

NON-GAAP FINANCIAL MEASURES

Quarter Ended December 31, 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 to be useful supplemental measures of its operating performance. Excluding EBITDA and Adjusted 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				
	December 31, 2017	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
Net income (loss) attributable to common stockholders	\$ (111,523)	\$ 437,671	\$ 154,432	\$ 64,384	\$ 101,763
Depreciation and amortization	238,458	228,201	236,275	243,149	242,834
Impairments and losses (gains) on real estate dispositions, net	43,440	(309,999)	(6,123)	(17,983)	34,109
Noncontrolling interests ⁽¹⁾	(8,131)	(16,353)	(17,692)	(17,498)	(17,650)
Unconsolidated entities ⁽²⁾	16,980	13,700	11,833	13,220	13,910
NAREIT FFO attributable to common stockholders	179,224	353,220	378,725	285,272	374,966
Normalizing items:					
Loss (gain) on derivatives and financial instruments, net	—	(7,173)	(7,460)	8,991	1,626
Loss (gain) on extinguishment of debt, net	371	11,707	299	4,038	53
Provision for loan losses	62,966	—	—	—	—
Nonrecurring interest expense	2,634	—	—	—	—
Nonrecurring income tax benefits	17,354	—	—	—	—
Incremental stock-based compensation expense	—	3,552	—	—	—
Other expenses	60,167	3,712	10,058	88,626	10,502
Additional other income	—	—	(10,805)	—	(4,027)
Normalizing items attributable to noncontrolling interests and unconsolidated entities, net	57,566	3,169	1,039	724	(338)
Normalized FFO attributable to common stockholders	\$ 380,282	\$ 368,187	\$ 371,856	\$ 387,651	\$ 382,782
Average common shares outstanding:					
Basic	370,485	371,426	371,640	373,023	378,240
Diluted for net income (loss) purposes	370,485	373,257	373,075	374,487	380,002
Diluted for FFO purposes	372,145	373,257	373,075	374,487	380,002
Net income (loss) attributable to common stockholders per share:					
Basic	\$ (0.30)	\$ 1.18	\$ 0.42	\$ 0.17	\$ 0.27
Diluted	\$ (0.30)	\$ 1.17	\$ 0.41	\$ 0.17	\$ 0.27
NAREIT FFO attributable to common stockholders per share:					
Basic	\$ 0.48	\$ 0.95	\$ 1.02	\$ 0.76	\$ 0.99
Diluted	\$ 0.48	\$ 0.95	\$ 1.02	\$ 0.76	\$ 0.99
Normalized FFO attributable to common stockholders per share:					
Basic	\$ 1.03	\$ 0.99	\$ 1.00	\$ 1.04	\$ 1.01
Diluted	\$ 1.02	\$ 0.99	\$ 1.00	\$ 1.04	\$ 1.01
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	\$ 0.48	\$ 0.95	\$ 1.02	\$ 0.76	\$ 0.99
NAREIT FFO Payout Ratio	181%	92%	85%	114%	88%
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	\$ 1.02	\$ 0.99	\$ 1.00	\$ 1.04	\$ 1.01
Normalized FFO Payout Ratio	85%	88%	87%	84%	86%
Other Items: ⁽³⁾					
Net straight-line rent and above/below market rent amortization	\$ (18,692)	\$ (17,329)	\$ (12,447)	\$ (19,164)	\$ (23,914)
Non-cash interest expenses	3,219	4,823	2,416	2,297	3,886
Recurring cap-ex, tenant improvements, and lease commissions	(22,400)	(18,398)	(15,869)	(22,478)	(31,664)
Stock-based compensation ⁽⁴⁾	2,643	7,097	5,167	6,075	4,846

(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, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018	
Net income (loss) attributable to common stockholders	\$ 446,745	\$ 818,344	\$ 1,012,397	\$ 463,595	\$ 758,250	
Depreciation and amortization	844,130	826,240	901,242	921,720	950,459	
Impairments and losses (gains) on real estate dispositions, net	(153,522)	(278,167)	(326,840)	(219,767)	(299,996)	
Noncontrolling interests ⁽¹⁾	(37,852)	(39,271)	(71,527)	(60,018)	(69,193)	
Unconsolidated entities ⁽²⁾	74,580	82,494	67,667	60,046	52,663	
NAREIT FFO attributable to common stockholders	1,174,081	1,409,640	1,582,939	1,165,576	1,392,183	
Normalizing items:						
Loss (gain) on derivatives and financial instruments, net	(1,495)	(58,427)	(2,448)	2,284	(4,016)	
Preferred stock redemption charge	—	—	—	9,769	—	
Loss (gain) on extinguishment of debt, net	9,558	34,677	17,214	37,241	16,097	
Provision for loan losses	—	—	10,215	62,966	—	
CEO transition costs	19,688	—	—	—	—	
Nonrecurring interest expense	—	—	—	2,634	—	
Incremental stock-based compensation expense	—	—	—	—	3,552	
Nonrecurring income tax benefits	(17,426)	(5,430)	(15,675)	9,438	—	
Other expenses and transaction costs	79,800	157,852	54,908	177,776	112,898	
Additional other income	—	(5,813)	(16,664)	—	(14,832)	
Normalizing items attributable to noncontrolling interests and unconsolidated entities, net	5,661	(312)	7,228	86,589	4,595	
Normalized FFO attributable to common stockholders	\$ 1,269,867	\$ 1,532,187	\$ 1,637,717	\$ 1,554,273	\$ 1,510,477	
Average common shares outstanding:						
Basic	306,272	348,240	358,275	367,237	373,620	
Diluted	307,747	349,424	360,227	369,001	375,250	
Net income (loss) attributable to common stockholders per share:						
Basic	\$ 1.46	\$ 2.35	\$ 2.83	\$ 1.26	\$ 2.03	
Diluted	\$ 1.45	\$ 2.34	\$ 2.81	\$ 1.26	\$ 2.02	
NAREIT FFO attributable to common stockholders per share:						
Basic	\$ 3.83	\$ 4.05	\$ 4.42	\$ 3.17	\$ 3.73	
Diluted	\$ 3.82	\$ 4.03	\$ 4.39	\$ 3.16	\$ 3.71	
Normalized FFO attributable to common stockholders per share:						
Basic	\$ 4.15	\$ 4.4	\$ 4.57	\$ 4.23	\$ 4.04	
Diluted	\$ 4.13	\$ 4.38	\$ 4.55	\$ 4.21	\$ 4.03	
NAREIT FFO Payout Ratio:						
Dividends per common share	\$ 3.18	\$ 3.3	\$ 3.44	\$ 3.48	\$ 3.48	
NAREIT FFO attributable to common stockholders per diluted share	\$ 3.82	\$ 4.03	\$ 4.39	\$ 3.16	\$ 3.71	
NAREIT FFO payout ratio	83%	82%	78%	110%	94%	
Normalized FFO Payout Ratio:						
Dividends per common share	\$ 3.18	\$ 3.3	\$ 3.44	\$ 3.48	\$ 3.48	
Normalized FFO attributable to common stockholders per diluted share	\$ 4.13	\$ 4.38	\$ 4.55	\$ 4.21	\$ 4.03	
Normalized FFO payout ratio	77%	75%	76%	83%	86%	
Other Items: ⁽³⁾						
Net straight-line rent and above/below market rent amortization	\$ (87,327)	\$ (119,950)	\$ (106,098)	\$ (72,838)	\$ (72,854)	
Non-cash interest expenses	3,601	4,654	4,014	13,042	13,423	
Recurring cap-ex, tenant improvements, and lease commissions	(61,303)	(70,613)	(66,701)	(68,120)	(88,408)	
Stock-based compensation ⁽⁴⁾	32,075	30,844	24,591	17,721	23,186	

