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

		Three Months Ended September 30, 2018
Net income	$	59,062
Add back loss from real estate dispositions		5,361
Add back loss from real estate dispositions - unconsolidated joint venture		30
Sub-total	$	64,453
Elimination of non-cash items included in net income:		
Depreciation and amortization		70,711
Depreciation - unconsolidated joint venture		1,381
Add back non-cash provision for impairments on real estate properties		22,868
Funds from operations	$	159,413
Weighted-average common shares outstanding, basic		200,910
Restricted stock and PRSUs		812
OP units		8,715
Weighted-average common shares outstanding, diluted		210,437
Funds from operations per share		0.7575
Adjusted funds from operations:		
Funds from operations	$	159,413
Deduct recovery for uncollectible accounts		(2,000)
Add back unrealized loss on warrants		1,231
Add back stock-based compensation expense		3,962
Adjusted funds from operations	$	162,606
Adjusted funds from operations per share	$	0.7727

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 income statement, 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 September 30, 2018 were 6.36x, 5.42x and 5.21x, 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 3rd quarter assuming a July 1st purchase or sale date and (ii) inception to date funding of construction in progress multiplied by the estimated contractual quarterly yield assuming a July 1st in-service 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
FUNDED DEBT COVERAGE RATIO CALCULATION
Unaudited
(In thousands)

	Three Months Ended September 30, 2018	
Net income	$ 59,062	
Depreciation and amortization	70,711	
Depreciation - unconsolidated joint venture	1,381	
Interest - net	49,985	
Income taxes	804	
EBITDA	$ 181,943	
Deduct foreign currency gain	(27)	
Deduct recovery for uncollectible accounts	(2,000)	
Add back unrealized loss on warrants	1,231	
Add back non-cash provision for impairments on real estate properties	22,868	
Add back loss on assets sold - net	5,361	
Add back loss on assets sold - unconsolidated joint venture	30	
Add back stock-based compensation expense	3,962	
Adjusted EBITDA	$ 213,368	
Add incremental pro forma EBITDA from new investments in Q3	3,175	(1)
Add incremental transition facilities for Orianna in Q3	821	(1) (2)
Add incremental pro forma EBITDA from construction in progress through Q3	5,017	(1)
Deduct incremental pro forma revenue from Q3 asset divestitures	(321)	(1)
Adjusted pro forma EBITDA	$ 222,060	
DEBT		
Revolving line of credit	$ 360,000	
Term loans	905,410	
Unsecured borrowings	3,370,000	
FMV adjustment of assumption of debt	296	
Premium/(discount) on unsecured borrowings - net	(19,456)	
Deferred financing costs - net	(28,010)	
Total debt	$ 4,588,240	
Deduct balance sheet cash and cash equivalents	(9,768)	
Net total debt	$ 4,578,472	
Deduct FMV adjustment for assumption of debt	(296)	
Add back discount (deduct premium) on unsecured borrowings - net	19,456	
Add back deferred financing costs - net	28,010	
Adjusted total debt (a/k/a Funded Debt)	$ 4,625,642	
Funded Debt / annualized EBITDA	**6.36 x**	
Funded Debt / adjusted annualized EBITDA	**5.42 x**	
Funded Debt / adjusted pro forma annualized EBITDA	**5.21 x**	

(1) Used to calculate leverage only.
(2) The Orianna transition adjustment represents the full quarter cash rent impact of facilities that transitioned from Orianna to other operators during the third quarter of 2018.

NOTE: We estimate the legacy Orianna facilities will generate a total of $32 million to $38 million of annual cash rent or rent equivalents when the transition of the entire legacy Orianna portfolio is complete. During the third quarter, we transitioned 22 legacy Orianna facilities to other third party operators with annual cash rents of approximately $17 million. If the transition of 19 remaining legacy Orianna facilities had been completed on a basis that generated additional annual rent or rent equivalents post-sale and/or transition of approximately $15 million (to get to the low end of our range), adjusted pro forma EBITDA would have been approximately $226 million for the quarter and our funded debt to adjusted pro forma annualized EBITDA ratio would have been approximately 5.1x. The timing and the terms of the transition of the remaining legacy Orianna facilities may vary materially due to the bankruptcy process.

Our adjusted EBITDA to total interest expense ratio and adjusted EBITDA to fixed charges as of September 30, 2018 were 4.3x and 4.0x, 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 September 30, 2018	
Net income	$	59,062
Depreciation and amortization		70,711
Depreciation - unconsolidated joint venture		1,381
Interest - net		49,985
Income taxes		804
EBITDA	$	181,943
Deduct foreign currency gain		(27)
Deduct recovery for uncollectible accounts		(2,000)
Add back unrealized loss on warrants		1,231
Add back non-cash provision for impairments on real estate properties		22,868
Add back loss on assets sold - net		5,361
Add back loss on assets sold - unconsolidated joint venture		30
Add back stock-based compensation expense		3,962
Adjusted EBITDA	$	213,368
FIXED CHARGES		
Interest expense	$	47,747
Amortization of non-cash deferred financing charges		2,238
Total interest expense	$	49,985
Add back: capitalized interest		2,898
Total fixed charges	$	52,883
Adjusted EBITDA / total interest expense ratio		**4.3 x**
Adjusted EBITDA / fixed charge coverage ratio		**4.0 x**

