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

		Three Months Ended December 31, 2016
Net income	$	129,883
Deduct gain from real estate dispositions		(30,277)
Sub-total	$	99,606
Elimination of non-cash items included in net income:		
Depreciation and amortization		70,808
Depreciation - unconsolidated joint venture		1,107
Add back non-cash provision for impairments on real estate properties		-
Funds from operations	$	171,521
Weighted-average common shares outstanding, basic		195,793
Restricted stock and PRSUs		300
OP units		8,862
Weighted-average common shares outstanding, diluted		204,955
Funds from operations per share	$	0.8369
Adjusted funds from operations:		
Funds from operations	$	171,521
Deduct one-time revenue		(650)
Deduct acquisition and merger related costs		(2)
Add back non-cash provision for uncollectible mortgages, notes and accounts receivable		5,878
Add back stock-based compensation expense		3,674
Adjusted funds from operations	$	180,421
Adjusted funds from operations per share	$	0.8803

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 December 31, 2016 were 4.34x, 4.73x and 4.72x, 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 4th quarter assuming an October 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 December 31, 2016
Net income	$	129,883
Depreciation and amortization		70,808
Depreciation - unconsolidated joint venture		1,107
Interest		46,876
Income taxes		623
EBITDA	$	249,297
Deduct gain on assets sold - net		(30,277)
Deduct acquisition and merger related costs		(2)
Add back non-cash provision for uncollectible mortgages, notes and accounts receivable		5,878
Add back non-cash provision for impairments on real estate properties		-
Add back stock-based compensation expense		3,674
Adjusted EBITDA	$	228,570
Add incremental proforma EBITDA from new investments in 4th Quarter		255
Adjusted proforma EBITDA	$	228,825
DEBT		
Revolving line of credit	$	190,000
Term loans		1,100,000
Secured borrowings		54,954
Unsecured borrowings		3,073,000
FMV adjustment of assumption of debt		490
Premium/(discount) on unsecured borrowings (net)		(17,641)
Deferred financing costs (net)		(33,949)
Total debt	$	4,366,854
Deduct balance sheet cash and cash equivalents		(93,687)
Net total debt	$	4,273,167
Deduct FMV adjustment for assumption of debt		(490)
Add back discount (deduct premium) on unsecured borrowings (net)		17,641
Add back deferred financing costs (net)		33,949
Adjusted total debt (aka Funded Debt)	$	4,324,267
Funded Debt / annualized EBITDA		**4.34 x**
Funded Debt / adjusted annualized EBITDA		**4.73 x**
Funded Debt / adjusted pro forma annualized EBITDA		**4.72 x**

Our EBITDA to total interest expense ratio, adjusted EBITDA to total interest expense ratio and adjusted EBITDA to fixed charges as of December 31, 2016 were 5.3x, 4.9x and 4.7x, 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 December 31, 2016
Net income	$ 129,883
Depreciation and amortization	70,808
Depreciation - unconsolidated joint venture	1,107
Interest	46,876
Income taxes	623
EBITDA	$ 249,297
Deduct gain on assets sold - net	(30,277)
Deduct acquisition and merger related costs	(2)
Add back non-cash provision for uncollectible mortgages, notes and accounts receivable	5,878
Add back non-cash provision for impairments on real estate properties	-
Add back stock-based compensation expense	3,674
Adjusted EBITDA	$ 228,570
FIXED CHARGES	
Interest expense	$ 44,375
Amortization of non-cash deferred financing charges	2,501
Total interest expense	$ 46,876
Add back: capitalized interest	1,829
Total fixed charges	$ 48,705
EBITDA / total interest expense ratio	**5.3 x**
Adjusted EBITDA / total interest expense ratio	**4.9 x**
Adjusted EBITDA / fixed charge coverage ratio	**4.7 x**

OMEGA HEALTHCARE INVESTORS, INC.
FUNDS AVAILABLE FOR DISTRIBUTION
Unaudited
(In thousands, except per share amounts)

		Three Months Ended December 31, 2016
Net income	$	129,883
Deduct gain on assets sold - net		(30,277)
Sub-total	$	99,606
Elimination of non-cash items included in net income:		
Depreciation and Amortization		70,808
Depreciation - unconsolidated joint venture		1,107
Add back non-cash provision for impairments on real estate properties		-
Funds from operations	$	171,521
Adjustments:		
Deduct one-time revenue		(650)
Deduct acquisition and merger related costs		(2)
Add back non-cash provision for uncollectible mortgages, notes and accounts receivable		5,878
Add back one-time interest refinancing expense		-
Add back stock-based compensation expense		3,674
Adjusted funds from operations	$	180,421
Adjustments:		
Non-cash interest expense		2,920
Capitalized interest		(1,829)
Non-cash revenues		(18,274)
Funds available for distribution (FAD)	$	163,238
Weighted-average common shares outstanding, basic		195,793
Restricted stock and PRSUs		300
OP units		8,862
Weighted-average common shares outstanding, diluted		204,955
FAD per share, diluted	$	0.7965

Percentages of adjusted total debt to adjusted book capitalization and adjusted total debt to total market capitalization at December 31, 2016 were 51.2% and 40.8%, 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 December 31, 2016 plus adjusted total debt.

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

Unaudited
(In thousands)

		At December 31, 2016
Revolving line of credit	$	190,000
Term loans		1,100,000
Secured borrowings		54,954
Unsecured borrowings		3,073,000
FMV adjustment of assumption of debt		490
Premium/(discount) unsecured borrowings (net)		(17,641)
Deferred financing costs (net)		(33,949)
Total debt	$	4,366,854
Deduct FMV adjustment of assumption of debt		(490)
Add back discount (deduct premium) on unsecured borrowings (net)		17,641
Add back deferred financing costs (net)		33,949
Adjusted total debt	**$**	**4,417,954**
BOOK CAPITALIZATION		
Adjusted total debt	$	4,417,954
Omega stockholders' equity		3,858,745
Noncontrolling interest		353,241
Adjusted book capitalization	**$**	**8,629,940**
MARKET CAPITALIZATION		
Omega common shares and OP units outstanding at 12/31/2016		205,004
Market price of common stock at 12/31/2016	$	31.26
Market capitalization of common stock at 12/31/2016		6,408,425
Market capitalization of publicly traded securities		6,408,425
Add adjusted total debt		4,417,954
Total market capitalization	**$**	**10,826,379**
Adjusted total debt / adjusted book capitalization		**51.2%**
Adjusted total debt / total market capitalization		**40.8%**

2017 Guidance and Reconciliation

The Company currently expects its 2017 annual Adjusted FFO available to common stockholders to be between $3.40 and $3.44 per diluted share. The Company expects its 2017 FAD 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.

2017 Annual Adjusted FFO and FAD Guidance Range (1)

	Full Year
Net Income	$1.98 - $2.02
Depreciation	1.4
Gain on assets sold	-
Real estate impairment	-
FFO	**$3.38 - $3.42**
Adjustments:	
Legal settlement	(0.05)
Transaction costs	-
Interest – refinancing costs	-
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.