



NON-GAAP FINANCIAL MEASURES

QUARTER ENDED JUNE 30, 2018



NON-GAAP FINANCIAL MEASURES

We believe 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 our pro rata ownership basis. Pro rata amounts are derived by reducing consolidated amounts for minority partners' noncontrolling ownership interests and adding our minority ownership share of unconsolidated amounts. We do not control unconsolidated investments. While we consider pro rata disclosures useful, they may not accurately depict the legal and economic implications of our joint venture arrangements and should be used with caution.

Our 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. Our 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 us, 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				
	June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018	June 30, 2018
Net income (loss) attributable to common stockholders	\$188,429	\$74,043	\$(111,523)	\$437,671	\$154,432
Depreciation and amortization	224,847	230,138	238,458	228,201	236,275
Impairments and losses (gains) on real estate dispositions, net	(28,524)	(1,622)	43,440	(309,999)	(6,123)
Noncontrolling interests ⁽¹⁾	(16,955)	(16,826)	(8,131)	(16,353)	(17,692)
Unconsolidated entities ⁽²⁾	16,593	9,989	16,980	13,700	11,833
NAREIT FFO attributable to common stockholders	384,390	295,722	179,224	353,220	378,725
Normalizing items:					
Loss (gain) on derivatives and financial instruments, net	736	324	—	(7,173)	(7,460)
Loss (gain) on extinguishment of debt, net	5,515	—	371	11,707	299
Nonrecurring interest expense	—	—	2,634	—	—
Nonrecurring income tax benefits	(7,916)	—	17,354	—	—
Incremental stock-based compensation expense	—	—	—	3,552	—
Other expenses	6,339	99,595	60,167	3,712	10,058
Additional other income	—	—	—	—	(10,805)
Normalizing items attributable to noncontrolling interests and unconsolidated entities, net	1,911	4,173	57,566	3,169	1,039
Normalized FFO attributable to common stockholders	\$390,975	\$399,814	\$380,282	\$368,187	\$371,856
Average common shares outstanding:					
Basic	366,524	369,089	370,485	371,426	371,640
Diluted for net income (loss) purposes	368,149	370,740	370,485	373,257	373,075
Diluted for FFO purposes	368,149	370,740	372,145	373,257	373,075
Net income (loss) attributable to common stockholders per share:					
Basic	\$0.51	\$0.20	\$(0.30)	\$1.18	\$0.42
Diluted	\$0.51	\$0.20	\$(0.30)	\$1.17	\$0.41
NAREIT FFO attributable to common stockholders per share:					
Basic	\$1.05	\$0.80	\$0.48	\$0.95	\$1.02
Diluted	\$1.04	\$0.80	\$0.48	\$0.95	\$1.02
Normalized FFO attributable to common stockholders per share:					
Basic	\$1.07	\$1.08	\$1.03	\$0.99	\$1.00
Diluted	\$1.06	\$1.08	\$1.02	\$0.99	\$1.00
NAREIT FFO Payout Ratio:					
Dividends per common share	\$0.87	\$0.87	\$0.87	\$0.87	\$0.87
NAREIT FFO attributable to common stockholders per diluted share	\$1.04	\$0.80	\$0.48	\$0.95	\$1.02
NAREIT FFO Payout Ratio	84%	109%	181%	92%	85%
Normalized FFO Payout Ratio:					
Dividends per common share	\$0.87	\$0.87	\$0.87	\$0.87	\$0.87
Normalized FFO attributable to common stockholders per diluted share	\$1.06	\$1.08	\$1.02	\$0.99	\$1.00
Normalized FFO Payout Ratio	82%	81%	85%	88%	87%
Other Items: ⁽³⁾					
Net straight-line rent and above/below market rent amortization	\$(17,058)	\$(19,167)	\$(18,692)	\$(17,329)	\$(12,447)
Non-cash interest expenses	3,612	3,972	3,219	4,823	2,416
Recurring cap-ex, tenant improvements, and lease commissions	(15,263)	(16,651)	(22,400)	(18,398)	(15,869)
Stock-based compensation ⁽⁴⁾	4,763	5,409	2,643	7,097	5,167

(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.

(4) Excludes certain severance related stock-based compensation recorded in other expense and normalized incremental stock-based compensation expense.

