

NON-GAAP FINANCIAL MEASURES

Quarter Ended September 30, 2018

welltower

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				
	September 30, 2017	December 31, 2017	March 31, 2018	June 30, 2018	September 30, 2018
Net income (loss) attributable to common stockholders	\$ 74,043	\$ (111,523)	\$ 437,671	\$ 154,432	\$ 64,384
Depreciation and amortization	230,138	238,458	228,201	236,275	243,149
Impairments and losses (gains) on real estate dispositions, net	(1,622)	43,440	(309,999)	(6,123)	(17,983)
Noncontrolling interests ⁽¹⁾	(16,826)	(8,131)	(16,353)	(17,692)	(17,498)
Unconsolidated entities ⁽²⁾	9,989	16,980	13,700	11,833	13,220
NAREIT FFO attributable to common stockholders	295,722	179,224	353,220	378,725	285,272
Normalizing items:					
Loss (gain) on derivatives and financial instruments, net	324	—	(7,173)	(7,460)	8,991
Loss (gain) on extinguishment of debt, net	—	371	11,707	299	4,038
Nonrecurring interest expense	—	2,634	—	—	—
Nonrecurring income tax benefits	—	17,354	—	—	—
Incremental stock-based compensation expense	—	—	3,552	—	—
Other expenses	99,595	60,167	3,712	10,058	88,626
Additional other income	—	—	—	(10,805)	—
Normalizing items attributable to noncontrolling interests and unconsolidated entities, net	4,173	57,566	3,169	1,039	724
Normalized FFO attributable to common stockholders	\$ 399,814	\$ 380,282	\$ 368,187	\$ 371,856	\$ 387,651
Average common shares outstanding:					
Basic	369,089	370,485	371,426	371,640	373,023
Diluted for net income (loss) purposes	370,740	370,485	373,257	373,075	374,487
Diluted for FFO purposes	370,740	372,145	373,257	373,075	374,487
Net income (loss) attributable to common stockholders per share:					
Basic	\$ 0.20	\$ (0.30)	\$ 1.18	\$ 0.42	\$ 0.17
Diluted	\$ 0.20	\$ (0.30)	\$ 1.17	\$ 0.41	\$ 0.17
NAREIT FFO attributable to common stockholders per share:					
Basic	\$ 0.80	\$ 0.48	\$ 0.95	\$ 1.02	\$ 0.76
Diluted	\$ 0.80	\$ 0.48	\$ 0.95	\$ 1.02	\$ 0.76
Normalized FFO attributable to common stockholders per share:					
Basic	\$ 1.08	\$ 1.03	\$ 0.99	\$ 1.00	\$ 1.04
Diluted	\$ 1.08	\$ 1.02	\$ 0.99	\$ 1.00	\$ 1.04
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	\$ 0.80	\$ 0.48	\$ 0.95	\$ 1.02	\$ 0.76
NAREIT FFO Payout Ratio	109%	181%	92%	85%	114%
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	\$ 1.08	\$ 1.02	\$ 0.99	\$ 1.00	\$ 1.04
Normalized FFO Payout Ratio	81%	85%	88%	87%	84%
Other Items: ⁽³⁾					
Net straight-line rent and above/below market rent amortization	\$ (19,167)	\$ (18,692)	\$ (17,329)	\$ (12,447)	\$ (19,164)
Non-cash interest expenses	3,972	3,219	4,823	2,416	2,297
Recurring cap-ex, tenant improvements, and lease commissions	(16,651)	(22,400)	(18,398)	(15,869)	(22,478)
Stock-based compensation ⁽⁴⁾	5,409	2,643	7,097	5,167	6,075

(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)

