



NON-GAAP FINANCIAL MEASURES

QUARTER ENDED SEPTEMBER 30, 2017

welltower

NON-GAAP FINANCIAL MEASURES

Welltower Inc. (HCN) believes that revenues, net income and net income attributable to common stockholders (NICS), as defined by U.S. generally accepted accounting principles (U.S. GAAP), are the most appropriate earnings measurements. However, the company considers Net Operating Income (NOI), In-Place NOI (IPNOI), Same Store NOI (SSNOI), Revenues per Occupied Room (REVPOR), Same Store REVPOR (SS REVPOR), Funds From Operations attributable to common stockholders (FFO), EBITDA and Adjusted EBITDA (A-EBITDA) to be useful supplemental measures of its operating performance. Excluding EBITDA and A-EBITDA, these supplemental measures are disclosed on a Welltower pro rata ownership basis. Pro rata amounts are derived by reducing consolidated amounts for minority partners' noncontrolling ownership interests and adding Welltower's minority ownership share of unconsolidated amounts. Welltower does not control unconsolidated investments. While the company considers pro rata disclosures useful, they may not accurately depict the legal and economic implications of Welltower's joint venture arrangements and should be used with caution.

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.

FFO

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 FFO as a supplemental measure of operating performance for REITs that excludes historical cost depreciation from net income. FFO attributable to common stockholders, 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 attributable to common stockholders represents FFO adjusted for certain items detailed in the reconciliations.

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

We believe that normalized FFO attributable to common stockholders is a useful supplemental measure of operating performance because investors and equity analysts may use this measure to compare the operating performance of the company 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				
	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017	September 30, 2017
Net income (loss) attributable to common stockholders	\$334,910	\$333,042	\$312,639	\$188,429	\$74,043
Depreciation and amortization	218,061	227,916	228,276	224,847	230,138
Losses/impairments (gains) on properties, net	(152,645)	(186,978)	(233,061)	(28,524)	(1,622)
Noncontrolling interests ⁽¹⁾	(15,695)	(17,897)	(18,107)	(16,955)	(16,826)
Unconsolidated entities ⁽²⁾	17,240	16,746	16,484	16,593	9,989
NAREIT FFO attributable to common stockholders	401,871	372,829	306,231	384,390	295,722
Normalizing items:					
Loss (gain) on derivatives, net	(2,516)	68	1,224	736	324
Loss (gain) on extinguishment of debt, net	-	17,204	31,356	5,515	-
Provision for loan losses	-	10,215	-	-	-
Preferred stock redemption charge	-	-	9,769	-	-
Nonrecurring income tax benefits	-	(15,675)	-	(7,916)	-
Other expenses and transaction costs	19,842	18,542	11,675	6,339	99,595
Additional other income	-	(4,853)	-	-	-
Normalizing items attributable to noncontrolling interests and unconsolidated entities, net	1,575	3,214	22,939	1,911	4,173
Normalized FFO attributable to common stockholders	\$420,772	\$401,544	\$383,194	\$390,975	\$399,814
Average common shares outstanding:					
Basic	358,932	362,088	362,534	366,524	369,089
Diluted	361,237	364,369	364,652	368,149	370,740
Net income (loss) attributable to common stockholders per share:					
Basic	\$0.93	\$0.92	\$0.86	\$0.51	\$0.20
Diluted	\$0.93	\$0.91	\$0.86	\$0.51	\$0.20
NAREIT FFO attributable to common stockholders per share:					
Basic	\$1.12	\$1.03	\$0.84	\$1.05	\$0.80
Diluted	\$1.11	\$1.02	\$0.84	\$1.04	\$0.80
Normalized FFO attributable to common stockholders per share:					
Basic	\$1.17	\$1.11	\$1.06	\$1.07	\$1.08
Diluted	\$1.16	\$1.10	\$1.05	\$1.06	\$1.08
NAREIT FFO Payout Ratio:					
Dividends per common share	\$0.86	\$0.86	\$0.87	\$0.87	\$0.87
NAREIT FFO attributable to common stockholders per diluted share	\$1.11	\$1.02	\$0.84	\$1.04	\$0.80
NAREIT FFO Payout Ratio	77%	84%	104%	84%	109%
Normalized FFO Payout Ratio:					
Dividends per common share	\$0.86	\$0.86	\$0.87	\$0.87	\$0.87
Normalized FFO attributable to common stockholders per diluted share	\$1.16	\$1.10	\$1.05	\$1.06	\$1.08
Normalized FFO Payout Ratio	74%	78%	83%	82%	81%
Other Items: ⁽³⁾					
Net straight-line rent and above/below market rent amortization	\$(27,021)	\$(22,557)	\$(17,921)	\$(17,058)	\$(19,167)
Non-cash interest expenses	1,176	771	2,239	3,613	3,972
Recurring cap-ex, tenant improvements, and lease commissions	(19,069)	(19,233)	(13,806)	(15,263)	(16,651)
Stock-based compensation	5,401	8,251	4,906	4,763	5,409

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

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

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

FFO YEAR-TO-DATE RECONCILIATIONS

(in thousands, except per share information)

	Nine Months Ended	
	September 30, 2016	September 30, 2017
Net income (loss) attributable to common stockholders	\$679,353	\$575,118
Depreciation and amortization	673,326	683,262
Losses/impairments (gains) on properties, net	(139,862)	(263,207)
Noncontrolling interests ⁽¹⁾	(53,630)	(51,887)
Unconsolidated entities ⁽²⁾	50,921	43,066
NAREIT FFO attributable to common stockholders	1,210,108	986,352
Normalizing items:		
Loss (gain) on derivatives, net	(2,516)	2,284
Loss (gain) on extinguishment of debt, net	9	36,870
Preferred stock redemption charge	-	9,769
Nonrecurring income tax benefits	-	(7,916)
Other expenses and transaction costs	36,368	117,608
Additional other income	(11,811)	-
Normalizing items attributable to noncontrolling interests and unconsolidated entities, net	4,014	29,024
Normalized FFO attributable to common stockholders	\$1,236,172	\$1,173,991
Average common shares outstanding:		
Basic	356,911	366,096
Diluted	358,752	367,894
Net income (loss) attributable to common stockholders per share:		
Basic	\$1.90	\$1.57
Diluted	\$1.89	\$1.56
NAREIT FFO attributable to common stockholders per share:		
Basic	\$3.39	\$2.69
Diluted	\$3.37	\$2.68
Normalized FFO attributable to common stockholders per share:		
Basic	\$3.46	\$3.21
Diluted	\$3.45	\$3.19
NAREIT FFO Payout Ratio:		
Dividends per common share	\$2.58	\$2.61
NAREIT FFO attributable to common stockholders per diluted share	\$3.45	\$2.68
NAREIT FFO Payout Ratio	75%	97%
Normalized FFO Payout Ratio:		
Dividends per common share	\$2.58	\$2.61
Normalized FFO attributable to common stockholders per diluted share	\$3.45	\$3.19
Normalized FFO Payout Ratio	75%	82%
Other Items: ⁽³⁾		
Net straight-line rent and above/below market rent amortization	\$(83,542)	\$(54,146)
Non-cash interest expenses	3,243	9,823
Recurring cap-ex, tenant improvements, and lease commissions	(47,467)	(45,720)
Stock-based compensation	20,618	15,078

