

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

| | | Three Months Ended June 30, 2016 |
|--|-----------|---|
| Net income | \$ | 113,154 |
| Deduct gain from real estate dispositions | | (13,221) |
| Sub-total..... | \$ | 99,933 |
| Elimination of non-cash items included in net income:..... | | |
| Depreciation and amortization..... | | 65,505 |
| Add back non-cash provision for impairments on real estate properties..... | | 6,893 |
| Funds from operations | \$ | 172,331 |
| | | |
| Weighted-average common shares outstanding, basic..... | | 188,981 |
| Restricted stock and PRSUs..... | | 1,254 |
| OP units..... | | 8,922 |
| Weighted-average common shares outstanding, diluted..... | | 199,157 |
| | | |
| Funds from operations per share | \$ | 0.8653 |
| | | |
| Adjusted funds from operations: | | |
| Funds from operations..... | \$ | 172,331 |
| Deduct prepayment fee income from early termination of mortgages..... | | (5,390) |
| Deduct non-cash recovery for uncollectible mortgages, notes and accounts receivable..... | | (1,154) |
| Add back acquisition and merger related costs..... | | 3,504 |
| Add back stock-based compensation expense..... | | 3,665 |
| Adjusted funds from operations | \$ | 172,956 |
| | | |
| Adjusted funds from operations per share | \$ | 0.8684 |

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, 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 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 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 June 30, 2016 were 4.69x, 4.70x and 4.68x, 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 2nd quarter assuming an April 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 June 30, 2016 |
|--|---|
| Net income..... | \$ 113,154 |
| Depreciation and amortization..... | 65,505 |
| Interest..... | 41,861 |
| Income taxes..... | 454 |
| EBITDA..... | \$ 220,974 |
| Deduct gain on assets sold - net | (13,221) |
| Deduct non-cash recovery for uncollectible mortgages, notes and accounts receivable..... | (1,154) |
| Add back non-cash provision for impairments on real estate properties..... | 6,893 |
| Add back acquisition and merger related costs..... | 3,504 |
| Add back stock-based compensation expense..... | 3,665 |
| Adjusted EBITDA..... | \$ 220,661 |
| Add incremental proforma EBITDA from new investments in 2nd Quarter | 1,019 |
| Adjusted proforma EBITDA..... | \$ 221,680 |
| | |
| DEBT | |
| Revolving line of credit..... | \$ 470,000 |
| Term loans..... | 1,100,000 |
| Secured borrowings | 235,584 |
| Unsecured borrowings..... | 2,373,000 |
| FMV adjustment of assumption of debt | 550 |
| Premium/(discount) on unsecured borrowings (net)..... | (16,837) |
| Total debt..... | \$ 4,162,297 |
| Deduct balance sheet cash and cash equivalents..... | (32,959) |
| Net total debt..... | \$ 4,129,338 |
| Deduct FMV adjustment of assumption of debt | (550) |
| Add back discount (deduct premium) on unsecured borrowings (net)..... | 16,837 |
| Adjusted total debt (aka Funded Debt)..... | \$ 4,145,625 |
| | |
| Funded Debt / annualized EBITDA | 4.69 x |
| Funded Debt / adjusted annualized EBITDA | 4.70 x |
| Funded Debt / adjusted pro forma annualized EBITDA..... | 4.68 x |

Our EBITDA to total interest expense ratio, adjusted EBITDA to total interest expense ratio and adjusted EBITDA to fixed charges as of June 30, 2016 were 5.3x, 5.3x and 5.1x, 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 June 30, 2016 |
|--|---|
| Net income..... | \$ 113,154 |
| Depreciation and amortization..... | 65,505 |
| Interest..... | 41,861 |
| Income taxes..... | 454 |
| EBITDA..... | \$ 220,974 |
| Deduct gain on assets sold - net..... | (13,221) |
| Deduct non-cash recovery for uncollectible mortgages, notes and accounts receivable..... | (1,154) |
| Add back non-cash provision for impairments on real estate properties..... | 6,893 |
| Add back acquisition and merger related costs..... | 3,504 |
| Add back stock-based compensation expense..... | 3,665 |
| Adjusted EBITDA..... | \$ 220,661 |
| FIXED CHARGES..... | |
| Interest expense..... | \$ 39,651 |
| Amortization of non-cash deferred financing charges..... | 2,210 |
| Total interest expense..... | \$ 41,861 |
| Add back: capitalized interest..... | 1,405 |
| Total fixed charges..... | \$ 43,266 |
| EBITDA / total interest expense ratio..... | 5.3 x |
| Adjusted EBITDA / total interest expense ratio..... | 5.3 x |
| Adjusted EBITDA / fixed charge coverage ratio..... | 5.1 x |

