



welltower

NON-GAAP FINANCIAL MEASURES

QUARTER ENDED DECEMBER 31, 2016

Welltower Inc. (HCN) believes that net income attributable to common stockholders (NICS), as defined by U.S. generally accepted accounting principles (U.S. GAAP), is the most appropriate earnings measurement. 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), Normalized Funds From Operations (FFO), Normalized Funds Available for Distribution (FAD), EBITDA and A-EBITDA to be useful supplemental measures of its operating performance. Excluding EBITDA and A-EBITDA, these supplemental measures are disclosed on a Welltower pro rata ownership basis. Pro rata amounts are derived by reducing consolidated amounts for minority partners' noncontrolling ownership interests and adding Welltower's minority ownership share of unconsolidated amounts. Welltower does not control unconsolidated investments. While the company considers pro rata disclosures useful, they may not accurately depict the legal and economic implications of Welltower's joint venture arrangements and should be used with caution.

HCN's supplemental reporting measures and similarly entitled financial measures are widely used by investors, equity and debt analysts and rating agencies in the valuation, comparison, rating and investment recommendations of companies. HCN's management uses these financial measures to facilitate internal and external comparisons to historical operating results and in making operating decisions. Additionally, these measures are utilized by the Board of Directors to evaluate management.

None of the supplemental reporting measures represent net income or cash flow provided from operating activities as determined in accordance with U.S. GAAP and should not be considered as alternative measures of profitability or liquidity. Finally, the supplemental reporting measures, as defined by HCN, may not be comparable to similarly entitled items reported by other real estate investment trusts or other companies. Multi-period amounts may not equal the sum of the individual quarterly amounts due to rounding.

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 and amortization. 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, 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 represents FFO adjusted for certain items as detailed in the reconciliations.

FAD represents FFO excluding net straight-line rental adjustments, amortization related to above/below market leases and amortization of non-cash interest expenses and less cash used to fund capital expenditures, tenant improvements and lease commissions. Normalized FAD represents FAD 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 and Normalized FAD are useful supplemental measures of operating performance because investors and equity analysts may use these measures to compare our operating performance 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, 2015	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016
Funds From Operations:					
Net income (loss) attributable to common stockholders	\$132,931	\$148,969	\$195,474	\$334,910	\$333,042
Depreciation and amortization	222,809	228,696	226,569	218,061	227,916
Losses/impairments (gains) on properties, net	(31,385)	14,314	(1,530)	(152,645)	(186,978)
Noncontrolling interests ⁽¹⁾	(9,908)	(17,319)	(20,616)	(15,695)	(17,897)
Unconsolidated entities ⁽²⁾	18,062	16,604	17,077	17,240	16,746
Funds from operations - NAREIT	332,509	391,264	416,974	401,871	372,829
Normalizing items:					
Transaction costs	40,547	8,208	5,157	19,842	9,704
Loss (gain) on derivatives, net	-	-	-	(2,516)	68
Loss (gain) on extinguishment of debt, net	(195)	(24)	33	-	17,204
Provision for loan losses	-	-	-	-	10,215
Nonrecurring income tax benefits	-	-	-	-	(15,675)
Other expenses	35,648	-	3,161	-	8,838
Additional other income	(3,669)	-	(11,811)	-	(4,853)
Normalizing items attributable to noncontrolling interests and unconsolidated entities, net	(2,485)	1,518	921	1,575	3,214
Funds from operations - normalized	\$402,355	\$400,966	\$414,435	\$420,772	\$401,544
Average common shares outstanding:					
Basic	353,604	355,076	356,646	358,932	362,088
Diluted	354,972	356,051	358,891	361,237	364,369
Net income (loss) attributable to common stockholders per share:					
Basic	\$0.38	\$0.42	\$0.55	\$0.93	\$0.92
Diluted	\$0.37	\$0.42	\$0.54	\$0.93	\$0.91
Funds from operations - NAREIT per share:					
Basic	\$0.94	\$1.10	\$1.17	\$1.12	\$1.03
Diluted	\$0.94	\$1.10	\$1.16	\$1.11	\$1.02
Funds from operations - normalized per share:					
Basic	\$1.14	\$1.13	\$1.16	\$1.17	\$1.11
Diluted	\$1.13	\$1.13	\$1.15	\$1.16	\$1.10
Funds From Operations - NAREIT Payout Ratio:					
Dividends per common share	\$0.825	\$0.86	\$0.86	\$0.86	\$0.86
Diluted funds from operations - NAREIT per share	\$0.94	\$1.10	\$1.16	\$1.11	\$1.02
FFO - NAREIT payout ratio	88%	78%	74%	77%	84%
Funds From Operations - Normalized Payout Ratio:					
Dividends per common share	\$0.825	\$0.86	\$0.86	\$0.86	\$0.86
Diluted funds from operations - normalized per share	\$1.13	\$1.13	\$1.15	\$1.16	\$1.10
FFO - normalized payout ratio	73%	76%	75%	74%	78%

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

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

FFO ANNUAL RECONCILIATIONS

(in thousands, except per share information)

	Year Ended				
	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016
Funds From Operations					
Net income (loss) attributable to common stockholders	\$221,884	\$78,714	\$446,745	\$818,344	\$1,012,397
Depreciation and amortization	533,585	873,960	844,130	826,240	901,242
Losses/impairments (gains) on properties, net	(71,262)	(49,138)	(153,522)	(278,167)	(326,840)
Noncontrolling interests ⁽¹⁾	(21,058)	(36,304)	(37,852)	(39,271)	(71,527)
Unconsolidated entities ⁽²⁾	34,408	57,652	74,580	82,494	67,667
Funds from operations - NAREIT	697,557	924,884	1,174,081	1,409,640	1,582,939
Normalizing items:					
Non-recurring G&A expenses	4,316	-	-	-	-
Transaction costs	61,609	133,401	69,538	110,926	42,910
Loss (gain) on derivatives, net	(1,825)	4,470	(1,495)	(58,427)	(2,448)
Preferred stock redemption charge	6,242	-	-	-	-
Loss (gain) on extinguishment of debt, net	(775)	(909)	9,558	34,677	17,214
Provision for loan losses	27,008	2,110	-	-	10,215
CEO transition costs	-	-	19,688	-	-
Nonrecurring income tax benefits	-	-	(17,426)	(5,430)	(15,675)
Other expenses	-	-	10,262	46,926	11,998
Held for sale hospital operating expenses	215	-	-	-	-
Additional other income	-	-	-	(5,813)	(16,664)
Normalizing items attributable to noncontrolling interests and unconsolidated entities, net	-	(1,985)	5,661	(312)	7,228
Funds from operations - normalized	\$794,347	\$1,061,971	\$1,269,867	\$1,532,187	\$1,637,717
Average common shares outstanding:					
Basic	224,343	276,929	306,272	348,240	358,275
Diluted	225,953	278,761	307,747	349,424	360,227
Net income (loss) attributable to common stockholders per share:					
Basic	\$0.99	\$0.28	\$1.46	\$2.35	\$2.83
Diluted	\$0.98	\$0.28	\$1.45	\$2.34	\$2.81
Funds from operations - NAREIT per share:					
Basic	\$3.11	\$3.34	\$3.83	\$4.05	\$4.42
Diluted	\$3.09	\$3.32	\$3.82	\$4.03	\$4.39
Funds from operations - normalized per share:					
Basic	\$3.54	\$3.83	\$4.15	\$4.40	\$4.57
Diluted	\$3.52	\$3.81	\$4.13	\$4.38	\$4.55
Funds From Operations - NAREIT Payout Ratio:					
Dividends per common share	\$2.96	\$3.06	\$3.18	\$3.30	\$3.44
Diluted funds from operations - NAREIT per share	\$3.09	\$3.32	\$3.82	\$4.03	\$4.39
FFO - NAREIT payout ratio	96%	92%	83%	82%	78%
Funds From Operations - Normalized Payout Ratio:					
Dividends per common share	\$2.96	\$3.06	\$3.18	\$3.30	\$3.44
Diluted funds from operations - normalized per share	\$3.52	\$3.81	\$4.13	\$4.38	\$4.55
FFO - normalized payout ratio	84%	80%	77%	75%	76%