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

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

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

FFO ANNUAL RECONCILIATIONS

(in thousands, except per share information)

	Year Ended				
	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016
Net income (loss) attributable to common stockholders	\$221,884	\$78,714	\$446,745	\$818,344	\$1,012,397
Depreciation and amortization	533,585	873,960	844,130	826,240	901,242
Losses/impairments (gains) on properties, net	(71,262)	(49,138)	(153,522)	(278,167)	(326,840)
Noncontrolling interests ⁽¹⁾	(21,058)	(36,304)	(37,852)	(39,271)	(71,527)
Unconsolidated entities ⁽²⁾	34,408	57,652	74,580	82,494	67,667
NAREIT FFO attributable to common stockholders	697,557	924,884	1,174,081	1,409,640	1,582,939
Normalizing items:					
Non-recurring G&A expenses	4,316	-	-	-	-
Loss (gain) on derivatives, net	(1,825)	4,470	(1,495)	(58,427)	(2,448)
Preferred stock redemption charge	6,242	-	-	-	-
Loss (gain) on extinguishment of debt, net	(775)	(909)	9,558	34,677	17,214
Provision for loan losses	27,008	2,110	-	-	10,215
CEO transition costs	-	-	19,688	-	-
Nonrecurring income tax benefits	-	-	(17,426)	(5,430)	(15,675)
Other expenses and transaction costs	61,609	133,401	79,800	157,852	54,908
Held for sale hospital operating expenses	215	-	-	-	-
Additional other income	-	-	-	(5,813)	(16,664)
Normalizing items attributable to noncontrolling interests and unconsolidated entities, net	-	(1,985)	5,661	(312)	7,228
Normalized FFO attributable to common stockholders	\$794,347	\$1,061,971	\$1,269,867	\$1,532,187	\$1,637,717
Average common shares outstanding:					
Basic	224,343	276,929	306,272	348,240	358,275
Diluted	225,953	278,761	307,747	349,424	360,227
Net income (loss) attributable to common stockholders per share:					
Basic	\$0.99	\$0.28	\$1.46	\$2.35	\$2.83
Diluted	\$0.98	\$0.28	\$1.45	\$2.34	\$2.81
NAREIT FFO attributable to common stockholders per share:					
Basic	\$3.11	\$3.34	\$3.83	\$4.05	\$4.42
Diluted	\$3.09	\$3.32	\$3.82	\$4.03	\$4.39
Normalized FFO attributable to common stockholders per share:					
Basic	\$3.54	\$3.83	\$4.15	\$4.40	\$4.57
Diluted	\$3.52	\$3.81	\$4.13	\$4.38	\$4.55
NAREIT FFO Payout Ratio:					
Dividends per common share	\$2.96	\$3.06	\$3.18	\$3.30	\$3.44
NAREIT FFO attributable to common stockholders per diluted share	\$3.09	\$3.32	\$3.82	\$4.03	\$4.39
NAREIT FFO payout ratio	96%	92%	83%	82%	78%
Normalized FFO Payout Ratio:					
Dividends per common share	\$2.96	\$3.06	\$3.18	\$3.30	\$3.44
Normalized FFO attributable to common stockholders per diluted share	\$3.52	\$3.81	\$4.13	\$4.38	\$4.55
Normalized FFO payout ratio	84%	80%	77%	75%	76%
Other Items: ⁽³⁾					
Net straight-line rent and above/below market rent amortization	\$(57,721)	\$(61,404)	\$(87,327)	\$(119,950)	\$(106,097)
Non-cash interest expenses	9,439	1,923	3,601	4,654	4,013
Recurring cap-ex, tenant improvements, and lease commissions	(42,731)	(65,981)	(61,303)	(70,613)	(66,701)
Stock-based compensation	18,521	20,177	32,075	30,844	28,869

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

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

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

FFO TRAILING TWELVE MONTH (TTM)

(in thousands, except per share information)

	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17
Net income (loss) attributable to common stockholders	\$37,269	\$90,576	\$55,058	\$(8,508)	\$20,691	\$11,473	\$50,022	\$71,829	\$136,255	\$188,636	\$190,799	\$312,573	\$182,043	\$132,931	\$148,969	\$195,474	\$334,910	\$333,042	\$312,639	\$188,429	\$74,043
Depreciation and amortization	132,858	140,342	187,122	200,477	242,981	243,380	233,318	214,449	200,970	195,393	188,829	208,802	205,799	222,809	228,696	226,569	218,061	227,916	228,276	224,847	230,138
Losses/impairments (gains) on properties, net	(5,875)	(32,167)	(82,492)	29,997	(4,707)	8,064	-	(13,079)	(29,604)	(110,839)	(54,625)	(190,111)	(2,046)	(31,385)	14,314	(1,530)	(152,645)	(186,978)	(233,061)	(28,524)	(1,622)
Noncontrolling interests ⁽¹⁾	(5,440)	(5,439)	(5,793)	(7,821)	(12,328)	(10,362)	(10,520)	(9,741)	(9,359)	(8,234)	(7,249)	(10,467)	(11,647)	(9,908)	(17,319)	(20,616)	(15,695)	(17,897)	(18,107)	(16,955)	(16,826)
Unconsolidated entities ⁽²⁾	11,913	11,735	16,983	16,521	11,626	12,522	15,983	20,787	18,250	19,560	26,496	19,791	18,146	18,062	16,604	17,077	17,240	16,746	16,484	16,593	9,989
NAREIT FFO attributable to common stockholders	170,725	205,047	170,878	230,666	258,263	265,077	288,803	284,245	316,512	284,516	344,250	340,588	392,295	332,509	391,264	416,974	401,871	372,829	306,231	384,390	295,722
Normalizing items:																					
Loss (gain) on derivatives, net	409	(113)	2,309	(2,716)	4,872	6	-	351	49	(1,895)	(58,427)	-	-	-	-	-	(2,516)	68	1,224	736	324
Loss (gain) on extinguishment of debt, net	215	(1,566)	(308)	-	(4,068)	3,467	(148)	531	2,692	6,484	15,401	18,887	584	(195)	(24)	33	-	17,204	31,356	5,515	-
Provision for loan losses	27,008	-	-	-	-	2,110	-	-	-	-	-	-	-	-	-	-	-	10,215	-	-	-
CEO transition costs	-	-	-	-	-	-	-	19,688	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses and transaction costs	8,264	19,074	65,980	28,136	23,591	15,693	952	7,040	23,816	47,991	49,249	23,074	9,333	76,195	8,208	8,318	19,842	18,542	11,675	6,339	99,595
Additional other income	-	-	-	-	-	-	-	-	-	-	(2,144)	-	-	(3,669)	-	(11,811)	-	(4,853)	-	-	-
Nonrecurring income tax benefits	-	-	-	-	-	-	-	-	(17,426)	-	-	-	(5,430)	-	-	-	-	(15,675)	-	(7,916)	-
Preferred stock redemption charge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,769	-	-
Normalizing items attributable to noncontrolling interests and unconsolidated entities, net	-	-	-	(11)	(1,847)	(127)	105	4,502	488	566	1,334	1,151	(312)	(2,485)	1,518	921	1,575	3,214	22,939	1,911	4,173
Normalized FFO attributable to common stockholders	\$206,621	\$222,442	\$238,859	\$256,075	\$280,811	\$286,226	\$289,712	\$316,357	\$326,131	\$337,662	\$349,663	\$383,700	\$396,470	\$402,355	\$400,966	\$414,435	\$420,772	\$401,544	\$383,194	\$390,975	\$399,814
Average common shares outstanding:																					
Basic	224,391	259,290	260,036	273,091	286,020	288,133	289,606	296,256	311,117	327,492	336,754	350,399	351,765	353,604	355,076	356,646	358,932	362,088	362,534	366,524	369,089
Diluted	226,258	261,210	262,525	276,481	288,029	289,677	290,917	297,995	312,812	329,130	337,812	351,366	353,107	354,972	356,051	358,891	361,237	364,369	364,652	368,149	370,740
Net income (loss) attributable to common stockholders per share:																					
Basic	\$0.17	\$0.35	\$0.21	\$(0.03)	\$0.07	\$0.04	\$0.17	\$0.24	\$0.44	\$0.58	\$0.57	\$0.89	\$0.52	\$0.38	\$0.42	\$0.55	\$0.93	\$0.92	\$0.86	\$0.51	\$0.20
Diluted	\$0.16	\$0.35	\$0.21	\$(0.03)	\$0.07	\$0.04	\$0.17	\$0.24	\$0.44	\$0.57	\$0.56	\$0.89	\$0.52	\$0.37	\$0.42	\$0.54	\$0.93	\$0.91	\$0.86	\$0.51	\$0.20
NAREIT FFO attributable to common stockholders per share:																					
Basic	\$0.76	\$0.79	\$0.66	\$0.84	\$0.90	\$0.92	\$1.00	\$0.96	\$1.02	\$0.87	\$1.02	\$0.97	\$1.12	\$0.94	\$1.10	\$1.17	\$1.12	\$1.03	\$0.84	\$1.05	\$0.80
Diluted	\$0.75	\$0.78	\$0.65	\$0.83	\$0.90	\$0.92	\$0.99	\$0.95	\$1.01	\$0.86	\$1.02	\$0.97	\$1.11	\$0.94	\$1.10	\$1.16	\$1.11	\$1.02	\$0.84	\$1.04	\$0.80
Normalized FFO attributable to common stockholders per share:																					
Basic	\$0.92	\$0.86	\$0.92	\$0.94	\$0.98	\$0.99	\$1.00	\$1.07	\$1.05	\$1.03	\$1.04	\$1.10	\$1.13	\$1.14	\$1.13	\$1.16	\$1.17	\$1.11	\$1.06	\$1.07	\$1.08
Diluted	\$0.91	\$0.85	\$0.91	\$0.93	\$0.97	\$0.99	\$1.00	\$1.06	\$1.04	\$1.03	\$1.04	\$1.09	\$1.12	\$1.13	\$1.13	\$1.15	\$1.16	\$1.10	\$1.05	\$1.06	\$1.08
Rolling four quarter total of normalized FFO per diluted share			\$3.56	\$3.60	\$3.66	\$3.80	\$3.89	\$4.02	\$4.09	\$4.13	\$4.17	\$4.20	\$4.28	\$4.38	\$4.47	\$4.53	\$4.57	\$4.54	\$4.46	\$4.37	\$4.29