FFO YEAR-TO-DATE RECONCILIATIONS

(in thousands, except per share information)

	Six Months Ended	
	June 30, 2017	June 30, 2018
Net income (loss) attributable to common stockholders	\$501,068	\$592,103
Depreciation and amortization	453,124	464,476
Impairments and losses (gains) on real estate dispositions, net	(261,585)	(316,122)
Noncontrolling interests ⁽¹⁾	(35,061)	(34,045)
Unconsolidated entities ⁽²⁾	33,077	25,533
NAREIT FFO attributable to common stockholders	690,623	731,945
Normalizing items:		
Loss (gain) on derivatives and financial instruments, net	1,960	(14,633)
Loss (gain) on extinguishment of debt, net	36,870	12,006
Preferred stock redemption charge	9,769	—
Incremental stock-based compensation expense	—	3,552
Nonrecurring income tax benefits	(7,916)	—
Other expenses	18,014	13,770
Additional other income	—	(10,805)
Normalizing items attributable to noncontrolling interests and unconsolidated entities, net	24,850	4,209
Normalized FFO attributable to common stockholders	<u>\$774,170</u>	<u>\$740,044</u>
Average common shares outstanding:		
Basic	364,551	371,552
Diluted	366,423	373,186
Net income (loss) attributable to common stockholders per share:		
Basic	\$1.37	\$1.59
Diluted	\$1.37	\$1.59
NAREIT FFO attributable to common stockholders per share:		
Basic	\$1.89	\$1.97
Diluted	\$1.88	\$1.96
Normalized FFO attributable to common stockholders per share:		
Basic	\$2.12	\$1.99
Diluted	\$2.11	\$1.98
NAREIT FFO Payout Ratio:		
Dividends per common share	\$1.74	\$1.74
NAREIT FFO attributable to common stockholders per diluted share	<u>\$1.88</u>	<u>\$1.96</u>
NAREIT FFO Payout Ratio	93%	89%
Normalized FFO Payout Ratio:		
Dividends per common share	\$1.74	\$1.74
Normalized FFO attributable to common stockholders per diluted share	<u>\$2.11</u>	<u>\$1.98</u>
Normalized FFO Payout Ratio	<u>82%</u>	<u>88%</u>
Other Items: ⁽³⁾		
Net straight-line rent and above/below market rent amortization	\$(34,980)	\$(29,776)
Non-cash interest expenses	5,852	7,240
Recurring cap-ex, tenant improvements, and lease commissions	(29,069)	(34,266)
Stock-based compensation ⁽⁴⁾	9,669	12,265

(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.

(4) Excludes certain severance related stock-based compensation recorded in other expense and normalized incremental stock-based compensation expense.

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
Impairments and losses (gains) on real estate dispositions, 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:					
Loss (gain) on derivatives and financial instruments, 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
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)

	Prior Outlook		Current Outlook	
	Year Ended December 31, 2018		Year Ended December 31, 2018	
	Low	High	Low	High
Net income attributable to common stockholders	\$957	\$995	\$994	\$1,020
Impairments and losses (gains) on real estate dispositions, net ^(1,2)	(376)	(376)	(452)	(452)
Depreciation and amortization ⁽¹⁾	885	885	938	938
NAREIT FFO attributable to common stockholders	1,466	1,504	1,480	1,506
Normalizing items, net ⁽³⁾	15	15	8	8
Normalized FFO attributable to common stockholders	<u>\$1,481</u>	<u>\$1,519</u>	<u>\$1,488</u>	<u>\$1,514</u>
Per share data attributable to common stockholders:				
Net income	\$2.55	\$2.65	\$2.66	\$2.73
NAREIT FFO	3.91	4.01	3.97	4.04
Normalized FFO	3.95	4.05	3.99	4.06
Other Items ⁽¹⁾				
Net straight-line rent and above/below market rent amortization	\$(61)	\$(62)	\$(64)	\$(64)
Non-cash interest expenses	17	15	15	15
Recurring cap-ex, tenant improvements, and lease commissions	(72)	(72)	(78)	(78)
Stock-based compensation	23	22	22	22

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

(2) Includes estimated gains on projected dispositions.

(3) See earnings press release dated July 27, 2018.