(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, 2019		Year Ended December 31, 2019	
	Low	High	Low	High
Net income attributable to common stockholders	\$ 723	\$ 781	\$ 1,045	\$ 1,103
Impairments and losses (gains) on real estate dispositions, net ^(1,2)	(174)	(174)	(448)	(448)
Depreciation and amortization ⁽¹⁾	1,025	1,025	990	990
NAREIT FFO and Normalized FFO attributable to common stockholders	\$ 1,574	\$ 1,632	\$ 1,587	\$ 1,645
Per share data attributable to common stockholders:				
Net income	\$ 1.88	\$ 2.03	\$ 2.70	\$ 2.85
NAREIT FFO and Normalized FFO	\$ 4.10	\$ 4.25	\$ 4.10	\$ 4.25
Other Items ⁽¹⁾				
Net straight-line rent and above/below market rent amortization	\$ (73)	\$ (73)	\$ (73)	\$ (73)
Non-cash interest expenses	21	21	21	21
Recurring cap-ex, tenant improvements, and lease commissions	(124)	(124)	(124)	(124)
Stock-based compensation	26	26	26	26

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

(2) Includes estimated gains on projected dispositions.

NOI, IPNOI, SSNOI, REVPOR AND SS REVPOR

We define NOI as total revenues, including tenant reimbursements, less property operating expenses. Property operating expenses represent costs associated with managing, maintaining and servicing tenants for our seniors housing operating and outpatient medical properties. These expenses include, but are not limited to, property-related payroll and benefits, property management fees paid to operators, marketing, housekeeping, food service, maintenance, utilities, property taxes and insurance. General and administrative expenses represent costs unrelated to property operations. 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 using a consistent population which controls for 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				
	December 31, 2017	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
Net income (loss)	\$ (89,743)	\$ 453,555	\$ 167,273	\$ 84,226	\$ 124,696
Loss (gain) on real estate dispositions, net	(56,381)	(338,184)	(10,755)	(24,723)	(41,913)
Loss (income) from unconsolidated entities	59,449	2,429	(1,249)	(344)	(195)
Income tax expense (benefit)	25,663	1,588	3,841	1,741	1,504
Other expenses	60,167	3,712	10,058	88,626	10,502
Impairment of assets	99,821	28,185	4,632	6,740	76,022
Provision for loan losses	62,966	—	—	—	—
Loss (gain) on extinguishment of debt, net	371	11,707	299	4,038	53
Loss (gain) on derivatives and financial instruments, net	—	(7,173)	(7,460)	8,991	1,626
General and administrative expenses	28,365	33,705	32,831	28,746	31,101
Depreciation and amortization	238,458	228,201	236,275	243,149	242,834
Interest expense	127,217	122,775	121,416	138,032	144,369
Consolidated net operating income	556,353	540,500	557,161	579,222	590,599
NOI attributable to unconsolidated investments ⁽¹⁾	21,539	21,620	21,725	22,247	21,933
NOI attributable to noncontrolling interests ⁽²⁾	(29,760)	(31,283)	(30,962)	(37,212)	(40,341)
Pro rata net operating income (NOI) ⁽³⁾	\$ 548,132	\$ 530,837	\$ 547,924	\$ 564,257	\$ 572,191
Pro rata NOI:					
Seniors housing operating	\$ 223,232	\$ 221,521	\$ 235,028	\$ 263,529	\$ 251,944
Seniors housing triple-net	153,905	151,307	158,242	110,420	110,796
Outpatient medical	92,395	85,952	86,747	87,820	94,708
Health system	—	—	—	30,602	43,016
Long-term/post-acute care	78,353	71,811	67,529	71,314	71,136
Corporate	247	246	378	572	591
Pro rata NOI ⁽³⁾	\$ 548,132	\$ 530,837	\$ 547,924	\$ 564,257	\$ 572,191