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

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

OUTLOOK RECONCILIATIONS

(in millions, except per share data)

	Year Ended December 31, 2017	
	Low	High
Net income attributable to common stockholders	\$770	\$792
Losses/impairments (gains) on properties, net ^(1,2)	(313)	(313)
Depreciation and amortization ⁽¹⁾	901	901
NAREIT FFO attributable to common stockholders	1,358	1,380
Normalizing items, net ⁽³⁾	188	188
Normalized FFO attributable to common stockholders	\$1,546	\$1,568
Per share data attributable to common stockholders:		
Net income	\$2.09	\$2.15
NAREIT FFO	3.68	3.74
Normalized FFO	4.19	4.25
<u>Other Items⁽¹⁾</u>		
Net straight-line rent and above/below market rent amortization	\$(69)	\$(69)
Non-cash interest expenses	11	11
Recurring cap-ex, tenant improvements, and lease commissions	(71)	(71)
Stock-based compensation	21	21

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

(2) Includes estimated gains on projected dispositions.

(3) See page 4.

NOI, IPNOI, SSNOI, REVPOR AND SS REVPOR

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 outpatient medical properties. These expenses include, but are not limited to, property-related payroll and benefits, property management fees paid to operators, 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.

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

SSNOI is used to evaluate the operating performance of our properties under a consistent population which eliminates changes in the composition of our portfolio. As used herein, same store is generally defined as those revenue-generating properties in the portfolio for the relevant year-over-year reporting periods. Land parcels, loans, sub-leases and major capital restructurings as well as any properties acquired, developed/redeveloped, transitioned, sold or classified as held for sale during that period are excluded from the same store amounts. Normalizers include adjustments that in management's opinion are appropriate in considering SSNOI, a supplemental, non-GAAP performance measure. None of these adjustments, which may increase or decrease SSNOI, are reflected in our financial statements prepared in accordance with U.S. GAAP. Significant normalizers (defined as any that individually exceed 0.50% of SSNOI growth per property type) are separately disclosed and explained in the relevant supplemental reporting package. We believe NOI, IPNOI and SSNOI 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, IPNOI and SSNOI to make decisions about resource allocations and to assess the property level performance of our properties.

REVPOR represents the average revenues generated per occupied room per month at our seniors housing operating properties. It is calculated as the pro rata version of resident fees and services revenues per the income statement divided by average monthly occupied room days. 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. It is based on the same pool of properties used for SSNOI and includes any revenue normalizations used for SSNOI. We use REVPOR and SS REVPOR to evaluate the revenue-generating capacity and profit potential of our seniors housing operating portfolio independent of fluctuating occupancy rates. They are also used in comparison against industry and competitor statistics, if known, to evaluate the quality of our seniors housing operating portfolio.

NOI QUARTERLY RECONCILIATIONS

(dollars in thousands)

	Three Months Ended				
	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017	September 30, 2017
Net income	\$354,741	\$351,108	\$337,610	\$203,441	\$89,299
Loss (gain) on real estate dispositions, net	(162,351)	(200,165)	(244,092)	(42,155)	(1,622)
Loss (income) from unconsolidated entities	1,749	2,829	23,106	3,978	(3,408)
Income tax expense (benefit)	(305)	(16,585)	2,245	(8,448)	669
Other expenses and transaction costs	19,842	18,542	11,675	6,339	99,595
Impairment of assets	9,705	13,187	11,031	13,631	-
Provision for loan losses	-	10,215	-	-	-
Loss (gain) on extinguishment of debt, net	-	17,204	31,356	5,515	-
Loss (gain) on derivatives, net	(2,516)	68	1,224	736	324
General and administrative expenses	36,828	32,807	31,101	32,632	29,913
Depreciation and amortization	218,061	227,916	228,276	224,847	230,138
Interest expense	129,699	126,360	118,597	116,231	122,578
Consolidated net operating income	605,453	583,486	552,129	556,747	567,486
NOI attributable to unconsolidated investments ⁽¹⁾	17,179	16,467	21,279	21,873	22,431
NOI attributable to noncontrolling interests ⁽²⁾	(27,124)	(28,151)	(27,542)	(29,359)	(30,538)
Pro rata net operating income (NOI)⁽³⁾	\$595,508	\$571,802	\$545,866	\$549,261	\$559,379
Pro rata net operating income (NOI):					
Seniors housing triple-net	\$163,388	\$162,540	\$162,273	\$155,741	\$157,815
Long-term/post-acute care	145,933	115,631	89,316	87,925	88,494
Seniors housing operating	196,885	206,527	206,296	215,402	221,490
Outpatient medical	89,127	87,221	87,836	90,167	90,940
Corporate and Land	175	(117)	145	26	640
Pro rata net operating income (NOI)⁽³⁾	\$595,508	\$571,802	\$545,866	\$549,261	\$559,379

(1) Represents Welltower's interests in joint ventures where Welltower is the minority partner.