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

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

FFO TRAILING TWELVE MONTH (TTM)

(in thousands, except per share information)

	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
Funds From Operations:																					
Net income (loss) attributable to common stockholders	\$27,282	\$39,307	\$54,735	\$37,269	\$90,576	\$55,058	\$(8,508)	\$20,691	\$11,473	\$50,022	\$71,829	\$136,255	\$188,636	\$190,799	\$312,573	\$182,043	\$132,931	\$148,969	\$195,474	\$334,910	\$333,042
Depreciation and amortization	122,144	127,422	132,963	132,858	140,342	187,122	200,477	242,981	243,380	233,318	214,449	200,970	195,393	188,829	208,802	205,799	222,809	228,696	226,569	218,061	227,916
Losses/impairments (gains) on properties, net	7,398	(769)	(32,450)	(5,875)	(32,167)	(82,492)	29,997	(4,707)	8,064	-	(13,079)	(29,604)	(110,839)	(54,625)	(190,111)	(2,046)	(31,385)	14,314	(1,530)	(152,645)	(186,978)
Noncontrolling interests ⁽¹⁾	(5,318)	(4,990)	(5,190)	(5,440)	(5,439)	(5,793)	(7,821)	(12,328)	(10,362)	(10,520)	(9,741)	(9,359)	(8,234)	(7,249)	(10,467)	(11,647)	(9,908)	(17,319)	(20,616)	(15,695)	(17,897)
Unconsolidated entities ⁽²⁾	2,892	2,887	7,873	11,913	11,735	16,983	16,521	11,626	12,522	15,983	20,787	18,250	19,560	26,496	19,791	18,146	18,062	16,604	17,077	17,240	16,746
Funds from operations - NAREIT	154,398	163,857	157,931	170,725	205,047	170,878	230,666	258,263	265,077	288,803	284,245	316,512	284,516	344,250	340,588	392,295	332,509	391,264	416,974	401,871	372,829
Normalizing items:																					
Transaction costs	13,682	5,579	28,691	8,264	19,074	65,980	28,136	23,591	15,693	952	7,040	13,554	47,991	48,554	12,491	9,333	40,547	8,208	5,157	19,842	9,704
Loss (gain) on derivatives, net	-	555	(2,676)	409	(113)	2,309	(2,716)	4,872	6	-	351	49	(1,895)	(58,427)	-	-	-	-	-	(2,516)	68
Loss (gain) on extinguishment of debt, net	(979)	-	576	215	(1,566)	(308)	-	(4,068)	3,467	(148)	531	2,692	6,484	15,401	18,887	584	(195)	(24)	33	-	17,204
Provision for loan losses	1,463	-	-	27,008	-	-	-	-	2,110	-	-	-	-	-	-	-	-	-	-	-	10,215
Special stock compensation grants/payments	-	4,316	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CEO transition costs	-	-	-	-	-	-	-	-	-	-	19,688	-	-	-	-	-	-	-	-	-	-
Other expenses	348	215	-	-	-	-	-	-	-	-	-	10,262	-	695	10,583	-	35,648	-	3,161	-	8,838
Additional other income	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,144)	-	-	(3,669)	-	(11,811)	-	(4,853)
Nonrecurring income tax benefits	-	-	-	-	-	-	-	-	-	-	-	(17,426)	-	-	-	(5,430)	-	-	-	-	(15,675)
Preferred stock redemption charge	-	-	6,242	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Normalizing items attributable to noncontrolling interests and unconsolidated entities, net	-	-	-	-	-	-	(11)	(1,847)	(127)	105	4,502	488	566	1,334	1,151	(312)	(2,485)	1,518	921	1,575	3,214
Funds from operations - normalized	\$168,912	\$174,522	\$190,764	\$206,621	\$222,442	\$238,859	\$256,075	\$280,811	\$286,226	\$289,712	\$316,357	\$326,131	\$337,662	\$349,663	\$383,700	\$396,470	\$402,355	\$400,966	\$414,435	\$420,772	\$401,544
Average common shares outstanding:																					
Basic	185,913	199,661	213,498	224,391	259,290	260,036	273,091	286,020	288,133	289,606	296,256	311,117	327,492	336,754	350,399	351,765	353,604	355,076	356,646	358,932	362,088
Diluted	186,529	201,658	215,138	226,258	261,210	262,525	276,481	288,029	289,677	290,917	297,995	312,812	329,130	337,812	351,366	353,107	354,972	356,051	358,891	361,237	364,369
Net income (loss) attributable to common stockholders per share:																					
Basic	\$0.15	\$0.20	\$0.26	\$0.17	\$0.35	\$0.21	\$(0.03)	\$0.07	\$0.04	\$0.17	\$0.24	\$0.44	\$0.58	\$0.57	\$0.89	\$0.52	\$0.38	\$0.42	\$0.55	\$0.93	\$0.92
Diluted	\$0.15	\$0.19	\$0.25	\$0.16	\$0.35	\$0.21	\$(0.03)	\$0.07	\$0.04	\$0.17	\$0.24	\$0.44	\$0.57	\$0.56	\$0.89	\$0.52	\$0.37	\$0.42	\$0.54	\$0.93	\$0.91
Funds from operations - NAREIT per share:																					
Basic	\$0.83	\$0.82	\$0.74	\$0.76	\$0.79	\$0.66	\$0.84	\$0.90	\$0.92	\$1.00	\$0.96	\$1.02	\$0.87	\$1.02	\$0.97	\$1.12	\$0.94	\$1.10	\$1.17	\$1.12	\$1.03
Diluted	\$0.83	\$0.81	\$0.73	\$0.75	\$0.78	\$0.65	\$0.83	\$0.90	\$0.92	\$0.99	\$0.95	\$1.01	\$0.86	\$1.02	\$0.97	\$1.11	\$0.94	\$1.10	\$1.16	\$1.11	\$1.02
Funds from operations - normalized per share:																					
Basic	\$0.91	\$0.87	\$0.89	\$0.92	\$0.86	\$0.92	\$0.94	\$0.98	\$0.99	\$1.00	\$1.07	\$1.05	\$1.03	\$1.04	\$1.10	\$1.13	\$1.14	\$1.13	\$1.16	\$1.17	\$1.11
Diluted	\$0.91	\$0.87	\$0.89	\$0.91	\$0.85	\$0.91	\$0.93	\$0.97	\$0.99	\$1.00	\$1.06	\$1.04	\$1.03	\$1.04	\$1.09	\$1.12	\$1.13	\$1.13	\$1.15	\$1.16	\$1.10
Rolling four quarter total of normalized FFO per diluted share	\$3.40	\$3.57	\$3.56	\$3.58	\$3.52	\$3.56	\$3.60	\$3.66	\$3.80	\$3.89	\$4.02	\$4.09	\$4.13	\$4.17	\$4.20	\$4.28	\$4.38	\$4.47	\$4.53	\$4.57	\$4.54

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

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

(in millions, except per share data)

	Year Ended December 31, 2017	
	Low	High
<u>FFO Reconciliation:</u>		
Net income attributable to common stockholders	\$967	\$1,003
Losses/impairments (gains) on sales, net ^(1,2)	(316)	(316)
Depreciation and amortization ⁽¹⁾	852	852
Funds from operations - NAREIT	\$1,503	\$1,539
Normalizing items, net ⁽³⁾	10	10
Funds from operations - normalized	\$1,513	\$1,549
<u>Other Items⁽¹⁾</u>		
Net straight-line rent and above/below market rent amortization	\$(59)	\$(59)
Non-cash interest expenses	5	5
Recurring cap-ex, tenant improvements, and lease commissions	(71)	(71)
Stock-based compensation	18	18
<u>Amounts per fully diluted share:</u>		
Net income attributable to common stockholders	\$2.65	\$2.75
Funds from operations - NAREIT	4.12	4.22
Funds from operations - normalized	4.15	4.25

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

(2) Includes estimated gains on projected dispositions.

