NEWS RELEASE

# Sabra Reports Second Quarter 2015 Results; Reports Normalized FFO and Normalized AFFO Per Share of $0.53 and $0.52, Respectively, Including a Provision for Doubtful Accounts of $0.05 Per Share for Normalized FFO and $0.03 Per Share for Normalized AFFO; Increases Common Dividend by 5.1%; Updates 2015 Earnings Guidance

2015-08-04

IRVINE, Calif., Aug. 4, 2015 (GLOBE NEWSWIRE) -- Sabra Health Care REIT, Inc. ("Sabra," the "Company" or "we") (NASDAQ:SBRA) today announced results of operations for the second quarter of 2015.

RECENT HIGHLIGHTS

- For the second quarter of 2015, Normalized FFO, Normalized AFFO and net income attributable to common stockholders per diluted common share were $0.53, $0.52 and $0.24, respectively, including a provision for doubtful accounts primarily associated with the Forest Park Frisco straight-line rents and rents receivable discussed below of $0.05, $0.03 and $0.05, respectively, compared to $0.57, $0.53 and $0.28, respectively, for the second quarter of 2014.

- During the second quarter of 2015, revenues increased 32% over the same period in 2014, from $43.0 million to $56.6 million, and we generated $26.6 million of cash from operating activities compared to $27.7 million during the same period in 2014.

- During the second quarter of 2015, we made investments of $341.1 million. These investments consisted of:

(i) $321.5 million of real estate acquisitions; (ii) $0.4 million of real estate additions; (iii) $4.8 million of preferred equity investments; and (iv) $14.4 million of investments in loans receivable. During the six months ended June 30, 2015, we have made investments totaling $349.3 million.

- During the second quarter of 2015, we completed an underwritten public offering of 5.9 million newly issued shares of our common stock pursuant to an effective registration statement. We received net proceeds, before expenses, of $147.9 million from the offering, after giving effect to the issuance and sale of all 5.9 million shares of common stock, at a price of $25.06 per share.

- On August 4, 2015, our board of directors declared a quarterly cash dividend of $0.41 per share of common stock, representing a 5.1% increase in the quarterly cash dividend. The dividend will be paid on August 31, 2015 to common stockholders of record as of the close of business on August 14, 2015.

- On August 4, 2015, our board of directors declared a quarterly cash dividend of $0.4453125 per share of Series A Preferred Stock. The dividend will be paid on August 31, 2015 to preferred stockholders of record as of the close of business on August 14, 2015.

Commenting on the second quarter results and recent investments, Rick Matros, CEO and Chairman, said, "Sabra's second quarter was very productive in regard to investment activity. The investment activity assumed in the Company's updated guidance includes only deals for which we have entered into letters of intent and are working towards closing. Rent coverage for the quarter was relatively stable year over year for skilled nursing/transitional care facilities with occupancy slightly down but still strong and skilled mix up significantly. Genesis's coverage showed nice improvement. Exposure to Genesis is now down to 32% of our revenues on an annualized basis as of June 30, 2015. Senior housing coverage and occupancy were both stronger for the quarter.  In regard to Forest Park generally and the Frisco hospital specifically, while the pending deal we have disclosed may indeed prove to be the right path for Sabra to go down, we are now looking at other strategic options including divestiture. Our focus is to have a concrete resolution to the issues as quickly as possible."

TENANT COVERAGE

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| | EBITDAR (1) | | EBITDARM (1) | |
|---|---|---|---|---|
| | Twelve Months Ended June 30, | | | |
| Facility Type | 2015 | 2014 | 2015 | 2014 |
| Skilled Nursing/Transitional Care | 1.22x | 1.28x | 1.56x | 1.64x |
| Senior Housing | 1.27x | 1.17x | 1.48x | 1.37x |

| | Twelve Months Ended June 30, | |
|---|---|---|
| Fixed Charge Coverage Ratio (2) | 2015 | 2014 |
| Genesis Healthcare, Inc.(3) | 1.27x | 1.24x |
| Tenet Health Care Corporation | 2.41x | N/A |

| | | |
|---|---|---|
| Holiday AL Holdings LP | 1.19x | N/A |

(1) EBITDAR, EBITDARM and related coverages (collectively, "Facility Statistics") include only Stabilized Facilities acquired before the three months ended June 30, 2015 and only for periods when the property was operated subject to a lease with the Company. Facility Statistics are only included in periods subsequent to our acquisition and stabilization. In addition, Facility Statistics exclude the impact of strategic disposition candidates and facilities leased to our RIDEA-compliant joint venture tenants. EBITDAR Coverage and EBITDARM Coverage exclude tenants with significant corporate guarantees. All Facility Statistics are presented one quarter in arrears.
(2) Fixed Charge Coverage Ratio is presented one quarter in arrears for tenants with significant corporate guarantees. See Reporting Definitions for definition of Fixed Charge Coverage Ratio.
(3) Fixed Charge Coverage Ratio for Genesis Healthcare, Inc. ("Genesis") for the twelve months ended June 30, 2015 includes the pro forma impact of the Skilled Healthcare acquisition, which was completed on February 2, 2015.