(2) Represents minority partners' interests in joint ventures where Welltower is the majority partner.

(3) Represents Welltower's pro rata share of NOI. Includes amounts from investments sold or held for sale.

NOI YEAR-TO-DATE RECONCILIATIONS

(dollars in thousands)

	Nine Months Ended	
	September 30, 2016	September 30, 2017
Net income	\$730,961	\$630,356
Loss (gain) on real estate dispositions, net	(163,881)	(287,869)
Loss (income) from unconsolidated entities	7,528	23,676
Income tax expense (benefit)	(2,543)	(5,535)
Other expenses and transaction costs	36,368	117,608
Impairment of assets	24,019	24,662
Loss (gain) on extinguishment of debt, net	9	36,870
Loss (gain) on derivatives, net	(2,516)	2,284
General and administrative expenses	122,434	93,643
Depreciation and amortization	673,326	683,262
Interest expense	394,985	357,405
Consolidated net operating income	1,820,690	1,676,362
NOI attributable to unconsolidated investments ⁽¹⁾	50,068	65,583
NOI attributable to noncontrolling interests ⁽²⁾	(79,084)	(87,439)
Pro rata net operating income (NOI)⁽³⁾	\$1,791,674	\$1,654,506
Pro rata net operating income (NOI):		
Seniors housing triple-net	\$492,385	\$475,829
Long-term/post-acute care	432,832	265,735
Seniors housing operating	595,474	643,188
Outpatient medical	266,203	268,943
Corporate and Land	4,780	811
Pro rata net operating income (NOI)⁽³⁾	\$1,791,674	\$1,654,506

(1) Represents Welltower's interests in joint ventures where Welltower is the minority partner.

(2) Represents minority partners' interests in joint ventures where Welltower is the majority partner.

(3) Represents Welltower's pro rata share of NOI. Includes amounts from investments sold or held for sale.

NOI ANNUAL RECONCILIATIONS

(dollars in thousands)

	Year Ended				
	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016
Net income	\$294,840	\$138,280	\$512,300	\$888,549	\$1,082,070
Loss (gain) on real estate dispositions, net	(100,549)	(49,138)	(153,522)	(280,387)	(364,046)
Loss (income) from unconsolidated entities	(2,482)	8,188	27,426	21,504	10,357
Income tax expense (benefit)	7,612	7,491	(1,267)	6,451	(19,128)
Other expenses and transaction costs	61,609	133,401	79,800	157,157	54,908
Impairment of assets ⁽¹⁾	29,287	-	-	2,220	37,207
Provision for loan losses	27,008	2,110	-	-	10,215
Loss (gain) on extinguishment of debt, net	(775)	(909)	9,558	34,677	17,214
Loss (gain) on derivatives, net	(1,825)	4,470	(1,495)	(58,427)	(2,448)
General and administrative expenses	97,341	108,318	142,943	147,416	155,241
Depreciation and amortization ⁽¹⁾	533,585	873,960	844,130	826,240	901,242
Interest expense ⁽¹⁾	383,300	462,606	481,196	492,169	521,345
Consolidated NOI	1,328,951	1,688,777	1,941,069	2,237,569	2,404,177
NOI attributable to unconsolidated investments ⁽²⁾	54,869	86,355	84,751	76,661	66,534
NOI attributable to noncontrolling interests ⁽³⁾	(30,188)	(49,790)	(53,612)	(72,217)	(107,235)
Pro rata net operating income (NOI)⁽⁴⁾	\$1,353,632	\$1,725,342	\$1,972,208	\$2,242,013	\$2,363,476
Pro rata net operating income (NOI):					
Seniors housing triple-net	\$390,611	\$448,357	\$538,799	\$622,646	\$654,925
Long-term/post-acute care	427,267	405,236	452,371	537,197	548,464
Seniors housing operating	231,304	541,460	644,591	712,189	802,000
Outpatient medical	228,722	255,211	278,456	346,187	353,424
Corporate and Land	75,728	75,078	57,991	23,794	4,663
Pro rata net operating income (NOI)⁽⁴⁾	\$1,353,632	\$1,725,342	\$1,972,208	\$2,242,013	\$2,363,476

(1) Includes amounts related to discontinued operations.

(2) Represents Welltower's interests in joint ventures where Welltower is the minority partner.

(3) Represents minority partners' interests in joint ventures where Welltower is the majority partner.

(4) Represents Welltower's pro rata share of NOI. Includes amounts from investments sold or held for sale.

SSNOI RECONCILIATIONS

(dollars in thousands at Welltower pro rata ownership)

	Three Months Ended					Y/o/Y
	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017	September 30, 2017	
Seniors Housing Triple-net						
NOI ⁽¹⁾	\$163,388	\$162,540	\$162,273	\$155,741	\$157,815	
Non-cash NOI on same store properties	(4,897)	(4,645)	(3,999)	(3,937)	(3,237)	
NOI attributable to non-same store properties	(36,804)	(35,357)	(35,716)	(30,309)	(32,271)	
Currency and ownership adjustments ⁽²⁾	(3,803)	(3,148)	(1,877)	(444)	(663)	
Normalizing adjustments for rent reallocations ⁽³⁾	186	62	-	-	-	
SSNOI	118,070	119,452	120,681	121,051	121,644	3.0%
Long-Term/Post-Acute Care						
NOI ⁽¹⁾	145,933	115,631	89,316	87,925	88,494	
Non-cash NOI on same store properties	(10,215)	(9,871)	(7,515)	(6,514)	(7,631)	
NOI attributable to non-same store properties	(60,274)	(31,915)	(17,871)	(16,306)	(15,378)	
Currency and ownership adjustments ⁽²⁾	(10,083)	(9,072)	(13)	13	(107)	
Normalizing adjustments for rent reallocations ⁽³⁾	(1,936)	(1,133)	-	-	-	
SSNOI	63,425	63,640	63,917	65,118	65,378	3.1%
Seniors Housing Operating						
NOI ⁽¹⁾	196,885	206,527	206,296	215,402	221,490	
Non-cash NOI on same store properties	1,167	(6)	34	377	4	
NOI attributable to non-same store properties	(7,773)	(19,951)	(18,664)	(17,572)	(20,538)	
Currency and ownership adjustments ⁽²⁾	(1,755)	128	(170)	(197)	(3,459)	
Normalizing adjustment for technology costs ⁽⁴⁾	1,319	-	-	-	196	
Other normalizing adjustments ⁽⁵⁾	225	219	630	(118)	229	
SSNOI	190,068	186,917	188,126	197,892	197,922	4.1%
Outpatient Medical						
NOI ⁽¹⁾	89,127	87,221	87,836	90,167	90,940	
Non-cash NOI on same store properties	(2,725)	(2,506)	(2,371)	(2,416)	(1,975)	
NOI attributable to non-same store properties	(3,660)	(880)	(2,322)	(4,180)	(4,661)	
Currency and ownership adjustments ⁽²⁾	(267)	(239)	(306)	44	(226)	
Other normalizing adjustments ⁽⁵⁾	(335)	(335)	(5)	(155)	-	
SSNOI	82,140	83,261	82,832	83,460	84,078	2.4%
Corporate & Land						
NOI ⁽¹⁾	175	(117)	145	26	640	
NOI attributable to non-same store properties	(175)	117	(145)	(26)	(640)	
SSNOI	-	-	-	-	-	
Total						
NOI	595,508	571,802	545,866	549,261	559,379	
Non-cash NOI on same store properties	(16,670)	(17,028)	(13,851)	(12,490)	(12,839)	
NOI attributable to non-same store properties	(108,686)	(87,986)	(74,718)	(68,393)	(73,488)	
Currency and ownership adjustments	(15,908)	(12,331)	(2,366)	(584)	(4,455)	
Normalizing adjustments, net	(541)	(1,187)	625	(273)	425	
SSNOI	\$453,703	\$453,270	\$455,556	\$467,521	\$469,022	3.4%