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. 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 and sub-leases as well as any properties acquired, developed/redeveloped (including major refurbishments where 20% or more of units are simultaneously taken out of commission for 30 days or more), sold or classified as held for sale during that period are excluded from the same store amounts. Properties undergoing operator and/or segment transitions (except triple-net to seniors housing operating with the same operator) are also excluded from 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				
	June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018	June 30, 2018
Net income (loss)	\$203,441	\$89,299	\$(89,743)	\$453,555	\$167,273
Loss (gain) on real estate dispositions, net	(42,155)	(1,622)	(56,381)	(338,184)	(10,755)
Loss (income) from unconsolidated entities	3,978	(3,408)	59,449	2,429	(1,249)
Income tax expense (benefit)	(8,448)	669	25,663	1,588	3,841
Other expenses	6,339	99,595	60,167	3,712	10,058
Impairment of assets	13,631	—	99,821	28,185	4,632
Provision for loan losses	—	—	62,966	—	—
Loss (gain) on extinguishment of debt, net	5,515	—	371	11,707	299
Loss (gain) on derivatives and financial instruments, net	736	324	—	(7,173)	(7,460)
General and administrative expenses	32,632	29,913	28,365	33,705	32,831
Depreciation and amortization	224,847	230,138	238,458	228,201	236,275
Interest expense	116,231	122,578	127,217	122,775	121,416
Consolidated net operating income	556,747	567,486	556,353	540,500	557,161
NOI attributable to unconsolidated investments ⁽¹⁾	21,873	22,431	21,539	21,620	21,725
NOI attributable to noncontrolling interests ⁽²⁾	(29,359)	(30,538)	(29,760)	(31,283)	(30,962)
Pro rata net operating income (NOI) ⁽³⁾	<u>\$549,261</u>	<u>\$559,379</u>	<u>\$548,132</u>	<u>\$530,837</u>	<u>\$547,924</u>
Pro rata NOI:					
Seniors housing triple-net	\$155,741	\$157,815	\$153,904	\$151,305	\$158,242
Long-term/post-acute care	87,925	88,494	78,353	71,811	67,529
Seniors housing operating	215,402	221,490	223,233	221,522	235,029
Outpatient medical	90,167	90,940	92,354	85,969	86,749
Corporate and land	26	640	288	230	375
Pro rata NOI ⁽³⁾	<u>\$549,261</u>	<u>\$559,379</u>	<u>\$548,132</u>	<u>\$530,837</u>	<u>\$547,924</u>

(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)

	Six Months Ended	
	June 30, 2017	June 30, 2018
Net income	\$541,052	\$620,828
Loss (gain) on real estate dispositions, net	(286,247)	(348,939)
Loss (income) from unconsolidated entities	27,084	1,180
Income tax expense (benefit)	(6,203)	5,429
Other expenses	18,014	13,770
Impairment of assets	24,662	32,817
Provision for loan losses	—	—
Loss (gain) on extinguishment of debt, net	36,870	12,006
Loss (gain) on derivatives and financial instruments, net	1,960	(14,633)
Transaction Costs		
General and administrative expenses	63,733	66,536
Depreciation and amortization	453,124	464,476
Interest expense	234,827	244,191
Consolidated net operating income	<u>\$1,108,876</u>	<u>\$1,097,661</u>
NOI attributable to unconsolidated investments ⁽¹⁾	43,152	43,345
NOI attributable to noncontrolling interests ⁽²⁾	<u>(56,901)</u>	<u>(62,245)</u>
Pro rata net operating income (NOI) ⁽³⁾	<u><u>\$1,095,127</u></u>	<u><u>\$1,078,761</u></u>
Pro rata NOI:		
Seniors housing triple-net	\$495,255	\$448,887
Seniors housing operating	421,698	456,551
Outpatient medical	178,003	172,718
Corporate and land	171	605
Pro rata NOI ⁽³⁾	<u><u>\$1,095,127</u></u>	<u><u>\$1,078,761</u></u>

(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 and financial instruments, 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 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 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.

CURRENT QUARTER SSNOI BY SEGMENT

(dollars in thousands at Welltower pro rata ownership)