	Nine Months Ended	
	September 30, 2017	September 30, 2018
Net income (loss) attributable to common stockholders	\$ 575,118	\$ 656,487
Depreciation and amortization	683,262	707,625
Impairments and losses (gains) on real estate dispositions, net	(263,207)	(334,105)
Noncontrolling interests ⁽¹⁾	(51,887)	(51,543)
Unconsolidated entities ⁽²⁾	43,066	38,753
NAREIT FFO attributable to common stockholders	986,352	1,017,217
Normalizing items:		
Loss (gain) on derivatives and financial instruments, net	2,284	(5,642)
Loss (gain) on extinguishment of debt, net	36,870	16,044
Preferred stock redemption charge	9,769	—
Incremental stock-based compensation expense	—	3,552
Nonrecurring income tax benefits	(7,916)	—
Other expenses	117,608	102,396
Additional other income	—	(10,805)
Normalizing items attributable to noncontrolling interests and unconsolidated entities, net	29,024	4,933
Normalized FFO attributable to common stockholders	\$ 1,173,991	\$ 1,127,695
Average common shares outstanding:		
Basic	366,096	372,052
Diluted	367,894	373,638
Net income (loss) attributable to common stockholders per share:		
Basic	\$ 1.57	\$ 1.76
Diluted	\$ 1.56	\$ 1.76
NAREIT FFO attributable to common stockholders per share:		
Basic	\$ 2.69	\$ 2.73
Diluted	\$ 2.68	\$ 2.72
Normalized FFO attributable to common stockholders per share:		
Basic	\$ 3.21	\$ 3.03
Diluted	\$ 3.19	\$ 3.02
NAREIT FFO Payout Ratio:		
Dividends per common share	\$ 2.61	\$ 2.61
NAREIT FFO attributable to common stockholders per diluted share	\$ 2.68	\$ 2.72
NAREIT FFO Payout Ratio	97%	96%
Normalized FFO Payout Ratio:		
Dividends per common share	\$ 2.61	\$ 2.61
Normalized FFO attributable to common stockholders per diluted share	\$ 3.19	\$ 3.02
Normalized FFO Payout Ratio	82%	86%
Other Items: ⁽³⁾		
Net straight-line rent and above/below market rent amortization	\$ (54,146)	\$ (48,940)
Non-cash interest expenses	9,823	9,537
Recurring cap-ex, tenant improvements, and lease commissions	(45,720)	(56,744)
Stock-based compensation ⁽⁴⁾	15,078	18,340

(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.

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

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	\$ 994	\$ 1,020	\$ 894	\$ 913
Impairments and losses (gains) on real estate dispositions, net ^(1,2)	(452)	(452)	(479)	(479)
Depreciation and amortization ⁽¹⁾	938	938	978	978
NAREIT FFO attributable to common stockholders	1,480	1,506	1,393	1,412
Normalizing items, net ⁽³⁾	8	8	110	110
Normalized FFO attributable to common stockholders	<u>\$ 1,488</u>	<u>\$ 1,514</u>	<u>\$ 1,503</u>	<u>\$ 1,522</u>
Per share data attributable to common stockholders:				
Net income	\$ 2.66	\$ 2.73	\$ 2.39	\$ 2.44
NAREIT FFO	\$ 3.97	\$ 4.04	\$ 3.72	\$ 3.78
Normalized FFO	\$ 3.99	\$ 4.06	\$ 4.02	\$ 4.07
Other Items ⁽¹⁾				
Net straight-line rent and above/below market rent amortization	\$ (64)	\$ (64)	\$ (67)	\$ (67)
Non-cash interest expenses	15	15	13	13
Recurring cap-ex, tenant improvements, and lease commissions	(78)	(78)	(84)	(84)
Stock-based compensation	22	22	24	24

(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 October 30, 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				
	September 30, 2017	December 31, 2017	March 31, 2018	June 30, 2018	September 30, 2018
Net income (loss)	\$ 89,299	\$ (89,743)	\$ 453,555	\$ 167,273	\$ 84,226
Loss (gain) on real estate dispositions, net	(1,622)	(56,381)	(338,184)	(10,755)	(24,723)
Loss (income) from unconsolidated entities	(3,408)	59,449	2,429	(1,249)	(344)
Income tax expense (benefit)	669	25,663	1,588	3,841	1,741
Other expenses	99,595	60,167	3,712	10,058	88,626
Impairment of assets	—	99,821	28,185	4,632	6,740
Provision for loan losses	—	62,966	—	—	—
Loss (gain) on extinguishment of debt, net	—	371	11,707	299	4,038
Loss (gain) on derivatives and financial instruments, net	324	—	(7,173)	(7,460)	8,991
General and administrative expenses	29,913	28,365	33,705	32,831	28,746
Depreciation and amortization	230,138	238,458	228,201	236,275	243,149
Interest expense	122,578	127,217	122,775	121,416	138,032
Consolidated net operating income	567,486	556,353	540,500	557,161	579,222
NOI attributable to unconsolidated investments ⁽¹⁾	22,431	21,539	21,620	21,725	22,247
NOI attributable to noncontrolling interests ⁽²⁾	(30,538)	(29,760)	(31,283)	(30,962)	(37,212)
Pro rata net operating income (NOI) ⁽³⁾	\$ 559,379	\$ 548,132	\$ 530,837	\$ 547,924	\$ 564,257
Pro rata NOI:					
Seniors housing triple-net	\$ 157,815	\$ 153,904	\$ 151,305	\$ 158,242	\$ 110,420
Long-term/post-acute care	88,494	78,353	71,811	67,529	71,314
Seniors housing operating	221,490	223,233	221,522	235,029	263,529
Outpatient medical	90,940	92,354	85,969	86,749	87,820
Health system	—	—	—	—	30,602
Corporate	640	288	230	375	572
Pro rata NOI ⁽³⁾	\$ 559,379	\$ 548,132	\$ 530,837	\$ 547,924	\$ 564,257

