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

		Three Months Ended December 31, 2017
Net income	$	65,156
Deduct gain from real estate dispositions		(46,421)
Sub-total	$	18,735
Elimination of non-cash items included in net income:		
Depreciation and amortization		75,323
Depreciation - unconsolidated joint venture		1,657
Add back non-cash provision for impairments on real estate properties		63,460
Funds from operations	$	159,175
Weighted-average common shares outstanding, basic		198,614
Restricted stock and PRSUs		260
OP units		8,772
Weighted-average common shares outstanding, diluted		207,646
Funds from operations per share		0.7666
Adjusted funds from operations:		
Funds from operations	$	159,175
Deduct one-time revenue		(513)
Add back non-cash impairment on direct financing leases		231
Add back non-cash provision for uncollectible accounts		913
Add back stock-based compensation expense		3,862
Adjusted funds from operations	$	163,668
Adjusted funds from operations per share	$	0.7882

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. These materials should be read in conjunction with our most recent earnings release.

Our ratios of Funded Debt to annualized EBITDA, adjusted annualized EBITDA and Funded Debt to adjusted pro forma annualized EBITDA as of December 31, 2017 were 5.87x, 5.29x and 5.13x, respectively. EBITDA is defined as earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA eliminates items such as acquisition 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 (i) new investments and divestitures made during the 4th quarter assuming an October 1st purchase or sale date, (ii) inception to date funding of construction in progress multiplied by the estimated contractual quarterly yield assuming an October 1st in-service date and (iii) revenue from Daybreak (see footnote 2). 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
FUNDED DEBT COVERAGE RATIO CALCULATION
Unaudited
(In thousands)

(In thousands)		Three Months Ended December 31, 2017	
Net income	$	65,156	
Depreciation and amortization		75,323	
Depreciation - unconsolidated joint venture		1,657	
Interest - net		50,491	
Income taxes		558	
EBITDA	$	193,185	
Deduct gain on assets sold - net		(46,421)	
Deduct foreign currency gain		(76)	
Deduct one-time revenue		(513)	
Add back non-cash impairment on direct financing leases		231	
Add back non-cash provision for uncollectible accounts		913	
Add back non-cash provision for impairments on real estate properties		63,460	
Add back stock-based compensation expense		3,862	
Adjusted EBITDA	$	214,641	
Add incremental pro forma EBITDA from new investments in Q4		461	(1)
Add incremental pro forma EBITDA from construction in progress through Q4		3,998	(1)
Add incremental revenue/EBITDA from Daybreak		7,146	(2)
Deduct incremental pro forma revenue from Q4 asset divestitures		(5,052)	(1)
Adjusted pro forma EBITDA	$	221,194	
DEBT			
Revolving line of credit	$	290,000	
Term loans		910,130	
Secured borrowings		53,666	
Unsecured borrowings		3,371,500	
FMV adjustment of assumption of debt		375	
Premium/(discount) on unsecured borrowings - net		(21,448)	
Deferred financing costs - net		(32,065)	
Total debt	$	4,572,158	
Deduct balance sheet cash and cash equivalents		(85,937)	
Net total debt	$	4,486,221	
Deduct FMV adjustment for assumption of debt		(375)	
Add back discount (deduct premium) on unsecured borrowings - net		21,448	
Add back deferred financing costs - net		32,065	
Adjusted total debt (a/k/a Funded Debt)	$	4,539,359	
Funded Debt / annualized EBITDA		**5.87 x**	
Funded Debt / adjusted annualized EBITDA		**5.29 x**	
Funded Debt / adjusted pro forma annualized EBITDA		**5.13 x**	

(1) Used to calculate leverage only.

(2) Placed Daybreak on a cash basis effective September 1, 2017 and recorded no revenue in the three months ended December 31, 2017. Monthly contractual rent is currently being paid; however, payments will not be recorded as revenue until 2017 outstanding receivables are fully repaid --anticipated early 2018.

NOTE: Assuming the Orianna facilities generate $32 million of annual rent or rent equivalents post-transition (or the low end of the $32M to $38M range of anticipated outcomes), the adjusted pro forma EBITDA would be $229 million, and our Funded Debt / adjusted pro forma annualized EBITDA ratio would be less than 5x. The Company is in ongoing negotiations regarding the Orianna portfolio, and accordingly the timing and terms of the transition of the Orianna portfolio may vary materially.

Our adjusted EBITDA to total interest expense ratio and adjusted EBITDA to fixed charges as of December 31, 2017 were 4.3x and 4.1x, 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 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, 2017
Net income	$ 65,156
Depreciation and amortization	75,323
Depreciation - unconsolidated joint venture	1,657
Interest -net	50,491
Income taxes	558
EBITDA	$ 193,185
Deduct gain on assets sold - net	(46,421)
Deduct foreign currency gain	(76)
Deduct one-time revenue	(513)
Add back non-cash impairment on direct financing leases	231
Add back non-cash provision for uncollectible accounts	913
Add back non-cash provision for impairments on real estate properties	63,460
Add back stock-based compensation expense	3,862
Adjusted EBITDA	$ 214,641
FIXED CHARGES	
Interest expense	$ 48,248
Amortization of non-cash deferred financing charges	2,243
Refinancing costs	-
Total interest expense	$ 50,491
Add back: capitalized interest	2,124
Less: refinancing charges	-
Total fixed charges	$ 52,615
Adjusted EBITDA / total interest expense ratio	**4.3 x**
Adjusted EBITDA / fixed charge coverage ratio	**4.1 x**

NOTE: Placed Orianna on a cash basis and recorded no revenue in the three months ended December 31, 2017. The Company is in ongoing negotiations regarding the Orianna portfolio, and accordingly the timing and terms of the transition of the Orianna portfolio may vary materially. The Company anticipates annual contractual rent will likely be in a range of $32M to $38M once the Orianna transition is complete.