	Three Months Ended					Y/o/Y
	June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018	June 30, 2018	
Seniors Housing Triple-net						
NOI	\$155,741	\$157,815	\$153,904	\$151,305	\$158,242	
Non-cash NOI on same store properties	(3,293)	(2,500)	(3,116)	(4,228)	(1,077)	
NOI attributable to non-same store properties	(52,775)	(54,644)	(49,082)	(42,929)	(52,347)	
Currency and ownership adjustments ⁽¹⁾	582	347	299	(488)	(52)	
Other normalizing adjustments ⁽⁴⁾	360	272	129	(122)	(983)	
SSNOI	100,615	101,290	102,134	103,538	103,783	3.1%
Long-Term/Post-Acute Care						
NOI	87,925	88,494	78,353	71,811	67,529	
Non-cash NOI on same store properties	(2,561)	(3,701)	(1,125)	(4,684)	(3,942)	
NOI attributable to non-same store properties	(28,197)	(27,263)	(19,600)	(17,550)	(13,365)	
Currency and ownership adjustments ⁽¹⁾	123	4	28	19	55	
Normalizing adjustments for rent restructuring ⁽²⁾	(8,527)	(8,568)	(8,546)	—	—	
Other normalizing adjustments ⁽⁴⁾	380	382	384	—	—	
SSNOI	49,143	49,348	49,494	49,596	50,277	2.3%
Seniors Housing Operating						
NOI	215,402	221,490	223,233	221,522	235,029	
Non-cash NOI on same store properties	484	267	(353)	(652)	(608)	
NOI attributable to non-same store properties	(19,108)	(18,411)	(18,560)	(18,889)	(28,055)	
Currency and ownership adjustments ⁽¹⁾	4,954	1,528	940	(32)	1,145	
SH-NNN to SHO conversions ⁽³⁾	6,902	5,320	—	—	—	
Other normalizing adjustments ⁽⁴⁾	(1,330)	(933)	346	554	90	
SSNOI	207,304	209,261	205,606	202,503	207,601	0.1%
Outpatient Medical						
NOI	90,167	90,940	92,354	85,969	86,749	
Non-cash NOI on same store properties	(2,689)	(2,375)	(2,587)	(1,294)	(1,504)	
NOI attributable to non-same store properties	(7,825)	(8,524)	(8,948)	(3,440)	(4,139)	
Currency and ownership adjustments ⁽¹⁾	286	44	(67)	(216)	(43)	
Other normalizing adjustments ⁽⁴⁾	(301)	(110)	(159)	(47)	169	
SSNOI	79,638	79,975	80,593	80,972	81,232	2.0%
Corporate & Land						
NOI	26	640	288	230	375	
NOI attributable to non-same store properties	(26)	(640)	(288)	(230)	(375)	
SSNOI	—	—	—	—	—	
Total						
NOI	549,261	559,379	548,132	530,837	547,924	
Non-cash NOI on same store properties	(8,059)	(8,309)	(7,181)	(10,858)	(7,131)	
NOI attributable to non-same store properties	(107,931)	(109,482)	(96,478)	(83,038)	(98,281)	
Currency and ownership adjustments ⁽¹⁾	5,945	1,923	1,200	(717)	1,105	
Normalizing adjustments, net	(2,516)	(3,637)	(7,846)	385	(724)	
SSNOI	\$436,700	\$439,874	\$437,827	\$436,609	\$442,893	1.4%

(1) Includes adjustments to reflect consistent property ownership percentages, to translate Canadian properties at a USD/CAD rate of 1.25 and to translate UK properties at a GBP/USD rate of 1.35.

(2) Represents adjustments related to rent restructuring for one LTPAC master lease.

(3) Represents the performance of certain properties that were converted from SH-NNN to SHO with the same operator. Amounts represent unaudited operating results provided by the operator and were not a component of WELL earnings.

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

IPNOI RECONCILIATIONS

(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 June 30, 2018						
Revenues	\$158,251	\$67,653	\$733,306	\$126,282	\$501	\$1,085,993
Property operating expenses	(9)	(124)	(498,277)	(39,533)	(126)	(538,069)
NOI⁽¹⁾	\$158,242	\$67,529	\$235,029	\$86,749	\$375	\$547,924
Adjust:						
Interest income	(7,428)	(5,819)	(172)	(43)	—	(13,462)
Other income	(12,959)	(236)	(1,554)	(195)	(439)	(15,383)
Sold / held for sale	(3,001)	(5,160)	(5,702)	12	—	(13,851)
Developments/land	—	(7)	205	—	64	262
Non IPNOI ⁽²⁾	(2,054)	(4,090)	(2,221)	(2,037)	—	(10,402)
Timing adjustments ⁽³⁾	(210)	—	1,288	489	—	1,567
Total adjustments	(25,652)	(15,312)	(8,156)	(1,774)	(375)	(51,269)
IPNOI	132,590	52,217	226,873	84,975	—	496,655
Annualized IPNOI	\$530,360	\$208,868	\$907,492	\$339,900	—	\$1,986,620

