



NON-GAAP FINANCIAL MEASURES

QUARTER ENDED DECEMBER 31, 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.

The information in this supplemental information package should be read in conjunction with the company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, earnings press releases/supplements and other information filed with, or furnished to, the Securities and Exchange Commission ("SEC").

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 | | | | |
|---|--------------------|----------------|---------------|--------------------|-------------------|
| | December 31, 2016 | March 31, 2017 | June 30, 2017 | September 30, 2017 | December 31, 2017 |
| Net income (loss) attributable to common stockholders | \$333,042 | \$312,639 | \$188,429 | \$74,043 | \$(111,523) |
| Depreciation and amortization | 227,916 | 228,276 | 224,847 | 230,138 | 238,458 |
| Losses/impairments (gains) on properties, net | (186,978) | (233,061) | (28,524) | (1,622) | 43,440 |
| Noncontrolling interests ⁽¹⁾ | (17,897) | (18,107) | (16,955) | (16,826) | (8,131) |
| Unconsolidated entities ⁽²⁾ | 16,746 | 16,484 | 16,593 | 9,989 | 16,980 |
| NAREIT FFO attributable to common stockholders | 372,829 | 306,231 | 384,390 | 295,722 | 179,224 |
| Normalizing items: | | | | | |
| Loss (gain) on derivatives, net | 68 | 1,224 | 736 | 324 | - |
| Loss (gain) on extinguishment of debt, net | 17,204 | 31,356 | 5,515 | - | 371 |
| Provision for loan losses | 10,215 | - | - | - | 62,966 |
| Preferred stock redemption charge | - | 9,769 | - | - | - |
| Nonrecurring interest expense | - | - | - | - | 2,634 |
| Nonrecurring income tax benefits | (15,675) | - | (7,916) | - | 17,354 |
| Other expenses and transaction costs | 18,542 | 11,675 | 6,339 | 99,595 | 60,167 |
| Additional other income | (4,853) | - | - | - | - |
| Normalizing items attributable to noncontrolling interests and unconsolidated entities, net | 3,214 | 22,939 | 1,911 | 4,173 | 57,566 |
| Normalized FFO attributable to common stockholders | \$401,544 | \$383,194 | \$390,975 | \$399,814 | \$380,282 |
| Average common shares outstanding: | | | | | |
| Basic | 362,088 | 362,534 | 366,524 | 369,089 | 370,485 |
| Diluted for net income (loss) purposes | 364,369 | 364,652 | 368,149 | 370,740 | 370,485 |
| Diluted for FFO purposes | 364,369 | 364,652 | 368,149 | 370,740 | 372,145 |
| Net income (loss) attributable to common stockholders per share: | | | | | |
| Basic | \$0.92 | \$0.86 | \$0.51 | \$0.20 | \$(0.30) |
| Diluted | \$0.91 | \$0.86 | \$0.51 | \$0.20 | \$(0.30) |
| NAREIT FFO attributable to common stockholders per share: | | | | | |
| Basic | \$1.03 | \$0.84 | \$1.05 | \$0.80 | \$0.48 |
| Diluted | \$1.02 | \$0.84 | \$1.04 | \$0.80 | \$0.48 |
| Normalized FFO attributable to common stockholders per share: | | | | | |
| Basic | \$1.11 | \$1.06 | \$1.07 | \$1.08 | \$1.03 |
| Diluted | \$1.10 | \$1.05 | \$1.06 | \$1.08 | \$1.02 |
| NAREIT FFO Payout Ratio: | | | | | |
| Dividends per common share | \$0.86 | \$0.87 | \$0.87 | \$0.87 | \$0.87 |
| NAREIT FFO attributable to common stockholders per diluted share | \$1.02 | \$0.84 | \$1.04 | \$0.80 | \$0.48 |
| NAREIT FFO Payout Ratio | 84% | 104% | 84% | 109% | 181% |
| Normalized FFO Payout Ratio: | | | | | |
| Dividends per common share | \$0.86 | \$0.87 | \$0.87 | \$0.87 | \$0.87 |
| Normalized FFO attributable to common stockholders per diluted share | \$1.10 | \$1.05 | \$1.06 | \$1.08 | \$1.02 |
| Normalized FFO Payout Ratio | 78% | 83% | 82% | 81% | 85% |
| Other Items: ⁽³⁾ | | | | | |
| Net straight-line rent and above/below market rent amortization | \$(22,557) | \$(17,921) | \$(17,058) | \$(19,167) | \$(18,692) |
| Non-cash interest expenses | 771 | 2,239 | 3,613 | 3,972 | 3,219 |
| Recurring cap-ex, tenant improvements, and lease commissions | (19,233) | (13,806) | (15,263) | (16,651) | (22,400) |
| Stock-based compensation | 5,395 | 4,906 | 4,763 | 5,409 | 2,643 |