(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, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018
Net income	\$ 512,300	\$ 888,549	\$ 1,082,070	\$ 540,613	\$ 829,750
Loss (gain) on real estate dispositions, net	(153,522)	(280,387)	(364,046)	(344,250)	(415,575)
Loss (income) from unconsolidated entities	27,426	21,504	10,357	83,125	641
Income tax expense (benefit)	(1,267)	6,451	(19,128)	20,128	8,674
Other expenses and transaction costs	79,800	157,157	54,908	177,776	112,898
Impairment of assets ⁽¹⁾	—	2,220	37,207	124,483	115,579
Provision for loan losses	—	—	10,215	62,966	—
Loss (gain) on extinguishment of debt, net	9,558	34,677	17,214	37,241	16,097
Loss (gain) on derivatives and financial instruments, net	(1,495)	(58,427)	(2,448)	2,284	(4,016)
General and administrative expenses	142,943	147,416	155,241	122,008	126,383
Interest expense ⁽¹⁾	481,196	492,169	521,345	484,622	526,592
Depreciation and amortization ⁽¹⁾	844,130	826,240	901,242	921,720	950,459
Consolidated NOI	1,941,069	2,237,569	2,404,177	2,232,716	2,267,482
NOI attributable to unconsolidated investments ⁽²⁾	84,751	76,661	66,534	87,121	87,525
NOI attributable to noncontrolling interests ⁽³⁾	(53,612)	(72,217)	(107,235)	(117,199)	(139,798)
Pro rata net operating income (NOI) ⁽⁴⁾	\$ 1,972,208	\$ 2,242,013	\$ 2,363,476	\$ 2,202,638	\$ 2,215,209
Pro rata NOI:					
Seniors housing operating	\$ 644,591	\$ 712,189	\$ 802,001	\$ 866,421	\$ 972,022
Seniors housing triple-net	538,799	622,646	654,925	629,733	530,765
Outpatient medical	278,456	346,187	353,424	361,297	355,227
Health system	—	—	—	—	73,618
Long-term/post-acute care	452,371	537,197	548,463	344,088	281,790
Corporate	57,991	23,794	4,663	1,099	1,787
Pro rata NOI ⁽⁴⁾	\$ 1,972,208	\$ 2,242,013	\$ 2,363,476	\$ 2,202,638	\$ 2,215,209

(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)

	4Q17	1Q18	2Q18	3Q18	4Q18	Y/o/Y
Seniors Housing Operating						
NOI	\$ 223,232	\$ 221,521	\$ 235,028	\$ 263,529	\$ 251,944	
Non-cash NOI on same store properties	(875)	(1,083)	(923)	(969)	(568)	
NOI attributable to non-same store properties	(16,393)	(16,289)	(25,413)	(39,149)	(31,503)	
Currency and ownership adjustments ⁽¹⁾	932	(36)	1,145	2,356	3,002	
SH-NNN to SHO conversions ⁽²⁾	15,413	15,539	14,891	—	—	
Other normalizing adjustments ⁽³⁾	3	122	(392)	345	795	
SSNOI	222,312	219,774	224,336	226,112	223,670	0.6%
Seniors Housing Triple-net						
NOI	153,905	151,307	158,242	110,420	110,796	
Non-cash NOI on same store properties	(4,821)	(5,856)	(2,366)	(2,727)	(2,768)	
NOI attributable to non-same store properties	(60,452)	(54,697)	(64,057)	(15,916)	(16,329)	
Currency and ownership adjustments ⁽¹⁾	312	(518)	(61)	686	928	
Normalizing adjustment for lease restructuring ⁽⁴⁾	(1,133)	(1,214)	(1,228)	(1,229)	(522)	
Other normalizing adjustments ⁽³⁾	128	(126)	(983)	(633)	(421)	
SSNOI	87,939	88,896	89,547	90,601	91,684	4.3%
Outpatient Medical						
NOI	92,395	85,952	86,747	87,820	94,708	
Non-cash NOI on same store properties	(2,619)	(1,345)	(1,556)	(1,389)	(5,397)	
NOI attributable to non-same store properties	(7,957)	(1,913)	(2,922)	(3,957)	(6,461)	
Currency and ownership adjustments ⁽¹⁾	(88)	(244)	(70)	174	246	
Other normalizing adjustments ⁽³⁾	(159)	(47)	169	(264)	(89)	
SSNOI	81,572	82,403	82,368	82,384	83,007	1.8%
Health System						
NOI	—	—	—	30,602	43,016	
NOI attributable to non-same store properties	—	—	—	(30,602)	(43,016)	
SSNOI	—	—	—	—	—	
Long-Term/Post-Acute Care						
NOI	78,353	71,811	67,529	71,314	71,136	
Non-cash NOI on same store properties	(1,069)	(3,993)	(3,453)	(3,455)	(3,286)	
NOI attributable to non-same store properties	(29,296)	(23,679)	(19,416)	(23,030)	(23,355)	
Currency and ownership adjustments ⁽¹⁾	28	19	55	76	94	
Normalizing adjustments for lease restructuring ⁽⁵⁾	(4,343)	—	—	—	—	
Other normalizing adjustments ⁽³⁾	384	—	—	(79)	79	
SSNOI	44,057	44,158	44,715	44,826	44,668	1.4%
Corporate						
NOI	247	246	378	572	591	
NOI attributable to non-same store properties	(247)	(246)	(378)	(572)	(591)	
SSNOI	—	—	—	—	—	
Total						
NOI	548,132	530,837	547,924	564,257	572,191	
Non-cash NOI on same store properties	(9,384)	(12,277)	(8,298)	(8,540)	(12,019)	
NOI attributable to non-same store properties	(114,345)	(96,824)	(112,186)	(113,226)	(121,255)	
Currency and ownership adjustments	1,184	(779)	1,069	3,292	4,270	
Normalizing adjustments, net	10,293	14,274	12,457	(1,860)	(158)	
SSNOI	\$ 435,880	\$ 435,231	\$ 440,966	\$ 443,923	\$ 443,029	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 to reflect the in place economics related to the lease restructuring for two Seniors Housing Triple-net master leases.

