

OMEGA HEALTHCARE INVESTORS, INC.
FUNDS FROM OPERATIONS
Unaudited
(In thousands, except per share amounts)

		<u>Three Months Ended September 30, 2016</u>
Net income	\$	82,134
Deduct gain from real estate dispositions		(5,139)
Sub-total.....	\$	<u>76,995</u>
Elimination of non-cash items included in net income:.....		
Depreciation and amortization.....		68,316
Add back non-cash provision for impairments on real estate properties.....		17,275
Funds from operations	\$	<u><u>162,586</u></u>
Weighted-average common shares outstanding, basic.....		194,123
Restricted stock and PRSUs.....		1,093
OP units.....		8,862
Weighted-average common shares outstanding, diluted.....		<u><u>204,078</u></u>
Funds from operations per share	\$	<u><u>0.7967</u></u>
Adjusted funds from operations:		
Funds from operations.....	\$	162,586
Deduct one-time revenue.....		(448)
Deduct non-cash recovery for uncollectible mortgages, notes and accounts receivable.....		(3)
Add back one-time interest refinancing expense.....		1,815
Add back acquisition and merger related costs.....		2,309
Add back stock-based compensation expense.....		3,673
Adjusted funds from operations	\$	<u><u>169,932</u></u>
Adjusted funds from operations per share	\$	<u><u>0.8327</u></u>

Funds From Operations (“FFO”), Adjusted FFO and Funds Available for Distribution (“FAD”) are non-GAAP financial measures. For purposes of the Securities and Exchange Commission’s Regulation G, a non-GAAP financial measure is a numerical measure of a company’s historical or future financial performance, financial position or cash flows that excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable financial measure calculated and presented in accordance with GAAP in the statement of operations, balance sheet or statement of cash flows (or equivalent statements) of the company, or includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable financial measure so calculated and presented. GAAP refers to generally accepted accounting principles in the United States of America. Pursuant to the requirements of Regulation G, the Company has provided reconciliations of the non-GAAP financial measures to the most directly comparable GAAP financial measures.

The Company calculates and reports FFO in accordance with the definition and interpretive guidelines issued by the National Association of Real Estate Investment Trusts (“NAREIT”), and consequently, FFO is defined as net income available to common stockholders, adjusted for the effects of asset dispositions and certain non-cash items, primarily depreciation and amortization and impairments on real estate assets. The Company believes that FFO, Adjusted FFO and FAD are important supplemental measures of its operating performance. Because the historical cost accounting convention used for real estate assets requires depreciation (except on land), such accounting presentation implies that the value of real estate assets diminishes predictably over time, while real estate values instead have historically risen or fallen with market conditions. The term FFO was designed by the real estate industry to address this issue. FFO described herein is not necessarily comparable to FFO of other real estate investment trusts, or REITs, that do not use the same definition or implementation guidelines or interpret the standards differently from the Company.

Adjusted FFO is calculated as FFO available to common stockholders excluding the impact of non-cash stock-based compensation and certain revenue and expense items identified above. FAD is calculated as Adjusted FFO less non-cash interest expense and non-cash revenue, such as straight-line rent. The Company believes these measures provide an enhanced measure of the operating performance of the Company’s core portfolio as a REIT. FAD is calculated as Adjusted FFO less non-cash interest expense and non-cash revenue, such as straight-line rent. The Company’s computation of adjusted FFO and FAD are not comparable to the NAREIT definition of FFO or to similar measures reported by other REITs, but the Company believes that they are appropriate measures for this Company.

EBITDA is defined as earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, amortization, gain or loss on asset sales-net, provisions for impairment and certain non-recurring revenues and expenses.

The Company uses these non-GAAP measures among the criteria to measure the operating performance of its business. The Company also uses Adjusted FFO among the performance metrics for performance-based compensation of officers. The Company further believes that by excluding the effect of depreciation, amortization, impairments on real estate assets and gains or losses from sales of real estate, all of which are based on historical costs and which may be of limited relevance in evaluating current performance, FFO can facilitate comparisons of operating performance between periods and between other REITs. The Company offers these measures to assist the users of its financial statements in analyzing its operating performance and not as measures of liquidity or cash flow. These non-GAAP measures are not measures of financial performance under GAAP and should not be considered as measures of liquidity, alternatives to net income or indicators of any other performance measure determined in accordance with GAAP. Investors and potential investors in the Company’s securities should not rely on these non-GAAP measures as substitutes for any GAAP measure, including net income.

Our ratios of Funded Debt to annualized EBITDA, Funded Debt to adjusted annualized EBITDA and Funded Debt to adjusted pro forma annualized EBITDA as of September 30, 2016 were 5.59x, 5.12x and 4.89x, respectively. EBITDA is defined as earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA eliminates items such as acquisition and merger related costs and stock-based compensation expense and adds back certain non-cash expenses, if any, to EBITDA. Adjusted pro forma EBITDA adds to adjusted EBITDA the incremental EBITDA from new investments made during the 3rd quarter assuming an July 1 purchase date. EBITDA, adjusted EBITDA, adjusted pro forma EBITDA and related ratios are non-GAAP financial measures. Annualized EBITDA, adjusted annualized EBITDA and adjusted pro forma annualized EBITDA assume the current quarter results multiplied by four, and are not projections of future performance. Below is the reconciliation of EBITDA and adjusted EBITDA to net income.