(1) Represents Welltower's pro rata share of NOI. See page 9 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	
	2Q17	2Q18	2Q17	2Q18	2Q17	2Q18	2Q17	2Q18
SHO SS REVPOR Growth								
Consolidated SHO revenues ⁽¹⁾	\$ 503,984	\$ 568,965	\$ 70,042	\$ 80,621	\$ 104,063	\$ 115,581	\$ 678,089	\$ 765,167
Unconsolidated SHO revenues attributable to WELL interests ⁽²⁾	22,397	22,585	—	—	19,338	20,123	41,735	42,708
SHO revenues attributable to noncontrolling interests ⁽³⁾	(29,552)	(42,481)	(4,107)	(6,281)	(24,544)	(25,807)	(58,203)	(74,569)
SHO pro rata revenues ⁽⁴⁾	496,829	549,069	65,935	74,340	98,857	109,897	661,621	733,306
Non-cash revenues on same store properties	(119)	(110)	(19)	(22)	—	—	(138)	(132)
Revenues attributable to non-same store properties	(52,003)	(75,718)	(16,192)	(19,369)	(2,561)	(9,343)	(70,756)	(104,430)
Currency and ownership adjustments ⁽⁵⁾	4,532	—	2,765	(436)	7,301	3,278	14,598	2,842
SH-NNN to SHO conversions ⁽⁶⁾	11,834	—	—	—	—	—	11,834	—
Other normalizing adjustments ⁽⁷⁾	—	—	(1,146)	(716)	—	—	(1,146)	(716)
SHO SS revenues ⁽⁸⁾	\$ 461,073	\$ 473,241	\$ 51,343	\$ 53,797	\$ 103,597	\$ 103,832	\$ 616,013	\$ 630,870
Avg. occupied units/month ⁽⁹⁾	22,069	21,884	2,066	2,104	11,893	11,668	36,028	35,656
SHO SS REVPOR ⁽¹⁰⁾	\$ 6,983	\$ 7,228	\$ 8,307	\$ 8,546	\$ 2,912	\$ 2,974	\$ 5,715	\$ 5,914
SS REVPOR YOY growth		3.5 %		2.9%		2.1%		3.5%
SHO SSNOI Growth								
Consolidated SHO NOI ⁽¹⁾	\$ 159,148	\$ 175,125	\$ 20,174	\$ 20,295	\$ 39,656	\$ 44,085	\$ 218,978	\$ 239,505
Unconsolidated SHO NOI attributable to WELL interests ⁽²⁾	9,006	8,245	—	—	7,396	7,996	16,402	16,241
SHO NOI attributable to noncontrolling interests ⁽³⁾	(10,208)	(9,950)	(236)	(923)	(9,534)	(9,844)	(19,978)	(20,717)
SHO pro rata NOI ⁽⁴⁾	157,946	173,420	19,938	19,372	37,518	42,237	215,402	235,029
Non-cash NOI on same store properties	503	(587)	(19)	(22)	—	1	484	(608)
NOI attributable to non-same store properties	(14,395)	(21,350)	(3,945)	(3,050)	(768)	(3,655)	(19,108)	(28,055)
Currency and ownership adjustments ⁽⁵⁾	1,279	—	887	(116)	2,788	1,261	4,954	1,145
SH-NNN to SHO conversions ⁽⁶⁾	6,902	—	—	—	—	—	6,902	—
Other normalizing adjustments ⁽⁷⁾	(184)	510	(1,146)	(420)	—	—	(1,330)	90
SHO pro rata SSNOI ⁽⁸⁾	\$ 152,051	\$ 151,993	\$ 15,715	\$ 15,764	\$ 39,538	\$ 39,844	\$ 207,304	\$ 207,601
SHO SSNOI growth		0.0 %		0.3%		0.8%		0.1%
SHO SSNOI/Unit								
Trailing four quarters' SSNOI ⁽⁴⁾	\$ 600,229		\$ 64,227		\$ 160,515		\$ 824,971	
Average units in service ⁽¹¹⁾	25,300		2,515		13,072		40,887	
SSNOI/unit in USD	\$ 23,724		\$ 25,538		\$ 12,279		\$ 20,177	
SSNOI/unit in local currency ⁽⁵⁾			£ 18,917		CS\$ 15,349			

(1) Represents consolidated revenues or consolidated NOI per Note 17 to Welltower's Form 10-Q for the quarter ended June 30, 2018.

(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 9 & 15 for more information.

(5) Includes where appropriate adjustments to reflect consistent property ownership percentages, to translate Canadian properties at a USD/CAD rate of 1.25 and to translate UK properties at a GBP/USD rate of 1.35.

(6) Represents the revenues and NOI of certain properties that were converted from SH-NNN to SHO with the same operator. Amounts derived from unaudited operating results provided by the operator and were not a component of WELL earnings.

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

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

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

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

(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 June 30, 2018				
Consolidated SHO revenues ⁽¹⁾	568,965	80,621	115,581	765,167
Unconsolidated SHO revenues attributable to Welltower ⁽²⁾	22,585	—	20,123	42,708
SHO revenues attributable to noncontrolling interests ⁽³⁾	(42,481)	(6,281)	(25,807)	(74,569)
Pro rata SHO revenues ⁽⁴⁾	549,069	74,340	109,897	733,306
SHO interest and other income	(1,396)	(30)	(300)	(1,726)
SHO revenues attributable to held for sale properties	(25,509)	(1,172)	—	(26,681)
Adjustment for standardized currency rate ⁽⁵⁾	—	(563)	3,573	3,010
SHO local revenues	522,164	72,575	113,170	707,909
Average occupied units/month	24,407	2,780	13,128	40,315
REVPOR/month in USD	7,151	8,725	2,881	5,869
REVPOR/month in local currency ⁽⁵⁾	£	6,463	C\$	3,602

(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 1.25 and GBP/USD rate of 1.35.

