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OWENS & MINOR INC/VA/
Form 10-K405
March 05, 2001

FORM 10-K ANNUAL REPORT

Owens & Minor, Inc. and Subsidiaries

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange
Act of 1934
For the year ended December 31, 2000

Transition Report Pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934
For the transition period from to

Commission File Number 1-9810

OWENS & MINOR, INC.
(Exact name of registrant as specified in its charter)

Virginia 54-01701843
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

4800 Cox Road, Glen Allen, Virginia 23060
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (804) 747-9794

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, \$2 par value	New York Stock Exchange
Preferred Stock	New York Stock
Purchase Rights	Exchange
10 7/8% Senior Subordinated Notes due 2006	New York Stock Exchange
\$2.6875 Term Convertible Securities, Series A	Not Listed

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the

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registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of Common Stock held by non-affiliates (based upon the closing sales price) was approximately \$522,151,087 as of February 8, 2001.

The number of shares of the Company's Common Stock outstanding as of February 8, 2001 was 33,258,031 shares.

DOCUMENTS INCORPORATED BY REFERENCE

The Proxy statement for the annual meeting of security holders on April 26, 2001 is incorporated by reference into Part III of this Form 10-K.

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FORM 10-K ANNUAL REPORT

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Secretary of the company at the principal executive offices

(a) Part III will be incorporated by reference from the registrant's 2001 Proxy Statement pursuant to instructions G(1) and G(3) of the General Instructions to Form 10-K.

[PICTURE APPEARS HERE]

Board of Directors

From left to right: Peter Redding, Marshall Acuff, James Ukrop, James Farinholt, John Crotty, Morgan Massey, Gilmer Minor, Anne Marie Whittemore, Henry Berling, Vernard Henley, James Rogers, Josiah Bunting

A. Marshall Acuff, Jr. (61) /2/
Senior Vice President
and Managing Director,
Salomon Smith Barney, Inc.

Henry A. Berling (58) /1,4/
Executive Vice President,
Partnership Development,
Owens & Minor, Inc.

Josiah Bunting, III (60) /2,4,5/
Superintendent,
Virginia Military Institute

John T. Crotty (63) /2,3,4/
Managing Partner,
CroBern Management Partnership
President, CroBern, Inc.

James B. Farinholt, Jr. (66) /1,2*,4/
Special Assistant to the President
for Economic Development,
Virginia Commonwealth University

Vernard W. Henley (71) /2,3,5/
Chairman & CEO,
Consolidated Bank & Trust Company

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E. Morgan Massey (74) /1,4*,5/
Chairman,
Asian-American Coal, Inc.
Chairman Emeritus,
A.T. Massey Coal Company, Inc.
Chairman, Evan Energy Company

G. Gilmer Minor, III (60) /1*,4/
Chairman & CEO,
Owens & Minor, Inc.

Peter S. Redding (62) /2,3,4/
Retired President & CEO,
Standard Register Company

James E. Rogers (55) /1,3*,4/
President,
SCI Investors Inc.

James E. Ukrop (63) /2,3,5/
Chairman,
Ukrop's SuperMarkets, Inc.
Chairman, First Market Bank

Anne Marie Whittemore (55) /1,3,5*/
Partner,
McGuireWoods LLP

Board Committees: /1/ Executive Committee,
/2/Audit Committee, /3/Compensation & Benefits
Committee, /4/Strategic Planning Committee,
/5/Governance & Nominating Committee,
*Denotes Chairperson

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Corporate Officers

G. Gilmer Minor, III (60)
Chairman & Chief Executive Officer

Chairman of the Board since 1994 and Chief Executive Officer since 1984. Mr. Minor was President from 1981 to April 1999. Mr. Minor joined the company in 1963.

Craig R. Smith (49)
President & Chief Operating Officer

President since 1999 and Chief Operating Officer since 1995. Mr. Smith has been with the company since 1989.

Henry A. Berling (58)
Executive Vice President, Partnership Development

Executive Vice President, Partnership Development since 1995. Mr. Berling was Executive Vice President, Partnership Development and Chief Sales Officer from 1996 to 1998. Mr. Berling has been with the company since 1966.