OMEGA HEALTHCARE INVESTORS, INC.
EBITDA RECONCILIATION AND
DEBT COVERAGE RATIO CALCULATION
Unaudited
(In thousands)

	Three Months Ended
	September 30, 2016
Net income.....	\$ 82,134
Depreciation and amortization.....	68,316
Interest.....	47,172
Income taxes.....	81
EBITDA.....	<u>\$ 197,703</u>
Deduct gain on assets sold - net	(5,139)
Deduct non-cash recovery for uncollectible mortgages, notes and accounts receivable.....	(3)
Add back non-cash provision for impairments on real estate properties.....	17,275
Add back acquisition and merger related costs.....	2,309
Add back stock-based compensation expense.....	3,673
Adjusted EBITDA.....	<u>\$ 215,818</u>
Add incremental proforma EBITDA from new investments in 3rd Quarter	10,151
Adjusted proforma EBITDA.....	<u><u>\$ 225,969</u></u>
DEBT	
Revolving line of credit.....	\$ 223,000
Term loans.....	1,100,000
Secured borrowings	55,271
Unsecured borrowings.....	3,073,000
FMV adjustment of assumption of debt	520
Premium/(discount) on unsecured borrowings (net).....	(18,152)
Total debt.....	<u>\$ 4,433,639</u>
Deduct balance sheet cash and cash equivalents.....	(32,567)
Net total debt.....	<u>\$ 4,401,072</u>
Deduct FMV adjustment for assumption of debt	(520)
Add back discount (deduct premium) on unsecured borrowings (net).....	18,152
Adjusted total debt (aka Funded Debt).....	<u><u>\$ 4,418,704</u></u>
Funded Debt / annualized EBITDA	<u><u>5.59 x</u></u>
Funded Debt / adjusted annualized EBITDA	<u><u>5.12 x</u></u>
Funded Debt / adjusted pro forma annualized EBITDA.....	<u><u>4.89 x</u></u>

Our EBITDA to total interest expense ratio, adjusted EBITDA to total interest expense ratio and adjusted EBITDA to fixed charges as of September 30, 2016 were 4.2x, 4.6x and 4.6x, respectively. Fixed charge coverage is the ratio determined by dividing EBITDA by our fixed charges. EBITDA is defined as earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA eliminates items such as acquisition and merger related costs and stock-based compensation expense and adds back certain non-cash expenses, if any, to EBITDA.

Fixed charges consist of interest expense, amortization of other non-cash interest charges, amortization of deferred financing costs and refinancing costs. EBITDA, adjusted EBITDA and interest expense ratio are non-GAAP measures. Below is the reconciliation of EBITDA to net income.

OMEGA HEALTHCARE INVESTORS, INC.
EBITDA RECONCILIATION AND
FIXED CHARGE AND INTEREST COVERAGE RATIO CALCULATION
Unaudited
(In thousands)

	Three Months Ended
	September 30, 2016
Net income.....	\$ 82,134
Depreciation and amortization.....	68,316
Interest.....	47,172
Income taxes.....	81
EBITDA.....	<u>\$ 197,703</u>
Deduct gain on assets sold - net.....	(5,139)
Deduct non-cash recovery for uncollectible mortgages, notes and accounts receivable.....	(3)
Add back non-cash provision for impairments on real estate properties.....	17,275
Add back acquisition and merger related costs.....	2,309
Add back stock-based compensation expense.....	3,673
Adjusted EBITDA.....	<u><u>\$ 215,818</u></u>
FIXED CHARGES.....	
Interest expense.....	\$ 42,855
Amortization of non-cash deferred financing charges.....	2,502
Refinancing costs.....	1,815
Total interest expense.....	<u>\$ 47,172</u>
Add back: capitalized interest.....	1,640
Less: refinancing charges.....	(1,815)
Total fixed charges.....	<u><u>\$ 46,997</u></u>
EBITDA / total interest expense ratio.....	<u><u>4.2 x</u></u>
Adjusted EBITDA / total interest expense ratio.....	<u><u>4.6 x</u></u>
Adjusted EBITDA / fixed charge coverage ratio.....	<u><u>4.6 x</u></u>

OMEGA HEALTHCARE INVESTORS, INC.
FUNDS AVAILABLE FOR DISTRIBUTION

Unaudited

(In thousands, except per share amounts)