## FOREST PARK FRISCO UPDATE

On July 21, 2015, we entered into an amended memorandum of understanding ("Amended MOU"), which amended a prior memorandum of understanding we had executed with the tenant of the Forest Park - Frisco hospital ("Frisco") on May 29, 2015 under which we agreed to restructure the terms of the lease to decrease and defer rent payments and to provide that Sabra be paid a portion of the prior rents due upon the tenant securing additional financing, with the balance paid over time. The Amended MOU adjusted the payment due upon securing additional financing and is subject to the tenant obtaining additional financing. As of August 4, 2015, the additional financing has not yet closed and there continues to be uncertainty around the timing of financing and the adequacy of such financing to provide the Frisco tenant with the necessary liquidity to operate under the modified lease terms. Because of this uncertainty, we have recorded reserves totaling $4.6 million associated with rents due and the accumulated straight-line rental income receivable balance for Frisco as of June 30, 2015. This reserve resulted in a $3.0 million provision for doubtful accounts during the three months ended June 30, 2015. As more clarity is obtained around the financing and its adequacy, we will continue to monitor and update the reserve requirements. We are also evaluating alternative solutions, which may include selling Frisco. A more detailed discussion around the Frisco investment and related Amended MOU and our investments in the mortgage loans to Forest Park - Dallas and Forest Park - Fort Worth will be available in the Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Form 10-Q for the quarterly period ended June 30, 2015 ("MD&A").

## LIQUIDITY

As of June 30, 2015, we had approximately $334.0 million of liquidity, consisting of unrestricted cash and cash equivalents of $6.0 million (excluding cash and cash equivalents associated with a RIDEA-compliant joint venture) and available borrowings of $328.0 million under our revolving credit facility. As of June 30, 2015, we also had $76.5 million available under our at-the-market (ATM) common stock offering program.

## 2015 OUTLOOK UPDATE

The table below sets forth Sabra's updated 2015 full year earnings guidance:

| | Low | High |
|---|---|---|
| Net income attributable to common stockholders | $ 1.29 | $ 1.32 |
| Add: | | |
| Depreciation and amortization | 1.00 | 1.00 |
| Gain on sale of real estate | (0.03) | (0.03) |
| Impairment of real estate (Genesis lease buy out) | 0.19 | 0.19 |
| Funds from Operations (FFO) | $ 2.45 | $ 2.48 |
| Normalizing items (1) | (0.24) | (0.24) |
| Normalized FFO | $ 2.21 | $ 2.24 |
| FFO | $ 2.45 | $ 2.48 |
| Acquisition pursuit costs | 0.12 | 0.12 |
| Stock-based compensation expense | 0.15 | 0.15 |
| Straight-line rental income adjustments | (0.42) | (0.42) |
| Amortization of deferred financing costs | 0.08 | 0.08 |
| Other non-cash adjustments | 0.05 | 0.05 |
| Adjusted Funds from Operations (AFFO) | $ 2.43 | $ 2.46 |
| Normalizing items (1) | (0.31) | (0.31) |
| Normalized AFFO | $ 2.12 | $ 2.15 |

(1) Normalizing items include certain income and expense items that the Company does not believe are indicative of its ongoing operating results. The Company considers normalized FFO and normalized AFFO to be useful measures to evaluate the Company's operating results excluding these income and expense items to help investors compare the operating performance of the Company between periods or as compared to other companies. Normalizing items for FFO above include non-RIDEA joint venture facility operating expenses of $0.01, non-recurring or unusual acquisition pursuit costs of $0.07 and the expected payment from Genesis to complete the previously announced lease buy out of $(0.32). Normalizing items for AFFO include non-RIDEA joint venture facility operating expenses and the expected Genesis payment included in Normalized FFO.

The above guidance assumes (i) a total of $543.9 million of investments in 2015 (of which $349.3 million were completed as of June 30, 2015), (ii) dispositions of $15.6 million and (iii) a $20.0 million payment expected from Genesis to complete the lease buy out as previously discussed during the first quarter earnings call. In addition, the Company's Net Debt to Adjusted EBITDA is assumed to remain consistent with the ratio as of June 30, 2015. The above guidance includes $4.1 million of reserves associated with Frisco rents (a reduction of $0.07 per diluted common share for normalized FFO and $0.04 per diluted common share for normalized AFFO), assumes no additional reserves specific to any of the Forest Park investments and includes future rents for Frisco under the terms of the Amended MOU more fully described in the Company's MD&A.

Except as otherwise noted above, the foregoing projections reflect management's view of current and future market conditions. There can be no assurance that the Company's actual results will not differ materially from the estimates set forth above. Except as otherwise required by law, the Company assumes no, and hereby disclaims any, obligation to update any of the foregoing projections as a result of new information or new or future developments.