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

		Three Months Ended December 31, 2017
Net income	$	65,156
Deduct gain on assets sold - net		(46,421)
Sub-total	$	18,735
Elimination of non-cash items included in net income:		
Depreciation and Amortization		75,323
Depreciation - unconsolidated joint venture		1,657
Add back non-cash provision for impairments on real estate properties		63,460
Funds from operations	$	159,175
Adjustments:		
Deduct one-time revenue		(513)
Add back non-cash impairment on direct financing leases		231
Add back non-cash provision for uncollectible accounts		913
Add back stock-based compensation expense		3,862
Adjusted funds from operations	$	163,668
Adjustments:		
Non-cash interest expense		2,215
Capitalized interest		(2,124)
Non-cash revenues		(14,718)
Funds available for distribution (FAD)	$	149,041
Weighted-average common shares outstanding, basic		198,614
Restricted stock and PRSUs		260
OP units		8,772
Weighted-average common shares outstanding, diluted		207,646
FAD per share, diluted	$	0.7178

Percentages of adjusted total debt to adjusted book capitalization and adjusted total debt to total market capitalization at December 31, 2017 were 54.3% and 44.8%, 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, 2017 plus adjusted total debt.

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

Unaudited
(In thousands)

		At December 31, 2017
Revolving line of credit	$	290,000
Term loans		910,130
Secured borrowings		53,666
Unsecured borrowings		3,371,500
FMV adjustment of assumption of debt		375
Premium/(discount) unsecured borrowings (net)		(21,448)
Deferred financing costs (net)		(32,065)
Total debt	$	4,572,158
Deduct FMV adjustment of assumption of debt		(375)
Add back discount (deduct premium) on unsecured borrowings (net)		21,448
Add back deferred financing costs (net)		32,065
Adjusted total debt	**$**	**4,625,296**
BOOK CAPITALIZATION		
Adjusted total debt	$	4,625,296
Omega stockholders' equity		3,555,091
Noncontrolling interest		333,167
Adjusted book capitalization	**$**	**8,513,554**
MARKET CAPITALIZATION		
Omega common shares and OP units outstanding at 12/31/2017		207,081
Market price of common stock at 12/31/2017	$	27.54
Market capitalization of common stock at 12/31/2017		5,703,011
Market capitalization of publicly traded securities		5,703,011
Add adjusted total debt		4,625,296
Total market capitalization	**$**	**10,328,307**
Adjusted total debt / adjusted book capitalization		**54.3%**
Adjusted total debt / total market capitalization		**44.8%**

2018 ADJUSTED FFO GUIDANCE REVISED

The Company currently expects its 2018 Adjusted FFO to be between $2.96 and $3.06 per diluted share.

Bob Stephenson, Omega's CFO commented, "Our 2018 guidance reflects the revenue reduction related to our fourth quarter asset sales, assets held for sale and approximately $300 million of potential asset dispositions." Mr. Stephenson continued, "We fully expect to redeploy most of the capital from the sales by year end; however, the timing is very unpredictable." Mr. Stephenson concluded, "Timing related to the redeployment of capital from asset sales and the timing related to the final outcome of the Orianna facilities may significantly impact our guidance and we have therefore expanded our guidance range versus previous years."

The following table presents a reconciliation of Omega's guidance regarding Adjusted FFO to projected GAAP earnings.

	2018 Annual Adjusted FFO Guidance Range (per diluted common share)
	Full Year
Net Income	$1.43- $1.53
Depreciation	1.45
Gain on assets sold	0.00
Real estate impairment	0.00
FFO	**$2.88 - $2.98**
Adjustments:	
Acquisition/transaction costs	0.00
Interest – refinancing costs	0.00
Stock-based compensation expense	0.08
Adjusted FFO	**$2.96 - $3.06**

Note: All per share numbers rounded to 2 decimals.

The Company's Adjusted FFO guidance for 2018 reflects the impact of approximately $100 million of planned capital renovation projects, the sale of $87 million of assets held for sale, approximately $300 million of potential divestitures and the redeployment of capital from asset sales. It assumes the Company will not be recording revenue related to its Orianna portfolio for the majority of 2018. It also excludes the impact of gains and losses from the sale of assets, certain revenue and expense items, interest refinancing expense, capital transactions, acquisition costs, and additional provisions for uncollectible accounts, if any. The Company may, from time to time, update its publicly announced Adjusted FFO 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.