(5) Represents adjustments to reflect the in place economics related to the lease restructuring for one Long-Term/Post-Acute Care master lease.

SSNOI RECONCILIATIONS

(in thousands)

	Three Months Ended							
	March 31,		June 30,		September 30,		December 31,	
	2018	2017	2018	2017	2018	2017	2018	2017
Net income (loss)	\$ 453,555	\$ 337,610	\$ 167,273	\$ 203,441	\$ 84,226	\$ 89,299	\$ 124,696	\$ (89,743)
Loss (gain) on real estate dispositions, net	(338,184)	(244,092)	(10,755)	(42,155)	(24,723)	(1,622)	(41,913)	(56,381)
Loss (income) from unconsolidated entities	2,429	23,106	(1,249)	3,978	(344)	(3,408)	(195)	59,449
Income tax expense (benefit)	1,588	2,245	3,841	(8,448)	1,741	669	1,504	25,663
Other expenses and transaction costs	3,712	11,675	10,058	6,339	88,626	99,595	10,502	60,167
Impairment of assets	28,185	11,031	4,632	13,631	6,740	—	76,022	99,821
Provision for loan losses	—	—	—	—	—	—	—	62,966
Loss (gain) on extinguishment of debt, net	11,707	31,356	299	5,515	4,038	—	53	371
Loss (gain) on derivatives and financial instruments, net	(7,173)	1,224	(7,460)	736	8,991	324	1,626	—
General and administrative expenses	33,705	31,101	32,831	32,632	28,746	29,913	31,101	28,365
Depreciation and amortization	228,201	228,276	236,275	224,847	243,149	230,138	242,834	238,458
Interest expense	122,775	118,597	121,416	116,231	138,032	122,578	144,369	127,217
Consolidated NOI	540,500	552,129	557,161	556,747	579,222	567,486	590,599	556,353
NOI attributable to unconsolidated investments	21,620	21,279	21,725	21,873	22,247	22,431	21,933	21,539
NOI attributable to noncontrolling interests	(31,283)	(27,542)	(30,962)	(29,359)	(37,212)	(30,538)	(40,341)	(29,760)
Pro rata NOI	530,837	545,866	547,924	549,261	564,257	559,379	572,191	548,132
Non-cash NOI attributable to same store properties	(11,220)	(9,985)	(7,131)	(8,059)	(8,578)	(10,761)	(12,019)	(9,384)
NOI attributable to non-same store properties	(55,795)	(84,139)	(98,281)	(107,931)	(109,610)	(119,574)	(121,255)	(114,345)
Currency and ownership ⁽¹⁾	(823)	4,002	1,105	5,945	3,255	1,839	4,270	1,184
Other adjustments ⁽²⁾	425	(536)	(724)	(2,516)	(593)	10,892	(158)	10,293
Same store NOI (SSNOI)	\$ 463,424	\$ 455,208	\$ 442,893	\$ 436,700	\$ 448,731	\$ 441,775	\$ 443,029	\$ 435,880
Seniors housing operating	\$ 213,588	\$ 212,306	\$ 207,601	\$ 207,304	\$ 224,652	\$ 224,079	\$ 223,670	\$ 222,312
Seniors housing triple-net	120,582	117,064	103,783	100,615	90,663	87,026	91,684	87,939
Outpatient medical	79,659	77,421	81,232	79,638	82,623	80,928	83,007	81,572
Long-term/post-acute care	49,595	48,417	50,277	49,143	50,793	49,742	44,668	44,057
Total SSNOI	\$ 463,424	\$ 455,208	\$ 442,893	\$ 436,700	\$ 448,731	\$ 441,775	\$ 443,029	\$ 435,880
Seniors housing operating	0.6%		0.1%		0.3%		0.6%	<i>Average</i> 0.4%
Seniors housing triple-net	3.0%		3.1%		4.2%		4.3%	3.7%
Outpatient medical	2.9%		2.0%		2.1%		1.8%	2.2%
Long-term/post-acute care	2.4%		2.3%		2.1%		1.4%	2.1%
Total SSNOI growth	1.8%		1.4%		1.6%		1.6%	1.6%

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

(2) Includes other adjustments as described in the respective Supplements.

IPNOI RECONCILIATIONS

(dollars in thousands at Welltower pro rata ownership)

	<u>Seniors Housing Operating</u>	<u>Seniors Housing Triple-net</u>	<u>Outpatient Medical</u>	<u>Health System</u>	<u>Long-Term /Post-Acute Care</u>	<u>Corporate</u>	<u>Total</u>
Three months ended December 31, 2018							
Revenues	\$ 834,356	\$ 110,817	\$ 134,844	\$ 43,033	\$ 71,423	\$ 591	\$ 1,195,064
Property operating expenses	(582,412)	(21)	(40,136)	(17)	(287)	—	(622,873)
NOI⁽¹⁾	251,944	110,796	94,708	43,016	71,136	591	572,191
Adjust:							
Interest income	(157)	(5,749)	(170)	—	(7,006)	—	(13,082)
Other income	(1,065)	(637)	(4,598)	—	(201)	(591)	(7,092)
Sold / held for sale	(3,921)	(266)	(419)	—	(8,118)	—	(12,724)
Developments / land	510	—	35	—	—	—	545
Non In-Place NOI ⁽²⁾	(3,812)	(4,521)	(2,257)	(7,216)	(4,086)	—	(21,892)
Timing adjustments ⁽³⁾	(2,147)	3,234	4,406	—	(394)	—	5,099
Total adjustments	(10,592)	(7,939)	(3,003)	(7,216)	(19,805)	(591)	(49,146)
In-Place NOI	241,352	102,857	91,705	35,800	51,331	—	523,045
Annualized In-Place NOI	\$ 965,408	\$ 411,428	\$ 366,820	\$ 143,200	\$ 205,324	\$ —	\$ 2,092,180

(1) Represents Welltower's pro rata share of NOI. See page 8 for more information.