(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, 2013 | December 31, 2014 | December 31, 2015 | December 31, 2016 | December 31, 2017 |
| Net income (loss) attributable to common stockholders | \$78,714 | \$446,745 | \$818,344 | \$1,012,397 | \$463,595 |
| Depreciation and amortization | 873,960 | 844,130 | 826,240 | 901,242 | 921,720 |
| Losses/impairments (gains) on properties, net | (49,138) | (153,522) | (278,167) | (326,840) | (219,767) |
| Noncontrolling interests ⁽¹⁾ | (36,304) | (37,852) | (39,271) | (71,527) | (60,018) |
| Unconsolidated entities ⁽²⁾ | 57,652 | 74,580 | 82,494 | 67,667 | 60,046 |
| NAREIT FFO attributable to common stockholders | 924,884 | 1,174,081 | 1,409,640 | 1,582,939 | 1,165,576 |
| Normalizing items: | | | | | |
| Non-recurring G&A expenses | - | - | - | - | - |
| Loss (gain) on derivatives, net | 4,470 | (1,495) | (58,427) | (2,448) | 2,284 |
| Preferred stock redemption charge | - | - | - | - | 9,769 |
| Loss (gain) on extinguishment of debt, net | (909) | 9,558 | 34,677 | 17,214 | 37,241 |
| Provision for loan losses | 2,110 | - | - | 10,215 | 62,966 |
| CEO transition costs | - | 19,688 | - | - | - |
| Nonrecurring interest expense | - | - | - | - | 2,634 |
| Nonrecurring income tax benefits | - | (17,426) | (5,430) | (15,675) | 9,438 |
| Other expenses and transaction costs | 133,401 | 79,800 | 157,852 | 54,908 | 177,776 |
| Held for sale hospital operating expenses | - | - | - | - | - |
| Additional other income | - | - | (5,813) | (16,664) | - |
| Normalizing items attributable to noncontrolling interests and unconsolidated entities, net | (1,985) | 5,661 | (312) | 7,228 | 86,589 |
| Normalized FFO attributable to common stockholders | \$1,061,971 | \$1,269,867 | \$1,532,187 | \$1,637,717 | \$1,554,273 |
| Average common shares outstanding: | | | | | |
| Basic | 276,929 | 306,272 | 348,240 | 358,275 | 367,237 |
| Diluted | 278,761 | 307,747 | 349,424 | 360,227 | 369,001 |
| Net income (loss) attributable to common stockholders per share: | | | | | |
| Basic | \$0.28 | \$1.46 | \$2.35 | \$2.83 | \$1.26 |
| Diluted | \$0.28 | \$1.45 | \$2.34 | \$2.81 | \$1.26 |
| NAREIT FFO attributable to common stockholders per share: | | | | | |
| Basic | \$3.34 | \$3.83 | \$4.05 | \$4.42 | \$3.17 |
| Diluted | \$3.32 | \$3.82 | \$4.03 | \$4.39 | \$3.16 |
| Normalized FFO attributable to common stockholders per share: | | | | | |
| Basic | \$3.83 | \$4.15 | \$4.40 | \$4.57 | \$4.23 |
| Diluted | \$3.81 | \$4.13 | \$4.38 | \$4.55 | \$4.21 |
| NAREIT FFO Payout Ratio: | | | | | |
| Dividends per common share | \$3.06 | \$3.18 | \$3.30 | \$3.44 | \$3.48 |
| NAREIT FFO attributable to common stockholders per diluted share | \$3.32 | \$3.82 | \$4.03 | \$4.39 | \$3.16 |
| NAREIT FFO payout ratio | 92% | 83% | 82% | 78% | 110% |
| Normalized FFO Payout Ratio: | | | | | |
| Dividends per common share | \$3.06 | \$3.18 | \$3.30 | \$3.44 | \$3.48 |
| Normalized FFO attributable to common stockholders per diluted share | \$3.81 | \$4.13 | \$4.38 | \$4.55 | \$4.21 |
| Normalized FFO payout ratio | 80% | 77% | 75% | 76% | 83% |
| Other Items: ⁽³⁾ | | | | | |
| Net straight-line rent and above/below market rent amortization | \$(61,404) | \$(87,327) | \$(119,950) | \$(106,098) | \$(72,838) |
| Non-cash interest expenses | 1,923 | 3,601 | 4,654 | 4,014 | 13,042 |
| Recurring cap-ex, tenant improvements, and lease commissions | (65,981) | (61,303) | (70,613) | (66,701) | (68,120) |
| Stock-based compensation | 20,177 | 32,075 | 30,844 | 24,591 | 17,721 |

(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.

OUTLOOK RECONCILIATIONS

(in millions, except per share data)

| | Year Ended December 31, 2018 | |
|---|------------------------------|--------|
| | Low | High |
| Net income attributable to common stockholders | \$892 | \$930 |
| Losses/impairments (gains) on properties, net ^(1,2) | (338) | (338) |
| Depreciation and amortization ⁽¹⁾ | 927 | 927 |
| Normalized FFO attributable to common stockholders | 1,481 | 1,519 |
| Per share data attributable to common stockholders: | | |
| Net income | \$2.38 | \$2.48 |
| Normalized FFO | 3.95 | 4.05 |
| <u>Other Items⁽¹⁾</u> | | |
| Net straight-line rent and above/below market rent amortization | \$(62) | \$(62) |
| Non-cash interest expenses | 15 | 15 |
| Recurring cap-ex, tenant improvements, and lease commissions | (72) | (72) |
| Stock-based compensation | 22 | 22 |

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

(2) Includes estimated gains on projected dispositions.

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 | | | | |
|---|--------------------|------------------|------------------|--------------------|-------------------|
| | December 31, 2016 | March 31, 2017 | June 30, 2017 | September 30, 2017 | December 31, 2017 |
| Net income (loss) | \$351,108 | \$337,610 | \$203,441 | \$89,299 | \$(89,743) |
| Loss (gain) on real estate dispositions, net | (200,165) | (244,092) | (42,155) | (1,622) | (56,381) |
| Loss (income) from unconsolidated entities | 2,829 | 23,106 | 3,978 | (3,408) | 59,449 |
| Income tax expense (benefit) | (16,585) | 2,245 | (8,448) | 669 | 25,663 |
| Other expenses and transaction costs | 18,542 | 11,675 | 6,339 | 99,595 | 60,167 |
| Impairment of assets | 13,187 | 11,031 | 13,631 | - | 99,821 |
| Provision for loan losses | 10,215 | - | - | - | 62,966 |
| Loss (gain) on extinguishment of debt, net | 17,204 | 31,356 | 5,515 | - | 371 |
| Loss (gain) on derivatives, net | 68 | 1,224 | 736 | 324 | - |
| General and administrative expenses | 32,807 | 31,101 | 32,632 | 29,913 | 28,365 |
| Depreciation and amortization | 227,916 | 228,276 | 224,847 | 230,138 | 238,458 |
| Interest expense | 126,360 | 118,597 | 116,231 | 122,578 | 127,217 |
| Consolidated net operating income | 583,486 | 552,129 | 556,747 | 567,486 | 556,353 |
| NOI attributable to unconsolidated investments ⁽¹⁾ | 16,467 | 21,279 | 21,873 | 22,431 | 21,539 |
| NOI attributable to noncontrolling interests ⁽²⁾ | (28,151) | (27,542) | (29,359) | (30,538) | (29,760) |
| Pro rata net operating income (NOI)⁽³⁾ | \$571,802 | \$545,866 | \$549,261 | \$559,379 | \$548,132 |
| Pro rata net operating income (NOI): | | | | | |
| Seniors housing triple-net | \$162,540 | \$162,273 | \$155,741 | \$157,815 | \$153,904 |
| Long-term/post-acute care | 115,631 | 89,316 | 87,925 | 88,494 | 78,353 |
| Seniors housing operating | 206,527 | 206,296 | 215,402 | 221,490 | 223,233 |
| Outpatient medical | 87,221 | 87,836 | 90,167 | 90,940 | 92,354 |
| Corporate and land | (117) | 145 | 26 | 640 | 288 |
| Pro rata net operating income (NOI)⁽³⁾ | \$571,802 | \$545,866 | \$549,261 | \$559,379 | \$548,132 |

