

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

		<u>Three Months Ended</u> <u>March 31, 2017</u>
Net income	\$	109,112
Deduct gain from real estate dispositions		(7,420)
Sub-total.....	\$	101,692
Elimination of non-cash items included in net income:.....		
Depreciation and amortization.....		69,993
Depreciation - unconsolidated joint venture		1,658
Add back non-cash provision for impairments on real estate properties.....		7,638
Funds from operations	\$	180,981
Weighted-average common shares outstanding, basic.....		197,013
Restricted stock and PRSUs.....		347
OP units.....		8,814
Weighted-average common shares outstanding, diluted.....		206,174
Funds from operations per share	\$	0.8778
Adjusted funds from operations:		
Funds from operations.....	\$	180,981
Deduct contractual settlement.....		(10,412)
Deduct acquisition costs.....		(41)
Add back non-cash provision for uncollectible accounts.....		2,404
Add back stock-based compensation expense.....		3,744
Adjusted funds from operations	\$	176,676
Adjusted funds from operations per share	\$	0.8569

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 (computed in accordance with GAAP), adjusted for the effects of asset dispositions and certain non-cash items, primarily depreciation and amortization and impairments on real estate assets, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures will be calculated to reflect funds from operations on the same basis. 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. 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, and after adjustments for unconsolidated partnerships and joint ventures. 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 March 31, 2017 were 4.70x, 4.78x and 4.78x, 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 1st quarter assuming a January 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 March 31, 2017
Net income.....	\$	109,112
Depreciation and amortization.....		69,993
Depreciation - unconsolidated joint venture		1,658
Interest.....		47,543
Income taxes.....		1,100
EBITDA.....	\$	229,406
Deduct gain on assets sold - net		(7,420)
Deduct contractual settlement.....		(10,412)
Deduct acquisition costs.....		(41)
Add back non-cash provision for uncollectible accounts.....		2,404
Add back non-cash provision for impairments on real estate properties.....		7,638
Add back stock-based compensation expense.....		3,744
Adjusted EBITDA.....	\$	225,319
Add incremental proforma EBITDA from new investments in 1st Quarter		151
Adjusted proforma EBITDA.....	\$	225,470
DEBT		
Revolving line of credit.....	\$	123,000
Term loans.....		1,100,000
Secured borrowings		54,636
Unsecured borrowings.....		3,073,000
FMV adjustment of assumption of debt		460
Premium/(discount) on unsecured borrowings (net).....		(17,129)
Deferred financing costs (net).....		(33,102)
Total debt.....	\$	4,300,865
Deduct balance sheet cash and cash equivalents.....		(40,349)
Net total debt.....	\$	4,260,516
Deduct FMV adjustment for assumption of debt		(460)
Add back discount (deduct premium) on unsecured borrowings (net).....		17,129
Add back deferred financing costs (net).....		33,102
Adjusted total debt (aka Funded Debt).....	\$	4,310,287
Funded Debt / annualized EBITDA		4.70 x
Funded Debt / adjusted annualized EBITDA		4.78 x
Funded Debt / adjusted pro forma annualized EBITDA.....		4.78 x

Our EBITDA to total interest expense ratio, adjusted EBITDA to total interest expense ratio and adjusted EBITDA to fixed charges as of March 31, 2017 were 4.8x, 4.7x and 4.5x, 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
	March 31, 2017
Net income.....	\$ 109,112
Depreciation and amortization.....	69,993
Depreciation - unconsolidated joint venture	1,658
Interest.....	47,543
Income taxes.....	1,100
EBITDA.....	<u>\$ 229,406</u>
Deduct gain on assets sold - net.....	(7,420)
Deduct contractual settlement.....	(10,412)
Deduct acquisition costs.....	(41)
Add back non-cash provision for uncollectible accounts.....	2,404
Add back non-cash provision for impairments on real estate properties.....	7,638
Add back stock-based compensation expense.....	3,744
Adjusted EBITDA.....	<u><u>\$ 225,319</u></u>
 FIXED CHARGES	
Interest expense.....	\$ 45,041
Amortization of non-cash deferred financing charges.....	2,502
Total interest expense.....	<u>\$ 47,543</u>
Add back: capitalized interest.....	1,989
Total fixed charges.....	<u><u>\$ 49,532</u></u>
 EBITDA / total interest expense ratio.....	 <u><u>4.8 x</u></u>
Adjusted EBITDA / total interest expense ratio.....	<u><u>4.7 x</u></u>
Adjusted EBITDA / fixed charge coverage ratio.....	<u><u>4.5 x</u></u>

OMEGA HEALTHCARE INVESTORS, INC.
FUNDS AVAILABLE FOR DISTRIBUTION

Unaudited

(In thousands, except per share amounts)