(2) Primarily represents non-cash NOI.

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

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

(dollars in thousands, except SSNOI/unit)

	United States		United Kingdom		Canada		Total	
	4Q17	4Q18	4Q17	4Q18	4Q17	4Q18	4Q17	4Q18
SHO SS REVPOR Growth								
Consolidated SHO revenues	\$ 544,735	\$ 666,566	\$ 75,745	\$ 80,470	\$ 110,308	\$ 114,579	\$ 730,788	\$ 861,615
Unconsolidated SHO revenues attributable to WELL ⁽¹⁾	21,787	23,519	—	—	21,018	20,422	42,805	43,941
SHO revenues attributable to noncontrolling interests ⁽²⁾	(41,809)	(39,058)	(5,185)	(6,568)	(25,934)	(25,574)	(72,928)	(71,200)
SHO pro rata revenues ⁽³⁾	524,713	651,027	70,560	73,902	105,392	109,427	700,665	834,356
Non-cash revenues on same store properties	(85)	(59)	(19)	(19)	—	—	(104)	(78)
Revenues attributable to non-same store properties	(49,609)	(116,070)	(14,864)	(15,962)	(2,672)	(9,130)	(67,145)	(141,162)
Currency and ownership adjustments ⁽⁴⁾	36	—	959	2,862	1,703	5,732	2,698	8,594
SH-NNN to SHO conversions ⁽⁵⁾	48,017	—	—	—	—	—	48,017	—
Other normalizing adjustments ⁽⁶⁾	611	730	(1,351)	(411)	—	—	(740)	319
SHO SS revenues ⁽⁷⁾	523,683	535,628	55,285	60,372	104,423	106,029	683,391	702,029
Avg. occupied units/month ⁽⁸⁾	24,637	24,696	2,218	2,381	11,824	11,799	38,679	38,876
SHO SS REVPOR ⁽⁹⁾	\$ 7,028	\$ 7,171	\$ 8,241	\$ 8,383	\$ 2,920	\$ 2,971	\$ 5,841	\$ 5,970
SS REVPOR YOY growth		2.0 %		1.7%		1.7%		2.2%
SHO SSNOI Growth								
Consolidated SHO NOI	\$ 165,437	\$ 191,493	\$ 19,447	\$ 20,032	\$ 41,624	\$ 42,920	\$ 226,508	\$ 254,445
Unconsolidated SHO NOI attributable to WELL ⁽¹⁾	7,892	8,412	—	—	8,165	8,054	16,057	16,466
SHO NOI attributable to noncontrolling interests ⁽²⁾	(9,231)	(8,360)	(209)	(958)	(9,893)	(9,649)	(19,333)	(18,967)
SHO pro rata NOI ⁽³⁾	164,098	191,545	19,238	19,074	39,896	41,325	223,232	251,944
Non-cash NOI on same store properties	(856)	(549)	(19)	(19)	—	—	(875)	(568)
NOI attributable to non-same store properties	(12,348)	(25,657)	(3,507)	(2,804)	(538)	(3,042)	(16,393)	(31,503)
Currency and ownership adjustments ⁽⁴⁾	3	—	279	806	650	2,196	932	3,002
SH-NNN to SHO conversions ⁽⁵⁾	15,413	—	—	—	—	—	15,413	—
Other normalizing adjustments ⁽⁶⁾	600	1,230	(597)	(411)	—	(24)	3	795
SHO pro rata SSNOI ⁽⁷⁾	\$ 166,910	\$ 166,569	\$ 15,394	\$ 16,646	\$ 40,008	\$ 40,455	\$ 222,312	\$ 223,670
SHO SSNOI growth		(0.2)%		8.1%		1.1%		0.6%
SHO SSNOI/Unit								
Trailing four quarters' SSNOI ⁽⁷⁾		\$ 668,829		\$ 64,803		\$ 160,260		\$ 893,892
Average units in service ⁽¹⁰⁾		28,297		2,829		13,073		44,199
SSNOI/unit in USD		\$ 23,636		\$ 22,907		\$ 12,259		\$ 20,224
SSNOI/unit in local currency ⁽⁴⁾				£ 16,968		C\$ 15,324		

(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 page 8 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)

	Three months ended December 31, 2018			
	United States	United Kingdom	Canada	Total
Consolidated SHO revenues	\$ 666,566	\$ 80,470	\$ 114,579	\$ 861,615
Unconsolidated SHO revenues attributable to Welltower ⁽¹⁾	23,519	—	20,422	43,941
SHO revenues attributable to noncontrolling interests ⁽²⁾	(39,058)	(6,568)	(25,574)	(71,200)
Pro rata SHO revenues ⁽³⁾	651,027	73,902	109,427	834,356
SHO interest and other income	(887)	(31)	(304)	(1,222)
SHO revenues attributable to held for sale properties	(20,203)	(1,224)	—	(21,427)
Adjustment for standardized currency rate ⁽⁴⁾	—	3,592	6,235	9,827
SHO local revenues	629,937	76,239	115,358	821,534
Average occupied units/month	30,701	2,909	13,244	46,854
REVPOR/month in USD	<u>\$ 6,784</u>	<u>\$ 8,663</u>	<u>\$ 2,880</u>	<u>\$ 5,797</u>
REVPOR/month in local currency ⁽⁴⁾		<u>£ 6,417</u>	<u>C\$ 3,600</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 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 December 31, 2018
	Total
OM revenues ⁽¹⁾	\$ 134,844
OM property operating expenses ⁽¹⁾	(40,136)
OM NOI ⁽¹⁾	\$ 94,708
OM NOI margin	70.2%
OM NOI ⁽¹⁾	\$ 94,708
Less: In-Place NOI adjustments ⁽¹⁾	(3,003)
OM In-Place NOI ⁽¹⁾	91,705
OM In-Place NOI Annualized ⁽¹⁾	\$ 366,820
OM NOI ⁽¹⁾	\$ 94,708
Total square feet	17,947,619
Pro rata adjustments ⁽²⁾	(865,818)
Pro rata rental square feet	17,081,801
OM NOI per square foot annualized	\$ 22.18
OM NOI ⁽¹⁾	\$ 94,708
Non health system affiliated NOI	(4,412)
OM health system affiliated NOI	\$ 90,296
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 8 and 12 for reconciliations of NOI and In-Place NOI.