(3) Represents expected preferred stock redemption charge for Series J preferred stock.

FAD QUARTERLY RECONCILIATIONS

(in thousands, except per share information)

	Three Months Ended				
	December 31, 2015	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016
Funds Available for Distribution:					
Net income (loss) attributable to common stockholders	\$132,931	\$148,969	\$195,474	\$334,910	\$333,042
Depreciation and amortization	222,809	228,696	226,569	218,061	227,916
Losses/impairments (gains) on properties, net	(31,385)	14,314	(1,530)	(152,645)	(186,978)
Noncontrolling interests ⁽¹⁾	(8,974)	(15,551)	(18,639)	(13,396)	(16,035)
Unconsolidated entities ⁽²⁾	14,823	16,232	15,740	16,692	14,915
Gross straight-line rental income	(31,002)	(30,247)	(27,537)	(27,538)	(22,949)
Amortization related to above (below) market leases, net	1,155	230	101	31	(40)
Non-cash interest expense	2,878	(599)	1,519	543	216
Cap ex, tenant improvements, lease commissions	(19,993)	(12,265)	(16,089)	(19,701)	(18,277)
Funds available for distribution	283,242	349,779	375,608	356,957	331,810
Normalizing items:					
Transaction costs	40,547	8,208	5,157	19,842	9,704
Loss (gain) on derivatives, net	-	-	-	(2,516)	68
Loss (gain) on extinguishment of debt, net	(195)	(24)	33	-	17,204
Provision for loan losses	-	-	-	-	10,215
Nonrecurring income tax benefits	-	-	-	-	(15,675)
Other expenses	35,648	-	3,161	-	8,838
Additional other income	(3,669)	-	(11,811)	-	(4,853)
Normalizing items attributable to noncontrolling interests and unconsolidated entities, net	(2,485)	1,518	921	1,575	3,214
Funds available for distribution - normalized	\$353,088	\$359,481	\$373,069	\$375,858	\$360,525
Average common shares outstanding:					
Basic	353,604	355,076	356,646	358,932	362,088
Diluted	354,972	356,051	358,891	361,237	364,369
Net income (loss) attributable to common stockholders per share:					
Basic	\$0.38	\$0.42	\$0.55	\$0.93	\$0.92
Diluted	\$0.37	\$0.42	\$0.54	\$0.93	\$0.91
Funds available for distribution per share:					
Basic	\$0.80	\$0.99	\$1.05	\$0.99	\$0.92
Diluted	\$0.80	\$0.98	\$1.05	\$0.99	\$0.91
Funds available for distribution - normalized per share:					
Basic	\$1.00	\$1.01	\$1.05	\$1.05	\$1.00
Diluted	\$0.99	\$1.01	\$1.04	\$1.04	\$0.99
Funds Available for Distribution Payout Ratio:					
Dividends per common share	\$0.825	\$0.86	\$0.86	\$0.86	\$0.86
Diluted funds available for distribution per share	\$0.80	\$0.98	\$1.05	\$0.99	\$0.91
FAD payout ratio	103%	88%	82%	87%	95%
Funds Available for Distribution - Normalized Payout Ratio:					
Dividends per common share	\$0.825	\$0.86	\$0.86	\$0.86	\$0.86
Diluted funds available for distribution - normalized per share	\$0.99	\$1.01	\$1.04	\$1.04	\$0.99
FAD - normalized payout ratio	83%	85%	83%	83%	87%

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

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

FAD ANNUAL RECONCILIATIONS

(in thousands, except per share information)

	Year Ended				
	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016
Funds Available for Distribution:					
Net income (loss) attributable to common stockholders	\$221,884	\$78,714	\$446,745	\$818,344	\$1,012,397
Depreciation and amortization	533,585	873,960	844,130	826,240	901,242
Losses/impairments (gains) on properties, net	(71,262)	(49,138)	(153,522)	(278,167)	(326,840)
Noncontrolling interests ⁽¹⁾	(17,871)	(32,031)	(32,978)	(36,275)	(63,624)
Unconsolidated entities ⁽²⁾	25,437	43,422	68,718	74,336	63,579
Gross straight-line rental income	(52,322)	(58,880)	(88,073)	(122,893)	(108,271)
Amortization related to above (below) market leases, net	873	217	739	4,018	322
Non-cash interest expense	11,395	4,142	2,427	2,586	1,681
Cap ex, tenant improvements, lease commissions	(45,175)	(60,984)	(59,134)	(64,458)	(66,332)
Funds available for distribution	606,544	799,422	1,029,052	1,223,731	1,414,154
Normalizing items:					
Non-recurring G&A expenses	4,316	-	-	-	-
Transaction costs	61,609	133,401	69,538	110,926	42,910
Loss (gain) on derivatives, net	(1,825)	4,470	(1,495)	(58,427)	(2,448)
Loss (gain) on extinguishment of debt, net	(775)	(909)	9,558	34,677	17,214
Provision for loan losses	27,008	2,110	-	-	10,215
CEO transaction costs	-	-	19,688	-	-
Nonrecurring income tax benefits	-	-	(17,426)	(5,430)	(15,675)
Other expenses	-	-	10,262	46,926	11,998
Held for sale hospital operating expenses	215	-	-	-	-
Additional other income	-	-	-	(5,813)	(16,664)
Preferred stock redemption charge	6,242	-	-	-	-
Normalizing items attributable to noncontrolling interests and unconsolidated entities, net	-	(1,985)	5,661	(312)	7,228
Funds available for distribution - normalized	<u>\$703,334</u>	<u>\$936,509</u>	<u>\$1,124,838</u>	<u>\$1,346,278</u>	<u>\$1,468,932</u>
Average common shares outstanding:					
Basic	224,343	276,929	306,272	348,240	358,275
Diluted	225,953	278,761	307,747	349,424	360,227
Net income (loss) attributable to common stockholders per share:					
Basic	\$0.99	\$0.28	\$1.46	\$2.35	\$2.83
Diluted	\$0.98	\$0.28	\$1.45	\$2.34	\$2.81
Funds available for distribution per share:					
Basic	\$2.70	\$2.89	\$3.36	\$3.51	\$3.95
Diluted	\$2.68	\$2.87	\$3.34	\$3.50	\$3.93
Funds available for distribution - normalized per share:					
Basic	\$3.14	\$3.38	\$3.67	\$3.87	\$4.10
Diluted	\$3.11	\$3.36	\$3.66	\$3.85	\$4.08
Funds Available for Distribution Payout Ratio:					
Dividends per common share	\$2.96	\$3.06	\$3.18	\$3.30	\$3.44
Diluted funds available for distribution per share	\$2.68	\$2.87	\$3.34	\$3.50	\$3.93
FAD payout ratio	<u>110%</u>	<u>107%</u>	<u>95%</u>	<u>94%</u>	<u>88%</u>
Funds Available for Distribution - Normalized Payout Ratio:					
Dividends per common share	\$2.96	\$3.06	\$3.18	\$3.30	\$3.44
Diluted funds available for distribution - normalized per share	\$3.11	\$3.36	\$3.66	\$3.85	\$4.08
FAD - normalized payout ratio	<u>95%</u>	<u>91%</u>	<u>87%</u>	<u>86%</u>	<u>84%</u>

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

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

Net operating income (NOI) is used to evaluate the operating performance of our properties. 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, marketing, housekeeping, food service, maintenance, utilities, property taxes and insurance. General and administrative expenses represent costs unrelated to property operations or transaction costs. These expenses include, but are not limited to, payroll and benefits, professional services, office expenses and depreciation of corporate fixed assets.

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

Revenues per occupied room (REVPOR) is used to evaluate the revenue-generating capacity and profit potential of our seniors housing operating portfolio independent of fluctuating occupancy rates. It is calculated as total resident fees and services revenues divided by average monthly occupied room days. REVPOR is also used in comparison against industry and competitor statistics, if known, to evaluate the quality of our seniors housing operating portfolio.