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

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

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

NOI YEAR-TO-DATE RECONCILIATIONS

(dollars in thousands)

	Nine Months Ended	
	September 30, 2017	September 30, 2018
Net income	\$ 630,356	\$ 705,054
Loss (gain) on real estate dispositions, net	(287,869)	(373,662)
Loss (income) from unconsolidated entities	23,676	836
Income tax expense (benefit)	(5,535)	7,170
Other expenses	117,608	102,396
Impairment of assets	24,662	39,557
Loss (gain) on extinguishment of debt, net	36,870	16,044
Loss (gain) on derivatives and financial instruments, net	2,284	(5,642)
General and administrative expenses	93,643	95,282
Depreciation and amortization	683,262	707,625
Interest expense	357,405	382,223
Consolidated net operating income	1,676,362	1,676,883
NOI attributable to unconsolidated investments ⁽¹⁾	65,583	65,593
NOI attributable to noncontrolling interests ⁽²⁾	(87,439)	(99,457)
Pro rata net operating income (NOI) ⁽³⁾	<u>\$ 1,654,506</u>	<u>\$ 1,643,019</u>
Pro rata NOI:		
Seniors housing triple-net	\$ 475,829	\$ 720,079
Seniors housing operating	643,188	419,969
Outpatient medical	268,943	260,519
Health system	—	30,602
Long-Term/Post-Acute Care	265,735	210,654
Corporate	811	1,196
Pro rata NOI ⁽³⁾	<u>\$ 1,654,506</u>	<u>\$ 1,643,019</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

	Three Months Ended						Y/o/Y
	September 30, 2017	December 31, 2017	March 31, 2018	June 30, 2018	September 30, 2018		
(dollars in thousands at Welltower pro rata ownership)							
Seniors Housing Operating							
NOI	\$ 221,524	\$ 223,232	\$ 221,521	\$ 235,028	\$ 263,529		
Non-cash NOI on same store properties	267	(353)	(652)	(608)	(538)		
NOI attributable to non-same store properties	(18,296)	(18,201)	(18,117)	(27,047)	(41,071)		
Currency and ownership adjustments ⁽¹⁾	1,464	938	(35)	1,146	2,348		
SH-NNN to SHO conversions ⁽²⁾	20,551	15,413	16,574	15,926	—		
Other normalizing adjustments ⁽³⁾	(1,431)	15	124	(366)	384		
SSNOI	224,079	221,044	219,415	224,079	224,652		0.3%
Seniors Housing Triple-net							
NOI	157,817	153,905	151,307	158,242	110,420		
Non-cash NOI on same store properties	(4,478)	(4,726)	(5,699)	(2,212)	(2,573)		
NOI attributable to non-same store properties	(66,932)	(61,683)	(55,888)	(65,366)	(17,213)		
Currency and ownership adjustments ⁽¹⁾	347	300	(497)	(55)	662		
Normalizing adjustment for lease restructure ⁽⁴⁾	—	—	(138)	(515)	(513)		
Other normalizing adjustments ⁽³⁾	272	129	16	(468)	(120)		
SSNOI	87,026	87,925	89,101	89,626	90,663		4.2%
Outpatient Medical							
NOI	90,968	92,395	85,952	86,747	87,820		
Non-cash NOI on same store properties	(2,664)	(2,593)	(1,333)	(1,544)	(1,376)		
NOI attributable to non-same store properties	(7,291)	(7,747)	(1,682)	(2,687)	(3,725)		
Currency and ownership adjustments ⁽¹⁾	25	(93)	(250)	(75)	169		
Other normalizing adjustments ⁽³⁾	(110)	(159)	(47)	169	(265)		
SSNOI	80,928	81,803	82,640	82,610	82,623		2.1%
Health System							
NOI	—	—	—	—	30,602		
NOI attributable to non-same store properties	—	—	—	—	(30,602)		
SSNOI	—	—	—	—	—		
Long-Term/Post-Acute Care							
NOI	88,494	78,353	71,811	67,529	71,314		
Non-cash NOI on same store properties	(3,886)	(1,396)	(4,766)	(4,089)	(4,091)		
NOI attributable to non-same store properties	(26,479)	(18,730)	(17,074)	(12,812)	(16,427)		
Currency and ownership adjustments ⁽¹⁾	3	28	19	55	76		
Normalizing adjustments for rent restructuring ⁽⁵⁾	(8,772)	(8,750)	—	—	—		
Other normalizing adjustments ⁽³⁾	382	384	—	—	(79)		
SSNOI	49,742	49,889	49,990	50,683	50,793		2.1%
Corporate							
NOI	576	247	246	378	572		
NOI attributable to non-same store properties	(576)	(247)	(246)	(378)	(572)		
SSNOI	—	—	—	—	—		
Total							
NOI	559,379	548,132	530,837	547,924	564,257		
Non-cash NOI on same store properties	(10,761)	(9,068)	(12,450)	(8,453)	(8,578)		
NOI attributable to non-same store properties	(119,574)	(106,608)	(93,007)	(108,290)	(109,610)		
Currency and ownership adjustments	1,839	1,173	(763)	1,071	3,255		
Normalizing adjustments, net	10,892	7,032	16,529	14,746	(593)		
SSNOI	\$ 441,775	\$ 440,661	\$ 441,146	\$ 446,998	\$ 448,731		1.6%

