809
Stock-based compensation	5,967	9,054	11,124	5,477	5,189
Loss (gain) on extinguishment of debt, net	6,484	15,401	18,887	584	(195)
EBITDA	\$540,126	\$543,482	\$695,550	\$528,903	\$510,998
Transaction costs ⁽²⁾	47,991	48,554	12,491	9,333	40,547
Losses/impairments (gains) on properties, net	(110,839)	(54,625)	(190,111)	(2,046)	(31,385)
Loss / (gain) on derivatives, net ⁽²⁾	(1,895)	(58,427)	-	-	-
Additional other income ⁽²⁾	-	(2,144)	-	-	-
Other expenses ⁽²⁾	-	-	4,988	-	35,648
Timing adjustments ⁽³⁾	(4,515)	9,981	(3,656)	(1,854)	(724)
Total adjustments	(69,258)	(56,661)	(176,288)	5,433	44,086
Adjusted EBITDA	\$470,868	\$486,821	\$519,262	\$534,336	\$555,084
Interest Coverage Ratio:					
Interest expense ⁽¹⁾	\$120,707	\$121,080	\$118,861	\$121,130	\$131,097
Non-cash interest expense	100	(119)	4,202	(3,791)	(2,878)
Capitalized interest	2,066	2,387	2,060	1,865	2,358
Total interest	122,873	123,348	125,123	119,204	130,577
EBITDA	\$540,126	\$543,482	\$695,550	\$528,903	\$510,998
Interest coverage ratio	4.40x	4.41x	5.56x	4.44x	3.91x
Adjusted EBITDA	\$470,868	\$486,821	\$519,262	\$534,336	\$555,084
Adjusted interest coverage ratio	3.83x	3.95x	4.15x	4.48x	4.25x
Fixed Charge Coverage Ratio:					
Total interest ⁽¹⁾	\$122,873	\$123,348	\$125,123	\$119,204	\$130,577
Secured debt principal amortization	16,473	15,630	17,336	15,817	18,281
Preferred dividends	16,352	16,352	16,352	16,352	16,352
Total fixed charges	155,698	155,330	158,811	151,373	165,210
EBITDA	\$540,126	\$543,482	\$695,550	\$528,903	\$510,998
Fixed charge coverage ratio	3.47x	3.50x	4.38x	3.49x	3.09x
Adjusted EBITDA	\$470,868	\$486,821	\$519,262	\$534,336	\$555,084
Adjusted fixed charge coverage ratio	3.02x	3.13x	3.27x	3.53x	3.36x
Net Debt to Adjusted EBITDA Ratio:					
Total debt	\$10,828,013	\$11,014,789	\$11,552,367	\$11,467,775	\$12,967,686
Less: cash and cash equivalents ⁽⁴⁾	(473,726)	(221,766)	(217,942)	(292,043)	(484,754)
Net debt	10,354,287	10,793,023	11,334,425	11,175,732	12,482,932
EBITDA Annualized	\$2,160,504	\$2,173,928	\$2,782,200	\$2,115,612	\$2,043,992
Net debt to EBITDA ratio	4.79x	4.96x	4.07x	5.28x	6.11x
Adjusted EBITDA Annualized	\$1,883,472	\$1,947,284	\$2,077,048	\$2,137,344	\$2,220,336
Net debt to adjusted EBITDA ratio	5.50x	5.54x	5.46x	5.23x	5.62x

(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 16.

(4) Includes IRC section 1031 deposits, if any. 4Q15 also includes cash received from CPPIB joint venture buy-in subsequent to 12/31/2015.