Timothy J. Callahan (49)
Senior Vice President, Distribution

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Senior Vice President, Distribution since 1999. From 1997 to 1999, Mr. Callahan served as Regional Vice President, West. Mr. Callahan was Executive Vice President for NCI, a healthcare consulting company from 1996 to 1997. Prior to that, he was Vice President, Sales for Sterile Concepts, Inc. from 1990 to 1996.

Drew St. J. Carneal (62)
Senior Vice President, General Counsel & Secretary

Senior Vice President, General Counsel and Secretary since 1990. Mr. Carneal has been with the company since 1989.

Jack M. Clark, Jr. (50)
Senior Vice President, Sales & Marketing

Senior Vice President, Sales & Marketing since 1997. Mr. Clark was employed by Campbell Soup Company from 1996 to 1997, serving as Vice President, U.S. Sales and Marketing. From 1987 to 1996, he was employed by Coca-Cola USA where his last position was Area Vice President.

Charles C. Colpo (43)
Senior Vice President, Operations

Senior Vice President, President, Operations since 1999. From 1998 to 1999, Mr. Colpo was Vice President, Operations. Prior to 1998, Mr. Colpo was Vice President, Supply Chain Process from 1996 to 1998 and Vice President, Inventory Management from 1995 to 1996. Mr. Colpo has been with the company since 1981.

James L. Grigg (53)
Senior Vice President, Supply Chain Management

Senior Vice President, Supply Chain Management since 1996. Mr. Grigg joined the company in 1996 as Senior Vice President, Product. Mr. Grigg was Vice President, Trade Relations and Product Management for FoxMeyer Health Corp. from 1992 to 1996.

David R. Guzman (45)
Senior Vice President & Chief
Information Officer

Senior Vice President and Chief Information Officer since December 2000. Mr. Guzman was employed by Office Depot from 1999 to 2000 serving as Senior Vice President, Systems Development. From 1997 to 1998, he was employed by ALCOA as Chief Architect, Managing Director, Global Information Services. From 1996 to 1997, Mr. Guzman served as Chief Technology Officer, Divisional Vice President for KMart, and from 1994 to 1996, he was employed by Federated Department Stores as Director of Architecture.

Richard F. Bozard (53)
Vice President, Treasurer & Acting Chief
Financial Officer

Acting Chief Financial Officer since 1999 and Vice President and Treasurer since 1991. Mr. Bozard has been with the company since 1988.

Olwen B. Cape (51)
Vice President, Controller

Vice President and Controller since 1997. Ms. Cape was employed by Bausch & Lomb

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Incorporated from 1990 to 1997 serving in various financial positions, including Director, Business Analysis & Planning.

Erika T. Davis (37)
Vice President, Human Resources

Vice President, Human Resources since 1999. Prior to that, Ms. Davis served as Director, Human Resources & Training in 1999 and Director, Compensation & HRIS from 1995 to 1999. Ms. Davis has been with the company since 1993.

Hugh F. Gouldthorpe, Jr. (61)
Vice President, Quality & Communications

Vice President, Quality and Communications since 1993. Mr. Gouldthorpe has been with the company since 1986.

Hue Thomas, III (61)
Vice President, Corporate Relations

Vice President, Corporate Relations since 1991. Mr. Thomas has been with the company since 1970.

Numbers inside parentheses indicate age.

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SELECTED FINANCIAL DATA(/1/)

Owens & Minor, Inc. and Subsidiaries

(in thousands, except ratios and per share data)

	2000	1999	1998	1997	1996
Summary of Operations:					
Net sales (/2/)	\$3,503,583	\$3,194,134	\$3,090,048	\$3,124,062	\$3,025,341
Nonrecurring restructuring expense (credit) (/3/)	\$ (750)	\$ (1,000)	\$ 11,200	\$ -	\$ -
Net income (/3/)	\$ 33,088	\$ 27,979	\$ 20,145	\$ 24,320	\$ 12,965
Per Common Share:					
Net income - basic	\$ 1.01	\$ 0.86	\$ 0.56	\$ 0.60	\$ 0.25
Net income - diluted	\$ 0.94	\$ 0.82	\$ 0.56	\$ 0.60	\$ 0.25
Average number of shares outstanding - basic	32,712	32,574	32,488	32,048	31,707
Average number of shares outstanding - diluted	39,453	39,098	32,591	32,129	31,809
Cash dividends	\$ 0.2475	\$ 0.23	\$ 0.20	\$ 0.18	\$ 0.18
Stock price at year end	\$ 17.75	\$ 8.94	\$ 15.75	\$ 14.50	\$ 10.25
Book value	\$ 6.41	\$ 5.58	\$ 4.94	\$ 4.48	\$ 3.99
Summary of Financial Position:					
Working capital	\$ 233,637	\$ 219,448	\$ 235,247	\$ 233,789	\$ 192,990
Total assets	\$ 867,548	\$ 865,000	\$ 717,768	\$ 712,563	\$ 679,501
Long-term debt	\$ 152,872	\$ 174,553	\$ 150,000	\$ 182,550	\$ 167,549