(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 the performance of certain properties that were converted from Seniors Housing Triple-net to Seniors Housing Operating with the same operator. Amounts represent unaudited operating results provided by the operator and were not a component of WELL earnings.

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

(4) Represents adjustments related to lease restructuring for one Seniors Housing Triple-net master lease.

(5) Represents adjustments related to rent restructuring for one Long-Term/Post-Acute Care master lease.

IPNOI RECONCILIATIONS

(dollars in thousands at Welltower pro rata ownership)

	Seniors Housing Operating	Seniors Housing Triple-net	Outpatient Medical	Health System	Long-Term /Post-Acute Care	Corporate	Total
Three months ended September 30, 2018							
Revenues	\$ 849,054	\$ 110,420	\$ 130,344	\$ 30,614	\$ 71,726	\$ 572	\$ 1,192,730
Property operating expenses	(585,525)	—	(42,524)	(12)	(412)	—	(628,473)
NOI⁽¹⁾	263,529	110,420	87,820	30,602	71,314	572	564,257
Adjust:							
Interest income	(159)	(6,910)	(85)	—	(7,468)	—	(14,622)
Other income	(1,183)	(1,303)	(306)	—	(390)	(572)	(3,754)
Sold / held for sale	(5,324)	(271)	(379)	—	(3,427)	—	(9,401)
Developments / land	561	—	80	—	—	—	641
Non In-Place NOI ⁽²⁾	(2,159)	(3,059)	(1,817)	(4,810)	(3,994)	—	(15,839)
Timing adjustments ⁽³⁾	(10)	53	563	10,009	1,408	—	12,023
Total adjustments	(8,274)	(11,490)	(1,944)	5,199	(13,871)	(572)	(30,952)
In-Place NOI	255,255	98,930	85,876	35,801	57,443	—	533,305
Annualized In-Place NOI	\$ 1,021,020	\$ 395,720	\$ 343,504	\$ 143,204	\$ 229,772	—	\$ 2,133,220