Same store NOI (SSNOI) and same store REVPOR (SS REVPOR) are used to evaluate the performance of our properties under a consistent population which eliminates changes in the composition of our portfolio. For purposes of SSNOI and SS REVPOR, same store is generally defined as those revenue-generating properties in the portfolio for the relevant reporting periods. Land parcels, loans and sub-leases as well as any properties acquired, developed/redeveloped, transitioned, sold or classified as held for sale during those periods are excluded from the same store amounts. Normalizers include adjustments that in management's opinion are appropriate in considering SSNOI and SS REVPOR, which are supplemental, non-GAAP performance measures. None of these adjustments, which may increase or decrease SSNOI and SS REVPOR, are reflected in the company's 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.

We believe NOI, IPNOI, SSNOI, REVPOR and SS REVPOR 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 these metrics to make decisions about resource allocations and to assess the property level performance of our properties.

NOI QUARTERLY RECONCILIATION

(dollars in thousands at Welltower pro rata ownership)

	Three Months Ended				
	December 31, 2015	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016
Revenues:					
Seniors housing triple-net					
Rental income	\$152,690	\$153,929	\$155,700	\$153,923	\$153,350
Interest income	10,003	9,345	9,367	9,098	8,736
Other income	284	465	191	367	454
Total revenues	162,977	163,739	165,258	163,388	162,540
Long-term/post-acute care					
Rental income	126,070	128,691	130,059	130,758	100,444
Interest income	11,761	13,508	12,603	13,919	13,899
Other income	763	1,024	1,014	1,256	1,288
Total revenues	138,594	143,223	143,676	145,933	115,631
Seniors housing operating					
Resident fees and service	579,530	589,835	598,621	613,252	640,663
Interest income	1,054	1,031	1,042	1,054	1,054
Other income	1,038	2,169	8,902	695	4,150
Total revenues	581,622	593,035	608,565	615,001	645,867
Outpatient medical ⁽¹⁾					
Rental income	123,200	123,625	127,076	126,595	125,872
Interest income	1,372	1,304	994	1,009	-
Other income	4,020	313	-	254	510
Total revenues	128,592	125,242	128,070	127,858	126,382
Hospital, Life science, Corporate and Land ⁽¹⁾					
Rental income	2,790	-	-	-	145
Other income	1,008	58	4,607	189	255
Total revenues	3,798	58	4,607	189	400
Total					
Rental income	404,750	406,245	412,835	411,276	379,811
Resident fees and service	579,530	589,835	598,621	613,252	640,663
Interest income	24,190	25,188	24,006	25,080	23,689
Other income	7,113	4,029	14,714	2,761	6,657
Total revenues	1,015,583	1,025,297	1,050,176	1,052,369	1,050,820
Property operating expenses:					
Seniors housing operating	393,870	398,623	404,388	418,116	439,340
Outpatient medical	36,347	38,045	38,191	38,731	39,161
Hospital, Life science, Corporate and Land	19	13	47	14	517
Total property operating expenses	430,236	436,681	442,626	456,861	479,018
Net operating income:					
Seniors housing triple-net	162,977	163,739	165,258	163,388	162,540
Long-term/post-acute care	138,594	143,223	143,676	145,933	115,631
Seniors housing operating	187,752	194,412	204,177	196,885	206,527
Outpatient medical	92,245	87,197	89,879	89,127	87,221
Hospital, Life science, Corporate and Land	3,779	45	4,560	175	(117)
Net operating income	\$585,347	\$588,616	\$607,550	\$595,508	\$571,802
Consolidated total revenues	\$1,029,484	\$1,047,050	\$1,076,657	\$1,079,133	\$1,078,321
Consolidated operating expenses	438,738	449,636	458,832	473,680	494,835
Consolidated net operating income	590,746	597,414	617,825	605,453	583,486
Pro rata adjustments ⁽²⁾	(5,399)	(8,798)	(10,275)	(9,945)	(11,684)
Pro rata net operating income (NOI)	\$585,347	\$588,616	\$607,550	\$595,508	\$571,802

(1) During the quarter ended March 31, 2016, four properties were reclassified from Hospitals to the Outpatient Medical category. Accordingly, all periods have been restated to reflect the current classifications.

(2) Represents NOI amounts attributable to joint venture partners, both majority and minority, net.

NOI ANNUAL RECONCILIATION

(dollars in thousands at Welltower pro rata ownership)

	Year Ended				
	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016
Revenues:					
Seniors housing triple-net					
Rental income	\$372,960	\$432,648	\$519,741	\$585,250	\$616,901
Interest income	16,156	14,378	18,502	35,929	36,547
Other income	1,495	1,331	556	1,467	1,477
Total revenues	390,611	448,357	538,799	622,646	654,925
Long-term/post-acute care ⁽¹⁾					
Rental income	415,439	393,899	437,682	493,688	489,953
Interest income	11,621	11,833	12,571	38,178	53,929
Other income	952	139	2,392	5,331	4,582
Total revenues	428,012	405,871	452,645	537,197	548,464
Seniors housing operating					
Resident fees and services	692,696	1,659,586	1,919,947	2,167,960	2,442,371
Interest income	6,208	757	2,119	4,181	4,180
Other income	-	397	3,161	6,005	15,916
Total revenues	698,904	1,660,740	1,925,227	2,178,146	2,462,467
Outpatient medical ⁽¹⁾					
Rental income	322,625	367,651	408,160	483,603	503,168
Interest income	2,181	3,683	3,292	5,854	3,307
Other income	1,887	1,908	1,022	4,683	1,077
Total revenues	326,693	373,242	412,474	494,140	507,552
Hospital, Life science, Corporate and Land ⁽¹⁾					
Rental income	86,374	88,784	71,765	30,477	145
Interest income	2,877	2,004	1,182	-	-
Other income	694	321	701	1,162	5,109
Total revenues	89,945	91,109	73,648	31,639	5,254
Total					
Rental income	1,197,398	1,282,982	1,437,348	1,593,018	1,610,167
Resident fees and services	692,696	1,659,586	1,919,947	2,167,960	2,442,371
Interest income	39,043	32,655	37,666	84,141	97,963
Other income	5,028	4,096	7,832	18,649	28,161
Total revenues	1,934,165	2,979,319	3,402,793	3,863,768	4,178,662
Property operating expenses:					
Long-term/post-acute care	745	635	274	-	-
Seniors housing operating	467,600	1,119,280	1,280,636	1,465,958	1,660,467
Outpatient medical	97,971	118,031	134,018	147,953	154,128
Hospital, Life science, Corporate and Land	14,217	16,031	15,657	7,844	591
Total property operating expenses	580,533	1,253,977	1,430,585	1,621,755	1,815,186
Net operating income:					
Seniors housing triple-net	390,611	448,357	538,799	622,646	654,925
Long-term/post-acute care	427,267	405,236	452,371	537,197	548,464
Seniors housing operating	231,304	541,460	644,591	712,189	802,000
Outpatient medical	228,722	255,211	278,456	346,187	353,424
Hospital, Life science, Corporate and Land	75,728	75,078	57,991	23,794	4,663
Net operating income	\$1,353,632	\$1,725,342	\$1,972,208	\$2,242,013	\$2,363,476
Consolidated total revenues	\$1,901,422	\$2,898,986	\$3,343,546	\$3,859,826	\$4,281,160
Consolidated operating expenses	572,471	1,210,209	1,403,358	1,622,257	1,876,983
Consolidated net operating income	1,328,951	1,688,777	1,940,188	2,237,569	2,404,177
Pro rata adjustments ⁽²⁾	24,681	36,565	32,020	4,444	(40,701)
Pro rata net operating income (NOI)	\$1,353,632	\$1,725,342	\$1,972,208	\$2,242,013	\$2,363,476

(1) During the quarter ended December 31, 2014, certain properties were reclassified from Hospitals to the newly named Long-Term/Post-Acute Care category, which was previously called Skilled Nursing/Post-Acute. In addition, during the quarter ended March 31, 2016, four properties were reclassified from Hospitals to the Outpatient Medical category. Accordingly, all periods have been restated to reflect the current classifications.

(2) Represents NOI amounts attributable to joint venture partners, both majority and minority, net.