OUTPATIENT MEDICAL NOI RECONCILIATIONS

(dollars in thousands, except per square foot)

	Three months ended		
	June 30, 2018		
	Total	Non Core ⁽³⁾	Core
OM revenues ⁽¹⁾	\$126,282	\$(46)	\$126,236
OM property operating expenses(1)	(39,533)	58	(39,475)
OM Core NOI ⁽¹⁾	\$86,749	\$12	\$86,761
OM Core NOI margin			<u>68.7%</u>
OM Core NOI ⁽¹⁾			\$86,761
Less: In-Place NOI adjustments ⁽¹⁾			(1,786)
OM In-Place NOI ⁽¹⁾			<u>84,975</u>
OM In-Place NOI Annualized ⁽¹⁾			<u>\$339,900</u>
OM Core NOI ⁽¹⁾			\$86,761
Less: Interest Income			(43)
OM Core Rental NOI			<u>\$86,718</u>
Total square feet			16,330,593
Less: loans, development, held for sale			(474,718)
Pro rata adjustments ⁽²⁾			(813,984)
Pro rata rental square feet			<u>15,041,891</u>
OM Core Rental NOI per square foot annualized			<u>\$23.06</u>
OM Core Rental NOI			\$86,718
Non health system affiliated NOI			(4,253)
OM health system affiliated Core NOI			<u>\$82,465</u>
OM health system affiliated Core NOI %			<u>95.1%</u>

Notes:

(1) Amounts presented on Welltower pro rata ownership basis and excludes assets sold or held for sale. See pages 9 and 13 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 Internal Revenue Code ("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, gains/losses/impairments on properties, gains/losses on derivatives and financial instruments, and other expenses. 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				
	June 30, 2017	September 30, 2017	December 30, 2017	March 31, 2018	June 30, 2018
Net income (loss)	203,441	89,299	(89,743)	453,555	167,273
Interest expense	116,231	122,578	127,217	122,775	121,416
Income tax expense (benefit)	(8,448)	669	25,663	1,588	3,841
Depreciation and amortization	224,847	230,138	238,458	228,201	236,275
EBITDA	536,071	442,684	301,595	806,119	528,805
Loss (income) from unconsolidated entities	3,978	(3,408)	59,449	2,429	(1,249)
Stock-based compensation ⁽¹⁾	4,763	6,790	2,644	11,557	5,167
Loss (gain) on extinguishment of debt, net	5,515	—	371	11,707	299
Impairments and losses (gains) on real estate dispositions, net	(28,524)	(1,622)	43,440	(309,999)	(6,123)
Provision for loan losses	—	—	62,966	—	—
Loss (gain) on derivatives and financial instruments, net	736	324	—	(7,173)	(7,460)
Additional other income	—	—	—	—	(10,805)
Other expenses ⁽¹⁾	6,339	98,214	60,167	2,804	10,058
Total adjustments	(7,193)	100,298	229,037	(288,675)	(10,113)
A-EBITDA	528,878	542,982	530,632	517,444	518,692
Interest Coverage Ratios:					
Interest expense	116,231	122,578	127,217	122,775	121,416
Capitalized interest	3,358	2,545	3,456	2,336	2,100
Non-cash interest expense	(2,946)	(3,199)	(2,534)	(4,179)	(1,716)
Total interest	116,643	121,924	128,139	120,932	121,800
EBITDA	536,071	442,684	301,595	806,119	528,805
Interest coverage ratio	4.60x	3.63x	2.35x	6.67x	4.34x
A-EBITDA	\$528,878	\$542,982	\$530,632	\$517,444	\$518,692
Adjusted interest coverage ratio	4.53x	4.45x	4.14x	4.28x	4.26x
Fixed Charge Coverage Ratios:					
Total interest	\$116,643	\$121,924	\$128,139	\$120,932	\$121,800
Secured debt principal amortization	15,958	15,300	16,572	14,247	14,139
Preferred dividends	11,680	11,676	11,676	11,676	11,676
Total fixed charges	\$144,281	\$148,900	\$156,387	\$146,855	\$147,615
EBITDA	\$536,071	\$442,684	\$301,595	\$806,119	\$528,805
Fixed charge coverage ratio	3.72x	2.97x	1.93x	5.49x	3.58x
A-EBITDA	\$528,878	\$542,982	\$530,632	\$517,444	\$518,692
Adjusted fixed charge coverage ratio	3.67x	3.65x	3.39x	3.52x	3.51x
Net Debt Ratios:					
Total debt	\$11,379,946	\$11,521,592	\$11,731,936	\$11,349,840	\$11,435,559
Less: cash and cash equivalents ⁽²⁾	(442,284)	(250,776)	(249,620)	(202,824)	(215,120)
Net debt	\$10,937,662	\$11,270,816	\$11,482,316	\$11,147,016	\$11,220,439
EBITDA Annualized	2,144,284	1,770,736	1,206,380	3,224,476	2,115,220
Net debt to EBITDA ratio	5.10x	6.37x	9.52x	3.46x	5.30x
A-EBITDA Annualized	\$2,115,512	\$2,171,928	\$2,122,528	\$2,069,776	\$2,074,768
Net debt to A-EBITDA ratio	5.17x	5.19x	5.41x	5.39x	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 YEAR-TO-DATE RECONCILIATIONS