CONFERENCE CALL AND COMPANY INFORMATION

A conference call to discuss the 2015 second quarter results will be held on Wednesday, August 5, at 10:00 am Pacific Time. The dial in number for the conference call is (888) 430-8691 and the participant code is "SABRA." A replay of the call will also be available immediately following the call and for 30 days by dialing (888) 203-1112, and

using pass code 1567566. The Company's supplemental information package for the second quarter will also be available on the Company's website in the "Investor Relations" section.

ABOUT SABRA

As of June 30, 2015, Sabra's investment portfolio included 172 real estate properties held for investment and leased to operators/tenants under triple-net lease agreements (consisting of (i) 106 Skilled Nursing/Transitional Care facilities, (ii) 64 Senior Housing facilities, and (iii) two Acute Care Hospitals), 14 investments in loans receivable (consisting of (i) six mortgage loans, (ii) three construction loans, (iii) two mezzanine loans, and (iv) three pre-development loans) and eight preferred equity investments. Included in the 172 real estate properties held for investment is a single 100% owned, Senior Housing facility leased to a 50%/50% RIDEA-compliant joint venture tenant. As of June 30, 2015, Sabra's real estate properties included 18,049 beds/units, spread across the United States and Canada.

FORWARD-LOOKING STATEMENTS SAFE HARBOR

This release contains "forward-looking" statements as defined in the Private Securities Litigation Reform Act of 1995. These statements may be identified, without limitation, by the use of "expects," "believes," "intends," "should" or comparable terms or the negative thereof. Forward-looking statements in this release include all statements regarding our anticipated investments, including our investment pipeline, expectations regarding Frisco and its anticipated financing, and our outlook for the 2015 fiscal year.

Our actual results may differ materially from those projected or contemplated by our forward-looking statements as a result of various factors, including among others, the following: our dependence on Genesis and certain wholly owned subsidiaries of Holiday AL Holdings LP until we are able to further diversify our portfolio; our dependence on the operating success of our tenants; the significant amount of and our ability to service our indebtedness; covenants in our debt agreements that may restrict our ability to pay dividends, make investments, incur additional indebtedness and refinance indebtedness on favorable terms; increases in market interest rates; changes in foreign current exchange rates; our ability to raise capital through equity and debt financings; the impact of required regulatory approvals of transfers of healthcare properties; the effect of increasing healthcare regulation and enforcement on our tenants and the dependence of our tenants on reimbursement from governmental and other third-party payors; the relatively illiquid nature of real estate investments; competitive conditions in our industry; the loss of key management personnel or other employees; the impact of litigation and rising insurance costs on the business of our tenants; the effect of our tenants declaring bankruptcy or becoming insolvent; uninsured or underinsured losses affecting our properties and the possibility of environmental compliance costs and liabilities; the ownership limits and anti-takeover defenses in our governing documents and Maryland law, which may restrict change of control or business combination opportunities; the impact of a failure or security breach of information

technology in our operations; our ability to find replacement tenants and the impact of unforeseen costs in acquiring new properties; our ability to maintain our status as a REIT; compliance with REIT requirements and certain tax and tax regulatory matters related to our status as a REIT; and other factors discussed from time to time in our news releases, public statements and/or filings with the Securities and Exchange Commission (the "SEC"), especially the "Risk Factors" sections of our Annual and Quarterly Reports on Forms 10-K and 10-Q. We do not intend, and we undertake no obligation, to update any forward-looking information to reflect events or circumstances after the date of this supplement or to reflect the occurrence of unanticipated events, unless required by law to do so.

TENANT AND BORROWER INFORMATION

This release includes information regarding certain of our tenants that lease properties from us and our borrowers, most of which are not subject to SEC reporting requirements. Genesis is subject to the reporting requirements of the SEC and is required to file with the SEC annual reports containing audited financial information and quarterly reports containing unaudited financial information. The information related to our tenants and borrowers that is provided in this supplement has been provided by such tenants and borrowers. We have not independently verified this information. We have no reason to believe that such information is inaccurate in any material respect. We are providing this data for informational purposes only. Genesis's filings with the SEC can be found at **www.sec.gov**.

NOTE REGARDING NON-GAAP FINANCIAL MEASURES

This release includes the following financial measures defined as non-GAAP financial measures by the SEC: funds from operations ("FFO"), Normalized FFO, Adjusted FFO ("AFFO"), Normalized AFFO, FFO per diluted common share, Normalized FFO per diluted common share, AFFO per diluted common share and Normalized AFFO per diluted common share. These measures may be different than non-GAAP financial measures used by other companies, and the presentation of these measures is not intended to be considered in isolation or as a substitute for financial information prepared and presented in accordance with U.S. generally accepted accounting principles. An explanation of these non-GAAP financial measures is included under "Reporting Definitions" in this release, and reconciliations of these non-GAAP financial measures to the GAAP financial measures we consider most comparable are included under "Reconciliations of Funds from Operations (FFO), Normalized FFO, Adjusted Funds from Operations (AFFO) and Normalized AFFO" in this release.