(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, 2013 | December 31, 2014 | December 31, 2015 | December 31, 2016 | December 31, 2017 |
| Net income | \$138,280 | \$512,300 | \$888,549 | \$1,082,070 | \$540,613 |
| Loss (gain) on real estate dispositions, net | (49,138) | (153,522) | (280,387) | (364,046) | (344,250) |
| Loss (income) from unconsolidated entities | 8,188 | 27,426 | 21,504 | 10,357 | 83,125 |
| Income tax expense (benefit) | 7,491 | (1,267) | 6,451 | (19,128) | 20,128 |
| Other expenses and transaction costs | 133,401 | 79,800 | 157,157 | 54,908 | 177,776 |
| Impairment of assets ⁽¹⁾ | - | - | 2,220 | 37,207 | 124,483 |
| Provision for loan losses | 2,110 | - | - | 10,215 | 62,966 |
| Loss (gain) on extinguishment of debt, net | (909) | 9,558 | 34,677 | 17,214 | 37,241 |
| Loss (gain) on derivatives, net | 4,470 | (1,495) | (58,427) | (2,448) | 2,284 |
| General and administrative expenses | 108,318 | 142,943 | 147,416 | 155,241 | 122,008 |
| Depreciation and amortization ⁽¹⁾ | 873,960 | 844,130 | 826,240 | 901,242 | 921,720 |
| Interest expense ⁽¹⁾ | 462,606 | 481,196 | 492,169 | 521,345 | 484,622 |
| Consolidated NOI | 1,688,777 | 1,941,069 | 2,237,569 | 2,404,177 | 2,232,716 |
| NOI attributable to unconsolidated investments ⁽²⁾ | 86,355 | 84,751 | 76,661 | 66,534 | 87,121 |
| NOI attributable to noncontrolling interests ⁽³⁾ | (49,790) | (53,612) | (72,217) | (107,235) | (117,199) |
| Pro rata net operating income (NOI)⁽⁴⁾ | \$1,725,342 | \$1,972,208 | \$2,242,013 | \$2,363,476 | \$2,202,638 |
| Pro rata net operating income (NOI): | | | | | |
| Seniors housing triple-net | \$448,357 | \$538,799 | \$622,646 | \$654,925 | \$629,733 |
| Long-term/post-acute care | 405,236 | 452,371 | 537,197 | 548,463 | 344,088 |
| Seniors housing operating | 541,460 | 644,591 | 712,189 | 802,001 | 866,421 |
| Outpatient medical | 255,211 | 278,456 | 346,187 | 353,424 | 361,297 |
| Corporate and land | 75,078 | 57,991 | 23,794 | 4,663 | 1,099 |
| Pro rata net operating income (NOI)⁽⁴⁾ | \$1,725,342 | \$1,972,208 | \$2,242,013 | \$2,363,476 | \$2,202,638 |

(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 BY SEGMENT

(dollars in thousands at Welltower pro rata ownership)

| | Three Months Ended | | | | | Y/o/Y |
|--|--------------------|----------------|---------------|--------------------|------------------|-------|
| | December 31, 2016 | March 31, 2017 | June 30, 2017 | September 30, 2017 | December 31 2017 | |
| Seniors Housing Triple-net | | | | | | |
| NOI ⁽¹⁾ | \$162,540 | \$162,273 | \$155,741 | \$157,815 | \$153,904 | |
| Non-cash NOI on same store properties | (4,819) | (4,149) | (3,948) | (3,350) | (2,892) | |
| NOI attributable to non-same store properties | (42,602) | (43,062) | (37,784) | (39,607) | (34,984) | |
| Currency and ownership adjustments ⁽²⁾ | (3,145) | (1,872) | (461) | (696) | (880) | |
| SSNOI | 111,974 | 113,190 | 113,548 | 114,162 | 115,148 | 2.8% |
| Long-Term/Post-Acute Care | | | | | | |
| NOI ⁽¹⁾ | 115,631 | 89,316 | 87,925 | 88,494 | 78,353 | |
| Non-cash NOI on same store properties | (5,774) | (3,532) | (2,561) | (3,701) | (1,125) | |
| NOI attributable to non-same store properties | (43,789) | (29,597) | (28,197) | (27,263) | (19,599) | |
| Currency and ownership adjustments ⁽²⁾ | (9,072) | (13) | 13 | (107) | (82) | |
| Normalizing adjustments for rent reallocations ⁽³⁾ | (1,010) | - | - | - | - | |
| SSNOI | 55,986 | 56,174 | 57,180 | 57,423 | 57,547 | 2.8% |
| Seniors Housing Operating | | | | | | |
| NOI ⁽¹⁾ | 206,527 | 206,296 | 215,402 | 221,490 | 223,233 | |
| Non-cash NOI on same store properties | 79 | 119 | 454 | 77 | 234 | |
| NOI attributable to non-same store properties | (7,530) | (6,619) | (6,012) | (9,354) | (18,338) | |
| Currency and ownership adjustments ⁽²⁾ | 129 | (164) | (204) | (3,404) | (2,989) | |
| Normalizing adjustment for operator policy change ⁽⁴⁾ | 1,274 | - | - | - | - | |
| Other normalizing adjustments ⁽⁵⁾ | 223 | 632 | (115) | 418 | 1,510 | |
| SSNOI | 200,702 | 200,264 | 209,525 | 209,227 | 203,650 | 1.5% |
| Outpatient Medical | | | | | | |
| NOI ⁽¹⁾ | 87,221 | 87,836 | 90,167 | 90,940 | 92,354 | |
| Non-cash NOI on same store properties | (2,035) | (1,902) | (1,944) | (1,512) | (1,603) | |
| NOI attributable to non-same store properties | (7,506) | (8,969) | (10,839) | (11,355) | (11,928) | |
| Currency and ownership adjustments ⁽²⁾ | (239) | (305) | 43 | (226) | (292) | |
| Other normalizing adjustments ⁽⁵⁾ | (590) | (195) | (157) | (23) | (159) | |
| SSNOI | 76,851 | 76,465 | 77,270 | 77,824 | 78,372 | 2.0% |
| Corporate & Land | | | | | | |
| NOI ⁽¹⁾ | (117) | 145 | 26 | 640 | 288 | |
| NOI attributable to non-same store properties | 117 | (145) | (26) | (640) | (288) | |
| SSNOI | - | - | - | - | - | |
| Total | | | | | | |
| NOI | 571,802 | 545,866 | 549,261 | 559,379 | 548,132 | |
| Non-cash NOI on same store properties | (12,549) | (9,464) | (7,999) | (8,486) | (5,386) | |
| NOI attributable to non-same store properties | (101,310) | (88,392) | (82,858) | (88,219) | (85,137) | |
| Currency and ownership adjustments | (12,327) | (2,354) | (609) | (4,433) | (4,243) | |
| Normalizing adjustments, net | (103) | 437 | (272) | 395 | 1,351 | |
| SSNOI | \$445,513 | \$446,093 | \$457,523 | \$458,636 | \$454,717 | 2.1% |

(1) See page 8.

(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 prior years costs that were expensed but would have been capitalized under current cap-ex policy for one operator.

