



Owens & Minor Reports 2010 Financial Results, Reflecting Positive Trends in Financial & Operational Metrics

Planned termination of defined benefit pension plan successfully achieved in the fourth quarter of 2010

RICHMOND, Va., Feb 07, 2011 (BUSINESS WIRE) --

Owens & Minor, Inc. (NYSE:OMI) today reported financial results for the fourth quarter ended December 31, 2010, including quarterly revenue of \$2.07 billion, increased 1.5% when compared to revenue of \$2.04 billion in the fourth quarter of 2009. Net income for the fourth quarter of 2010 was \$21.8 million, or \$0.34 per diluted share, a decrease of \$10.6 million, or \$0.17 per diluted share, when compared to net income of \$32.3 million, or \$0.51 per diluted share, in the comparable period of 2009. As planned, the company terminated its defined benefit pension plan during the fourth quarter, distributed the plan's assets, and recorded a pension settlement charge of \$0.19 per diluted share. Excluding the negative effect of the pension settlement charge, fourth quarter net income would have been \$0.53 per diluted share, an improvement of 3.9% when compared to net income per diluted share for the same period of 2009.

For the fourth quarter of 2010, operating earnings were \$39.3 million, or 1.90% of revenue, decreased \$16.4 million when compared to operating earnings of \$55.8 million, or 2.73% of revenue, for the fourth quarter of 2009. For purposes of comparison, excluding the impact of the pension settlement charge, operating earnings were 2.84% of revenues for the fourth quarter of 2010. Operating earnings in the fourth quarter of 2010 also include the impact of expenses associated with preparations for on-boarding a significant third-party logistics customer of approximately \$1.0 million, or \$0.01 per diluted share.

"Despite a challenging healthcare utilization environment all year, we achieved our earnings goal for 2010, ending the year on a positive note," said Craig R. Smith, president & chief executive officer of Owens & Minor. "We also accomplished many of our financial and operational goals, including improvements in asset management and operating metrics. We signed a significant third-party logistics customer and terminated our pension plan. Our achievements resulted directly from the hard work of our teammates, who produced another strong performance, while taking exceptional care of our customers and improving upon our already high customer satisfaction ratings."

Pension Plan Termination

In December 2009, Owens & Minor's board of directors approved a plan to fund and terminate the company's noncontributory defined benefit pension plan. The plan covered substantially all employees who had earned benefits as of December 31, 1996. On that date, the benefits of employees under this plan were frozen, with all participants becoming fully vested. As planned, the company terminated its pension plan in the fourth quarter of 2010. The company contributed \$13.9 million to the plan during 2010 and completed the distribution of substantially all of the plan assets to plan participants to settle the plan's obligations in the fourth quarter of 2010. Pension expense of \$21.4 million for 2010 includes a settlement charge of \$19.6 million and \$1.8 million in other net periodic pension costs. The settlement charge had a negative impact of \$0.19 on income from continuing operations per diluted common share for 2010.

2010 Annual Results

For the year ended December 31, 2010, revenue was \$8.12 billion, increased 1.1% from revenue of \$8.04 billion in 2009. Income from continuing operations for 2010 was \$110.6 million, or \$1.75 per diluted share, decreased compared to income from continuing operations of \$116.9 million, or \$1.86 per diluted share for the comparable period in 2009. Excluding the pension settlement charge, income from continuing operations would have been \$1.94 per diluted share, an improvement of 4.3% when compared to 2009. In 2009, Owens & Minor reported a loss from discontinued operations of \$12.2 million, or \$0.19 per diluted share, resulting primarily from exiting the direct-to-consumer diabetes supply (DTC) business. Net income for 2010 was \$110.6 million, or \$1.75 per diluted share, improved \$5.9 million, or 5.7%, when compared to net income of \$104.7 million, or \$1.67 per diluted share, for 2009.