SAME STORE NOI RECONCILIATIONS

(dollars in thousands at Welltower pro rata ownership)

	Three Months Ended						Y/o/Y
	December 31, 2015	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016		
Seniors housing triple-net							
NOI ⁽¹⁾	\$ 162,977	\$ 163,739	\$ 165,258	\$ 163,388	\$ 162,540		
Non-cash NOI on same store properties	(5,783)	(5,285)	(5,109)	(4,674)	(4,105)		
NOI attributable to non-same store properties	(32,828)	(34,160)	(35,307)	(34,316)	(33,065)		
Currency and ownership adjustments ⁽²⁾	(3,103)	(2,310)	(2,374)	(1,271)	(649)		
Normalizing adjustments for rent reallocations ⁽³⁾	179	179	186	186	62		
SSNOI	121,442	122,163	122,654	123,313	124,783		2.8%
Long-term/post-acute care							
NOI ⁽¹⁾	138,594	143,223	143,676	145,933	115,631		
Non-cash NOI on same store properties	(11,931)	(12,131)	(10,249)	(10,215)	(9,872)		
NOI attributable to non-same store properties	(55,632)	(59,941)	(60,486)	(62,538)	(34,179)		
Currency and ownership adjustments ⁽²⁾	(9,737)	(9,695)	(10,120)	(10,101)	(9,091)		
Normalizing adjustments for rent reallocations ⁽³⁾	(1,901)	(1,901)	(1,935)	(1,936)	(1,133)		
SSNOI	59,393	59,555	60,886	61,143	61,356		3.3%
Seniors housing operating							
NOI ⁽¹⁾	187,752	194,412	204,177	196,885	206,527		
Non-cash NOI on same store properties	138	445	111	1,167	(5)		
NOI attributable to non-same store properties	(15,118)	(17,525)	(16,493)	(20,136)	(32,746)		
Currency and ownership adjustments ⁽²⁾	(621)	1,423	(527)	1,602	3,259		
Normalizing adjustment for payroll accruals ⁽⁴⁾	-	-	3,469	-	-		
Normalizing adjustment for workers comp ⁽⁵⁾	-	-	(1,682)	-	-		
Normalizing adjustment for technology costs ⁽⁶⁾	964	-	761	1,319	-		
Normalizing adjustment for legal fees ⁽⁷⁾	1,206	-	-	-	296		
Normalizing adjustment for insurance reimbursements ⁽⁸⁾	39	(1,025)	(7,654)	-	-		
Other normalizing adjustments ⁽⁹⁾	-	(710)	(89)	-	-		
SSNOI	174,360	177,020	182,073	180,837	177,331		1.7%
Outpatient medical							
NOI ⁽¹⁾	92,245	87,197	89,879	89,127	87,221		
Non-cash NOI on same store properties	(3,586)	(2,972)	(2,921)	(2,868)	(2,103)		
NOI attributable to non-same store properties	(7,551)	(3,926)	(4,804)	(4,504)	(2,833)		
Currency and ownership adjustments ⁽²⁾	414	750	265	858	909		
SSNOI	81,522	81,049	82,419	82,613	83,194		2.1%
Hospital, Life Science, Corporate & Land							
NOI ⁽¹⁾	3,779	45	4,560	175	(117)		
NOI attributable to non-same store properties	(3,779)	(45)	(4,560)	(175)	117		
SSNOI	-	-	-	-	-		
Total							
NOI ⁽¹⁾	585,347	588,616	607,550	595,508	571,802		
Non-cash NOI on same store properties	(21,162)	(19,943)	(18,168)	(16,590)	(16,085)		
NOI attributable to non-same store properties	(114,908)	(115,597)	(121,650)	(121,669)	(102,706)		
Currency and ownership adjustments	(13,047)	(9,832)	(12,756)	(8,912)	(5,572)		
Normalizing adjustments, net	487	(3,457)	(6,944)	(431)	(775)		
SSNOI	\$ 436,717	\$ 439,787	\$ 448,032	\$ 447,906	\$ 446,664		2.3%

(1) See page 11 for calculation of NOI.

(2) Includes adjustments to reflect consistent ownership percentages, to translate Canadian properties at a USD/CAD rate of 1.3495 and to translate UK properties at a GBP/USD rate of 1.4950.

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

(4) Represents payroll costs incurred for prior periods.

(5) Represents a change in estimate for workers compensation liabilities.

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

(7) Represents legal fees associated with a class action lawsuit related to certain California properties.

(8) Represents proceeds received from insurance claims at one property.

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

(dollars in thousands at Welltower pro rata ownership)

	Seniors Housing Triple-Net	Long-Term /Post-Acute Care	Seniors Housing Operating	Outpatient Medical	Hospital, Life Science, Corporate & Land	Total
Three months ended December 31, 2016:						
Revenues	\$ 162,540	\$ 115,631	\$ 645,867	\$ 126,382	\$ 400	\$ 1,050,820
Property operating expenses	-	-	(439,340)	(39,161)	(517)	(479,018)
Net operating income⁽¹⁾	\$ 162,540	\$ 115,631	\$ 206,527	\$ 87,221	\$ (117)	\$ 571,802
Adjust:						
Interest income	(8,736)	(13,899)	(1,054)	-	-	(23,689)
Other income	(454)	(1,288)	(4,150)	(510)	(255)	(6,657)
Sold / held for sale	(17,211)	(30,304)	(536)	(560)	-	(48,611)
Non In-Place NOI ⁽²⁾	(4,833)	(7,124)	793	(2,319)	372	(13,111)
Timing adjustments ⁽³⁾	2,472	1,932	4,153	830	-	9,387
In-Place NOI	\$ 133,778	\$ 64,948	\$ 205,733	\$ 84,662	\$ -	\$ 489,121
Annualized In-Place NOI	\$ 535,112	\$ 259,792	\$ 822,932	\$ 338,648	\$ -	\$ 1,956,484

(1) See page 11 for calculation of NOI.

(2) Primarily represents non-cash NOI.

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

SHO SSNOI/UNIT RECONCILIATION

(dollars in thousands, except per unit amounts, at pro rata ownership)

	1Q16		2Q16		3Q16		4Q16		TTM	
Total:										
SHO pro rata NOI ⁽¹⁾	\$	194,412	\$	204,177	\$	196,885	\$	206,527	\$	802,001
Adjustments ⁽²⁾		(17,392)		(22,104)		(16,047)		(29,196)		(84,739)
Total SSNOI	\$	177,020	\$	182,073	\$	180,838	\$	177,331	\$	717,262
Average units in service ⁽³⁾										35,058
SSNOI per unit in USD									\$	20,460
United States:										
Total SHO SSNOI	\$	177,020	\$	182,073	\$	180,838	\$	177,331	\$	717,262
Adjustments ⁽²⁾		(51,478)		(51,699)		(52,343)		(51,111)		(206,631)
Total local SSNOI	\$	125,542	\$	130,374	\$	128,495	\$	126,220	\$	510,631
Average units in service ⁽³⁾										21,778
SSNOI per unit in USD									\$	23,447
United Kingdom:										
Total SHO SSNOI	\$	177,020	\$	182,073	\$	180,838	\$	177,331	\$	717,262
Adjustments ⁽²⁾		(154,900)		(160,311)		(159,093)		(156,164)		(630,468)
Total local SSNOI	\$	22,120	\$	21,762	\$	21,745	\$	21,167	\$	86,794
Average units in service ⁽³⁾										2,683
SSNOI per unit in USD									\$	32,350
SSNOI per unit in GBP ⁽⁴⁾									£	21,639
Canada:										
Total SHO SSNOI	\$	177,020	\$	182,073	\$	180,838	\$	177,331	\$	717,262
Adjustments ⁽²⁾		(147,662)		(152,136)		(150,240)		(147,388)		(597,426)
Total local SSNOI	\$	29,358	\$	29,937	\$	30,598	\$	29,943	\$	119,836
Average units in service ⁽³⁾										10,597
SSNOI per unit in USD									\$	11,309
SSNOI per unit in CAD ⁽⁴⁾									C\$	15,261

(1) Represents total SHO NOI at Welltower pro rata ownership. See page 11.