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SABRA HEALTH CARE REIT, INC.
FINANCIAL HIGHLIGHTS
(dollars in thousands, except per share data)

| | Six Months Ended June 30, |
|---|---|

| | 2015 | 2014 | 2015 | 2014 |
|---|---|---|---|---|
| Revenues | $ 56,586 | $ 42,973 | $ 112,158 | $ 83,823 |
| Net income attributable to common stockholders | 14,275 | 12,241 | 31,164 | 2,377 |
| FFO | 27,049 | 21,996 | 58,088 | 21,482 |
| Normalized FFO | 31,449 | 25,053 | 62,836 | 46,772 |
| AFFO | 30,683 | 23,527 | 61,214 | 23,851 |
| Normalized AFFO | 30,790 | 23,609 | 61,669 | 44,729 |
| Per common share data: | | | | |
| Diluted EPS | $ 0.24 | $ 0.28 | $ 0.52 | $ 0.06 |
| Diluted FFO | 0.45 | 0.50 | 0.98 | 0.51 |
| Diluted Normalized FFO | 0.53 | 0.57 | 1.06 | 1.12 |
| Diluted AFFO | 0.51 | 0.53 | 1.02 | 0.57 |
| Diluted Normalized AFFO | 0.52 | 0.53 | 1.03 | 1.06 |
| | | | | |
| Net cash flow from operations | $ 26,606 | $ 27,714 | $ 51,307 | $ 28,921 |

| Investment Portfolio | June 30, 2015 | December 31, 2014 |
|---|---|---|
| Total Investments in Real Estate Properties (1) (#) | 172 | 160 |
| Total Investments in Real Estate Properties, gross ($) | $ 2,147,290 | $ 1,831,534 |
| Total Beds/Units | 18,049 | 16,718 |
| Weighted Average Remaining Lease Term (in months) | 126 | 129 |
| Total Investments in Loans Receivable (#) | 14 | 14 |
| Total Investments in Loans Receivable, gross ($) (2) | $ 256,332 | $ 235,584 |
| Total Preferred Equity Investments (#) | 8 | 6 |
| Total Preferred Equity Investments, gross ($) | $ 22,671 | $ 16,407 |
| Debt | June 30, 2015 | December 31, 2014 |
| Book Value | | |
| Fixed Rate Debt | $ 841,575 | $ 823,294 |
| Variable Rate Debt (3) | 394,846 | 268,000 |
| Total Debt | 1,236,421 | 1,091,294 |
| | | |
| Cash | (6,042) | (61,793) |
| Net Debt | $ 1,230,379 | $ 1,029,501 |
| | | |
| Weighted Average Effective Rate | | |
| Fixed Rate Debt | 5.18% | 5.24% |
| Variable Rate Debt (3) | 2.43% | 2.27% |
| Total Debt | 4.30% | 4.51% |
| | | |
| % of Total | | |
| Fixed Rate Debt | 68.1% | 75.5% |
| Variable Rate Debt (3) | 31.9% | 24.5% |
| Total Debt | 100.0% | 100.0% |
| | | |
| Availability Under Revolving Credit Facility | $ 328,000 | $ 382,000 |
| Available Liquidity (4) | $ 334,003 | $ 443,671 |

(1) Included in Total Investments in Real Estate Properties is a single 100% owned Senior Housing facility leased to a 50%/50% RIDEA-compliant joint venture tenant.
(2) Total Investments in Loans Receivable, gross as of June 30, 2015 consists of principal of $255.1 million plus capitalized origination fees of $1.2 million.
(3) Includes $200.0 million subject to a 2% LIBOR cap and $72.8 million (CAD $90.0 million) subject to a swap agreement that fixes the CDOR rate at 1.59%. Excluding this amount from variable rate debt equates to 12.7% of total debt being variable rate debt.
(4) Available liquidity represents unrestricted cash, excluding cash associated with a consolidated joint venture, and availability under the revolving credit facility.

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SABRA HEALTH CARE REIT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(dollars in thousands, except per share data)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Revenues: | | | | |
| Rental income | $ 49,896 | $ 37,485 | $ 99,401 | $ 73,578 |
| Interest and other income | 6,690 | 5,488 | 12,757 | 10,245 |
| | | | | |
| Total revenues | 56,586 | 42,973 | 112,158 | 83,823 |
| | | | | |
| Expenses: | | | | |
| Depreciation and amortization | 14,497 | 9,755 | 28,647 | 19,105 |
| Interest | 14,052 | 10,994 | 27,932 | 22,128 |
| General and administrative | 9,862 | 5,031 | 16,721 | 10,785 |
| Provision for doubtful accounts and write-offs | 2,972 | 2,895 | 4,116 | 2,994 |
| | | | | |
| Total expenses | 41,383 | 28,675 | 77,416 | 55,012 |
| | | | | |
| Other income (expense): | | | | |
| Loss on extinguishment of debt | — | (162) | — | (22,296) |