(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	
	3Q17	3Q18	3Q17	3Q18	3Q17	3Q18	3Q17	3Q18
SHO SS REVPOR Growth								
Consolidated SHO revenues	\$ 518,883	\$ 681,387	\$ 73,176	\$ 79,971	\$ 111,818	\$ 115,147	\$ 703,877	\$ 876,505
Unconsolidated SHO revenues attributable to WELL ⁽¹⁾	22,044	23,009	—	—	21,001	20,314	43,045	43,323
SHO revenues attributable to noncontrolling interests ⁽²⁾	(31,815)	(38,627)	(4,761)	(6,446)	(26,324)	(25,701)	(62,900)	(70,774)
SHO pro rata revenues ⁽³⁾	509,112	665,769	68,415	73,525	106,495	109,760	684,022	849,054
Non-cash revenues on same store properties	(132)	(68)	(20)	(19)	—	—	(152)	(87)
Revenues attributable to non-same store properties	(49,413)	(132,517)	(14,664)	(16,388)	(2,653)	(9,327)	(66,730)	(158,232)
Currency and ownership adjustments ⁽⁴⁾	3,252	(1)	1,688	2,068	213	4,563	5,153	6,630
SH-NNN to SHO conversions ⁽⁵⁾	57,043	—	—	—	—	—	57,043	—
Other normalizing adjustments ⁽⁶⁾	354	848	(1,425)	(598)	—	—	(1,071)	250
SHO SS revenues ⁽⁷⁾	520,216	534,031	53,994	58,588	104,055	104,996	678,265	697,615
Avg. occupied units/month ⁽⁸⁾	24,437	24,411	2,177	2,332	11,845	11,745	38,459	38,488
SHO SS REVPOR ⁽⁹⁾	\$ 7,038	\$ 7,233	\$ 8,200	\$ 8,306	\$ 2,904	\$ 2,956	\$ 5,831	\$ 5,993
SS REVPOR YOY growth		2.8 %		1.3%		1.8 %		2.8%
SHO SSNOI Growth								
Consolidated SHO NOI	\$ 161,754	\$ 201,639	\$ 20,083	\$ 20,852	\$ 43,263	\$ 43,355	\$ 225,100	\$ 265,846
Unconsolidated SHO NOI attributable to WELL ⁽¹⁾	8,374	8,216	—	—	8,864	8,547	17,238	16,763
SHO NOI attributable to noncontrolling interests ⁽²⁾	(10,171)	(8,346)	(346)	(1,090)	(10,297)	(9,644)	(20,814)	(19,080)
SHO pro rata NOI ⁽³⁾	159,957	201,509	19,737	19,762	41,830	42,258	221,524	263,529
Non-cash NOI on same store properties	287	(519)	(20)	(19)	—	—	267	(538)
NOI attributable to non-same store properties	(13,731)	(34,245)	(3,590)	(3,012)	(975)	(3,814)	(18,296)	(41,071)
Currency and ownership adjustments ⁽⁴⁾	873	—	503	602	88	1,746	1,464	2,348
SH-NNN to SHO conversions ⁽⁵⁾	20,551	—	—	—	—	—	20,551	—
Other normalizing adjustments ⁽⁶⁾	(164)	930	(1,267)	(598)	—	52	(1,431)	384
SHO pro rata SSNOI ⁽⁷⁾	\$ 167,773	\$ 167,675	\$ 15,363	\$ 16,735	\$ 40,943	\$ 40,242	\$ 224,079	\$ 224,652
SHO SSNOI growth		(0.1)%		8.9%		(1.7)%		0.3%
SHO SSNOI/Unit								
Trailing four quarters' SSNOI ⁽⁷⁾	\$ 665,977		\$ 63,401		\$ 159,812		\$ 889,190	
Average units in service ⁽¹⁰⁾	28,059		2,772		13,072		43,903	
SSNOI/unit in USD	\$ 23,735		\$ 22,872		\$ 12,226		\$ 20,254	
SSNOI/unit in local currency ⁽⁴⁾			£ 16,942		C\$ 15,283			

(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 SHO revenues/NOI at Welltower pro rata ownership. See pages 9 for more information.

(4) 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.

(5) Represents the revenues and NOI of certain properties that were converted from Seniors Housing Triple-net to Seniors Housing Operating with the same operator. Amounts derived from unaudited operating results provided by the operator and were not a component of WELL earnings.

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

(7) Represents SS SHO revenues/SSNOI 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 average units in service for SS properties related solely to referenced country on a pro rata basis.

SENIORS HOUSING OPERATING REVPOR

(dollars in thousands, except REVPOR)

	United States	United Kingdom	Canada	Total
Three months ended September 30, 2018				
Consolidated SHO revenues	\$ 681,387	\$ 79,971	\$ 115,147	\$ 876,505
Unconsolidated SHO revenues attributable to Welltower ⁽¹⁾	23,009	—	20,314	43,323
SHO revenues attributable to noncontrolling interests ⁽²⁾	(38,627)	(6,446)	(25,701)	(70,774)
Pro rata SHO revenues ⁽³⁾	665,769	73,525	109,760	849,054
SHO interest and other income	(1,017)	(31)	(294)	(1,342)
SHO revenues attributable to held for sale properties	(24,397)	(1,141)	—	(25,538)
Adjustment for standardized currency rate ⁽⁴⁾	—	2,620	4,973	7,593
SHO local revenues	640,355	74,973	114,439	829,767
Average occupied units/month	31,482	2,879	13,212	47,573
REVPOR/month in USD	\$ 6,725	\$ 8,609	\$ 2,864	\$ 5,767
REVPOR/month in local currency ⁽⁴⁾		£ 6,377	C\$ 3,580	

(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 SHO revenues/NOI at Welltower pro rata ownership.