ADJUSTED EBITDA ANNUAL RECONCILIATIONS

(dollars in thousands)

	Year Ended				
	December 31, 2011	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015
Adjusted EBITDA:					
Net income	\$212,716	\$294,840	\$138,280	\$512,300	\$888,549
Interest expense ⁽¹⁾	321,999	383,300	462,606	481,197	492,169
Income tax expense (benefit)	1,388	7,612	7,491	(1,267)	6,451
Depreciation and amortization ⁽¹⁾	423,605	533,585	873,960	844,130	826,240
Stock-based compensation	10,786	18,521	20,177	32,075	30,844
Provision for loan losses	2,010	27,008	2,110	-	-
Loss (gain) on extinguishment of debt, net	(979)	(775)	(909)	9,558	34,677
EBITDA	\$971,525	\$1,264,091	\$1,503,715	\$1,877,993	\$2,278,930
Transaction costs ⁽²⁾	70,224	61,609	133,401	69,538	110,926
Losses/impairments (gains) on properties, net	(48,966)	(71,262)	(49,138)	(153,522)	(278,167)
Loss / (gain) on derivatives, net ⁽²⁾	-	(1,825)	4,470	(1,495)	(58,427)
CEO transition costs ⁽²⁾	-	-	-	10,465	-
Other expenses ⁽²⁾	-	-	-	10,262	40,636
Additional other income ⁽³⁾	-	-	-	-	(2,144)
Timing adjustments ⁽⁴⁾	76,586	20,358	27,362	3,515	3,747
Total adjustments	97,844	8,880	116,095	(61,237)	(183,429)
Adjusted EBITDA	\$1,069,369	\$1,272,971	\$1,619,810	\$1,816,756	\$2,095,501
Interest Coverage Ratio:					
Interest expense ⁽¹⁾	\$321,999	\$383,300	\$462,606	\$481,197	\$492,169
Non-cash interest expense	(13,905)	(11,395)	(4,044)	(2,427)	(2,586)
Capitalized interest	13,164	9,777	6,700	7,150	8,670
Total interest	321,258	381,682	465,262	485,920	498,253
EBITDA	\$971,525	\$1,264,091	\$1,503,715	\$1,877,993	\$2,278,930
Interest coverage ratio	3.02x	3.31x	3.23x	3.86x	4.57x
Adjusted EBITDA	\$1,069,369	\$1,272,971	\$1,619,810	\$1,816,756	\$2,095,501
Adjusted interest coverage ratio	3.33x	3.34x	3.48x	3.74x	4.21x
Fixed Charge Coverage Ratio:					
Total interest ⁽¹⁾	\$321,258	\$381,682	\$465,262	\$485,920	\$498,253
Secured debt principal amortization	27,804	38,744	56,205	62,280	67,064
Preferred dividends	60,502	69,129	66,336	65,408	65,406
Total fixed charges	409,564	489,555	587,803	613,608	630,723
EBITDA	\$971,525	\$1,264,091	\$1,503,715	\$1,877,993	\$2,278,930
Fixed charge coverage ratio	2.37x	2.58x	2.56x	3.06x	3.61x
Adjusted EBITDA	\$1,069,369	\$1,272,971	\$1,619,810	\$1,816,756	\$2,095,501
Adjusted fixed charge coverage ratio	2.61x	2.60x	2.76x	2.96x	3.32x
Net Debt to Adjusted EBITDA Ratio:					
Total debt	\$7,240,752	\$8,531,899	\$10,652,014	\$10,828,013	\$12,967,686
Less: cash and cash equivalents ⁽⁵⁾	(163,482)	(1,033,764)	(158,780)	(473,726)	(484,754)
Net debt	7,077,270	7,498,135	10,493,234	10,354,287	12,482,932
EBITDA	\$971,525	\$1,264,091	\$1,503,715	\$2,160,504	\$2,043,992
Net debt to EBITDA ratio	7.28x	5.93x	6.98x	4.79x	6.11x
Adjusted EBITDA	\$1,069,369	\$1,272,971	\$1,619,810	\$1,816,756	\$2,236,608
Net debt to adjusted EBITDA ratio	6.62x	5.89x	6.48x	5.70x	5.58x

(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) Early termination fee on loan payoff.