(1) See page 10.

(2) Includes adjustments to reflect consistent property ownership percentages, to translate Canadian properties at a USD/CAD rate of 1.334294 and to translate UK properties at a GBP/USD rate of 1.24837.

(3) Represents adjustments related to reallocation of property level rents due to dispositions within an existing master lease.

(4) Represents costs expensed by one operator related to implementation of new software.

(5) Represents aggregate normalizing adjustments which are individually less than 0.50% of SSNOI growth per property type.

IPNOI RECONCILIATION

(dollars in thousands at Welltower pro rata ownership)

	Seniors Housing Triple-Net	Long-Term /Post-Acute Care	Seniors Housing Operating	Outpatient Medical	Corporate & Land	Total
Three months ended September 30, 2017:						
Revenues	\$157,815	\$88,494	\$684,021	\$132,287	\$735	\$1,063,352
Property operating expenses	-	-	(462,531)	(41,347)	(95)	(503,973)
NOI⁽¹⁾	\$157,815	\$88,494	\$221,490	\$90,940	\$640	\$559,379
Adjust:						
Interest income	(8,083)	(12,105)	-	-	-	(20,188)
Other income	(1,240)	(1,948)	(1,432)	(495)	(651)	(5,766)
Sold / held for sale	(924)	(478)	(179)	(364)	-	(1,945)
Non In-Place NOI ⁽²⁾	(5,856)	(6,575)	1,287	(2,592)	11	(13,725)
Timing adjustments ⁽³⁾	(4,533)	-	6,889	-	-	2,356
IPNOI	\$137,179	\$67,388	\$228,055	\$87,489	-	\$520,111
Annualized IPNOI	\$548,716	\$269,552	\$912,220	\$349,956	-	\$2,080,444

(1) Represents Welltower's pro rata share of NOI. See page 10 for more information.

(2) Primarily represents non-cash NOI.

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

RECONCILIATIONS OF SHO SS REVPOR GROWTH, SSNOI GROWTH AND SSNOI/UNIT

(dollars in thousands, except SSNOI/unit)

	United States		United Kingdom		Canada		Total	
	3Q16	3Q17	3Q16	3Q17	3Q16	3Q17	3Q16	3Q17
SHO SS REVPOR Growth								
Consolidated SHO revenues ⁽¹⁾	\$ 455,020	\$ 518,883	\$ 69,311	\$ 73,176	\$ 107,457	\$ 111,818	\$ 631,788	\$ 703,877
Unconsolidated SHO revenues attributable to Welltower ⁽²⁾	20,553	21,050	-	-	19,837	21,001	40,390	42,051
SHO revenues attributable to noncontrolling interests ⁽³⁾	(28,638)	(30,822)	(3,392)	(4,761)	(25,147)	(26,324)	(57,177)	(61,907)
SHO pro rata revenues ⁽⁴⁾	446,935	509,111	65,919	68,415	102,147	106,495	615,001	684,021
Non-cash revenues on same store properties	(9)	(289)	(41)	(20)	-	-	(50)	(309)
Revenues attributable to non-same store properties	(17,416)	(70,678)	(8,887)	(9,812)	(1,243)	(678)	(27,546)	(81,168)
Currency and ownership adjustments ⁽⁵⁾	122	-	(2,797)	(2,703)	(2,251)	(6,481)	(4,926)	(9,184)
SHO SS revenues ⁽⁶⁾	\$ 429,632	\$ 438,144	\$ 54,194	\$ 55,880	\$ 98,653	\$ 99,336	\$ 582,479	\$ 593,360
Avg. occupied units/month ⁽⁷⁾	20,796	20,414	2,249	2,227	12,293	12,001	35,338	34,642
SHO SS REVPOR ⁽⁸⁾	\$ 6,830	\$ 7,096	\$ 7,967	\$ 8,296	\$ 2,653	\$ 2,737	\$ 5,450	\$ 5,663
SS REVPOR YOY growth		3.9%		4.1%		3.2%		3.9%
SHO SSNOI Growth								
Consolidated SHO NOI ⁽¹⁾	\$ 139,822	\$ 161,754	\$ 19,597	\$ 20,083	\$ 40,076	\$ 43,263	\$ 199,495	\$ 225,100
Unconsolidated SHO NOI attributable to Welltower ⁽²⁾	8,619	8,054	-	-	8,231	8,864	16,850	16,918
SHO NOI attributable to noncontrolling interests ⁽³⁾	(9,744)	(9,885)	(160)	(346)	(9,556)	(10,297)	(19,460)	(20,528)
SHO pro rata NOI ⁽⁴⁾	138,697	159,923	19,437	19,737	38,751	41,830	196,885	221,490
Non-cash NOI on same store properties	1,208	24	(41)	(20)	-	-	1,167	4
NOI attributable to non-same store properties	(6,809)	(20,530)	(580)	190	(384)	(198)	(7,773)	(20,538)
Currency and ownership adjustments ⁽⁵⁾	26	-	(923)	(913)	(858)	(2,546)	(1,755)	(3,459)
Other normalizing adjustments ⁽⁹⁾	1,544	229	-	196	-	-	1,544	425
SHO pro rata SSNOI ⁽⁶⁾	\$ 134,666	\$ 139,646	\$ 17,893	\$ 19,190	\$ 37,509	\$ 39,086	\$ 190,068	\$ 197,922
SHO SSNOI growth		3.7%		7.2%		4.2%		4.1%
SHO SSNOI/Unit								
Trailing four quarters' SSNOI ⁽⁴⁾	\$ 543,486		\$ 76,132		\$ 151,239		\$ 770,857	
Average units in service ⁽¹⁰⁾	23,166		2,586		13,242		38,994	
SSNOI/unit in USD	\$ 23,461		\$ 29,440		\$ 11,421		\$ 19,769	
SSNOI/unit in local currency ⁽⁵⁾	-		£ 23,583		C\$ 15,239		-	

(1) Represents consolidated revenues or consolidated NOI (revenues less property operating expenses) per Note 17 to Welltower's Form 10-Q for the quarter ended September 30, 2017.