(dollars in thousands)

	Six Months Ended	
	June 30, 2017	June 30, 2018
Net income	\$541,051	\$620,828
Interest expense	234,828	244,191
Income tax expense (benefit)	(6,203)	5,429
Depreciation and amortization	453,123	464,476
EBITDA	<u>\$1,222,799</u>	<u>\$1,334,924</u>
Loss (income) from unconsolidated entities	27,084	1,180
Stock-based compensation ⁽¹⁾	9,669	16,724
Loss (gain) on extinguishment of debt, net ⁽²⁾	36,871	12,006
Impairments and losses (gains) on real estate dispositions, net ⁽²⁾	(261,585)	(316,122)
Loss / (gain) on derivatives and financial instruments, net ⁽²⁾	1,960	(14,633)
Other expenses ^(1,2)	18,014	12,862
Additional other income ⁽²⁾	—	(10,805)
Total adjustments	<u>(167,987)</u>	<u>(298,788)</u>
A-EBITDA	<u><u>\$1,054,812</u></u>	<u><u>\$1,036,136</u></u>
Interest Coverage Ratios:		
Interest expense	\$234,828	\$244,191
Capitalized interest	7,487	4,436
Non-cash interest expense	(4,625)	(5,895)
Total interest	<u>237,690</u>	<u>242,732</u>
EBITDA	\$1,222,799	\$1,334,924
Interest coverage ratio	5.14x	5.50x
A-EBITDA	\$1,054,812	\$1,036,136
Adjusted interest coverage ratio	4.44x	4.27x
Fixed Charge Coverage Ratios:		
Total interest	\$237,690	\$242,732
Secured debt principal amortization	32,207	28,386
Preferred dividends	26,059	23,352
Total fixed charges	<u>295,956</u>	<u>294,470</u>
EBITDA	\$1,222,799	\$1,334,924
Fixed charge coverage ratio	4.13x	4.53x
A-EBITDA	\$1,054,812	\$1,036,136
Adjusted fixed charge coverage ratio	3.56x	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 release for the relevant period ends.