Asset Management

For the year ended December 31, 2010, operating cash flow from continuing operations was \$245 million, increased when compared to \$165 million for 2009. Cash used by discontinued operations was \$1.7 million for 2010, while cash provided by

discontinued operations for 2009 was \$73 million, including \$63 million received from the sale of certain assets of the DTC business. Cash and cash equivalents were \$159 million at December 31, 2010, increased from \$96 million at December 31, 2009. As of the end of 2010, debt was \$211 million, essentially unchanged when compared to debt as of December 31, 2009. Days sales outstanding (DSO), as of December 31, 2010, was 19.6 days, improved from DSO of 21.4 days at the end of the prior year. Inventory turns for the fourth quarter of 2010 were 10.2, compared to turns of 10.6 for the same period in 2009. Increased inventory levels as of December 31, 2010, resulted from inventory purchases made in advance of customer conversions, which were in process at year-end.

Shareholder Distributions

The Owens & Minor board of directors has approved the payment of the first quarter 2011 cash dividend in the amount of \$0.20 per share, a 13% increase over the prior quarter's dividend. The cash dividend is payable on March 31, 2011, to shareholders of record as of March 15, 2011.

The company's board of directors also authorized a share repurchase program of up to \$50 million of the company's outstanding common stock to be executed at the discretion of management over a three-year period, expiring in February 2014. The program is intended to offset shares issued in conjunction with the company's stock incentive plan and may be suspended or discontinued at any time.

2011 Outlook

At its annual Investor Day last December, the company provided the following financial guidance for 2011:

"For 2011, we are targeting revenue growth in a range of 3% to 5%, when compared to 2010, and net income per diluted share in a range of \$1.95 to \$2.10," said Craig R. Smith, president & chief executive officer of Owens & Minor.

The 2011 outlook is based on certain assumptions that are subject to the risk factors discussed in the company's filings with the Securities & Exchange Commission.

Highlights

- In its 2010 customer satisfaction survey, 99% of Owens & Minor's customers reported they were satisfied with the service provided by the company, an improvement when compared to 97% of customers in 2009. More than 700 healthcare provider customers completed the on-line survey, which was conducted by an independent research firm.
- Owens & Minor will participate in two investor conferences in the first quarter of 2011. Webcasts of both presentations will be available on www.owens-minor.com under the Investor Relations section.
 - Citi 2011 Global Healthcare Conference, March 2 - New York
 - Barclays Capital 2011 Global Healthcare Conference, March 17 - Miami

Safe Harbor Statement

Except for historical information, the matters discussed in this press release may constitute forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those projected. These risk factors are discussed in reports filed by the company with the Securities & Exchange Commission. All of this information is available at www.owens-minor.com. The company assumes no obligation, and expressly disclaims any such obligation, to update or alter information, whether as a result of new information, future events, or otherwise.

Owens & Minor, Inc., (NYSE: OMI) a *FORTUNE* 500 company headquartered in Richmond, Virginia, is a leading national distributor of name-brand medical and surgical supplies and a healthcare supply-chain management company. Owens & Minor is also a member of the Russell 2000[®] Index, which measures the performance of the small-cap segment of the U.S. equity universe, as well as the S&P MidCap 400, which includes companies with a market capitalization of \$750 million to \$3.3 billion that meet certain financial standards. With a diverse product and service offering and distribution centers throughout the United States, the company serves hospitals, integrated healthcare systems, alternate site locations, group purchasing organizations, and the federal government. Owens & Minor provides technology and consulting programs that improve inventory management and streamline logistics across the entire medical supply chain--from origin of product to patient bedside. For news releases, or for more information about Owens & Minor, visit the company website at www.owens-minor.com.

Investors Conference Call & Supplemental Material

Conference Call: Owens & Minor will conduct a conference call for investors on Tuesday, February 8, 2011, at 8:30 a.m. Eastern. **Participants may access the call** at 877-748-0043 with access code #38892068. The **international** dial-in number is 706-758-5871 with access code #38892068. **Replay:** A replay of the call will be available for three weeks by dialing 800-642-1687, using access code #38892068. **Webcast:** A listen-only webcast of the call, along with supplemental information, will be available on www.owens-minor.com under "Investor Relations."

Information on www.Owens-Minor.com

Owens & Minor uses its Web site, www.owens-minor.com, as a channel of distribution for material company information, including news releases, investor presentations and financial information. This information is routinely posted and accessible under the Investor Relations section.



SOURCE: Owens & Minor, Inc.

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