(2) Represents Welltower's interests in joint ventures where Welltower is the minority partner.

(3) Represents minority partners' interests in joint ventures where Welltower is the majority partner.

(4) Represents SHO revenues/NOI/SSNOI at Welltower pro rata ownership. See pages 10 & 13 for more information.

(5) Includes where appropriate adjustments to reflect consistent property ownership percentages, to translate Canadian properties at a USD/CAD rate of 1.334294 and to translate UK properties at a GBP/USD rate of 1.24837.

(6) Represents SS SHO revenues/NOI at Welltower pro rata ownership.

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

(8) Represents pro rata SS average revenues generated per occupied room per month.

(9) Represents aggregate normalizing adjustments which are individually less than .50% of SSNOI growth.

(10) Represents average units in service for SS properties related solely to referenced country on a pro rata basis.

SENIORS HOUSING OPERATING REVPOR

(dollars in thousands, except REVPOR)

	United States		United Kingdom		Canada		Total
Three months ended September 30, 2017:							
Consolidated SHO revenues ⁽¹⁾	\$	518,883	\$	73,176	\$	111,818	\$ 703,877
Unconsolidated SHO revenues attributable to Welltower ⁽²⁾		21,050		-		21,001	42,051
SHO revenues attributable to noncontrolling interests ⁽³⁾		(30,822)		(4,761)		(26,324)	(61,907)
Pro rata SHO revenues ⁽⁴⁾	\$	509,111	\$	68,415	\$	106,495	\$ 684,021
SHO interest and other income		(1,355)		(22)		(55)	(1,432)
SHO revenues attributable to held for sale properties		(1,326)		(429)		-	(1,755)
Adjustment for standardized currency rate ⁽⁵⁾		-		(3,140)		(6,519)	(9,659)
SHO local revenues	\$	506,430	\$	64,824	\$	99,921	\$ 671,175
Average occupied units/month		24,092		2,671		12,075	38,838
REVPOR/month in USD	\$	6,950	\$	8,023	\$	2,736	\$ 5,714
REVPOR/month in local currency ⁽⁵⁾			£	6,427	C\$	3,650	

(1) Represents consolidated revenues or consolidated NOI (revenues less property operating expenses) per note 17 to Welltower's Form 10-Q for the period ended September 30, 2017.

(2) Represents Welltower's interests in joint ventures where Welltower is the minority partner.

(3) Represents minority partners' interests in joint ventures where Welltower is the majority partner.

(4) Represents SHO revenues/NOI/SSNOI at Welltower pro rata ownership.

(5) Based on USD/CAD rate of 1.334294 and GBP/USD rate of 1.24837.

OUTPATIENT MEDICAL NOI RECONCILIATIONS

(dollars in thousands, except per square foot)

	Three months ended September 30, 2017		
	Total	Non Core ⁽³⁾	Core
OM revenues ⁽¹⁾	\$132,287	\$(717)	\$131,570
OM property operating expenses ⁽¹⁾	(41,347)	353	(40,994)
OM Core NOI ⁽¹⁾	\$90,940	\$(364)	\$90,576
OM Core NOI margin			68.8%
OM Core NOI ⁽¹⁾			\$90,576
Less: In-Place NOI adjustments ⁽¹⁾			(3,087)
OM In-Place NOI ⁽¹⁾			87,489
OM In-Place NOI Annualized ⁽¹⁾			\$349,956
OM Core NOI ⁽¹⁾			\$90,576
Less: Interest Income			-
OM Core Rental NOI			\$90,576
Total square feet			17,337,256
Less: loans, development, held for sale			(484,482)
Pro rata adjustments ⁽²⁾			(790,319)
Pro rata rental square feet			16,062,455
OM Core Rental NOI per square foot			\$22.56
OM Core Rental NOI			\$90,576
Non health system affiliated NOI			(4,025)
OM health system affiliated Core NOI			\$86,551
OM health system affiliated Core NOI %			95.6%

Notes:

(1) Amounts presented on Welltower pro rata ownership basis and excludes assets sold or held for sale. See pages 10 and 14 for reconciliations of NOI and In-Place NOI.

(2) Represents amounts attributable to joint venture partners, both unconsolidated and noncontrolling.

(3) Represents amounts from assets held for sale and non-core other income.

EBITDA AND A-EBITDA

We measure our credit strength both in terms of leverage ratios and coverage ratios. The leverage ratios indicate how much of our balance sheet capitalization is related to long-term debt, net of cash and IRC section 1031 deposits. We expect to maintain capitalization ratios and coverage ratios sufficient to maintain a capital structure consistent with our current profile. The coverage ratios are based on EBITDA which stands for earnings (net income per income statement) before interest expense, income taxes, depreciation and amortization. Covenants in our 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 Adjusted EBITDA (A-EBITDA) to exclude unconsolidated entities and to include adjustments for stock-based compensation expense, provision for loan losses, gains/losses on extinguishment of debt, transactions costs, gains/losses/impairments on properties, gains/losses on derivatives and other non-recurring and/or non-cash income/charges. Our leverage ratios include net debt to A-EBITDA, book capitalization, undepreciated book capitalization and market capitalization. Book capitalization represents the sum of net debt (defined as total long-term debt less cash and cash equivalents and any IRC section 1031 deposits), total equity and redeemable noncontrolling interests. Undepreciated book capitalization represents book capitalization adjusted for accumulated depreciation and amortization. Market capitalization represents book capitalization adjusted for the fair market value of our common stock. Our leverage ratios are defined as the proportion of net debt to total capitalization.

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

EBITDA AND A-EBITDA QUARTERLY RECONCILIATIONS

(dollars in thousands)