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

SSNOI RECONCILIATIONS

(dollars in thousands)

Three Months Ended

| | March 31, | | June 30, | | September 30, | | December 31, | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Net income (loss) | \$ 337,610 | \$ 165,474 | \$ 203,441 | \$ 210,749 | \$ 89,299 | \$ 354,741 | \$ (89,743) | \$ 351,108 |
| Loss (gain) on real estate dispositions, net | (244,092) | - | (42,155) | (1,530) | (1,622) | (162,351) | (56,381) | (200,165) |
| Loss (income) from unconsolidated entities | 23,106 | 3,820 | 3,978 | 1,959 | (3,408) | 1,749 | 59,449 | 2,829 |
| Income tax expense (benefit) | 2,245 | (1,725) | (8,448) | (513) | 669 | (305) | (17,354) | (16,585) |
| Other expenses and transaction costs | 11,675 | 8,208 | 6,339 | 8,318 | 99,595 | 19,842 | 60,167 | 18,542 |
| Impairment of assets | 11,031 | 14,314 | 13,631 | - | - | 9,705 | 99,821 | 13,187 |
| Provision for loan losses | - | - | - | - | - | - | 62,966 | 10,215 |
| Loss (gain) on extinguishment of debt, net | 31,356 | (24) | 5,515 | 33 | - | - | 371 | 17,204 |
| Loss (gain) on derivatives, net | 1,224 | - | 736 | - | 324 | (2,516) | - | 68 |
| General and administrative expenses | 31,101 | 45,691 | 32,632 | 39,914 | 29,913 | 36,828 | 28,365 | 32,807 |
| Depreciation and amortization | 228,276 | 228,696 | 224,847 | 226,569 | 230,138 | 218,061 | 238,458 | 227,916 |
| Interest expense | 118,597 | 132,960 | 116,231 | 132,326 | 122,578 | 129,699 | 127,217 | 126,360 |
| Consolidated NOI | 552,129 | 597,414 | 556,747 | 617,825 | 567,486 | 605,453 | 556,353 | 583,486 |
| NOI attributable to unconsolidated investments | 21,279 | 16,006 | 21,873 | 16,881 | 22,431 | 17,179 | 21,539 | 16,467 |
| NOI attributable to noncontrolling interests | (27,542) | (24,804) | (29,359) | (27,156) | (30,538) | (27,124) | (29,760) | (28,151) |
| Pro rata NOI | 545,866 | 588,616 | 549,261 | 607,550 | 559,379 | 595,508 | 548,132 | 571,802 |
| Non-cash NOI attributable to same store properties | (13,711) | (19,826) | (12,702) | (18,162) | (12,839) | (16,670) | (5,386) | (12,549) |
| NOI attributable to non-same store properties | (70,572) | (97,242) | (62,013) | (102,276) | (73,488) | (108,686) | (85,137) | (101,310) |
| Currency and ownership adjustments ⁽¹⁾ | (1,815) | (17,279) | (584) | (19,897) | (4,455) | (15,908) | (4,243) | (12,327) |
| Other adjustments ⁽²⁾ | 648 | (3,939) | (297) | (7,261) | 425 | (541) | 1,351 | (103) |
| Same store NOI (SSNOI) | <u>\$ 460,416</u> | <u>\$ 450,330</u> | <u>\$ 473,665</u> | <u>\$ 459,954</u> | <u>\$ 469,022</u> | <u>\$ 453,703</u> | <u>\$ 454,717</u> | <u>\$ 445,513</u> |
| Seniors housing triple-net | \$ 128,824 | \$ 124,484 | \$ 129,536 | \$ 125,748 | \$ 121,644 | \$ 118,070 | \$ 115,148 | \$ 111,974 |
| Long-term/post-acute care | 62,396 | 60,332 | 64,163 | 62,228 | 65,378 | 63,425 | 57,547 | 55,986 |
| Seniors housing operating | 186,521 | 184,807 | 196,506 | 189,798 | 197,922 | 190,068 | 203,650 | 200,702 |
| Outpatient medical | 82,675 | 80,707 | 83,460 | 82,180 | 84,078 | 82,140 | 78,372 | 76,851 |
| Total SSNOI | <u>\$ 460,416</u> | <u>\$ 450,330</u> | <u>\$ 473,665</u> | <u>\$ 459,954</u> | <u>\$ 469,022</u> | <u>\$ 453,703</u> | <u>\$ 454,717</u> | <u>\$ 445,513</u> |
| | | | | | | | <i>Average</i> | |
| Seniors housing triple-net | 3.5% | | 3.0% | | 3.0% | | 2.8% | 3.1% |
| Long-term/post-acute care | 3.4% | | 3.1% | | 3.1% | | 2.8% | 3.1% |
| Seniors housing operating | 0.9% | | 3.5% | | 4.1% | | 1.5% | 2.5% |
| Outpatient medical | 2.4% | | 1.6% | | 2.4% | | 2.0% | 2.1% |
| Total SSNOI growth | <u>2.2%</u> | | <u>3.0%</u> | | <u>3.4%</u> | | <u>2.1%</u> | <u>2.7%</u> |

Notes: (1) Includes adjustments to reflect consistent property ownership percentages and foreign currency exchange rates for properties in the UK and Canada.

(2) Includes other adjustments described in the relevant accompanying Supplement.

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 December 31, 2017: | | | | | | |
| Revenues | \$153,904 | \$78,353 | \$700,663 | \$132,411 | \$348 | \$1,065,679 |
| Property operating expenses | - | - | (477,430) | (40,057) | (60) | (517,547) |
| NOI⁽¹⁾ | \$153,904 | \$78,353 | \$223,233 | \$92,354 | \$288 | \$548,132 |
| Adjust: | | | | | | |
| Interest income | (7,144) | (4,831) | - | - | - | (11,975) |
| Other income | (936) | 900 | (1,118) | (461) | (322) | (1,937) |
| Sold / held for sale | (9,551) | (8,901) | (193) | (6,956) | - | (25,601) |
| Non In-Place NOI ⁽²⁾ | (5,571) | (2,580) | (222) | (1,939) | 34 | (10,278) |
| Timing adjustments ⁽³⁾ | 76 | - | 321 | 1,138 | - | 1,535 |
| Total adjustments | \$(23,126) | \$(15,412) | \$(1,212) | \$(8,218) | \$(288) | \$(48,256) |
| IPNOI | \$130,778 | \$62,941 | \$222,021 | \$84,136 | - | \$499,876 |
| Annualized IPNOI | \$523,112 | \$251,764 | \$888,084 | \$336,544 | - | \$1,999,504 |