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Mandatorily redeemable preferred securities	\$ 132,000	\$ 132,000	\$ 132,000	\$ -	\$ -
Shareholders' equity	\$ 212,772	\$ 182,381	\$ 161,126	\$ 259,301	\$ 242,400

Selected Ratios:

Gross margin as a percent of net sales (/2/)	10.7%	10.7%	10.8%	10.4%	10.1%
Selling, general and administrative expenses as a percent of net sales (/2/)	7.7%	7.8%	8.0%	7.8%	7.9%
Average receivable days sales outstanding (/2/) (/4/)	33.3	34.9	33.5	32.4	37.3
Average inventory turnover	9.5	9.2	9.8	9.9	8.9
Return on average total equity (/5/)	11.2%	10.5%	8.2%	9.7%	5.4%
Return on average total equity (/6/)	16.7%	16.3%	9.6%	9.7%	5.4%
Current ratio	1.6	1.6	1.9	1.9	1.7
Capitalization ratio (/4/) (/5/)	40.4%	47.2%	43.4%	53.0%	54.8%
Capitalization ratio (/4/) (/6/)	63.2%	69.4%	68.9%	53.0%	54.8%

(/1/) On July 30, 1999, the company acquired certain net assets of Medix, Inc. This acquisition was accounted for as a purchase.

(/2/) Net sales, gross margin, SG&A expenses and all related ratios have been restated for all periods in accordance with Emerging Issues Task Force Issue 00-10, Accounting for Shipping and Handling Fees and Costs. See Note 1 to the Consolidated Financial Statements.

(/3/) In 1998, the company incurred \$11.2 million, or \$6.6 million after taxes, of nonrecurring restructuring expenses. In 2000 and 1999, the company reduced the restructuring accrual by \$0.8 million and \$1.0 million, or \$0.4 million and \$0.6 million after taxes. See Note 3 to the Consolidated Financial Statements.

(/4/) Excludes the impact of the company's off balance sheet receivables financing facility. See Note 8 to the Consolidated Financial Statements.

(/5/) Includes mandatorily redeemable preferred securities as equity.

(/6/) Includes mandatorily redeemable preferred securities as debt.

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B U S I N E S S D E S C R I P T I O N

Owens & Minor, Inc. and Subsidiaries

Company History

Owens and Minor, Inc. and subsidiaries (O&M or the company) is the leading distributor of national name brand medical and surgical supplies in the United States. The company was incorporated in Virginia on December 7, 1926, as a successor to a partnership founded in Richmond, Virginia in 1882.

O&M has significantly expanded and strengthened its national presence in recent years through internal growth and acquisitions. In July 1999, the company acquired certain net assets of Medix, Inc. (Medix), a distributor of medical and

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surgical supplies whose customers are primarily located in the Midwest, strengthening the company's presence in this part of the country.

Industry Overview

Distributors of medical and surgical supplies provide a wide variety of products and services to healthcare providers, including hospitals and hospital-based systems, integrated healthcare networks (IHNs) and alternate care providers. The medical/surgical supply distribution industry has experienced growth in recent years due to the aging population and emerging medical technology resulting in new healthcare procedures and products. Over the years, IHNs have continued to change and model their health systems to meet the needs of the markets they serve. They have forged partnerships with national medical and surgical supply distributors to meet the challenges of managing the supply procurement and distribution needs of their entire network. The traditional role of a distributor in warehousing and delivering medical and surgical supplies to a customer has evolved into the role of assisting customers to manage the entire supply chain. Advances in information technology have enabled Owens & Minor to assist IHNs in the management of product standardization initiatives, paving the way for electronic commerce to play an increasingly important role in supply chain management. O&M expects that further consolidation in the medical/surgical supply distribution industry will continue due to the competitive advantages enjoyed by larger distributors, which include, among other things, the ability to serve nationwide customers, buy inventory in large volume and develop e-commerce platforms and decision support systems.