| | | | | |
|---|---|---|---|---|
| Other (expense) income | (100) | 660 | (200) | 960 |
| Gain on sale of real estate | 1,723 | — | 1,723 | — |
| Total other income (expense) | 1,623 | 498 | 1,523 | (21,336) |
| Net income | 16,826 | 14,796 | 36,265 | 7,475 |
| Net loss attributable to noncontrolling interests | 9 | 5 | 20 | 23 |
| Net income attributable to Sabra Health Care REIT, Inc. | 16,835 | 14,801 | 36,285 | 7,498 |
| Preferred stock dividends | (2,560) | (2,560) | (5,121) | (5,121) |
| Net income attributable to common stockholders | $ 14,275 | $ 12,241 | $ 31,164 | $ 2,377 |
| Net income attributable to common stockholders, per: | | | | |
| Basic common share | $ 0.24 | $ 0.28 | $ 0.53 | $ 0.06 |
| Diluted common share | $ 0.24 | $ 0.28 | $ 0.52 | $ 0.06 |
| Weighted-average number of common shares outstanding, basic | 59,323,799 | 43,655,292 | 59,254,895 | 41,324,795 |
| Weighted-average number of common shares outstanding, diluted | 59,543,781 | 44,096,297 | 59,510,164 | 41,791,470 |

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SABRA HEALTH CARE REIT, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except per share data)

| | June 30, 2015 (unaudited) | December 31, 2014 |
|---|---|---|
| Assets | | |
| Real estate investments, net of accumulated depreciation of $213,735 and $185,994 as of June 30, 2015 and December 31, 2014, respectively | $ 1,933,831 | $ 1,645,805 |
| Loans receivable and other investments, net | 278,507 | 251,583 |
| Cash and cash equivalents | 6,042 | 61,793 |
| Restricted cash | 7,093 | 7,024 |
| Prepaid expenses, deferred financing costs and other assets, net | 112,329 | 98,687 |
| Total assets | $ 2,337,802 | $ 2,064,892 |
| Liabilities | | |
| Mortgage notes | $ 142,252 | $ 124,022 |
| Revolving credit facility | 122,000 | 68,000 |
| Term loans | 272,846 | 200,000 |
| Senior unsecured notes | 699,323 | 699,272 |
| Accounts payable and accrued liabilities | 30,573 | 31,775 |
| Total liabilities | 1,266,994 | 1,123,069 |
| Equity | | |
| Preferred stock, $.01 par value; 10,000,000 shares authorized, 5,750,000 shares issued and outstanding as of June 30, 2015 and December 31, 2014 | 58 | 58 |
| Common stock, $.01 par value; 125,000,000 shares authorized, 65,134,056 and 59,047,001 shares issued and outstanding as of June 30, 2015 and December 31, 2014, respectively | 651 | 590 |
| Additional paid-in capital | 1,201,155 | 1,053,601 |
| Cumulative distributions in excess of net income | (126,167) | (110,841) |
| Accumulated other comprehensive loss | (4,826) | (1,542) |
| Total Sabra Health Care REIT, Inc. stockholders' equity | 1,070,871 | 941,866 |
| Noncontrolling interests | (63) | (43) |
| Total equity | 1,070,808 | 941,823 |
| Total liabilities and equity | $ 2,337,802 | $ 2,064,892 |

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SABRA HEALTH CARE REIT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

| | Six Months Ended June 30, | |
|---|---|---|
| | 2015 | 2014 |
| Cash flows from operating activities: | | |