(4) 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 September 30, 2018
	Total
OM revenues ⁽¹⁾	\$ 130,344
OM property operating expenses ⁽¹⁾	(42,524)
OM NOI ⁽¹⁾	\$ 87,820
OM NOI margin	67.4%
OM NOI ⁽¹⁾	\$ 87,820
Less: In-Place NOI adjustments ⁽¹⁾	(1,944)
OM In-Place NOI ⁽¹⁾	85,876
OM In-Place NOI Annualized ⁽¹⁾	\$ 343,504
OM NOI ⁽¹⁾	\$ 87,820
Total square feet	16,606,129
Pro rata adjustments ⁽²⁾	(870,802)
Pro rata rental square feet	15,735,327
OM NOI per square foot annualized	\$ 22.32
OM NOI ⁽¹⁾	\$ 87,820
Non health system affiliated NOI	(4,111)
OM health system affiliated NOI	\$ 83,709
OM health system affiliated NOI %	95.3%

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.

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					
	September 30, 2017	December 30, 2017	March 31, 2018	June 30, 2018	September 30, 2018	
Net income (loss)	\$ 89,299	\$ (89,743)	\$ 453,555	\$ 167,273	\$ 84,226	
Interest expense	122,578	127,217	122,775	121,416	138,032	
Income tax expense (benefit)	669	25,663	1,588	3,841	1,741	
Depreciation and amortization	230,138	238,458	228,201	236,275	243,149	
EBITDA	442,684	301,595	806,119	528,805	467,148	
Loss (income) from unconsolidated entities	(3,408)	59,449	2,429	(1,249)	(344)	
Stock-based compensation ⁽¹⁾	6,790	2,644	11,557	5,167	6,075	
Loss (gain) on extinguishment of debt, net ⁽²⁾	—	371	11,707	299	4,038	
Impairments and losses (gains) on real estate dispositions, net ⁽²⁾	(1,622)	43,440	(309,999)	(6,123)	(17,983)	
Provision for loan losses ⁽²⁾	—	62,966	—	—	—	
Loss (gain) on derivatives and financial instruments, net ⁽²⁾	324	—	(7,173)	(7,460)	8,991	
Additional other income ⁽²⁾	—	—	—	(10,805)	—	
Other expenses ^(1,2)	98,214	60,167	2,804	10,058	88,626	
Total adjustments	100,298	229,037	(288,675)	(10,113)	89,403	
A-EBITDA	\$ 542,982	\$ 530,632	\$ 517,444	\$ 518,692	\$ 556,551	
Interest Coverage Ratios:						
Interest expense	\$ 122,578	\$ 127,217	\$ 122,775	\$ 121,416	\$ 138,032	
Capitalized interest	2,545	3,456	2,336	2,100	1,921	
Non-cash interest expense	(3,199)	(2,534)	(4,179)	(1,716)	(1,658)	
Total interest	121,924	128,139	120,932	121,800	138,295	
EBITDA	\$ 442,684	\$ 301,595	\$ 806,119	\$ 528,805	\$ 467,148	
Interest coverage ratio	3.63x	2.35x	6.67x	4.34x	3.38x	
A-EBITDA	\$ 542,982	\$ 530,632	\$ 517,444	\$ 518,692	\$ 556,551	
Adjusted interest coverage ratio	4.45x	4.14x	4.28x	4.26x	4.02x	
Fixed Charge Coverage Ratios:						
Total interest	\$ 121,924	\$ 128,139	\$ 120,932	\$ 121,800	\$ 138,295	
Secured debt principal amortization	15,300	16,572	14,247	14,139	13,908	
Preferred dividends	11,676	11,676	11,676	11,676	11,676	
Total fixed charges	\$ 148,900	\$ 156,387	\$ 146,855	\$ 147,615	\$ 163,879	
EBITDA	\$ 442,684	\$ 301,595	\$ 806,119	\$ 528,805	\$ 467,148	
Fixed charge coverage ratio	2.97x	1.93x	5.49x	3.58x	2.85x	
A-EBITDA	\$ 542,982	\$ 530,632	\$ 517,444	\$ 518,692	\$ 556,551	
Adjusted fixed charge coverage ratio	3.65x	3.39x	3.52x	3.51x	3.40x	
Net Debt Ratios:						
Total debt	\$ 11,521,592	\$ 11,731,936	\$ 11,349,840	\$ 11,435,559	\$ 13,504,060	
Less: cash and cash equivalents ⁽³⁾	(250,776)	(249,620)	(202,824)	(215,120)	(191,199)	
Net debt	\$ 11,270,816	\$ 11,482,316	\$ 11,147,016	\$ 11,220,439	\$ 13,312,861	
EBITDA Annualized	\$ 1,770,736	\$ 1,206,380	\$ 3,224,476	\$ 2,115,220	\$ 1,868,592	
Net debt to EBITDA ratio	6.37x	9.52x	3.46x	5.30x	7.12x	
A-EBITDA Annualized	\$ 2,171,928	\$ 2,122,528	\$ 2,069,776	\$ 2,074,768	\$ 2,226,204	
Net debt to A-EBITDA ratio	5.19x	5.41x	5.39x	5.41x	5.98x	