(1) Represents Welltower's pro rata share of NOI. See page 8 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 | |
|--|---------------|------------|----------------|-----------|-------------|------------|------------|------------|
| | 4Q16 | 4Q17 | 4Q16 | 4Q17 | 4Q16 | 4Q17 | 4Q16 | 4Q17 |
| SHO SS REVPOR Growth | | | | | | | | |
| Consolidated SHO revenues ⁽¹⁾ | \$ 486,000 | \$ 544,733 | \$ 67,047 | \$ 75,745 | \$ 110,548 | \$ 110,308 | \$ 663,595 | \$ 730,786 |
| Unconsolidated SHO revenues attributable to Welltower ⁽²⁾ | 20,754 | 21,787 | - | - | 19,626 | 21,018 | 40,380 | 42,805 |
| SHO revenues attributable to noncontrolling interests ⁽³⁾ | (28,816) | (41,809) | (3,356) | (5,185) | (25,936) | (25,934) | (58,108) | (72,928) |
| SHO pro rata revenues ⁽⁴⁾ | 477,938 | 524,711 | 63,691 | 70,560 | 104,238 | 105,392 | 645,867 | 700,663 |
| Non-cash revenues on same store properties | (549) | (121) | (18) | (19) | - | - | (567) | (140) |
| Revenues attributable to non-same store properties | (9,929) | (47,250) | (8,327) | (11,465) | (6,598) | (2,908) | (24,854) | (61,623) |
| Currency and ownership adjustments ⁽⁵⁾ | 111 | - | 258 | (3,503) | 49 | (4,883) | 418 | (8,386) |
| Other normalizing adjustments ⁽⁶⁾ | - | 303 | - | - | - | - | - | 303 |
| SHO SS revenues ⁽⁷⁾ | \$ 467,571 | \$ 477,643 | \$ 55,604 | \$ 55,573 | \$ 97,689 | \$ 97,601 | \$ 620,864 | \$ 630,817 |
| Avg. occupied units/month ⁽⁸⁾ | 22,949 | 22,539 | 2,306 | 2,222 | 12,205 | 11,853 | 37,460 | 36,614 |
| SHO SS REVPOR ⁽⁹⁾ | \$ 6,736 | \$ 7,006 | \$ 7,972 | \$ 8,269 | \$ 2,646 | \$ 2,722 | \$ 5,480 | \$ 5,696 |
| SS REVPOR YOY growth | | 4.0% | | 3.7% | | 2.9% | | 3.9% |
| SHO SSNOI Growth | | | | | | | | |
| Consolidated SHO NOI ⁽¹⁾ | \$ 150,122 | \$ 165,437 | \$ 17,318 | \$ 19,447 | \$ 43,455 | \$ 41,624 | \$ 210,895 | \$ 226,508 |
| Unconsolidated SHO NOI attributable to Welltower ⁽²⁾ | 8,490 | 7,893 | - | - | 7,357 | 8,165 | 15,847 | 16,058 |
| SHO NOI attributable to noncontrolling interests ⁽³⁾ | (9,842) | (9,231) | 3 | (209) | (10,376) | (9,893) | (20,215) | (19,333) |
| SHO pro rata NOI ⁽⁴⁾ | 148,770 | 164,099 | 17,321 | 19,238 | 40,436 | 39,896 | 206,527 | 223,233 |
| Non-cash NOI on same store properties | 97 | 253 | (18) | (19) | - | - | 79 | 234 |
| NOI attributable to non-same store properties | (3,448) | (17,467) | 75 | (238) | (4,157) | (633) | (7,530) | (18,338) |
| Currency and ownership adjustments ⁽⁵⁾ | 23 | - | 86 | (1,116) | 20 | (1,873) | 129 | (2,989) |
| Other normalizing adjustments ⁽¹⁰⁾ | 1,385 | 895 | 112 | 615 | - | - | 1,497 | 1,510 |
| SHO pro rata SSNOI ⁽⁷⁾ | \$ 146,827 | \$ 147,780 | \$ 17,576 | \$ 18,480 | \$ 36,299 | \$ 37,390 | \$ 200,702 | \$ 203,650 |
| SHO SSNOI growth | | 0.6% | | 5.1% | | 3.0% | | 1.5% |
| SHO SSNOI/Unit | | | | | | | | |
| Trailing four quarters' SSNOI ⁽⁴⁾ | \$ 596,536 | | \$ 77,146 | | \$ 148,984 | | \$ 822,666 | |
| Average units in service ⁽¹¹⁾ | 25,876 | | 2,586 | | 13,100 | | 41,562 | |
| SSNOI/unit in USD | \$ 23,054 | | \$ 29,832 | | \$ 11,373 | | \$ 19,794 | |
| SSNOI/unit in local currency ⁽⁵⁾ | | | £ 23,897 | | CS\$ 15,175 | | | |

(1) Represents consolidated revenues or consolidated NOI (revenues less property operating expenses) per Note 17 to Welltower's Form 10-Q/K for the respective period.

(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 8 & 10 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 revenues-only component of aggregate SHO SSNOI normalizing adjustments which are individually less than 0.50% of SHO SSNOI growth.

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

(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.

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

(11) 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 December 31, 2017: | | | | | | | |
| Consolidated SHO revenues ⁽¹⁾ | \$ | 544,733 | \$ | 75,745 | \$ | 110,308 | \$ 730,786 |
| Unconsolidated SHO revenues attributable to Welltower ⁽²⁾ | | 21,787 | | - | | 21,018 | 42,805 |
| SHO revenues attributable to noncontrolling interests ⁽³⁾ | | (41,809) | | (5,185) | | (25,934) | (72,928) |
| Pro rata SHO revenues ⁽⁴⁾ | \$ | 524,711 | \$ | 70,560 | \$ | 105,392 | \$ 700,663 |
| SHO interest and other income | | (970) | | (24) | | (124) | (1,118) |
| SHO revenues attributable to held for sale properties | | (2,085) | | (418) | | - | (2,503) |
| Adjustment for standardized currency rate ⁽⁵⁾ | | - | | (4,163) | | (5,016) | (9,179) |
| SHO local revenues | \$ | 521,656 | \$ | 65,955 | \$ | 100,252 | \$ 687,863 |
| Average occupied units/month | | 25,027 | | 2,723 | | 12,055 | 39,805 |
| REVPOR/month in USD | \$ | 6,891 | \$ | 8,008 | \$ | 2,749 | \$ 5,713 |
| REVPOR/month in local currency ⁽⁵⁾ | | | £ | 6,414 | C\$ | 3,669 | |

(1) Represents consolidated revenues or consolidated NOI (revenues less property operating expenses) per Note 17 to Welltower's Form 10-Q/K for the respective period.