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

EBITDA AND ADJUSTED 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 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 Adjusted 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 Adjusted 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 Adjusted EBITDA divided by total interest, and our fixed charge coverage ratio, which represents EBITDA and Adjusted EBITDA divided by fixed charges. Fixed charges include total interest, secured debt principal amortization and preferred dividends.

EBITDA AND ADJUSTED EBITDA QUARTERLY RECONCILIATIONS

(dollars in thousands)

	Three Months Ended				
	December 30, 2017	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
Net income (loss)	\$ (89,743)	\$ 453,555	\$ 167,273	\$ 84,226	\$ 124,696
Interest expense	127,217	122,775	121,416	138,032	144,369
Income tax expense (benefit)	25,663	1,588	3,841	1,741	1,504
Depreciation and amortization	238,458	228,201	236,275	243,149	242,834
EBITDA	301,595	806,119	528,805	467,148	513,403
Loss (income) from unconsolidated entities	59,449	2,429	(1,249)	(344)	(195)
Stock-based compensation ⁽¹⁾	2,644	11,557	5,167	6,075	4,847
Loss (gain) on extinguishment of debt, net ⁽²⁾	371	11,707	299	4,038	53
Impairments and losses (gains) on real estate dispositions, net ⁽²⁾	43,440	(309,999)	(6,123)	(17,983)	34,109
Provision for loan losses ⁽²⁾	62,966	—	—	—	—
Loss (gain) on derivatives and financial instruments, net ⁽²⁾	—	(7,173)	(7,460)	8,991	1,626
Additional other income ⁽²⁾	—	—	(10,805)	—	(4,027)
Other expenses ^(1,2)	60,167	2,804	10,058	88,626	10,502
Total adjustments	229,037	(288,675)	(10,113)	89,403	46,915
Adjusted EBITDA	\$ 530,632	\$ 517,444	\$ 518,692	\$ 556,551	\$ 560,318
Interest Coverage Ratios:					
Interest expense	\$ 127,217	\$ 122,775	\$ 121,416	\$ 138,032	\$ 144,369
Capitalized interest	3,456	2,336	2,100	1,921	1,548
Non-cash interest expense	(2,534)	(4,179)	(1,716)	(1,658)	(3,307)
Total interest	128,139	120,932	121,800	138,295	142,610
EBITDA	\$ 301,595	\$ 806,119	\$ 528,805	\$ 467,148	\$ 513,403
Interest coverage ratio	2.35x	6.67x	4.34x	3.38x	3.60x
Adjusted EBITDA	\$ 530,632	\$ 517,444	\$ 518,692	\$ 556,551	\$ 560,318
Adjusted interest coverage ratio	4.14x	4.28x	4.26x	4.02x	3.93x
Fixed Charge Coverage Ratios:					
Total interest	\$ 128,139	\$ 120,932	\$ 121,800	\$ 138,295	\$ 142,610
Secured debt principal amortization	16,572	14,247	14,139	13,908	13,994
Preferred dividends	11,676	11,676	11,676	11,676	11,676
Total fixed charges	\$ 156,387	\$ 146,855	\$ 147,615	\$ 163,879	\$ 168,280
EBITDA	\$ 301,595	\$ 806,119	\$ 528,805	\$ 467,148	\$ 513,403
Fixed charge coverage ratio	1.93x	5.49x	3.58x	2.85x	3.05x
Adjusted EBITDA	\$ 530,632	\$ 517,444	\$ 518,692	\$ 556,551	\$ 560,318
Adjusted fixed charge coverage ratio	3.39x	3.52x	3.51x	3.40x	3.33x
Net Debt Ratios:					
Total debt	\$ 11,731,936	\$ 11,349,840	\$ 11,435,559	\$ 13,504,060	\$ 13,297,144
Less: cash and cash equivalents ⁽³⁾	(249,620)	(202,824)	(215,120)	(191,199)	(215,376)
Net debt	\$ 11,482,316	\$ 11,147,016	\$ 11,220,439	\$ 13,312,861	\$ 13,081,768
EBITDA Annualized	\$ 1,206,380	\$ 3,224,476	\$ 2,115,220	\$ 1,868,592	\$ 2,053,612
Net debt to EBITDA ratio	9.52x	3.46x	5.30x	7.12x	6.37x
Adjusted EBITDA Annualized	\$ 2,122,528	\$ 2,069,776	\$ 2,074,768	\$ 2,226,204	\$ 2,241,272
Net debt to Adjusted EBITDA ratio	5.41x	5.39x	5.41x	5.98x	5.84x

(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 ADJUSTED EBITDA ANNUAL RECONCILIATIONS

(dollars in thousands)