	Three Months Ended				
	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017	September 30, 2017
Net income	\$354,741	\$351,108	\$337,610	\$203,441	\$89,299
Interest expense	129,699	126,360	118,597	116,231	122,578
Income tax expense (benefit)	(305)	(16,585)	2,245	(8,448)	669
Depreciation and amortization	218,061	227,916	228,276	224,847	230,138
EBITDA	\$702,196	\$688,799	\$686,728	\$536,071	\$442,684
Loss (income) from unconsolidated entities	1,749	2,829	23,106	3,978	(3,408)
Stock-based compensation ⁽¹⁾	5,401	8,251	4,906	4,763	6,790
Loss (gain) on extinguishment of debt, net ⁽²⁾	-	17,204	31,356	5,515	-
Loss/impairment (gain) on properties, net ⁽²⁾	(152,646)	(186,978)	(233,061)	(28,524)	(1,622)
Provision for loan losses ⁽²⁾	-	10,215	-	-	-
Loss / (gain) on derivatives, net ⁽²⁾	(2,516)	68	1,224	736	324
Other expenses & transaction costs ^{(1),(2)}	19,842	15,687	11,675	6,339	98,214
Additional other income ⁽²⁾	-	(4,853)	-	-	-
Total adjustments	(128,170)	(137,577)	(160,794)	(7,193)	100,298
A-EBITDA	\$574,026	\$551,222	\$525,934	\$528,878	\$542,982
Interest Coverage Ratios:					
Interest expense	\$129,699	\$126,360	\$118,597	\$116,231	\$122,578
Capitalized interest	4,766	4,834	4,129	3,358	2,545
Non-cash interest expense	(543)	(216)	(1,679)	(2,946)	(3,199)
Total interest	\$133,922	\$130,978	\$121,047	\$116,643	\$121,924
EBITDA	\$702,196	\$688,799	\$686,728	\$536,071	\$442,684
Interest coverage ratio	5.24x	5.26x	5.67x	4.60x	3.63x
A-EBITDA	\$574,026	\$551,222	\$525,934	\$528,878	\$542,982
Adjusted interest coverage ratio	4.29x	4.21x	4.34x	4.53x	4.45x
Fixed Charge Coverage Ratios:					
Total interest	\$133,922	\$130,978	\$121,047	\$116,643	\$121,924
Secured debt principal amortization	18,151	18,577	16,249	15,958	15,300
Preferred dividends	16,352	16,352	14,379	11,680	11,676
Total fixed charges	\$168,425	\$165,907	\$151,675	\$144,281	\$148,900
EBITDA	\$702,196	\$688,799	\$686,728	\$536,071	\$442,684
Fixed charge coverage ratio	4.17x	4.15x	4.53x	3.72x	2.97x
A-EBITDA	\$574,026	\$551,222	\$525,934	\$528,878	\$542,982
Adjusted fixed charge coverage ratio	3.41x	3.32x	3.47x	3.67x	3.65x
Net Debt Ratios:					
Total debt	\$13,430,888	\$12,358,245	\$11,454,185	\$11,379,946	\$11,521,592
Less: cash and cash equivalents ⁽³⁾	(456,420)	(557,659)	(380,360)	(442,284)	(250,776)
Net debt	\$12,974,468	\$11,800,586	\$11,073,825	\$10,937,662	\$11,270,816
EBITDA Annualized	2,808,784	2,755,196	2,746,912	2,144,284	1,770,736
Net debt to EBITDA ratio	4.62x	4.28x	4.03x	5.10x	6.37x
A-EBITDA Annualized	\$2,296,102	\$2,204,889	\$2,103,736	\$2,115,512	\$2,171,928
Net debt to A-EBITDA ratio	5.65x	5.35x	5.26x	5.17x	5.19x

(1) Certain severance-related costs are included in stock-based compensation and excluded from other expenses.

(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) Includes IRC section 1031 deposits, if any.

EBITDA AND A-EBITDA YEAR-TO-DATE RECONCILIATIONS

(dollars in thousands)

	Nine Months Ended	
	September 30, 2016	September 30, 2017
Net income	\$730,961	\$630,356
Interest expense	394,985	357,405
Income tax expense (benefit)	(2,543)	(5,535)
Depreciation and amortization	673,326	683,262
EBITDA	\$1,796,729	\$1,665,488
Loss (income) from unconsolidated entities	(7,528)	(23,676)
Stock-based compensation ⁽¹⁾	20,618	16,459
Loss (gain) on extinguishment of debt, net ⁽²⁾	9	36,870
Loss/impairment (gain) on properties, net ⁽²⁾	(139,862)	(263,207)
Loss / (gain) on derivatives, net ⁽²⁾	(2,516)	2,284
Other expenses & transaction costs ^{(1),(2)}	36,368	116,227
Additional other income ⁽²⁾	(11,811)	-
Total adjustments	(104,722)	(115,043)
A-EBITDA	\$1,692,007	\$1,550,445
Interest Coverage Ratios:		
Interest expense	\$394,985	\$357,405
Capitalized interest	12,109	10,033
Non-cash interest expense	(1,465)	(7,825)
Total interest	405,629	359,613
EBITDA	\$1,796,729	\$1,665,488
Interest coverage ratio	4.43x	4.63x
A-EBITDA	\$1,692,007	\$1,550,445
Adjusted interest coverage ratio	4.17x	4.31x
Fixed Charge Coverage Ratios:		
Total interest	\$405,629	\$359,613
Secured debt principal amortization	55,889	47,507
Preferred dividends	49,055	37,734
Total fixed charges	510,573	444,854
EBITDA	\$1,796,729	\$1,665,488
Fixed charge coverage ratio	3.52x	3.74x
A-EBITDA	\$1,692,007	\$1,550,445
Adjusted fixed charge coverage ratio	3.31x	3.49x

(1) Certain severance-related costs are included in stock-based compensation and excluded from other expenses.

(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.

EBITDA AND A-EBITDA ANNUAL RECONCILIATIONS

(dollars in thousands)

	Year Ended				
	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016
Net income	\$294,840	\$138,280	\$512,300	\$888,549	\$1,082,070
Interest expense	383,300	462,606	481,196	492,169	521,345
Income tax expense (benefit)	7,612	7,491	(1,267)	6,451	(19,128)
Depreciation and amortization	533,585	873,960	844,130	826,240	901,242
EBITDA	\$1,219,337	\$1,482,337	\$1,836,359	\$2,213,409	\$2,485,529
Loss (income) from unconsolidated entities	(2,482)	8,187	27,426	21,504	10,357
Stock-based compensation	18,521	20,177	32,075	30,844	28,869
Loss (gain) on extinguishment of debt, net ⁽¹⁾	(775)	(909)	9,558	34,677	17,214
Loss/impairment (gain) on properties, net ⁽¹⁾	(71,262)	(49,138)	(153,522)	(278,167)	(326,839)
Provision for loan losses ⁽¹⁾	27,008	2,110	-	-	10,215
Loss / (gain) on derivatives, net ⁽¹⁾	(1,825)	4,470	(1,495)	(58,427)	(2,448)
CEO transition costs ⁽¹⁾	-	-	10,465	-	-
Other expenses & transaction costs ⁽¹⁾	61,609	133,401	79,800	151,562	50,631
Additional other income ⁽¹⁾	-	-	-	(2,144)	(16,664)
Total adjustments	30,794	118,298	4,307	(100,151)	(228,665)
A-EBITDA	\$1,250,131	\$1,600,635	\$1,840,666	\$2,113,258	\$2,256,864
Interest Coverage Ratios:					
Interest expense	\$383,300	\$462,606	\$481,196	\$492,169	\$521,345
Capitalized interest	9,777	6,700	7,150	8,670	16,943
Non-cash interest expense	(11,395)	(4,044)	(2,427)	(2,586)	(1,681)
Total interest	381,682	465,262	485,919	498,253	536,607
EBITDA	\$1,219,337	\$1,482,337	\$1,836,359	\$2,213,409	\$2,485,529
Interest coverage ratio	3.19x	3.19x	3.78x	4.44x	4.63x
A-EBITDA	\$1,250,131	\$1,600,635	\$1,840,666	\$2,113,258	\$2,256,864
Adjusted interest coverage ratio	3.28x	3.44x	3.79x	4.24x	4.21x
Fixed Charge Coverage Ratios:					
Total interest	\$381,682	\$465,262	\$485,919	\$498,253	\$536,607
Secured debt principal amortization	38,744	56,205	62,280	67,064	74,466
Preferred dividends	69,129	66,336	65,408	65,406	65,406
Total fixed charges	489,555	587,803	613,607	630,723	676,479
EBITDA	\$1,219,337	\$1,482,337	\$1,836,359	\$2,213,409	\$2,485,529
Fixed charge coverage ratio	2.49x	2.52x	2.99x	3.51x	3.67x
A-EBITDA	\$1,250,131	\$1,600,635	\$1,840,666	\$2,113,258	\$2,256,864
Adjusted fixed charge coverage ratio	2.55x	2.72x	3.00x	3.35x	3.34x
Net Debt Ratios:					
Total debt	\$8,531,899	\$10,652,014	\$10,828,013	\$12,967,686	\$12,358,245
Less: cash and cash equivalents ⁽²⁾	(1,033,764)	(158,780)	(473,726)	(484,754)	(557,659)
Net debt	7,498,135	10,493,234	10,354,287	12,482,932	11,800,586
EBITDA	\$1,219,337	\$1,482,337	\$1,836,359	\$2,213,409	\$2,485,529
Net debt to EBITDA ratio	6.15x	7.08x	5.64x	5.64x	4.75x
A-EBITDA	\$1,250,131	\$1,600,635	\$1,840,666	\$2,113,258	\$2,256,864
Net debt to A-EBITDA ratio	6.00x	6.56x	5.63x	5.91x	5.23x