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

(5) Includes IRC section 1031 deposits, if any. 2015 also includes cash received from CPPIB joint venture buy-in subsequent to 12/31/2015.

ADJUSTED EBITDA TRAILING TWELVE MONTHS RECONCILIATIONS

(dollars in thousands)

	Twelve Months Ended				
	December 31, 2014	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015
Adjusted EBITDA:					
Net income	\$512,300	\$656,521	\$899,126	\$945,612	\$888,549
Interest expense ⁽¹⁾	481,197	481,321	479,083	481,778	492,169
Income tax expense (benefit)	(1,267)	(3,832)	2,016	8,870	6,451
Depreciation and amortization ⁽¹⁾	844,130	799,641	793,994	798,823	826,240
Stock-based compensation	32,075	33,462	30,416	31,622	30,844
Provision for loan losses	-	-	-	-	-
Loss (gain) on extinguishment of debt, net	9,558	25,108	43,464	41,356	34,677
EBITDA	<u>\$1,877,993</u>	<u>\$1,992,221</u>	<u>\$2,248,099</u>	<u>\$2,308,061</u>	<u>\$2,278,930</u>
Transaction costs ⁽²⁾	69,538	117,140	122,590	118,369	110,926
Losses/impairments (gains) on properties, net	(153,522)	(208,147)	(385,179)	(357,621)	(278,167)
Loss / (gain) on derivatives, net ⁽²⁾	(1,495)	(59,922)	(60,273)	(60,322)	(58,427)
CEO transition costs ⁽²⁾	10,465	10,465	-	-	-
Other expenses ⁽²⁾	10,262	10,262	15,250	4,988	40,636
Additional other income ⁽²⁾	-	(2,144)	(2,144)	(2,144)	(2,144)
Timing adjustments ⁽³⁾	3,515	15,301	1,368	(44)	3,747
Total adjustments	<u>(61,237)</u>	<u>(117,045)</u>	<u>(308,388)</u>	<u>(296,774)</u>	<u>(183,429)</u>
Adjusted EBITDA	<u>\$1,816,756</u>	<u>\$1,875,176</u>	<u>\$1,939,711</u>	<u>\$2,011,287</u>	<u>\$2,095,501</u>
Interest Coverage Ratio:					
Interest expense ⁽¹⁾	\$481,197	\$481,321	\$479,083	\$481,778	\$492,169
Non-cash interest expense	(2,427)	(2,215)	3,636	392	(2,586)
Capitalized interest	7,150	7,931	8,292	8,378	8,670
Total interest	<u>485,920</u>	<u>487,037</u>	<u>491,011</u>	<u>490,548</u>	<u>498,253</u>
EBITDA	\$1,877,993	\$1,992,221	\$2,248,099	\$2,308,061	\$2,278,930
Interest coverage ratio	3.86x	4.09x	4.58x	4.71x	4.57x
Adjusted EBITDA	\$1,816,756	\$1,875,176	\$1,939,711	\$2,011,287	\$2,095,501
Adjusted interest coverage ratio	3.74x	3.85x	3.95x	4.10x	4.21x
Fixed Charge Coverage Ratio:					
Total interest ⁽¹⁾	\$485,920	\$487,037	\$491,011	\$490,548	\$498,253
Secured debt principal amortization	62,280	62,455	63,988	65,256	67,064
Preferred dividends	65,408	65,408	65,408	65,408	65,406
Total fixed charges	<u>613,608</u>	<u>614,900</u>	<u>620,407</u>	<u>621,212</u>	<u>630,723</u>
EBITDA	\$1,877,993	\$1,992,221	\$2,248,099	\$2,308,061	\$2,278,930
Fixed charge coverage ratio	3.06x	3.24x	3.62x	3.72x	3.61x
Adjusted EBITDA	\$1,816,756	\$1,875,176	\$1,939,711	\$2,011,287	\$2,095,501
Adjusted fixed charge coverage ratio	2.96x	3.05x	3.13x	3.24x	3.32x

(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.