(2) Represents NOI not derived from local country properties or from non-SS properties, as well as non-cash NOI, currency and ownership adjustments, and normalizing adjustments for local country properties. See page 10 for descriptions of non-SSNOI items.

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

(4) Based on GBP/USD rate of 1.4950 and USD/CAD rate of 1.3495.

(dollars in thousands, except REVPOR)

	<u>Total Portfolio</u>	<u>United States</u>	<u>United Kingdom</u>	<u>Canada</u>
Three months ended December 31, 2016:				
Consolidated revenues	\$ 663,594	\$ 663,594	\$ 663,594	\$ 663,594
Unconsolidated revenues attributable to Welltower ⁽¹⁾	40,380	40,380	40,380	40,380
Less revenues attributable to noncontrolling interests ⁽²⁾	(58,107)	(58,107)	(58,107)	(58,107)
Less revenues attributable to held for sale properties	(2,018)	(2,018)	(2,018)	(2,018)
Total revenues at Welltower pro rata ownership	\$ 643,849	\$ 643,849	\$ 643,849	\$ 643,849
Less interest and other income	(5,204)	(5,204)	(5,204)	(5,204)
Adjustment for standardized currency rate ⁽³⁾	11,850	-	12,934	(1,084)
Less revenues not derived in country	-	(164,168)	(574,975)	(538,147)
Total local revenues	\$ 650,495	\$ 474,477	\$ 76,604	\$ 99,414
Average occupied units/month	38,348	23,223	2,684	12,441
REVPOR/month in USD	\$ <u>5,608</u>	\$ <u>6,755</u>	\$ <u>9,437</u>	\$ <u>2,642</u>
REVPOR/month in local currency ⁽³⁾			£ <u>6,312</u>	C\$ <u>3,565</u>

(1) Represents Welltower's interest in joint venture properties where Welltower is the minority partner.

(2) Represents minority partners' share in joint venture properties where Welltower is the majority partner.

(3) Based on USD/CAD rate of 1.3495 and GBP/USD rate of 1.4950.

SS REVPOR GROWTH RECONCILIATION

(dollars in thousands, except REVPOR)

	1Q15	1Q16	2Q15	2Q16	3Q15	3Q16	4Q15	4Q16	Avg.
Total:									
Consolidated SHO revenues ⁽¹⁾	\$ 494,561	\$ 605,369	\$ 539,805	\$ 625,251	\$ 547,081	\$ 631,787	\$ 586,826	\$ 663,594	
Pro rata adjustments ⁽²⁾	10,762	(12,334)	4,137	(16,686)	178	(16,786)	(5,204)	(17,727)	
SHO pro rata revenues ⁽³⁾	505,323	593,035	543,942	608,565	547,259	615,001	581,622	645,867	
Adjustments ⁽⁴⁾	(23,726)	(88,286)	(20,996)	(60,111)	(15,162)	(57,459)	(40,212)	(83,860)	
SHO SS revenues ⁽⁵⁾	\$ 481,597	\$ 504,749	\$ 522,946	\$ 548,454	\$ 532,097	\$ 557,542	\$ 541,410	\$ 562,007	
Avg. occupied units/month ⁽⁸⁾	27,939	28,100	30,871	31,203	31,152	31,381	31,672	31,533	
SHO SS REVPOR ⁽⁹⁾	\$ 5,762	\$ 6,004	\$ 5,662	\$ 5,875	\$ 5,647	\$ 5,874	\$ 5,652	\$ 5,893	
SS REVPOR growth		4.2%		3.8%		4.0%		4.3%	4.1%
United States:									
SHO SS revenues ⁽⁵⁾	\$ 481,597	\$ 504,749	\$ 522,946	\$ 548,454	\$ 532,097	\$ 557,542	\$ 541,410	\$ 562,007	
Less non-US SS revenues ⁽⁶⁾	(122,088)	(128,295)	(139,144)	(147,992)	(136,214)	(145,231)	(140,958)	(149,414)	
US SHO revenues ⁽⁷⁾	\$ 359,509	\$ 376,454	\$ 383,802	\$ 400,462	\$ 395,883	\$ 412,311	\$ 400,452	\$ 412,593	
Avg. occupied units/month ⁽⁸⁾	18,024	18,027	19,088	19,113	19,468	19,399	19,651	19,346	
US SHO SS REVPOR ⁽⁹⁾	\$ 6,667	\$ 6,980	\$ 6,720	\$ 7,003	\$ 6,723	\$ 7,027	\$ 6,737	\$ 7,051	
US SS REVPOR growth		4.7%		4.2%		4.5%		4.7%	4.5%
United Kingdom:									
SHO SS revenues ⁽⁵⁾	\$ 481,597	\$ 504,749	\$ 522,946	\$ 548,454	\$ 532,097	\$ 557,542	\$ 541,410	\$ 562,007	
Less non-UK SS revenues ⁽⁶⁾	(415,574)	(435,225)	(456,676)	(477,986)	(470,241)	(490,896)	(478,343)	(493,622)	
UK SHO revenues ⁽⁷⁾	\$ 66,023	\$ 69,524	\$ 66,270	\$ 70,468	\$ 61,856	\$ 66,646	\$ 63,067	\$ 68,385	
Avg. occupied units/month ⁽⁸⁾	2,437	2,477	2,447	2,507	2,243	2,334	2,282	2,391	
UK SHO SS REVPOR ⁽⁹⁾	\$ 9,057	\$ 9,383	\$ 9,051	\$ 9,396	\$ 9,117	\$ 9,440	\$ 9,136	\$ 9,456	
UK SS REVPOR growth		3.6%		3.8%		3.5%		3.5%	3.6%
Canada:									
SHO SS revenues ⁽⁵⁾	\$ 481,597	\$ 504,749	\$ 522,946	\$ 548,454	\$ 532,097	\$ 557,542	\$ 541,410	\$ 562,007	
Less non-CA SS revenues ⁽⁶⁾	(425,532)	(445,978)	(450,072)	(470,930)	(457,739)	(478,957)	(463,519)	(480,978)	
CA SHO revenues ⁽⁷⁾	\$ 56,065	\$ 58,771	\$ 72,874	\$ 77,524	\$ 74,358	\$ 78,585	\$ 77,891	\$ 81,029	
Avg. occupied units/month ⁽⁸⁾	7,478	7,596	9,336	9,583	9,441	9,648	9,739	9,796	
CA SHO SS REVPOR ⁽⁹⁾	\$ 2,506	\$ 2,586	\$ 2,609	\$ 2,704	\$ 2,604	\$ 2,693	\$ 2,644	\$ 2,735	
CA SS REVPOR growth		3.2%		3.6%		3.4%		3.4%	3.4%

(1) Represents total consolidated revenues per U.S. GAAP which agree to or are derived from the relevant 10-Q/K.

(2) Represents amounts attributable to joint venture partners, both majority and minority.

(3) Represents total SHO revenues at Welltower pro rata ownership.

(4) Represents revenues not derived from local country properties or from non-SS properties, as well as non-cash revenues, currency and ownership adjustments, and normalizing adjustments for local country properties.

(5) Represents SS SHO revenues at Welltower pro rata ownership.

(6) Represents pro rata SS revenues derived outside the referenced country.

(7) Represents pro rata SS revenues derived solely from referenced country.

(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 related solely to the referenced country.