		Three Months Ended September 30, 2016
Net income	\$	82,134
Deduct gain on assets sold - net.....		(5,139)
Sub-total.....	\$	76,995
Elimination of non-cash items included in net income:.....		
Depreciation and Amortization.....		68,316
Add back non-cash provision for impairments on real estate properties.....		17,275
Funds from operations	\$	162,586
Adjustments:		
Deduct one-time revenue.....		(448)
Deduct non-cash recovery for uncollectible mortgages, notes and accounts receivable.....		(3)
Add back one-time interest refinancing expense.....		1,815
Add back acquisition and merger related costs.....		2,309
Add back stock-based compensation expense.....		3,673
Adjusted funds from operations	\$	169,932
Adjustments:		
Non-cash interest expense.....		2,555
Capitalized interest		(1,640)
Non-cash revenues		(18,251)
Funds available for distribution (FAD)	\$	152,596
Weighted-average common shares outstanding, basic.....		194,123
Restricted stock and PRSUs.....		1,093
OP units.....		8,862
Weighted-average common shares outstanding, diluted		204,078
FAD per share, diluted	\$	0.7477

Percentages of total debt to book capitalization, adjusted total debt to adjusted book capitalization and adjusted total debt to total market capitalization at September 30, 2016 were 51.5%, 51.6% and 38.1%, respectively. Adjusted total debt is total debt plus the discount or less the premium derived from the sale of unsecured borrowings and fair market value adjustment of assumed debt. Book capitalization is defined as total debt plus stockholders' equity. Adjusted book capitalization is defined as adjusted total debt plus stockholders' equity. Adjusted total debt, adjusted book capitalization and related ratios are non-GAAP financial measures. Total market capitalization is the total market value of our securities as of September 30, 2016 plus adjusted total debt.

OMEGA HEALTHCARE INVESTORS, INC.
BOOK AND MARKET CAPITALIZATION RATIO CALCULATIONS

Unaudited
(In thousands)

	<u>At</u> <u>September 30, 2016</u>
Revolving line of credit.....	\$ 223,000
Term loans.....	1,100,000
Secured borrowings.....	55,271
Unsecured borrowings.....	3,073,000
FMV adjustment of assumption of debt	520
Premium/(discount) unsecured borrowings (net).....	(18,152)
Total debt.....	<u>\$ 4,433,639</u>
Deduct FMV adjustment of assumption of debt	(520)
Add back discount (deduct premium) on unsecured borrowings (net)....	18,152
Adjusted total debt.....	<u><u>\$ 4,451,271</u></u>
 BOOK CAPITALIZATION.....	
Total debt.....	\$ 4,433,639
Omega Stockholders' equity.....	3,822,058
Noncontrolling interest	353,133
Book capitalization.....	<u>\$ 8,608,830</u>
Deduct FMV adjustment of assumption of debt	(520)
Add back discount (deduct premium) on unsecured borrowings (net)....	18,152
Adjusted book capitalization.....	<u><u>\$ 8,626,462</u></u>
 MARKET CAPITALIZATION.....	
Omega common shares and OP units outstanding at 9/30/2016.....	203,998
Market price of common stock at 9/30/2016.....	<u>\$ 35.45</u>
Market capitalization of common stock at 9/30/2016.....	7,231,729
Market capitalization of publicly traded securities.....	7,231,729
Add adjusted total debt.....	<u>4,451,271</u>
Total market capitalization.....	<u><u>\$ 11,683,000</u></u>
 Total debt / book capitalization.....	 <u><u>51.5%</u></u>
Adjusted total debt / adjusted book capitalization.....	 <u><u>51.6%</u></u>
Adjusted total debt / total market capitalization.....	 <u><u>38.1%</u></u>

2016 GUIDANCE REVISED

The Company has revised its guidance for 2016 annual net income to be between \$1.74 and \$1.75 per share, annual Adjusted FFO to be between \$3.38 and \$3.39 per share, representing 10% Adjusted FFO per share growth over 2015, and FAD to be between \$3.04 and \$3.05 per share. The table below outlines Omega's 2016 quarterly guidance for Adjusted FFO and FAD (all per share numbers are rounded to 2 decimals):

2016 Fourth Quarter and Full Year Adjusted FFO Guidance Range
(per diluted common share)

	Nine Months Ended September 30	Q4	Full Year
Net Income	\$1.26	\$0.48 - \$0.49	\$1.74 - \$1.75
Depreciation	0.98	0.35	1.33
Gain on assets sold	(0.10)	-	(0.10)
Real estate impairments	0.29	-	0.29
FFO	\$2.43	\$0.83 - \$0.84	\$3.26 - \$3.27
Adjustments:			
Transaction costs	0.05	-	0.05
Provision for uncollectible accounts	0.02	-	0.02
Interest refinancing expense	0.01	-	0.01
One-time revenue items in FFO	(0.03)	-	(0.03)
Stock-based compensation expense	0.05	0.02	0.07
Adjusted FFO	\$2.53	\$0.85 - \$0.86	\$3.38 - \$3.39
Non-cash interest expense	0.04	0.01	0.05
Capitalized interest	(0.02)	(0.01)	(0.03)
Non-cash revenue	(0.28)	(0.09)	(0.37)
FAD	\$2.27	\$0.77 - \$0.78	\$3.04 - \$3.05