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

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

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

EBITDA AND A-EBITDA YEAR-TO-DATE RECONCILIATIONS

(dollars in thousands)

	Nine Months Ended	
	September 30, 2017	September 30, 2018
Net income	\$ 292,740	\$ 251,499
Interest expense	238,809	259,448
Income tax expense (benefit)	(7,779)	5,582
Depreciation and amortization	454,985	479,424
EBITDA	<u>\$ 978,755</u>	<u>\$ 995,953</u>
Loss (income) from unconsolidated entities	570	(1,593)
Stock-based compensation ⁽¹⁾	11,553	11,242
Loss (gain) on extinguishment of debt, net ⁽²⁾	5,515	4,337
Impairments and losses (gains) on real estate dispositions, net ⁽²⁾	(30,146)	(24,106)
Loss / (gain) on derivatives and financial instruments, net ⁽²⁾	1,060	1,531
Other expenses ^(1,2)	104,553	98,684
Additional other income ⁽²⁾	—	(10,805)
Total adjustments	<u>93,105</u>	<u>79,290</u>
A-EBITDA	<u><u>\$ 1,071,860</u></u>	<u><u>\$ 1,075,243</u></u>
Interest Coverage Ratios:		
Interest expense	\$ 238,809	\$ 259,448
Capitalized interest	5,903	4,021
Non-cash interest expense	(6,145)	(3,374)
Total interest	<u>238,567</u>	<u>260,095</u>
EBITDA	\$ 978,755	\$ 995,953
Interest coverage ratio	4.10x	3.83x
A-EBITDA	\$ 1,071,860	\$ 1,075,243
Adjusted interest coverage ratio	4.49x	4.13x
Fixed Charge Coverage Ratios:		
Total interest	\$ 238,567	\$ 260,095
Secured debt principal amortization	47,507	42,294
Preferred dividends	37,734	35,028
Total fixed charges	<u>323,808</u>	<u>337,417</u>
EBITDA	\$ 978,755	\$ 995,953
Fixed charge coverage ratio	3.02x	2.95x
A-EBITDA	\$ 1,071,860	\$ 1,075,243
Adjusted fixed charge coverage ratio	3.31x	3.19x

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

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

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 ⁽³⁾	(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) Certain severance-related costs are included in stock-based compensation and excluded from other expenses.

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

EBITDA AND A-EBITDA TRAILING TWELVE MONTHS RECONCILIATIONS

(dollars in thousands)