SSNOI GROWTH RECONCILIATION

(dollars in thousands)

	1Q15	1Q16	2Q15	2Q16	3Q15	3Q16	4Q15	4Q16	Avg.
Total:									
SHO pro rata NOI ⁽¹⁾	\$ 161,296	\$ 194,412	\$ 181,936	\$ 204,177	\$ 181,306	\$ 196,885	\$ 187,752	\$ 206,527	
Adjustments ⁽²⁾	(7,600)	(32,206)	(8,915)	(24,256)	(4,931)	(16,713)	(13,392)	(29,196)	
SHO pro rata SSNOI ⁽³⁾	\$ 153,696	\$ 162,206	\$ 173,021	\$ 179,921	\$ 176,375	\$ 180,172	\$ 174,360	\$ 177,331	
SHO SSNOI growth		5.5%		4.0%		2.2%		1.7%	3.4%
United States:									
SHO pro rata SSNOI ⁽³⁾	\$ 153,696	\$ 162,206	\$ 173,021	\$ 179,921	\$ 176,375	\$ 180,172	\$ 174,360	\$ 177,331	
Less non-US SSNOI ⁽⁴⁾	(43,568)	(46,458)	(49,682)	(52,244)	(50,418)	(51,805)	(49,038)	(51,111)	
US SHO SSNOI ⁽⁵⁾	\$ 110,128	\$ 115,748	\$ 123,339	\$ 127,677	\$ 125,957	\$ 128,367	\$ 125,322	\$ 126,220	
US SHO SSNOI growth		5.1%		3.5%		1.9%		0.7%	2.8%
United Kingdom:									
SHO pro rata SSNOI ⁽³⁾	\$ 153,696	\$ 162,206	\$ 173,021	\$ 179,921	\$ 176,375	\$ 180,172	\$ 174,360	\$ 177,331	
Less non-UK SSNOI ⁽⁴⁾	(131,390)	(138,548)	(150,882)	(157,185)	(154,923)	(158,428)	(154,023)	(156,164)	
UK SHO SSNOI ⁽⁵⁾	\$ 22,306	\$ 23,658	\$ 22,139	\$ 22,736	\$ 21,452	\$ 21,744	\$ 20,337	\$ 21,167	
UK SHO SSNOI growth		6.1%		2.7%		1.4%		4.1%	3.6%
Canada:									
SHO pro rata SSNOI ⁽³⁾	\$ 153,696	\$ 162,206	\$ 173,021	\$ 179,921	\$ 176,375	\$ 180,172	\$ 174,360	\$ 177,331	
Less non-CA SSNOI ⁽⁴⁾	(132,434)	(139,406)	(145,478)	(150,413)	(147,409)	(150,111)	(145,659)	(147,388)	
CA SHO SSNOI ⁽⁵⁾	\$ 21,262	\$ 22,800	\$ 27,543	\$ 29,508	\$ 28,966	\$ 30,061	\$ 28,701	\$ 29,943	
CA SHO SSNOI growth		7.2%		7.1%		3.8%		4.3%	5.6%

Notes:

- (1) Represents total SHO NOI at Welltower pro rata ownership. See page 11.
- (2) Represents NOI not derived from non-SS properties, as well as non-cash NOI, currency and ownership adjustments, and normalizing adjustments for SS properties. See page 10 for descriptions of non-SSNOI items.
- (3) Represents SHO SSNOI at Welltower pro rata ownership.
- (4) Represents pro rata SSNOI derived outside the referenced country.
- (5) Represents pro rata SSNOI derived solely from referenced country.

OUTPATIENT MEDICAL NOI RECONCILIATIONS

(dollars in thousands, except per square foot)

	Three months ended		
	12/31/2016		
	Total	Non Core ⁽³⁾	Core
OM revenues ⁽¹⁾	\$126,382	\$(1,067)	\$125,315
OM operating expenses ⁽¹⁾	(39,161)	508	(38,653)
OM NOI ⁽¹⁾	\$87,221	\$(559)	\$86,662
OM NOI margin			69.2%
OM NOI ⁽¹⁾			\$86,662
Less: In-Place NOI adjustments ⁽¹⁾			(2,000)
OM In-Place NOI ⁽¹⁾			84,662
OM In-Place NOI Annualized ⁽¹⁾			\$338,648
OM pro rata NOI ⁽¹⁾			\$86,662
Less: Interest Income			-
OM pro rata rental NOI			\$86,662
Total square feet			17,025,987
Less: loans, development, held for sale			(747,794)
Pro rata adjustments ⁽²⁾			(739,563)
Rental square feet			15,538,630
OM NOI per square foot annualized			\$22.31
OM gross rental NOI			\$86,662
Non health system affiliated NOI			(4,356)
OM health system affiliated NOI			\$82,306
OM health system affiliated NOI %			95.0%

Notes:

(1) Amounts presented on Welltower pro rata ownership basis and excludes assets sold or held for sale. See pages 11 and 14 for a reconciliations of NOI and In-Place NOI.

(2) Represents amounts attributable to joint venture partners, both majority and minority.

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

EBITDA stands for earnings (net income per income statement) before interest expense, income taxes, depreciation and amortization. Covenants in our primary unsecured credit facility and 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 A-EBITDA to include adjustments for stock-based compensation expense, provision for loan losses, gains/losses on extinguishment of debt, transactions costs, gains/losses/impairments on properties, gains/losses on derivatives and other non-recurring and/or non-cash income/charges.

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 ADJUSTED EBITDA QUARTERLY RECONCILIATIONS

(dollars in thousands)

	Three Months Ended				
	December 31, 2015	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016
Net income	\$149,416	\$165,474	\$210,749	\$354,741	\$351,108
Interest expense	131,097	132,960	132,326	129,699	126,360
Income tax expense (benefit)	2,682	(1,725)	(513)	(305)	(16,585)
Depreciation and amortization	222,809	228,696	226,569	218,061	227,916
EBITDA	\$506,004	\$525,405	\$569,131	\$702,196	\$688,799
Transaction costs ⁽¹⁾	40,547	8,208	5,157	19,842	9,704
Stock-based compensation ⁽¹⁾	5,189	8,186	7,031	5,401	8,251
Loss (gain) on extinguishment of debt, net ⁽¹⁾	(195)	(24)	33	-	17,204
Loss/impairment (gain) on properties, net ⁽¹⁾	(31,385)	14,314	(1,530)	(152,646)	(186,978)
Provision for loan losses ⁽¹⁾	-	-	-	-	10,215
Loss / (gain) on derivatives, net ⁽¹⁾	-	-	-	(2,516)	68
Other expenses ⁽¹⁾	35,648	-	1,738	-	5,983
Additional other income ⁽¹⁾	-	-	(11,811)	-	(4,853)
Total adjustments	49,804	30,684	618	(129,919)	(140,406)
Adjusted EBITDA	\$555,808	\$556,089	\$569,749	\$572,277	\$548,393
Interest Coverage Ratios:					
Interest expense	\$131,097	\$132,960	\$132,326	\$129,699	\$126,360
Capitalized interest	2,358	3,037	4,306	4,766	4,834
Non-cash interest expense	(2,878)	599	(1,519)	(543)	(216)
Total interest	\$130,577	\$136,596	\$135,113	\$133,922	\$130,978
EBITDA	\$506,004	\$525,405	\$569,131	\$702,196	\$688,799
Interest coverage ratio	3.88x	3.85x	4.21x	5.24x	5.26x
Adjusted EBITDA	\$555,808	\$556,089	\$569,749	\$572,277	\$548,393
Adjusted interest coverage ratio	4.26x	4.07x	4.22x	4.27x	4.19x
Fixed Charge Coverage Ratios:					
Total interest	\$130,577	\$136,596	\$135,113	\$133,922	\$130,978
Secured debt principal amortization	18,281	18,642	19,096	18,151	18,577
Preferred dividends	16,352	16,352	16,352	16,352	16,352
Total fixed charges	\$165,210	\$171,590	\$170,561	\$168,425	\$165,907
EBITDA	\$506,004	\$525,405	\$569,131	\$702,196	\$688,799
Fixed charge coverage ratio	3.06x	3.06x	3.34x	4.17x	4.15x
Adjusted EBITDA	\$555,808	\$556,089	\$569,749	\$572,277	\$548,393
Adjusted fixed charge coverage ratio	3.36x	3.24x	3.34x	3.40x	3.31x
Net Debt to Adjusted EBITDA Ratios:					
Total debt	\$12,967,686	\$13,063,198	\$12,973,725	\$13,430,888	\$12,358,245
Less: cash and cash equivalents ⁽²⁾	(484,754)	(355,949)	(466,585)	(456,420)	(557,659)
Net debt	\$12,482,932	\$12,707,249	\$12,507,140	\$12,974,468	\$11,800,586
EBITDA Annualized	2,024,016	2,101,620	2,276,524	2,808,784	2,755,196
Net debt to EBITDA ratio	6.17x	6.05x	5.49x	4.62x	4.28x
Adjusted EBITDA Annualized	\$2,223,232	\$2,224,356	\$2,278,996	\$2,289,108	\$2,193,572
Net debt to Adjusted EBITDA ratio	5.61x	5.71x	5.49x	5.67x	5.38x

(1) 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.