| | | |
|---|---|---|
| Net income | $ 36,265 | $ 7,475 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 28,647 | 19,105 |
| Non-cash interest income adjustments | 212 | 140 |
| Amortization of deferred financing costs | 2,529 | 1,872 |
| Stock-based compensation expense | 4,672 | 4,792 |
| Amortization of debt discount (premium) | 51 | (33) |
| Loss on extinguishment of debt | — | 1,418 |
| Straight-line rental income adjustments | (11,834) | (8,433) |
| Provision for doubtful accounts and write-offs | 4,116 | 2,994 |
| Change in fair value of contingent consideration | 200 | (960) |
| Gain on sale of real estate | (1,723) | — |
| Changes in operating assets and liabilities: | | |
| Prepaid expenses and other assets | (11,292) | (1,171) |
| Accounts payable and accrued liabilities | 1,014 | 3,312 |
| Restricted cash | (1,550) | (1,590) |
| Net cash provided by operating activities | 51,307 | 28,921 |
| Cash flows from investing activities: | | |
| Acquisitions of real estate | (301,851) | (118,389) |
| Origination and fundings of loans receivable | (21,737) | (38,373) |
| Preferred equity investments | (5,131) | (6,458) |
| Additions to real estate | (1,033) | (783) |
| Repayment of loans receivable | 2,052 | — |
| Release of contingent consideration held in escrow | 5,240 | — |
| Net proceeds from the sale of real estate | 1,800 | — |
| Net cash used in investing activities | (320,660) | (164,003) |
| Cash flows from financing activities: | | |
| Proceeds from issuance of senior unsecured notes | — | 350,000 |
| Principal payments on senior unsecured notes | — | (211,250) |
| Net proceeds (repayments) from revolving credit facility | 54,000 | (135,500) |
| Proceeds from term loan | 73,242 | — |
| Proceeds from mortgage notes | — | 57,703 |
| Principal payments on mortgage notes | (1,340) | (87,733) |
| Payments of deferred financing costs | (834) | (10,135) |
| Issuance of common stock | 140,062 | 219,899 |
| Dividends paid on common and preferred stock | (51,343) | (37,125) |
| Net cash provided by financing activities | 213,787 | 145,859 |
| Net (decrease) increase in cash and cash equivalents | (55,566) | 10,777 |
| Effect of foreign currency translation on cash and cash equivalents | (185) | — |
| Cash and cash equivalents, beginning of period | 61,793 | 4,308 |
| Cash and cash equivalents, end of period | $ 6,042 | $ 15,085 |
| Supplemental disclosure of cash flow information: | | |
| Interest paid | $ 25,441 | $ 15,298 |
| Supplemental disclosure of non-cash investing and financing activities: | | |
| Assumption of mortgage indebtedness | $ 19,677 | $ 14,102 |

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SABRA HEALTH CARE REIT, INC.
RECONCILIATIONS OF FUNDS FROM OPERATIONS (FFO), NORMALIZED FFO,
ADJUSTED FUNDS FROM OPERATIONS (AFFO) AND NORMALIZED AFFO
(dollars in thousands, except per share data)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Net income attributable to common stockholders | $ 14,275 | $ 12,241 | $ 31,164 | $ 2,377 |
| Depreciation and amortization of real estate assets | 14,497 | 9,755 | 28,647 | 19,105 |
| Gain on sale of real estate | (1,723) | — | (1,723) | — |
| Funds from Operations (FFO) | $ 27,049 | $ 21,996 | $ 58,088 | $ 21,482 |
| Non-RIDEA facility operating expenses | 107 | — | 455 | — |
| Non-recurring or unusual acquisition pursuit costs | 4,293 | — | 4,293 | — |
| Loss on extinguishment of debt | — | 162 | — | 22,296 |
| Write-off of straight-line rental income | — | 2,895 | — | 2,994 |
| Normalized FFO | $ 31,449 | $ 25,053 | $ 62,836 | $ 46,772 |
| FFO | $ 27,049 | $ 21,996 | $ 58,088 | $ 21,482 |
| Acquisition pursuit costs | 5,131 | 187 | 5,441 | 579 |
| Stock-based compensation expense | 1,754 | 2,279 | 4,672 | 4,792 |
| Straight-line rental income adjustments | (6,178) | (4,247) | (11,834) | (8,433) |
| Amortization of deferred financing costs | 1,268 | 927 | 2,529 | 1,872 |
| Non-cash portion of loss on extinguishment of debt | — | 80 | — | 1,418 |

| | | | | |
|---|---|---|---|---|
| Other non-cash adjustments | 1,659 | 2,305 | 2,318 | 2,141 |
| Adjusted Funds from Operations (AFFO) | $ 30,683 | $ 23,527 | $ 61,214 | $ 23,851 |
| Cash portion of loss on extinguishment of debt | — | 82 | — | 20,878 |
| Non-RIDEA facility operating expenses | 107 | — | 455 | — |
| Normalized AFFO | $ 30,790 | $ 23,609 | $ 61,669 | $ 44,729 |
| Amounts per diluted common share: | | | | |
| Net income attributable to common stockholders | $ 0.24 | $ 0.28 | $ 0.52 | $ 0.06 |
| FFO | $ 0.45 | $ 0.50 | $ 0.98 | $ 0.51 |
| Normalized FFO | $ 0.53 | $ 0.57 | $ 1.06 | $ 1.12 |
| AFFO | $ 0.51 | $ 0.53 | $ 1.02 | $ 0.57 |
| Normalized AFFO | $ 0.52 | $ 0.53 | $ 1.03 | $ 1.06 |
| Weighted average number of common shares outstanding, diluted: | | | | |
| Net income, FFO and Normalized FFO | 59,543,781 | 44,096,297 | 59,510,164 | 41,791,470 |
| AFFO and Normalized AFFO | 59,742,209 | 44,335,381 | 59,733,598 | 42,075,917 |

Acute Care Hospital. A facility designed to provide extended medical and rehabilitation care for patients who are clinically complex and have multiple acute or chronic conditions.