(1) 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.

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

EBITDA AND A-EBITDA TRAILING TWELVE MONTHS RECONCILIATIONS

(dollars in thousands)

	Twelve Months Ended				
	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017	September 30, 2017
Net income	\$880,380	\$1,082,070	\$1,254,208	\$1,246,899	\$981,458
Interest expense	526,082	521,345	506,982	490,886	483,765
Income tax expense (benefit)	139	(19,128)	(15,158)	(23,093)	(22,119)
Depreciation and amortization	896,135	901,242	900,822	899,100	911,180
EBITDA	\$2,302,736	\$2,485,529	\$2,646,854	\$2,613,792	\$2,354,284
Loss (income) from unconsolidated entities	10,801	10,357	29,643	31,662	26,505
Stock-based compensation ⁽¹⁾	25,807	28,869	25,588	23,321	24,710
Loss (gain) on extinguishment of debt, net ⁽²⁾	(186)	17,214	48,593	54,074	54,074
Loss/impairment (gain) on properties, net ⁽²⁾	(171,247)	(326,839)	(574,216)	(601,209)	(450,185)
Provision of loan losses ⁽²⁾	-	10,215	10,215	10,215	10,215
Loss / (gain) on derivatives, net ⁽²⁾	(2,516)	(2,448)	(1,225)	(489)	2,351
Other expenses & transaction costs ^{(1),(2)}	111,140	50,631	54,098	53,542	131,915
Additional other income ⁽²⁾	(11,811)	(16,664)	(16,664)	(4,853)	(4,853)
Total adjustments	(38,012)	(228,665)	(423,968)	(433,737)	(205,268)
A-EBITDA	\$2,264,724	\$2,256,864	\$2,222,886	\$2,180,055	\$2,149,016
Interest Coverage Ratios:					
Interest expense	\$526,082	\$521,345	\$506,982	\$490,886	\$483,765
Capitalized interest	14,467	16,943	18,035	17,087	14,866
Non-cash interest expense	(4,341)	(1,681)	(3,958)	(5,386)	(8,041)
Total interest	536,208	536,607	521,059	502,587	490,590
EBITDA	\$2,302,736	\$2,485,529	\$2,646,854	\$2,613,792	\$2,354,284
Interest coverage ratio	4.29x	4.63x	5.08x	5.20x	4.80x
A-EBITDA	\$2,264,724	\$2,256,864	\$2,222,886	\$2,180,055	\$2,149,016
Adjusted interest coverage ratio	4.22x	4.21x	4.27x	4.34x	4.38x
Fixed Charge Coverage Ratios:					
Total interest	\$536,208	\$536,607	\$521,059	\$502,587	\$490,590
Secured debt principal amortization	74,170	74,466	72,073	68,935	66,084
Preferred dividends	65,407	65,406	63,434	58,762	54,086
Total fixed charges	675,785	676,479	656,566	630,284	610,760
EBITDA	\$2,302,736	\$2,485,529	\$2,646,854	\$2,613,792	\$2,354,284
Fixed charge coverage ratio	3.41x	3.67x	4.03x	4.15x	3.85x
A-EBITDA	\$2,264,724	\$2,256,864	\$2,222,886	\$2,180,055	\$2,149,016
Adjusted fixed charge coverage ratio	3.35x	3.34x	3.39x	3.46x	3.52x

(1) Certain severance-related costs are included in stock-based compensation and excluded from other expenses.

(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.

CAPITALIZATION RATIOS

(Amounts in thousands, except share price)

	As of				
	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017	September 30, 2017
Book capitalization:					
Borrowings under primary unsecured credit facility	\$1,350,000	\$645,000	\$522,000	\$385,000	\$420,000
Long-term debt obligations ⁽¹⁾	12,080,888	11,713,245	10,932,185	10,994,946	11,101,592
Cash & cash equivalents ⁽²⁾	(456,420)	(557,659)	(380,360)	(442,284)	(250,776)
Total net debt	12,974,468	11,800,586	11,073,825	10,937,662	11,270,816
Total equity	15,264,238	15,281,472	15,110,263	15,313,523	15,244,664
Redeemable noncontrolling interest	393,530	398,433	385,418	388,876	386,748
Book capitalization	\$28,632,236	\$27,480,491	\$26,569,506	\$26,640,061	\$26,902,228
Net debt to book capitalization ratio	45.3%	42.9%	41.7%	41.1%	41.9%
Undepreciated book capitalization:					
Total net debt	\$12,974,468	\$11,800,586	\$11,073,825	\$10,937,662	\$11,270,816
Accumulated depreciation and amortization	4,243,038	4,093,494	4,335,160	4,568,408	4,826,418
Total equity	15,264,238	15,281,472	15,110,263	15,313,523	15,244,664
Redeemable noncontrolling interest	393,530	398,433	385,418	388,876	386,748
Undepreciated book capitalization	\$32,875,274	\$31,573,985	\$30,904,666	\$31,208,469	\$31,728,646
Net debt to undepreciated book capitalization ratio	39.5%	37.4%	35.8%	35.0%	35.5%
Market capitalization:					
Common shares outstanding	362,425	362,602	364,564	368,878	370,342
Period end share price	\$74.77	\$66.93	\$70.82	\$74.85	\$70.28
Common equity market capitalization	\$27,098,517	\$24,268,952	\$25,818,422	\$27,610,518	\$26,027,636
Total net debt	12,974,468	11,800,586	11,073,825	10,937,662	11,270,816
Noncontrolling interests ⁽³⁾	867,923	873,512	859,478	873,567	901,487
Preferred stock	1,006,250	1,006,250	718,750	718,750	718,503
Enterprise value	\$41,947,158	\$37,949,300	\$38,470,475	\$40,140,497	\$38,918,442
Net debt to market capitalization ratio	30.9%	31.1%	28.8%	27.2%	29.0%

(1) Amounts include senior unsecured notes, secured debt and capital lease obligations as reflected on our consolidated balance sheet.

(2) Inclusive of IRC section 1031 deposits, if any.

(3) Includes all noncontrolling interests (redeemable and permanent) as reflected on our consolidated balance sheet.