

Omnicare, Inc. ("Omnicare" or the "Company") is a leading healthcare services company that specializes in the management of complex pharmaceutical care. The Company operates two primary businesses, Long-Term Care Group ("LTC") and Specialty Care Group ("SCG"), each serving a different customer population but sharing a common objective: advancing health outcomes at the lowest possible cost. Through LTC, Omnicare is the nation's largest provider of pharmaceuticals and related pharmacy and ancillary services to long-term care facilities as well as chronic care facilities and other settings. SCG provides commercialization services for the biopharmaceutical industry in addition to end-of-life pharmaceutical care management for hospice care agencies. Omnicare leverages its specialized clinical capabilities and innovative technology solutions across both primary businesses as key components of the value we believe we provide to our customers. Omnicare services customers across the United States and in Canada.

In 2011, the Company continued its heightened operational focus to improve the Company's customer service and focus on driving consistent organic growth. This focus consists of management team changes, redefining the organizational structure, insourcing of certain administrative functions, improving employee relations, reallocating resources to align employee interests, reinforcing a commitment to compliance, beginning a process of updating information technology resources in operations and finance and an overall organization-wide focus on serving our customers. As part of this process, the Company's new management team reorganized the business, effective in the fourth quarter of 2011, into two operating segments, LTC and SCG. These segments are based on management's approach for overseeing the operations of the underlying businesses, as well as the customers they serve, and will make it more conducive for the Company to further unify its sales, marketing and service offerings for the given businesses.

Through LTC, Omnicare operates the largest institutional pharmacy business in North America, as measured in both revenues and the number of beds served. Due to the size and scope of LTC, we believe we have unique cost advantages, especially pertaining to the sourcing of pharmaceuticals. The scale of our operations has also provided us the opportunity to make investments in proprietary automation technology to reduce our dispensing costs while improving the accuracy and consistency of our service delivery. LTC's customers consist of skilled nursing facilities ("SNFs"), assisted living facilities ("ALFs"), independent living communities, hospitals, correctional facilities, and other healthcare service providers. In light of a customer mix that is heavily penetrated in the senior market, we have a high level of insight into geriatric pharmaceutical care. At December 31, 2011, LTC provided our pharmacy services in 47 states in the United States ("U.S."), the District of Columbia and in Canada. LTC comprised approximately 83% of the Company's total net sales during the year ended December 31, 2011, and dispensed approximately 115.1 million prescriptions. In connection with the formation of the segments in late 2011, the Company changed its methodology for reporting beds to report only on the beds for its LTC business, as the number of beds is not a significant factor for our other businesses. A chart comparing the old and new methodology is included below:

	2011	2010	2009
Total beds	1,382,000	1,385,000	1,377,000
Other beds	372,000	362,000	311,000
LTC beds	1,010,000	1,023,000	1,066,000

SCG touches a broad spectrum of the healthcare continuum, serving the needs of biopharmaceutical manufacturers, physicians, nurses, caregivers and patients. Our services are largely centered on the specialty pharmaceutical market. These services are based on five platforms: brand support services, third party logistics, patient assistance programs, specialty pharmacy and disease management for end-of-life care. Our brand support services, third party logistics and patient assistance programs are integrated, fee-for-service platforms which focus on helping the drug manufacturer market, distribute and obtain reimbursement for their products. In our specialty pharmacy platform, we provide dispensing of specialized pharmaceuticals that are high cost, have complex reimbursement and supply chain challenges, have limited patient populations and are not available through normal retail channels. These specialized drugs deal primarily with specific categories of drugs and disease states, such as rheumatoid arthritis, multiple sclerosis, oncology and growth hormones. In our end-of-life care platform, Omnicare provides hospice care pharmaceutical management. SCG accounted for approximately 17% of the Company's total net sales during the year ended December 31, 2011.

In 2011, the Company believes it began to see some of the benefits of the heightened operational focus through positive trends in certain of its key business metrics, including scripts dispensed. Additionally, the Company's SCG business continued its strong performance. Further, the benefit from recently launched generic drugs has served to offset the increased payroll and employee benefit costs associated with Omnicare's initiatives to improve its infrastructure and payor-driven reimbursement reductions.