(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 December 31, 2017 | | |
|---|---|-------------------------|-------------|
| | Total | Non Core ⁽³⁾ | Core |
| OM revenues ⁽¹⁾ | \$132,411 | \$(7,272) | \$125,139 |
| OM property operating expenses ⁽¹⁾ | (40,057) | 314 | (39,743) |
| OM Core NOI ⁽¹⁾ | \$92,354 | \$(6,958) | \$85,396 |
| OM Core NOI margin | | | 68.2% |
| OM Core NOI ⁽¹⁾ | | | \$85,396 |
| Less: In-Place NOI adjustments ⁽¹⁾ | | | (1,260) |
| OM In-Place NOI ⁽¹⁾ | | | 84,136 |
| OM In-Place NOI Annualized ⁽¹⁾ | | | \$336,544 |
| OM Core NOI ⁽¹⁾ | | | \$85,396 |
| Less: Interest Income | | | - |
| OM Core Rental NOI | | | \$85,396 |
| Total square feet | | | 17,631,245 |
| Less: loans, development, held for sale | | | (1,954,682) |
| Pro rata adjustments ⁽²⁾ | | | (775,589) |
| Pro rata rental square feet | | | 14,900,974 |
| OM Core Rental NOI per square foot | | | \$22.92 |
| OM Core Rental NOI | | | \$85,396 |
| Non health system affiliated NOI | | | (4,103) |
| OM health system affiliated Core NOI | | | \$81,293 |
| OM health system affiliated Core NOI % | | | 95.2% |

Notes:

(1) Amounts presented on Welltower pro rata ownership basis and excludes assets sold or held for sale. See pages 8 and 12 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 | | | | |
|---|--------------------|------------------|------------------|--------------------|-------------------|
| | December 31, 2016 | March 31, 2017 | June 30, 2017 | September 30, 2017 | December 31, 2017 |
| Net income (loss) | \$351,108 | \$337,610 | \$203,441 | \$89,299 | \$(89,743) |
| Interest expense | 126,360 | 118,597 | 116,231 | 122,578 | 127,217 |
| Income tax expense (benefit) | (16,585) | 2,245 | (8,448) | 669 | 25,663 |
| Depreciation and amortization | 227,916 | 228,276 | 224,847 | 230,138 | 238,458 |
| EBITDA | \$688,799 | \$686,728 | \$536,071 | \$442,684 | \$301,595 |
| Loss (income) from unconsolidated entities | 2,829 | 23,106 | 3,978 | (3,408) | 59,449 |
| Stock-based compensation ⁽¹⁾ | 8,251 | 4,906 | 4,763 | 6,790 | 2,643 |
| Loss (gain) on extinguishment of debt, net | 17,204 | 31,356 | 5,515 | - | 371 |
| Loss/impairment (gain) on properties, net | (186,978) | (233,061) | (28,524) | (1,622) | 43,440 |
| Provision for loan losses | 10,215 | - | - | - | 62,966 |
| Loss / (gain) on derivatives, net | 68 | 1,224 | 736 | 324 | - |
| Other expenses & transaction costs ⁽¹⁾ | 15,687 | 11,675 | 6,339 | 98,214 | 60,167 |
| Additional other income | (4,853) | - | - | - | - |
| Total adjustments | (137,577) | (160,794) | (7,193) | 100,298 | 229,036 |
| A-EBITDA | \$551,222 | \$525,934 | \$528,878 | \$542,982 | \$530,631 |
| Interest Coverage Ratios: | | | | | |
| Interest expense | \$126,360 | \$118,597 | \$116,231 | \$122,578 | \$127,217 |
| Capitalized interest | 4,834 | 4,129 | 3,358 | 2,545 | 3,456 |
| Non-cash interest expense | (216) | (1,679) | (2,946) | (3,199) | (2,534) |
| Total interest | \$130,978 | \$121,047 | \$116,643 | \$121,924 | \$128,139 |
| EBITDA | \$688,799 | \$686,728 | \$536,071 | \$442,684 | \$301,595 |
| Interest coverage ratio | 5.26x | 5.67x | 4.60x | 3.63x | 2.35x |
| A-EBITDA | \$551,222 | \$525,934 | \$528,878 | \$542,982 | \$530,631 |
| Adjusted interest coverage ratio | 4.21x | 4.34x | 4.53x | 4.45x | 4.14x |
| Fixed Charge Coverage Ratios: | | | | | |
| Total interest | \$130,978 | \$121,047 | \$116,643 | \$121,924 | \$128,139 |
| Secured debt principal amortization | 18,577 | 16,249 | 15,958 | 15,300 | 16,572 |
| Preferred dividends | 16,352 | 14,379 | 11,680 | 11,676 | 11,676 |
| Total fixed charges | \$165,907 | \$151,675 | \$144,281 | \$148,900 | \$156,387 |
| EBITDA | \$688,799 | \$686,728 | \$536,071 | \$442,684 | \$301,595 |
| Fixed charge coverage ratio | 4.15x | 4.53x | 3.72x | 2.97x | 1.93x |
| A-EBITDA | \$551,222 | \$525,934 | \$528,878 | \$542,982 | \$530,631 |
| Adjusted fixed charge coverage ratio | 3.32x | 3.47x | 3.67x | 3.65x | 3.39x |
| Net Debt Ratios: | | | | | |
| Total debt | \$12,358,245 | \$11,454,185 | \$11,379,946 | \$11,521,592 | \$11,731,936 |
| Less: cash and cash equivalents ⁽²⁾ | (557,659) | (380,360) | (442,284) | (250,776) | (249,620) |
| Net debt | \$11,800,586 | \$11,073,825 | \$10,937,662 | \$11,270,816 | \$11,482,316 |
| EBITDA Annualized | 2,755,196 | 2,746,912 | 2,144,284 | 1,770,736 | 1,206,380 |
| Net debt to EBITDA ratio | 4.28x | 4.03x | 5.10x | 6.37x | 9.52x |
| A-EBITDA Annualized | \$2,204,889 | \$2,103,736 | \$2,115,512 | \$2,171,928 | \$2,122,524 |
| Net debt to A-EBITDA ratio | 5.35x | 5.26x | 5.17x | 5.19x | 5.41x |

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

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

EBITDA AND A-EBITDA ANNUAL RECONCILIATIONS

(dollars in thousands)