	Year Ended				
	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018
Net income	\$ 512,300	\$ 888,549	\$ 1,082,070	\$ 540,613	\$ 829,750
Interest expense	481,196	492,169	521,345	484,622	526,592
Income tax expense (benefit)	(1,267)	6,451	(19,128)	20,128	8,674
Depreciation and amortization	844,130	826,240	901,242	921,720	950,459
EBITDA	1,836,359	2,213,409	2,485,529	1,967,083	2,315,475
Loss (income) from unconsolidated entities	27,426	21,504	10,357	83,125	641
Stock-based compensation	32,075	30,844	28,869	19,102	27,646
Loss (gain) on extinguishment of debt, net ⁽¹⁾	9,558	34,677	17,214	37,241	16,097
Loss/impairment (gain) on properties, net ⁽¹⁾	(153,522)	(278,167)	(326,839)	(219,767)	(299,996)
Provision for loan losses ⁽¹⁾	—	—	10,215	62,966	—
Loss / (gain) on derivatives, net ⁽¹⁾	(1,495)	(58,427)	(2,448)	2,284	(4,016)
CEO transition costs ⁽¹⁾	10,465	—	—	—	—
Other expenses & transaction costs ^(1,2)	79,800	151,562	50,631	176,395	111,990
Additional other income ⁽¹⁾	—	(2,144)	(16,664)	—	(14,832)
Total adjustments	4,307	(100,151)	(228,665)	161,346	(162,470)
Adjusted EBITDA	\$ 1,840,666	\$ 2,113,258	\$ 2,256,864	\$ 2,128,429	\$ 2,153,005
Interest Coverage Ratios:					
Interest expense	\$ 481,196	\$ 492,169	\$ 521,345	\$ 484,622	\$ 526,592
Capitalized interest	7,150	8,670	16,943	13,489	7,905
Non-cash interest expense	(2,427)	(2,586)	(1,681)	(10,358)	(10,860)
Total interest	485,919	498,253	536,607	487,753	523,637
EBITDA	\$ 1,836,359	\$ 2,213,409	\$ 2,485,529	\$ 1,967,083	\$ 2,315,475
Interest coverage ratio	3.78x	4.44x	4.63x	4.03x	4.42x
Adjusted EBITDA	\$ 1,840,666	\$ 2,113,258	\$ 2,256,864	\$ 2,128,429	\$ 2,153,005
Adjusted interest coverage ratio	3.79x	4.24x	4.21x	4.36x	4.11x
Fixed Charge Coverage Ratios:					
Total interest	\$ 485,919	\$ 498,253	\$ 536,607	\$ 487,753	\$ 523,637
Secured debt principal amortization	62,280	67,064	74,466	64,079	56,288
Preferred dividends	65,408	65,406	65,406	49,410	46,704
Total fixed charges	613,607	630,723	676,479	601,242	626,629
EBITDA	\$ 1,836,359	\$ 2,213,409	\$ 2,485,529	\$ 1,967,083	\$ 2,315,475
Fixed charge coverage ratio	2.99x	3.51x	3.67x	3.27x	3.70x
Adjusted EBITDA	\$ 1,840,666	\$ 2,113,258	\$ 2,256,864	\$ 2,128,429	\$ 2,153,005
Adjusted fixed charge coverage ratio	3x	3.35x	3.34x	3.54x	3.44x
Net Debt Ratios:					
Total debt	\$ 10,828,013	\$ 12,967,686	\$ 12,358,245	\$ 11,731,936	\$ 13,297,144
Less: cash and cash equivalents ⁽³⁾	(473,726)	(484,754)	(557,659)	(249,620)	(215,376)
Net debt	\$ 10,354,287	\$ 12,482,932	\$ 11,800,586	\$ 11,482,316	\$ 13,081,768
EBITDA	\$ 1,836,359	\$ 2,213,409	\$ 2,485,529	\$ 1,967,083	\$ 2,315,475
Net debt to EBITDA ratio	5.64x	5.64x	4.75x	5.84x	5.65x
Adjusted EBITDA	\$ 1,840,666	\$ 2,113,258	\$ 2,256,864	\$ 2,128,429	\$ 2,153,005
Net debt to Adjusted EBITDA ratio	5.63x	5.91x	5.23x	5.39x	6.08x

(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 ADJUSTED EBITDA TRAILING TWELVE MONTHS RECONCILIATIONS

(dollars in thousands)

	Twelve Months Ended				
	December 31, 2017	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
Net income	\$ 540,613	\$ 656,551	\$ 620,384	\$ 615,311	\$ 829,750
Interest expense	484,622	488,800	493,986	509,440	526,592
Income tax expense (benefit)	20,128	19,471	31,761	32,833	8,674
Depreciation and amortization	921,720	921,645	933,072	946,083	950,459
EBITDA	1,967,083	2,086,467	2,079,203	2,103,667	2,315,475
Loss (income) from unconsolidated entities	83,125	62,448	57,221	60,285	641
Stock-based compensation ⁽¹⁾	19,102	25,753	26,158	25,443	27,646
Loss (gain) on extinguishment of debt, net ⁽²⁾	37,241	17,593	12,377	16,415	16,097
Impairments and losses (gains) on real estate dispositions, net ⁽²⁾	(219,767)	(296,705)	(274,304)	(290,665)	(299,996)
Provision of loan losses ⁽²⁾	62,966	62,966	62,966	62,966	—
Loss (gain) on derivatives and financial instruments, net ⁽²⁾	2,284	(6,113)	(14,309)	(5,642)	(4,016)
Other expenses ^(1,2)	176,395	167,524	171,243	161,655	111,990
Additional other income ⁽²⁾	—	—	(10,805)	(10,805)	(14,832)
Total adjustments	161,346	33,466	30,547	19,652	(162,470)
Adjusted EBITDA	\$ 2,128,429	\$ 2,119,933	\$ 2,109,750	\$ 2,123,319	\$ 2,153,005
Interest Coverage Ratios:					
Interest expense	\$ 484,622	\$ 488,800	\$ 493,986	\$ 509,440	\$ 526,592
Capitalized interest	13,489	11,696	10,437	9,813	7,905
Non-cash interest expense	(10,358)	(12,858)	(11,628)	(10,087)	(10,860)
Total interest	487,753	487,638	492,795	509,166	523,637
EBITDA	\$ 1,967,083	\$ 2,086,467	\$ 2,079,203	\$ 2,103,667	\$ 2,315,475
Interest coverage ratio	4.03x	4.28x	4.22x	4.13x	4.42x
Adjusted EBITDA	\$ 2,128,429	\$ 2,119,933	\$ 2,109,750	\$ 2,123,319	\$ 2,153,005
Adjusted interest coverage ratio	4.36x	4.35x	4.28x	4.17x	4.11x
Fixed Charge Coverage Ratios:					
Total interest	\$ 487,753	\$ 487,638	\$ 492,795	\$ 509,166	\$ 523,637
Secured debt principal amortization	64,079	62,077	60,258	58,866	56,288
Preferred dividends	49,410	46,707	46,704	46,704	46,704
Total fixed charges	601,242	596,422	599,757	614,736	626,629
EBITDA	\$ 1,967,083	\$ 2,086,467	\$ 2,079,203	\$ 2,103,667	\$ 2,315,475
Fixed charge coverage ratio	3.27x	3.50x	3.47x	3.42x	3.70x
Adjusted EBITDA	\$ 2,128,429	\$ 2,119,933	\$ 2,109,750	\$ 2,123,319	\$ 2,153,005
Adjusted fixed charge coverage ratio	3.54x	3.55x	3.52x	3.45x	3.44x