EBITDAR. Earnings before interest, taxes, depreciation, amortization and rent ("EBITDAR") for a particular facility accruing to the operator/tenant of the property (not the Company) for the period presented. The Company uses EBITDAR in determining EBITDAR Coverage. EBITDAR has limitations as an analytical tool. EBITDAR does not reflect historical cash expenditures or future cash requirements for facility capital expenditures or contractual commitments. In addition, EBITDAR does not represent a property's net income or cash flow from operations and should not be considered an alternative to those indicators. The Company receives EBITDAR and other information from its operators/tenants and relevant guarantors and utilizes EBITDAR as a supplemental measure of their ability to generate sufficient liquidity to meet related obligations to the Company. All facility and tenant financial performance data is derived solely from information provided by operators/tenants and relevant guarantors without independent verification by the Company and is presented one quarter in arrears. The Company excludes the impact of strategic disposition candidates and facilities leased to RIDEA-compliant joint venture tenants. The Company only includes EBITDAR for Stabilized Facilities acquired before the beginning of the current quarter and only for periods when the property was operated subject to a lease with the Company. EBITDAR for facilities with new tenants/operators are only included in periods subsequent to the Company's acquisition of the facilities.

EBITDAR Coverage. EBITDAR for the trailing 12 month periods prior to and including the period presented divided by the same period cash rent. Cash rent used for recently acquired facilities and facilities subject to lease restructuring is the first year rental rate. EBITDAR Coverage is a supplemental measure of an operator/tenant's ability to meet their cash rent and other obligations to the Company. However, its usefulness is limited by, among other things, the same factors that limit the usefulness of EBITDAR. All facility and tenant data are derived solely from information provided by operators/tenants and relevant guarantors without independent verification by the Company. All such data is presented one quarter in arrears. The Company excludes the impact of strategic disposition candidates and facilities leased to RIDEA-compliant joint venture tenants. The Company only includes

EBITDAR Coverage for Stabilized Facilities acquired before the beginning of the current quarter and only for periods when the property was operated subject to a lease with the Company. EBITDAR Coverage for facilities with new tenants/operators are only included in periods subsequent to the Company's acquisition of the facilities. EBITDAR Coverage is not presented for tenants with significant corporate guarantees.

EBITDARM. Earnings before interest, taxes, depreciation, amortization, rent and management fees ("EBITDARM") for a particular facility accruing to the operator/tenant of the property (not the Company), for the period presented. The Company uses EBITDARM in determining EBITDARM Coverage. The usefulness of EBITDARM is limited by the same factors that limit the usefulness of EBITDAR. Together with EBITDAR, the Company utilizes EBITDARM to evaluate the core operations of the properties by eliminating management fees, which vary based on operator/tenant and its operating structure. All facility financial performance data is derived solely from information provided by operators/tenants and relevant guarantors without independent verification by the Company. All such data is presented one quarter in arrears. The Company excludes the impact of strategic disposition candidates and facilities leased to RIDEA-compliant joint venture tenants. The Company only includes EBITDARM for Stabilized Facilities acquired before the beginning of the current quarter and only for periods when the property was operated subject to a lease with the Company. EBITDARM for facilities with new tenants/operators are only included in periods subsequent to the Company's acquisition of the facilities.

EBITDARM Coverage. EBITDARM for the trailing 12 month periods prior to and including the period presented divided by the same period cash rent. Cash rent used for recently acquired facilities and facilities subject to lease restructurings is the first year rental rate. EBITDARM coverage is a supplemental measure of a property's ability to generate cash flows for the operator/tenant (not the Company) to meet the operator's/tenant's related cash rent and other obligations to the Company. However, its usefulness is limited by, among other things, the same factors that limit the usefulness of EBITDARM. All facility and tenant data are derived solely from information provided by operators/tenants and relevant guarantors without independent verification by the Company. All such data is presented one quarter in arrears. The Company excludes the impact of strategic disposition candidates and facilities leased to RIDEA-compliant joint venture tenants. The Company only includes EBITDARM Coverage for Stabilized Facilities acquired before the beginning of the current quarter and only for periods when the property was operated subject to a lease with the Company. EBITDARM Coverage for facilities with new tenants/operators are only included in periods subsequent to the Company's acquisition of the facilities. EBITDARM Coverage is not presented for tenants with significant corporate guarantees.

Fixed Charge Coverage Ratio. EBITDAR (including adjustments for one-time and pro forma items) for the period indicated (one quarter in arrears) for all operations of any entities that guarantee the tenants' lease obligations to the Company divided by the same period cash rent expense, interest expense and mandatory principal payments for operations of any entity that guarantees the tenants' lease obligation to the Company. Fixed Charge Coverage is

a supplemental measure of a guarantor's ability to meet the operator/tenant's cash rent and other obligations to the Company should the operator/tenant be unable to do so itself. However, its usefulness is limited by, among other things, the same factors that limit the usefulness of EBITDAR. Fixed Charge Coverage is calculated by the Company as described above based on information provided by guarantors without independent verification by the Company and may differ from similar metrics calculated by the guarantors.