	Twelve Months Ended				
	September 30, 2017	December 31, 2017	March 31, 2018	June 30, 2018	September 30, 2018
Net income	\$ 981,458	\$ 540,613	\$ 656,551	\$ 620,384	\$ 615,311
Interest expense	483,765	484,622	488,800	493,986	509,440
Income tax expense (benefit)	(22,119)	20,128	19,471	31,761	32,833
Depreciation and amortization	911,180	921,720	921,645	933,072	946,083
EBITDA	\$ 2,354,284	\$ 1,967,083	\$ 2,086,467	\$ 2,079,203	\$ 2,103,667
Loss (income) from unconsolidated entities	26,505	83,125	62,448	57,221	60,285
Stock-based compensation ⁽¹⁾	24,710	19,102	25,753	26,158	25,443
Loss (gain) on extinguishment of debt, net ⁽²⁾	54,074	37,241	17,593	12,377	16,415
Impairments and losses (gains) on real estate dispositions, net ⁽²⁾	(450,185)	(219,767)	(296,705)	(274,304)	(290,665)
Provision of loan losses ⁽²⁾	10,215	62,966	62,966	62,966	62,966
Loss (gain) on derivatives and financial instruments, net ⁽²⁾	2,351	2,284	(6,113)	(14,309)	(5,642)
Other expenses ^(1,2)	131,915	176,395	167,524	171,243	161,655
Additional other income ⁽²⁾	(4,853)	—	—	(10,805)	(10,805)
Total adjustments	(205,268)	161,346	33,466	30,547	19,652
A-EBITDA	\$ 2,149,016	\$ 2,128,429	\$ 2,119,933	\$ 2,109,750	\$ 2,123,319
Interest Coverage Ratios:					
Interest expense	\$ 483,765	\$ 484,622	\$ 488,800	\$ 493,986	\$ 509,440
Capitalized interest	14,866	13,489	11,696	10,437	9,813
Non-cash interest expense	(8,041)	(10,358)	(12,858)	(11,628)	(10,087)
Total interest	490,590	487,753	487,638	492,795	509,166
EBITDA	\$ 2,354,284	\$ 1,967,083	\$ 2,086,467	\$ 2,079,203	\$ 2,103,667
Interest coverage ratio	4.80x	4.03x	4.28x	4.22x	4.13x
A-EBITDA	\$ 2,149,016	\$ 2,128,429	\$ 2,119,933	\$ 2,109,750	\$ 2,123,319
Adjusted interest coverage ratio	4.38x	4.36x	4.35x	4.28x	4.17x
Fixed Charge Coverage Ratios:					
Total interest	\$ 487,753	\$ 487,753	\$ 487,638	\$ 492,795	\$ 509,166
Secured debt principal amortization	66,084	64,079	62,077	60,258	58,866
Preferred dividends	54,086	49,410	46,707	46,704	46,704
Total fixed charges	607,923	601,242	596,422	599,757	614,736
EBITDA	\$ 2,354,284	\$ 1,967,083	\$ 2,086,467	\$ 2,079,203	\$ 2,103,667
Fixed charge coverage ratio	3.87x	3.27x	3.50x	3.47x	3.42x
A-EBITDA	\$ 2,149,016	\$ 2,128,429	\$ 2,119,933	\$ 2,109,750	\$ 2,123,319
Adjusted fixed charge coverage ratio	3.54x	3.54x	3.55x	3.52x	3.45x

(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				
	September 30, 2017	December 31, 2017	March 31, 2018	June 30, 2018	September 30, 2018
Book capitalization:					
Borrowings under primary unsecured credit facility	\$ 420,000	\$ 719,000	\$ 865,000	\$ 540,000	\$ 1,312,000
Long-term debt obligations ⁽¹⁾	11,101,592	11,012,936	10,484,840	10,895,559	12,192,060
Cash & cash equivalents ⁽²⁾	(250,776)	(249,620)	(202,824)	(215,120)	(191,199)
Total net debt	11,270,816	11,482,316	11,147,016	11,220,439	13,312,861
Total equity ⁽³⁾	15,631,412	15,300,646	15,448,201	15,198,644	15,670,065
Book capitalization	\$ 26,902,228	\$ 26,782,962	\$ 26,595,217	\$ 26,419,083	\$ 28,982,926
Net debt to book capitalization ratio	41.9%	42.9%	41.9%	42.5%	45.9%
Undepreciated book capitalization:					
Total net debt	\$ 11,270,816	\$ 11,482,316	\$ 11,147,016	\$ 11,220,439	\$ 13,312,861
Accumulated depreciation and amortization	4,826,418	4,838,370	4,990,780	5,113,928	5,394,274
Total equity ⁽³⁾	15,631,412	15,300,646	15,448,201	15,198,644	15,670,065
Undepreciated book capitalization	\$ 31,728,646	\$ 31,621,332	\$ 31,585,997	\$ 31,533,011	\$ 34,377,200
Net debt to undepreciated book capitalization ratio	35.5%	36.3%	35.3%	35.6%	38.7%
Market capitalization:					
Common shares outstanding	370,342	371,732	371,971	372,030	375,577
Period end share price	\$ 70.28	\$ 63.77	\$ 54.43	\$ 62.69	\$ 64.32
Common equity market capitalization	\$ 26,027,636	\$ 23,705,350	\$ 20,246,382	\$ 23,322,561	\$ 24,157,113
Total net debt	11,270,816	11,482,316	11,147,016	11,220,439	13,312,861
Noncontrolling interests ⁽³⁾	901,487	877,499	889,766	856,721	1,362,380
Preferred stock	718,503	718,503	718,498	718,498	718,498
Enterprise value	\$ 38,918,442	\$ 36,783,668	\$ 33,001,662	\$ 36,118,219	\$ 39,550,852
Net debt to market capitalization ratio	29.0%	31.2%	33.8%	31.1%	33.7%

(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

	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.