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

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

CAPITALIZATION RATIOS QUARTERLY

(Amounts in thousands, except share price)

	As of				
	December 31, 2017	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
Book capitalization:					
Borrowings under primary unsecured credit facility	\$ 719,000	\$ 865,000	\$ 540,000	\$ 1,312,000	\$ 1,147,000
Long-term debt obligations ⁽¹⁾	11,012,936	10,484,840	10,895,559	12,192,060	12,150,144
Cash & cash equivalents ⁽²⁾	(249,620)	(202,824)	(215,120)	(191,199)	(215,376)
Total net debt	11,482,316	11,147,016	11,220,439	13,312,861	13,081,768
Total equity ⁽³⁾	15,300,646	15,448,201	15,198,644	15,670,065	16,010,645
Book capitalization	\$ 26,782,962	\$ 26,595,217	\$ 26,419,083	\$ 28,982,926	\$ 29,092,413
Net debt to book capitalization ratio	42.9%	41.9%	42.5%	45.9%	45.0%
Undepreciated book capitalization:					
Total net debt	\$ 11,482,316	\$ 11,147,016	\$ 11,220,439	\$ 13,312,861	\$ 13,081,768
Accumulated depreciation and amortization	4,838,370	4,990,780	5,113,928	5,394,274	5,499,958
Total equity ⁽³⁾	15,300,646	15,448,201	15,198,644	15,670,065	16,010,645
Undepreciated book capitalization	\$ 31,621,332	\$ 31,585,997	\$ 31,533,011	\$ 34,377,200	\$ 34,592,371
Net debt to undepreciated book capitalization ratio	36.3%	35.3%	35.6%	38.7%	37.8%
Market capitalization:					
Common shares outstanding	371,732	371,971	372,030	375,577	383,675
Period end share price	\$ 63.77	\$ 54.43	\$ 62.69	\$ 64.32	\$ 69.41
Common equity market capitalization	\$ 23,705,350	\$ 20,246,382	\$ 23,322,561	\$ 24,157,113	\$ 26,630,882
Total net debt	11,482,316	11,147,016	11,220,439	13,312,861	13,081,768
Noncontrolling interests ⁽³⁾	877,499	889,766	856,721	1,362,380	1,378,311
Preferred stock	718,503	718,498	718,498	718,498	718,498
Enterprise value	\$ 36,783,668	\$ 33,001,662	\$ 36,118,219	\$ 39,550,852	\$ 41,809,459
Net debt to market capitalization ratio	31.2%	33.8%	31.1%	33.7%	31.3%

(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

	2014	2015	2016	2017	2018
Book capitalization:					
Borrowings under primary unsecured credit facility	\$ —	\$ 835,000	\$ 645,000	\$ 719,000	\$ 1,147,000
Long-term debt obligations ⁽¹⁾	10,828,013	12,132,686	11,713,245	11,012,936	12,150,144
Cash & cash equivalents ⁽²⁾	(473,726)	(484,754)	(557,659)	(249,620)	(215,376)
Total net debt	10,354,287	12,482,932	11,800,586	11,482,316	13,081,768
Total equity ⁽³⁾	13,559,458	15,358,968	15,679,906	15,300,646	16,010,645
Book capitalization	\$ 23,913,745	\$ 27,841,900	\$ 27,480,492	\$ 26,782,962	\$ 29,092,413
Net debt to book capitalization ratio	43.3%	44.8%	42.9%	42.9%	45.0%
Undepreciated book capitalization:					
Total net debt	\$ 10,354,287	\$ 12,482,932	\$ 11,800,586	\$ 11,482,316	\$ 13,081,768
Accumulated depreciation and amortization	3,020,908	3,796,297	4,093,494	4,838,370	5,499,958
Total equity ⁽³⁾	13,559,458	15,358,968	15,679,906	15,300,646	16,010,645
Undepreciated book capitalization	\$ 26,934,653	\$ 31,638,197	\$ 31,573,986	\$ 31,621,332	\$ 34,592,371
Net debt to undepreciated book capitalization ratio	38.4%	39.5%	37.4%	36.3%	37.8%
Market capitalization:					
Common shares outstanding	328,790	354,778	362,602	371,732	383,675
Period end share price	\$ 75.67	\$ 68.03	\$ 66.93	\$ 63.77	\$ 69.41
Common equity market capitalization	\$ 24,879,539	\$ 24,135,547	\$ 24,268,952	\$ 23,705,350	\$ 26,630,882
Total net debt	10,354,287	12,482,932	11,800,586	11,482,316	13,081,768
Noncontrolling interests ⁽³⁾	384,305	768,408	873,512	877,498	1,378,311
Preferred stock	1,006,250	1,006,250	1,006,250	718,503	718,498
Enterprise value	\$ 36,624,381	\$ 38,393,137	\$ 37,949,300	\$ 36,783,667	\$ 41,809,459
Net debt to market capitalization ratio	28.3%	32.5%	31.1%	31.2%	31.3%

(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.