(2) Includes IRC section 1031 deposits, if any. 4Q15 also includes cash received from CPPIB joint venture buy-in subsequent to 12/31/2015.

EBITDA AND ADJUSTED EBITDA ANNUAL RECONCILIATIONS

(dollars in thousands)

	Year Ended				
	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016
Net income	\$294,840	\$138,280	\$512,300	\$888,549	\$1,082,070
Interest expense	383,300	462,606	481,196	492,169	521,345
Income tax expense (benefit)	7,612	7,491	(1,267)	6,451	(19,128)
Depreciation and amortization	533,585	873,960	844,130	826,240	901,242
EBITDA	\$1,219,337	\$1,482,337	\$1,836,359	\$2,213,409	\$2,485,529
Transaction costs ⁽¹⁾	61,609	133,401	69,538	110,926	42,910
Stock-based compensation ⁽¹⁾	18,521	20,177	32,075	30,844	28,869
Loss (gain) on extinguishment of debt, net ⁽¹⁾	(775)	(909)	9,558	34,677	17,214
Loss/impairment (gain) on properties, net ⁽¹⁾	(71,262)	(49,138)	(153,522)	(278,167)	(326,839)
Provision for loan losses ⁽¹⁾	27,008	2,110	-	-	10,215
Loss / (gain) on derivatives, net ⁽¹⁾	(1,825)	4,470	(1,495)	(58,427)	(2,448)
CEO transition costs ⁽¹⁾	-	-	10,465	-	-
Other expenses ⁽¹⁾	-	-	10,262	40,636	7,721
Additional other income ⁽¹⁾	-	-	-	(2,144)	(16,664)
Total adjustments	33,276	110,111	(23,119)	(121,655)	(239,022)
Adjusted EBITDA	\$1,252,613	\$1,592,448	\$1,813,240	\$2,091,754	\$2,246,507
Interest Coverage Ratios:					
Interest expense	\$383,300	\$462,606	\$481,196	\$492,169	\$521,345
Capitalized interest	9,777	6,700	7,150	8,670	16,943
Non-cash interest expense	(11,395)	(4,044)	(2,427)	(2,586)	(1,681)
Total interest	381,682	465,262	485,919	498,253	536,607
EBITDA	\$1,219,337	\$1,482,337	\$1,836,359	\$2,213,409	\$2,485,529
Interest coverage ratio	3.19x	3.19x	3.78x	4.44x	4.63x
Adjusted EBITDA	\$1,252,613	\$1,592,448	\$1,813,240	\$2,091,754	\$2,246,507
Adjusted interest coverage ratio	3.28x	3.42x	3.73x	4.20x	4.19x
Fixed Charge Coverage Ratios:					
Total interest	\$381,682	\$465,262	\$485,919	\$498,253	\$536,607
Secured debt principal amortization	38,744	56,205	62,280	67,064	74,466
Preferred dividends	69,129	66,336	65,408	65,406	65,406
Total fixed charges	489,555	587,803	613,607	630,723	676,479
EBITDA	\$1,219,337	\$1,482,337	\$1,836,359	\$2,213,409	\$2,485,529
Fixed charge coverage ratio	2.49x	2.52x	2.99x	3.51x	3.67x
Adjusted EBITDA	\$1,252,613	\$1,592,448	\$1,813,240	\$2,091,754	\$2,246,507
Adjusted fixed charge coverage ratio	2.56x	2.71x	2.96x	3.32x	3.32x
Net Debt to Adjusted EBITDA Ratios:					
Total debt	\$8,531,899	\$10,652,014	\$10,828,013	\$12,967,686	\$12,358,245
Less: cash and cash equivalents ⁽²⁾	(1,033,764)	(158,780)	(473,726)	(484,754)	(557,659)
Net debt	7,498,135	10,493,234	10,354,287	12,482,932	11,800,586
EBITDA	\$1,219,337	\$1,482,337	\$1,836,359	\$2,213,409	\$2,485,529
Net debt to EBITDA ratio	6.15x	7.08x	5.64x	5.64x	4.75x
Adjusted EBITDA	\$1,252,613	\$1,592,448	\$1,813,240	\$2,091,754	\$2,246,507
Net debt to Adjusted EBITDA ratio	5.99x	6.59x	5.71x	5.97x	5.25x

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

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

EBITDA AND ADJUSTED EBITDA TRAILING TWELVE MONTHS RECONCILIATIONS

(dollars in thousands)

	Twelve Months Ended				
	December 31, 2015	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016
Net income	\$888,549	\$844,606	\$724,894	\$880,380	\$1,082,070
Interest expense	492,169	504,048	517,512	526,082	521,345
Income tax expense (benefit)	6,451	5,030	(2,899)	139	(19,128)
Depreciation and amortization	826,240	866,106	883,873	896,135	901,242
EBITDA	\$2,213,409	\$2,219,790	\$2,123,380	\$2,302,736	\$2,485,529
Transaction costs ⁽¹⁾	110,926	70,579	63,245	73,754	42,910
Stock-based compensation ⁽¹⁾	30,844	29,976	25,883	25,807	28,869
Loss (gain) on extinguishment of debt, net ⁽¹⁾	34,677	19,252	398	(186)	17,214
Loss/impairment (gain) on properties, net ⁽¹⁾	(278,167)	(209,228)	(20,647)	(171,247)	(326,839)
Provision of loan losses ⁽¹⁾	-	-	-	-	10,215
Loss / (gain) on derivatives, net ⁽¹⁾	(58,427)	-	-	(2,516)	(2,448)
Other expenses ⁽¹⁾	40,636	40,636	37,386	37,386	7,721
Additional other income ⁽¹⁾	(2,144)	(2,144)	(13,955)	(11,811)	(16,664)
Total adjustments	(121,655)	(50,929)	92,310	(48,813)	(239,022)
Adjusted EBITDA	\$2,091,754	\$2,168,861	\$2,215,690	\$2,253,923	\$2,246,507
Interest Coverage Ratios:					
Interest expense	\$492,169	\$504,048	\$517,512	\$526,082	\$521,345
Capitalized interest	8,670	9,320	11,566	14,467	16,943
Non-cash interest expense	(2,586)	(1,868)	(7,589)	(4,341)	(1,681)
Total interest	498,253	511,500	521,489	536,208	536,607
EBITDA	\$2,213,409	\$2,219,790	\$2,123,380	\$2,302,736	\$2,485,529
Interest coverage ratio	4.44x	4.34x	4.07x	4.29x	4.63x
Adjusted EBITDA	\$2,091,754	\$2,168,861	\$2,215,690	\$2,253,923	\$2,246,507
Adjusted interest coverage ratio	4.20x	4.24x	4.25x	4.20x	4.19x
Fixed Charge Coverage Ratios:					
Total interest	\$498,253	\$511,500	\$521,489	\$536,208	\$536,607
Secured debt principal amortization	67,064	70,076	71,836	74,170	74,466
Preferred dividends	65,406	65,408	65,408	65,407	65,406
Total fixed charges	630,723	646,984	658,733	675,785	676,479
EBITDA	\$2,213,409	\$2,219,790	\$2,123,380	\$2,302,736	\$2,485,529
Fixed charge coverage ratio	3.51x	3.43x	3.22x	3.41x	3.67x
Adjusted EBITDA	\$2,091,754	\$2,168,861	\$2,215,690	\$2,253,923	\$2,246,507
Adjusted fixed charge coverage ratio	3.32x	3.35x	3.36x	3.34x	3.32x

(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.