| | Year Ended | | | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| | December 31, 2013 | December 31, 2014 | December 31, 2015 | December 31, 2016 | December 31, 2017 |
| Net income | \$138,280 | \$512,300 | \$888,549 | \$1,082,070 | \$540,613 |
| Interest expense | 462,606 | 481,196 | 492,169 | 521,345 | 484,622 |
| Income tax expense (benefit) | 7,491 | (1,267) | 6,451 | (19,128) | 20,128 |
| Depreciation and amortization | 873,960 | 844,130 | 826,240 | 901,242 | 921,720 |
| EBITDA | \$1,482,337 | \$1,836,359 | \$2,213,409 | \$2,485,529 | \$1,967,083 |
| Loss (income) from unconsolidated entities | 8,187 | 27,426 | 21,504 | 10,357 | 83,125 |
| Stock-based compensation | 20,177 | 32,075 | 30,844 | 28,869 | 19,102 |
| Loss (gain) on extinguishment of debt, net ⁽¹⁾ | (909) | 9,558 | 34,677 | 17,214 | 37,241 |
| Loss/impairment (gain) on properties, net ⁽¹⁾ | (49,138) | (153,522) | (278,167) | (326,839) | (219,767) |
| Provision for loan losses ⁽¹⁾ | 2,110 | - | - | 10,215 | 62,966 |
| Loss / (gain) on derivatives, net ⁽¹⁾ | 4,470 | (1,495) | (58,427) | (2,448) | 2,284 |
| CEO transition costs ⁽¹⁾ | - | 10,465 | - | - | - |
| Other expenses & transaction costs ⁽¹⁾ | 133,401 | 79,800 | 151,562 | 50,631 | 176,395 |
| Additional other income ⁽¹⁾ | - | - | (2,144) | (16,664) | - |
| Total adjustments | 118,298 | 4,307 | (100,151) | (228,665) | 161,346 |
| A-EBITDA | \$1,600,635 | \$1,840,666 | \$2,113,258 | \$2,256,864 | \$2,128,429 |
| Interest Coverage Ratios: | | | | | |
| Interest expense | \$462,606 | \$481,196 | \$492,169 | \$521,345 | \$484,622 |
| Capitalized interest | 6,700 | 7,150 | 8,670 | 16,943 | 13,489 |
| Non-cash interest expense | (4,044) | (2,427) | (2,586) | (1,681) | (10,358) |
| Total interest | 465,262 | 485,919 | 498,253 | 536,607 | 487,753 |
| EBITDA | \$1,482,337 | \$1,836,359 | \$2,213,409 | \$2,485,529 | \$1,967,083 |
| Interest coverage ratio | 3.19x | 3.78x | 4.44x | 4.63x | 4.03x |
| A-EBITDA | \$1,600,635 | \$1,840,666 | \$2,113,258 | \$2,256,864 | \$2,128,429 |
| Adjusted interest coverage ratio | 3.44x | 3.79x | 4.24x | 4.21x | 4.36x |
| Fixed Charge Coverage Ratios: | | | | | |
| Total interest | \$465,262 | \$485,919 | \$498,253 | \$536,607 | \$487,753 |
| Secured debt principal amortization | 56,205 | 62,280 | 67,064 | 74,466 | 64,079 |
| Preferred dividends | 66,336 | 65,408 | 65,406 | 65,406 | 49,410 |
| Total fixed charges | 587,803 | 613,607 | 630,723 | 676,479 | 601,242 |
| EBITDA | \$1,482,337 | \$1,836,359 | \$2,213,409 | \$2,485,529 | \$1,967,083 |
| Fixed charge coverage ratio | 2.52x | 2.99x | 3.51x | 3.67x | 3.27x |
| A-EBITDA | \$1,600,635 | \$1,840,666 | \$2,113,258 | \$2,256,864 | \$2,128,429 |
| Adjusted fixed charge coverage ratio | 2.72x | 3.00x | 3.35x | 3.34x | 3.54x |
| Net Debt Ratios: | | | | | |
| Total debt | \$10,652,014 | \$10,828,013 | \$12,967,686 | \$12,358,245 | \$11,731,936 |
| Less: cash and cash equivalents ⁽²⁾ | (158,780) | (473,726) | (484,754) | (557,659) | (249,620) |
| Net debt | 10,493,234 | 10,354,287 | 12,482,932 | 11,800,586 | 11,482,316 |
| EBITDA | \$1,482,337 | \$1,836,359 | \$2,213,409 | \$2,485,529 | \$1,967,083 |
| Net debt to EBITDA ratio | 7.08x | 5.64x | 5.64x | 4.75x | 5.84x |
| A-EBITDA | \$1,600,635 | \$1,840,666 | \$2,113,258 | \$2,256,864 | \$2,128,429 |
| Net debt to A-EBITDA ratio | 6.56x | 5.63x | 5.91x | 5.23x | 5.39x |

(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 | | | | |
|---|---------------------|--------------------|--------------------|--------------------|--------------------|
| | December 31, 2016 | March 31, 2017 | June 30, 2017 | September 30, 2017 | December 31, 2017 |
| Net income | \$1,082,070 | \$1,254,208 | \$1,246,899 | \$981,458 | \$540,613 |
| Interest expense | 521,345 | 506,982 | 490,886 | 483,765 | 484,622 |
| Income tax expense (benefit) | (19,128) | (15,158) | (23,093) | (22,119) | 20,128 |
| Depreciation and amortization | 901,242 | 900,822 | 899,100 | 911,180 | 921,720 |
| EBITDA | \$2,485,529 | \$2,646,854 | \$2,613,792 | \$2,354,284 | \$1,967,083 |
| Loss (income) from unconsolidated entities | 10,357 | 29,643 | 31,662 | 26,505 | 83,125 |
| Stock-based compensation ⁽¹⁾ | 28,869 | 25,588 | 23,321 | 24,710 | 19,102 |
| Loss (gain) on extinguishment of debt, net ⁽²⁾ | 17,214 | 48,593 | 54,074 | 54,074 | 37,241 |
| Loss/impairment (gain) on properties, net ⁽²⁾ | (326,839) | (574,216) | (601,209) | (450,185) | (219,767) |
| Provision of loan losses ⁽²⁾ | 10,215 | 10,215 | 10,215 | 10,215 | 62,966 |
| Loss / (gain) on derivatives, net ⁽²⁾ | (2,448) | (1,225) | (489) | 2,351 | 2,284 |
| Other expenses & transaction costs ^{(1),(2)} | 50,631 | 54,098 | 53,542 | 131,915 | 176,395 |
| Additional other income ⁽²⁾ | (16,664) | (16,664) | (4,853) | (4,853) | - |
| Total adjustments | (228,665) | (423,968) | (433,737) | (205,268) | 161,346 |
| A-EBITDA | \$2,256,864 | \$2,222,886 | \$2,180,055 | \$2,149,016 | \$2,128,429 |
| Interest Coverage Ratios: | | | | | |
| Interest expense | \$521,345 | \$506,982 | \$490,886 | \$483,765 | \$484,622 |
| Capitalized interest | 16,943 | 18,035 | 17,087 | 14,866 | 13,489 |
| Non-cash interest expense | (1,681) | (3,958) | (5,386) | (8,041) | (10,358) |
| Total interest | 536,607 | 521,059 | 502,587 | 490,590 | 487,753 |
| EBITDA | \$2,485,529 | \$2,646,854 | \$2,613,792 | \$2,354,284 | \$1,967,083 |
| Interest coverage ratio | 4.63x | 5.08x | 5.20x | 4.80x | 4.03x |
| A-EBITDA | \$2,256,864 | \$2,222,886 | \$2,180,055 | \$2,149,016 | \$2,128,429 |
| Adjusted interest coverage ratio | 4.21x | 4.27x | 4.34x | 4.38x | 4.36x |
| Fixed Charge Coverage Ratios: | | | | | |
| Total interest | \$536,607 | \$521,059 | \$502,587 | \$490,590 | \$487,753 |
| Secured debt principal amortization | 74,466 | 72,073 | 68,935 | 66,084 | 64,079 |
| Preferred dividends | 65,406 | 63,434 | 58,762 | 54,086 | 49,410 |
| Total fixed charges | 676,479 | 656,566 | 630,284 | 610,760 | 601,242 |
| EBITDA | \$2,485,529 | \$2,646,854 | \$2,613,792 | \$2,354,284 | \$1,967,083 |
| Fixed charge coverage ratio | 3.67x | 4.03x | 4.15x | 3.85x | 3.27x |
| A-EBITDA | \$2,256,864 | \$2,222,886 | \$2,180,055 | \$2,149,016 | \$2,128,429 |
| Adjusted fixed charge coverage ratio | 3.34x | 3.39x | 3.46x | 3.52x | 3.54x |