OMEGA HEALTHCARE INVESTORS, INC.
FUNDS AVAILABLE FOR DISTRIBUTION

Unaudited

(In thousands, except per share amounts)

| | Three Months Ended June 30, 2016 |
|--|---|
| Net income | \$ 113,154 |
| Deduct gain on assets sold - net..... | (13,221) |
| Sub-total..... | <u>\$ 99,933</u> |
| Elimination of non-cash items included in net income:..... | |
| Depreciation and Amortization..... | 65,505 |
| Add back non-cash provision for impairments on real estate properties..... | 6,893 |
| Funds from operations | <u>\$ 172,331</u> |
| Adjustments: | |
| Deduct prepayment fee income from early termination of mortgages..... | (5,390) |
| Deduct non-cash recovery for uncollectible mortgages, notes and accounts receivable..... | (1,154) |
| Add back acquisition and merger related costs..... | 3,504 |
| Add back stock-based compensation expense..... | 3,665 |
| Adjusted funds from operations | <u>\$ 172,956</u> |
| Adjustments: | |
| Non-cash interest expense..... | 2,179 |
| Capitalized interest | (1,405) |
| Non-cash revenues | (19,766) |
| Funds available for distribution (FAD) | <u><u>\$ 153,964</u></u> |
| | |
| Weighted-average common shares outstanding, basic..... | 188,981 |
| Restricted stock and PRSUs..... | 1,254 |
| OP units..... | 8,922 |
| Weighted-average common shares outstanding, diluted | <u>199,157</u> |
| | |
| FAD per share, diluted | <u><u>\$ 0.7731</u></u> |

Percentages of total debt to book capitalization, adjusted total debt to adjusted book capitalization and adjusted total debt to total market capitalization at June 30, 2016 were 50.3%, 50.4% and 38.2%, 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 June 30, 2016 plus adjusted total debt.

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

Unaudited
(In thousands)

| | At June 30, 2016 |
|--|-----------------------------|
| Revolving line of credit..... | \$ 470,000 |
| Term loans..... | 1,100,000 |
| Secured borrowings..... | 235,584 |
| Unsecured borrowings..... | 2,373,000 |
| FMV adjustment of assumption of debt | 550 |
| Premium/(discount) unsecured borrowings (net)..... | (16,837) |
| Total debt..... | \$ 4,162,297 |
| Deduct FMV adjustment of assumption of debt | (550) |
| Add back discount (deduct premium) on unsecured borrowings (net).... | 16,837 |
| Adjusted total debt..... | \$ 4,178,584 |
| BOOK CAPITALIZATION..... | |
| Total debt..... | \$ 4,162,297 |
| Omega Stockholders' equity..... | 3,747,273 |
| Noncontrolling interest | 357,407 |
| Book capitalization..... | \$ 8,266,977 |
| Deduct FMV adjustment of assumption of debt | (550) |
| Add back discount (deduct premium) on unsecured borrowings (net).... | 16,837 |
| Adjusted book capitalization..... | \$ 8,283,264 |
| MARKET CAPITALIZATION..... | |
| Omega common shares and OP units outstanding at 6/30/2016..... | 199,362 |
| Market price of common stock at 6/30/2016..... | \$ 33.95 |
| Market capitalization of common stock at 6/30/2016..... | 6,768,340 |
| Market capitalization of publicly traded securities..... | 6,768,340 |
| Add adjusted total debt..... | 4,178,584 |
| Total market capitalization..... | \$ 10,946,924 |
| Total debt / book capitalization..... | 50.3% |
| Adjusted total debt / adjusted book capitalization..... | 50.4% |
| Adjusted total debt / total market capitalization..... | 38.2% |