NOTE: We recognize revenue from Orianna on a cash basis of accounting and recorded no revenue in the three months ended September 30, 2018. However, during the third quarter, we transitioned 22 legacy Orianna facilities to other third party operators with annual cash rents of approximately $17 million. The timing and terms of the transition of the remaining legacy Orianna portfolio may vary materially due to the bankruptcy process. The Company anticipates annual contractual rent or rent equivalents will likely be in a range of $32M to $38M once the transition of the entire legacy Orianna facilities is complete.

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

		Three Months Ended September 30, 2018
Net income	$	59,062
Add back loss on assets sold - net		5,361
Add back loss on assets sold - unconsolidtated joint venture		30
Sub-total	$	64,453
Elimination of non-cash items included in net income:		
Depreciation and Amortization		70,711
Depreciation - unconsolidated joint venture		1,381
Add back non-cash provision for impairments on real estate properties		22,868
Funds from operations	$	159,413
Adjustments:		
Deduct recovery for uncollectible accounts		(2,000)
Add back unrealized loss on warrants		1,231
Add back stock-based compensation expense		3,962
Adjusted funds from operations	$	162,606
Adjustments:		
Non-cash interest expense		2,212
Capitalized interest		(2,898)
Non-cash revenues		(17,897)
Funds available for distribution (FAD)	$	144,023
Weighted-average common shares outstanding, basic		200,910
Restricted stock and PRSUs		812
OP units		8,715
Weighted-average common shares outstanding, diluted		210,437
FAD per share, diluted	$	0.6844

Percentages of adjusted total debt to adjusted book capitalization and adjusted total debt to total market capitalization at September 30, 2018 were 55.0% and 40.3%, 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 September 30, 2018 plus adjusted total debt.

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

Unaudited
(In thousands)

	At September 30, 2018
Revolving line of credit	$ 360,000
Term loans	905,410
Unsecured borrowings	3,370,000
FMV adjustment of assumption of debt	296
Discount on unsecured borrowings - net	(19,456)
Deferred financing costs - net	(28,010)
Total debt	$ 4,588,240
Deduct FMV adjustment of assumption of debt	(296)
Add back discount on unsecured borrowings - net	19,456
Add back deferred financing costs - net	28,010
Adjusted total debt	**$ 4,635,410**
BOOK CAPITALIZATION	
Adjusted total debt	$ 4,635,410
Omega stockholders' equity	3,462,345
Noncontrolling interest	323,621
Adjusted book capitalization	**$ 8,421,376**
MARKET CAPITALIZATION	
Omega common shares and OP units outstanding at 9/30/2018	209,408
Market price of common stock at 9/30/2018	$ 32.77
Market capitalization of common stock at 9/30/2018	6,862,300
Market capitalization of publicly traded securities	6,862,300
Add adjusted total debt	4,635,410
Total market capitalization	**$ 11,497,710**
Adjusted total debt / adjusted book capitalization	**55.0%**
Adjusted total debt / total market capitalization	**40.3%**

2018 ADJUSTED FFO GUIDANCE AFFIRMED

The Company affirmed of its 2018 Adjusted FFO guidance range of $3.03 to $3.06 per diluted share.

Bob Stephenson, Omega's CFO commented, "Our financial performance improved sequentially in the third quarter as we transitioned some of our legacy Orianna facilities to current operators and began to redeploy capital from our strategic disposition program. We believe resolution of the remaining legacy Orianna portfolio and further capital investment will continue to improve operating performance, enhancing our dividend coverage and returning us to our targeted leverage range, to which we remain committed." Mr. Stephenson continued, "With a well-laddered debt profile and no near-term maturities, we believe we are well-positioned from a balance sheet perspective to weather the interest rate volatility and continue to grow our business."

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	$1.48- $1.51
Depreciation	1.35
Gain on assets sold - net	(0.05)
Real estate impairment	0.13
FFO	**$2.91 - $2.94**
Adjustments:	
Unalized gain on warrants	(0.00)
Purchase option buyout	0.01
Provision for uncollectible accounts	0.03
Stock-based compensation expense	0.08
Adjusted FFO	**$3.03 - $3.06**

Note: All per share numbers rounded to 2 decimals.

The Company's Adjusted FFO guidance for 2018 reflects the impact of capital renovation projects, $345 million of assets sold and mortgages repaid to us through Q3 2018, the sale of $18 million of assets held for sale, approximately $60+ 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 restructure/sale portfolio in the fourth quarter of 2018. The Company expects to record approximately $4.2 million in revenue in Q4 related to the Orianna transition portfolio (in Q3 2018, Omega transitioned 22 facilities subject to direct financing leases with a net carrying value of approximately $184.5 million from Orianna to other operators with annual contractual rent of approximately $16.8 million). 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.