Funds From Operations ("FFO") and Adjusted Funds from Operations ("AFFO"). The Company believes that net income attributable to common stockholders as defined by GAAP is the most appropriate earnings measure. The Company also believes that Funds From Operations, or FFO, as defined in accordance with the definition used by the National Association of Real Estate Investment Trusts ("NAREIT"), and Adjusted Funds from Operations, or AFFO (and related per share amounts) are important non-GAAP supplemental measures of the Company's operating performance. Because the historical cost accounting convention used for real estate assets requires straight-line depreciation (except on land), such accounting presentation implies that the value of real estate assets diminishes predictably over time. However, since real estate values have historically risen or fallen with market and other conditions, presentations of operating results for a real estate investment trust that uses historical cost accounting for depreciation could be less informative. Thus, NAREIT created FFO as a supplemental measure of operating performance for real estate investment trusts that excludes historical cost depreciation and amortization, among other items, from net income attributable to common stockholders, as defined by GAAP. FFO is defined as net income attributable to common stockholders, computed in accordance with GAAP, excluding gains or losses from real estate dispositions, plus real estate depreciation and amortization and impairment charges. AFFO is defined as FFO excluding straight-line rental income adjustments, stock-based compensation expense, amortization of deferred financing costs, acquisition pursuit costs, as well as other non-cash revenue and expense items (including provisions and write-offs related to straight-line rental income, changes in fair value of contingent consideration, amortization of debt premiums/discounts and non-cash interest income adjustments). The Company believes that the use of FFO and AFFO (and the related per share amounts), combined with the required GAAP presentations, improves the understanding of the Company's operating results among investors and makes comparisons of operating results among real estate investment trusts more meaningful. The Company considers FFO and AFFO to be useful measures for reviewing comparative operating and financial performance because, by excluding the applicable items listed above, FFO and AFFO can help investors compare the operating performance of the Company between periods or as compared to other companies. While FFO and AFFO are relevant and widely used measures of operating performance of real estate investment trusts, they do not represent cash flows from operations or net income attributable to common stockholders as defined by GAAP and should not be considered an alternative to those measures in evaluating the Company's liquidity or operating performance. FFO and AFFO also do not consider the costs associated with capital expenditures related to the Company's real estate assets nor do they purport to be indicative of cash available to fund the Company's future cash requirements. Further, the Company's computation of FFO and AFFO may not be comparable to FFO and AFFO reported by other real estate

investment trusts that do not define FFO in accordance with the current NAREIT definition or that interpret the current NAREIT definition or define AFFO differently than the Company does.

Investment. Represents the carrying amount of real estate assets after adding back accumulated depreciation and amortization.

Normalized FFO and normalized AFFO. Normalized FFO and normalized AFFO represent FFO and AFFO, respectively, adjusted for certain income and expense items that the Company does not believe are indicative of its ongoing operating results. The Company considers normalized FFO and normalized AFFO to be a useful measure to evaluate the Company's operating results excluding these income and expense items to help investors compare the operating performance of the Company between periods or as compared to other companies. Normalized FFO and normalized AFFO do not represent cash flows from operations or net income as defined by GAAP and should not be considered an alternative to those measures in evaluating the Company's liquidity or operating performance. Normalized FFO and normalized AFFO also do not consider the costs associated with capital expenditures related to the Company's real estate assets nor do they purport to be indicative of cash available to fund the Company's future cash requirements. Further, the Company's computation of normalized FFO and normalized AFFO may not be comparable to normalized FFO and normalized AFFO reported by other REITs that do not define FFO in accordance with the current NAREIT definition or that interpret the current NAREIT definition or define FFO and AFFO or normalized FFO and normalized AFFO differently than the Company does.

Senior Housing. Senior housing facilities include independent living, assisted living, continuing care retirement community and memory care facilities.

Skilled Nursing/Transitional Care. Skilled nursing/transitional care facilities include skilled nursing, transitional care, multi-license designation and mental health facilities.

Stabilized Facility. At the time of acquisition, the Company classifies each facility as either stabilized or pre-stabilized. Circumstances that would result in an acquired facility being classified as pre-stabilized include newly completed developments, facilities undergoing major renovations or additions, facilities being repositioned or transitioned to new operators, and significant transitions within the tenants' business model. Such facilities will be reclassified to stabilized upon maintaining consistent occupancy (85% for Skilled Nursing/Transitional Care and 90% for Senior Housing Facilities) but in no event beyond 24 months after the date of classification as pre-stabilized. Stabilized Facilities exclude facilities leased to the Company's RIDEA-compliant joint venture tenants.

Total Debt. The carrying amount of the Company's revolving credit facility, term loan, senior unsecured notes, and mortgage indebtedness, as reported in the Company's consolidated financial statements.

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Source: Sabra Health Care REIT, Inc.