(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 QUARTERLY

(Amounts in thousands, except share price)

| | As of | | | | |
|---|-------------------|----------------|---------------|--------------------|-------------------|
| | December 31, 2016 | March 31, 2017 | June 30, 2017 | September 30, 2017 | December 31, 2017 |
| Book capitalization: | | | | | |
| Borrowings under primary unsecured credit facility | \$645,000 | \$522,000 | \$385,000 | \$420,000 | \$719,000 |
| Long-term debt obligations ⁽¹⁾ | 11,713,245 | 10,932,185 | 10,994,946 | 11,101,592 | 11,012,936 |
| Cash & cash equivalents ⁽²⁾ | (557,659) | (380,360) | (442,284) | (250,776) | (249,620) |
| Total net debt | 11,800,586 | 11,073,825 | 10,937,662 | 11,270,816 | 11,482,316 |
| Total equity ⁽³⁾ | 15,679,906 | 15,495,681 | 15,702,399 | 15,631,385 | 15,300,646 |
| Book capitalization | \$27,480,492 | \$26,569,506 | \$26,640,061 | \$26,902,201 | \$26,782,962 |
| Net debt to book capitalization ratio | 42.9% | 41.7% | 41.1% | 41.9% | 42.9% |
| Undepreciated book capitalization: | | | | | |
| Total net debt | \$11,800,586 | \$11,073,825 | \$10,937,662 | \$11,270,816 | \$11,482,316 |
| Accumulated depreciation and amortization | 4,093,494 | 4,335,160 | 4,568,408 | 4,826,418 | 4,838,370 |
| Total equity ⁽³⁾ | 15,679,906 | 15,495,681 | 15,702,399 | 15,631,385 | 15,300,646 |
| Undepreciated book capitalization | \$31,573,986 | \$30,904,666 | \$31,208,469 | \$31,728,619 | \$31,621,332 |
| Net debt to undepreciated book capitalization ratio | 37.4% | 35.8% | 35.0% | 35.5% | 36.3% |
| Market capitalization: | | | | | |
| Common shares outstanding | 362,602 | 364,564 | 368,878 | 370,342 | 371,732 |
| Period end share price | \$66.93 | \$70.82 | \$74.85 | \$70.28 | \$63.77 |
| Common equity market capitalization | \$24,268,952 | \$25,818,422 | \$27,610,518 | \$26,027,636 | \$23,705,350 |
| Total net debt | 11,800,586 | 11,073,825 | 10,937,662 | 11,270,816 | 11,482,316 |
| Noncontrolling interests ⁽³⁾ | 873,512 | 859,478 | 873,567 | 901,487 | 877,498 |
| Preferred stock | 1,006,250 | 718,750 | 718,750 | 718,503 | 718,503 |
| Enterprise value | \$37,949,300 | \$38,470,475 | \$40,140,497 | \$38,918,442 | \$36,783,667 |
| Net debt to market capitalization ratio | 31.1% | 28.8% | 27.2% | 29.0% | 31.2% |

(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.

CAPITALIZATION RATIOS ANNUAL

| | Year Ended December 31, | | | | |
|---|-------------------------|---------------|-----------------|---------------|---------------|
| | 2013 | 2014 | 2015 | 2016 | 2017 |
| Book capitalization: | | | | | |
| Borrowings under primary unsecured credit facility | \$ 130,000 | \$ 0 | \$ 835,000 | \$ 645,000 | \$ 719,000 |
| Long-term debt obligations ⁽¹⁾ | 10,522,014 | 10,828,013 | 12,132,686 | 11,713,245 | 11,012,936 |
| Cash & cash equivalents ⁽²⁾ | (158,780) | (473,726) | (484,754) | (557,659) | (249,620) |
| Total net debt | 10,493,234 | 10,354,287 | 12,482,932 | 11,800,586 | 11,482,316 |
| Total equity ⁽³⁾ | 11,791,370 | 13,559,458 | 15,358,968 | 15,679,906 | 15,300,646 |
| Book capitalization | \$ 22,284,604 | \$ 23,913,745 | \$ 27,841,900 | \$ 27,480,492 | \$ 26,782,962 |
| Net debt to book capitalization ratio | 47.1% | 43.3% | 44.8% | 42.9% | 42.9% |
| Undepreciated book capitalization: | | | | | |
| Total net debt | \$ 10,493,234 | \$ 10,354,287 | \$ 12,482,932 | \$ 11,800,586 | \$ 11,482,316 |
| Accumulated depreciation and amortization | 2,386,658 | 3,020,908 | 3,796,297 | 4,093,494 | 4,838,370 |
| Total equity ⁽³⁾ | 11,791,370 | 13,559,458 | 15,358,968 | 15,679,906 | 15,300,646 |
| Undepreciated book capitalization | \$ 24,671,262 | \$ 26,934,653 | \$ 31,638,197 | \$ 31,573,986 | \$ 31,621,332 |
| Net debt to undepreciated book capitalization ratio | 42.5% | 38.4% | 39.5% | 37.4% | 36.3% |
| Market capitalization: | | | | | |
| Common shares outstanding | 289,564 | 328,790 | 354,778 | 362,602 | 371,732 |
| Period end share price | \$ 53.57 | \$ 75.67 | \$ 68.03 | \$ 66.93 | \$ 63.77 |
| Common equity market capitalization | \$ 15,511,943 | \$ 24,879,539 | \$ 24,135,525 | \$ 24,268,952 | \$ 23,705,350 |
| Total net debt | 10,493,234 | 10,354,287 | 12,482,932 | 11,800,586 | 11,482,316 |
| Noncontrolling interests ⁽³⁾ | 376,787 | 384,305 | 768,408 | 873,512 | 877,498 |
| Preferred stock | 1,017,361 | 1,006,250 | 1,006,250 | 1,006,250 | 718,503 |
| Enterprise value | \$ 27,399,325 | \$ 36,624,381 | \$ 38,393,115.0 | \$ 37,949,300 | \$ 36,783,667 |
| Net debt to market capitalization ratio | 38.3% | 28.3% | 32.5% | 31.1% | 31.2% |

(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.