	Three Months Ended March 31, 2017
Net income	\$ 109,112
Deduct gain on assets sold - net.....	(7,420)
Sub-total.....	<u>\$ 101,692</u>
Elimination of non-cash items included in net income:.....	
Depreciation and Amortization.....	69,993
Depreciation - unconsolidated joint venture	1,658
Add back non-cash provision for impairments on real estate properties.....	7,638
Funds from operations	<u>\$ 180,981</u>
Adjustments:	
Deduct contractual settlement.....	(10,412)
Deduct acquisition costs.....	(41)
Add back non-cash provision for uncollectible accounts.....	2,404
Add back one-time interest refinancing expense.....	-
Add back stock-based compensation expense.....	3,744
Adjusted funds from operations	<u>\$ 176,676</u>
Adjustments:	
Non-cash interest expense.....	2,810
Capitalized interest	(1,989)
Non-cash revenues	(18,129)
Funds available for distribution (FAD)	<u><u>\$ 159,368</u></u>
Weighted-average common shares outstanding, basic.....	197,013
Restricted stock and PRSUs.....	347
OP units.....	8,814
Weighted-average common shares outstanding, diluted	<u>206,174</u>
FAD per share, diluted	<u><u>\$ 0.7730</u></u>

Percentages of adjusted total debt to adjusted book capitalization and adjusted total debt to total market capitalization at March 31, 2017 were 50.8% and 39.1%, respectively. Adjusted total debt is total debt plus the discount or less the premium derived from the sale of unsecured borrowings, deferred financing costs (net) and fair market value adjustment of assumed debt. Adjusted book capitalization is defined as adjusted total debt plus stockholders' equity and noncontrolling interest. 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 March 31, 2017 plus adjusted total debt.

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

Unaudited
(In thousands)

		At March 31, 2017
Revolving line of credit.....	\$	123,000
Term loans.....		1,100,000
Secured borrowings.....		54,636
Unsecured borrowings.....		3,073,000
FMV adjustment of assumption of debt		460
Premium/(discount) unsecured borrowings (net).....		(17,129)
Deferred financing costs (net).....		(33,102)
Total debt.....	\$	4,300,865
Deduct FMV adjustment of assumption of debt		(460)
Add back discount (deduct premium) on unsecured borrowings (net).....		17,129
Add back deferred financing costs (net).....		33,102
Adjusted total debt.....	\$	4,350,636
 BOOK CAPITALIZATION.....		
Adjusted total debt.....	\$	4,350,636
Omega stockholders' equity.....		3,863,494
Noncontrolling interest		351,028
Adjusted book capitalization.....	\$	8,565,158
 MARKET CAPITALIZATION.....		
Omega common shares and OP units outstanding at 3/31/2017.....		205,575
Market price of common stock at 3/31/2017.....	\$	32.99
Market capitalization of common stock at 3/31/2017.....		6,781,919
Market capitalization of publicly traded securities.....		6,781,919
Add adjusted total debt.....		4,350,636
Total market capitalization.....	\$	11,132,555
 Adjusted total debt / adjusted book capitalization.....		
		50.8%
 Adjusted total debt / total market capitalization.....		
		39.1%

2017 AFFO and FAD Guidance and Reconciliation

The Company affirmed its 2017 annual Adjusted FFO available to common stockholders to be between \$3.40 and \$3.44 per diluted share. The Company also confirmed its 2017 FAD guidance to be between \$3.10 and \$3.14 per diluted share. The following table presents a reconciliation of Omega's guidance regarding Adjusted FFO and FAD to projected GAAP earnings.

	Full Year
Net Income	\$1.86 - \$1.90
Depreciation	1.40
Gain on assets sold	(0.04)
Real estate impairment	0.04
FFO	\$3.26 - \$3.30
Adjustments:	
Contractual settlement	(0.05)
Provision for uncollectible accounts	0.01
Transaction costs	0.00
Interest – refinancing costs	0.11
Stock-based compensation expense	0.07
Adjusted FFO	\$3.40 - \$3.44
Non-cash interest expense	0.07
Capitalized interest	(0.03)
Non-cash revenue	(0.34)
FAD	\$3.10 - \$3.14

(1) The Company's Adjusted FFO and FAD guidance for 2017 includes approximately \$100 million of planned capital renovation projects; however, it excludes the impact of additional new investments. It also excludes the impact of gains and losses from the sale of assets, revenue from divestitures, certain revenue and expense items, interest refinancing expense, capital transactions, acquisition and merger related costs, provisions for uncollectible receivables, and stock-based compensation expense. 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 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 stock-based compensation 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.