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				
	June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018	June 30, 2018
Net income	\$1,246,899	\$981,458	\$540,613	\$656,551	\$620,384
Interest expense	490,886	483,765	484,622	488,800	493,986
Income tax expense (benefit)	(23,093)	(22,119)	20,128	19,471	31,761
Depreciation and amortization	899,100	911,180	921,720	921,645	933,072
EBITDA	<u>\$2,613,792</u>	<u>\$2,354,284</u>	<u>\$1,967,083</u>	<u>\$2,086,467</u>	<u>\$2,079,203</u>
Loss (income) from unconsolidated entities	31,662	26,505	83,125	62,448	57,221
Stock-based compensation ⁽¹⁾	23,321	24,710	19,102	25,753	26,158
Loss (gain) on extinguishment of debt, net ⁽²⁾	54,074	54,074	37,241	17,593	12,377
Impairments and losses (gains) on real estate dispositions, net ⁽²⁾	(601,209)	(450,185)	(219,767)	(296,705)	(274,304)
Provision of loan losses ⁽²⁾	10,215	10,215	62,966	62,966	62,966
Loss (gain) on derivatives and financial instruments, net ⁽²⁾	(489)	2,351	2,284	(6,113)	(14,309)
Other expenses ^(1,2)	53,542	131,915	176,395	167,524	171,243
Additional other income ⁽²⁾	(4,853)	(4,853)	—	—	(10,805)
Total adjustments	<u>(433,737)</u>	<u>(205,268)</u>	<u>161,346</u>	<u>33,466</u>	<u>30,547</u>
A-EBITDA	<u>\$2,180,055</u>	<u>\$2,149,016</u>	<u>\$2,128,429</u>	<u>\$2,119,933</u>	<u>\$2,109,750</u>
Interest Coverage Ratios:					
Interest expense	\$490,886	\$483,765	\$484,622	\$488,800	\$493,986
Capitalized interest	17,087	14,866	13,489	11,696	10,437
Non-cash interest expense	(5,386)	(8,041)	(10,358)	(12,858)	(11,628)
Total interest	<u>502,587</u>	<u>490,590</u>	<u>487,753</u>	<u>487,638</u>	<u>492,795</u>
EBITDA	\$2,613,792	\$2,354,284	\$1,967,083	\$2,086,467	\$2,079,203
Interest coverage ratio	5.20x	4.80x	4.03x	4.28x	4.22x
A-EBITDA	\$2,180,055	\$2,149,016	\$2,128,429	\$2,119,933	\$2,109,750
Adjusted interest coverage ratio	4.34x	4.38x	4.36x	4.35x	4.28x
Fixed Charge Coverage Ratios:					
Total interest	\$490,590	\$487,753	\$487,753	\$487,638	\$492,795
Secured debt principal amortization	68,935	66,084	64,079	62,077	60,258
Preferred dividends	58,762	54,086	49,410	46,707	46,704
Total fixed charges	<u>618,287</u>	<u>607,923</u>	<u>601,242</u>	<u>596,422</u>	<u>599,757</u>
EBITDA	\$2,613,792	\$2,354,284	\$1,967,083	\$2,086,467	\$2,079,203
Fixed charge coverage ratio	4.23x	3.87x	3.27x	3.50x	3.47x
A-EBITDA	\$2,180,055	\$2,149,016	\$2,128,429	\$2,119,933	\$2,109,750
Adjusted fixed charge coverage ratio	3.53x	3.54x	3.54x	3.55x	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 QUARTERLY

(Amounts in thousands, except share price)

	As of				
	June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018	June 30, 2018
Book capitalization:					
Borrowings under primary unsecured credit facility	\$385,000	\$420,000	\$719,000	\$865,000	\$540,000
Long-term debt obligations ⁽¹⁾	10,994,946	11,101,592	11,012,936	10,484,840	10,895,559
Cash & cash equivalents ⁽²⁾	(442,284)	(250,776)	(249,620)	(202,824)	(215,120)
Total net debt	10,937,662	11,270,816	11,482,316	11,147,016	11,220,439
Total equity ⁽³⁾	15,702,399	15,631,412	15,300,646	15,448,201	15,198,644
Book capitalization	\$26,640,061	\$26,902,228	\$26,782,962	\$26,595,217	\$26,419,083
Net debt to book capitalization ratio	41.1%	41.9%	42.9%	41.9%	42.5%
Undepreciated book capitalization:					
Total net debt	\$10,937,662	\$11,270,816	\$11,482,316	\$11,147,016	\$11,220,439
Accumulated depreciation and amortization	4,568,408	4,826,418	4,838,370	4,990,780	5,113,928
Total equity ⁽³⁾	15,702,399	15,631,412	15,300,646	15,448,201	15,198,644
Undepreciated book capitalization	\$31,208,469	\$31,728,646	\$31,621,332	\$31,585,997	\$31,533,011
Net debt to undepreciated book capitalization ratio	35.0%	35.5%	36.3%	35.3%	35.6%
Market capitalization:					
Common shares outstanding	368,878	370,342	371,732	371,971	372,030
Period end share price	\$74.85	\$70.28	\$63.77	\$54.43	\$62.69
Common equity market capitalization	\$27,610,518	\$26,027,636	\$23,705,350	\$20,246,382	\$23,322,561
Total net debt	10,937,662	11,270,816	11,482,316	11,147,016	11,220,439
Noncontrolling interests ⁽³⁾	873,567	901,487	877,499	889,766	856,721
Preferred stock	718,750	718,503	718,503	718,498	718,498
Enterprise value	\$40,140,497	\$38,918,442	\$36,783,668	\$33,001,662	\$36,118,219
Net debt to market capitalization ratio	27.2%	29.0%	31.2%	33.8%	31.1%

(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	\$ —	\$ 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	\$ 24,135,547	\$ 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	\$ 38,393,137	\$ 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. 2015 also includes cash received from CPPIB joint venture buy-in subsequent to 12/31/15.

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