2016 ADJUSTED FFO GUIDANCE AND FAD REVISED

The Company revised its 2016 annual Adjusted FFO to be between \$3.36 and \$3.40 per diluted share and its 2016 annual FAD to be between \$3.02 and \$3.06 per diluted share. The table below outlines Omega's 2016 quarterly guidance for both Adjusted FFO and FAD:

| 2016 Adjusted FFO and FAD Guidance Range per diluted common share | | | | | |
|---|-----------|-----------|-----------------|-----------------|-----------------|
| | Q1 Actual | Q2 Actual | Q3 | Q4 | Full Year |
| Adjusted FFO | \$0.83 | \$0.87 | \$0.83 - \$0.84 | \$0.83 - \$0.86 | \$3.36 - \$3.40 |
| FAD | \$0.75 | \$0.77 | \$0.75 - \$0.76 | \$0.75 - \$0.78 | \$3.02 - \$3.06 |

The Company's FAD and Adjusted FFO guidance for 2016 includes approximately \$773 million of combined new investments and planned capital renovation projects completed through June 30, 2016. It also includes approximately \$400 million of potential new investments which may close in 2016; however, it excludes the impact of gains and losses from the sale of assets, certain revenue and expense items, interest refinancing expense, capital transactions, acquisition and merger related costs, provisions for uncollectable receivables and stock-based compensation expense. A reconciliation of the Adjusted FFO and FAD guidance to the Company's projected GAAP earnings is provided on schedules attached to this press release. The Company may, from time to time, update its publicly announced Adjusted FFO and FAD guidance, but it is not obligated to do so.

The Company's Adjusted FFO and FAD guidance is based on a number of assumptions, which are subject to change and many of which are outside the Company's control. If actual results vary from these assumptions, the Company's expectations may change. Without limiting the generality of the foregoing, the timing and completion of acquisitions, divestitures, capital and financing transactions, and variations in restricted stock amortization expense may cause actual results to vary materially from our current expectations. There can be no assurance that the Company will achieve its projected results and potential new investments.

2016 ADJUSTED FFO AND FAD GUIDANCE RECONCILIATION

The following table presents a reconciliation of Omega's guidance regarding Adjusted FFO and FAD to projected GAAP earnings. Omega may, from time to time, update its publicly announced Adjusted FFO and FAD guidance, but it is not obligated to do so.

2016 Quarterly Adjusted FFO and FAD Guidance Range
(per diluted common share)

| | Q3 | Q4 | Full Year |
|--------------------------------------|-----------------|-----------------|-----------------|
| Net Income | \$0.49 - \$0.50 | \$0.49 - \$0.52 | \$1.84 - \$1.88 |
| Depreciation | 0.32 | 0.32 | 1.28 |
| Gain on assets sold | - | - | (0.07) |
| Real estate impairments | - | - | 0.21 |
| FFO | \$0.81 - \$0.82 | \$0.81 - \$0.84 | \$3.26 - \$3.30 |
| Adjustments: | | | |
| Transaction costs | - | - | 0.04 |
| Provision for uncollectible accounts | - | - | 0.02 |
| One-time cash items in FFO | - | - | (0.03) |
| Stock-based compensation expense | 0.02 | 0.02 | 0.07 |
| Adjusted FFO | \$0.83 - \$0.84 | \$0.83 - \$0.86 | \$3.36 - \$3.40 |
| Non-cash interest expense | 0.02 | 0.02 | 0.05 |
| Capitalized Interest | (0.01) | (0.01) | (0.03) |
| Non-cash revenue | (0.09) | (0.09) | (0.36) |
| FAD | \$0.75 - \$0.76 | \$0.75 - \$0.78 | \$3.02 - \$3.06 |

Note: All per share numbers rounded to 2 decimals. This table should be read in conjunction with the "2016 Adjusted FFO and FAD Guidance Revised" section.