Customers

O&M distributes over 170,000 finished medical and surgical products produced by approximately 1,700 suppliers to approximately 4,000 customers nationwide. The company's customers are primarily acute care hospitals and hospital-based systems, which account for more than 90% of O&M's net sales. Other customers include alternate care facilities such as nursing homes, clinics, surgery centers, rehabilitation facilities, physicians' offices and home healthcare organizations. The company provides distribution services under contractual agreements with a number of large healthcare networks as well as major buying groups that represent independently owned member hospitals. Most of O&M's sales consist of disposable gloves, dressings, endoscopic products, intravenous products, needles and syringes, sterile procedure trays, surgical products and gowns, urological products and wound closure products.

Recently, the company has begun to provide distribution services for manufacturers, helping them to implement logistics and e-commerce solutions. The form of these arrangements varies, as Owens & Minor seeks to provide customized services to meet the needs of its manufacturing partners. In 2000, the company announced agreements with several manufacturers, including C. R. Bard Inc., Mead Johnson Nutritionals(TM) and American Health Products Corporation.

National Healthcare Networks (Networks) and Group Purchasing Organizations (GPOs). Networks and GPOs are entities that act on behalf of a group of healthcare providers to obtain pricing and other benefits that may be unavailable to individual members. Hospitals, physicians and other types of healthcare providers have joined Networks and GPOs to take advantage of improved economies of scale and to obtain services from medical and surgical supply distributors ranging from discounted product pricing to logistical and clinical support. Networks and GPOs negotiate directly with medical and surgical product suppliers and distributors on behalf of their members, establishing exclusive or multi-supplier relationships. Networks and GPOs cannot ensure that members will purchase their supplies from a given distributor. O&M is a distributor for Novation, an organization that manages purchasing for more than 5,000 healthcare organizations. Novation was created in 1998 to serve member organizations of VHA, which O&M has served since 1985, and University HealthSystem Consortium

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(UHC), an alliance of academic health centers. Sales to Novation members represented approximately 51% of O&M's net sales in 2000.

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B U S I N E S S D E S C R I P T I O N (c o n t i n u e d)

----- Owens & Minor, Inc. and Subsidiaries

In October 1998, O&M entered into an exclusive, eight-year medical/surgical supply distribution agreement with Tenet Healthcare Corporation (Tenet), the second largest for-profit hospital chain in the nation. In addition to being a sole supplier to Tenet's approximately 110 acute care hospitals, O&M provides distribution services to Broadlane, Tenet's GPO. One of the nation's leading GPOs, Broadlane provides national contracting through its more than 500 acute care hospitals and more than 2,000 other healthcare facilities.

Integrated Healthcare Networks (IHNs). An IHN is typically a network of different types of healthcare providers that seeks to offer a broad spectrum of healthcare services and comprehensive geographic coverage to a particular local market. IHNs have become increasingly important because of their expanding role in healthcare delivery and cost containment and their reliance upon the hospital, O&M's traditional customer, as a key component of their organizations. Individual healthcare providers within a multiple-entity IHN may be able to contract individually for distribution services; however, the providers' shared economic interests create strong incentives for participation in distribution contracts established at the system level. Because IHNs frequently rely on cost containment as a competitive advantage, IHNs have become an important source of demand for O&M's enhanced inventory management and value-added services.

Individual Providers. In addition to contracting with healthcare providers at the IHN level and through Networks and GPOs, O&M contracts directly with individual healthcare providers. In 2000, not-for-profit hospitals represented a majority of these facilities.

Suppliers

O&M believes its size and longstanding relationships enable it to obtain attractive terms and incentives from suppliers and contribute to its gross margin. The company has well-established relationships with virtually all major suppliers of medical and surgical supplies, and has developed close working relationships with its largest suppliers to create operating efficiencies in the supply chain.

Approximately 16%, 17% and 18% of O&M's net sales in 2000, 1999 and 1998 were sales of Johnson & Johnson Hospital Services, Inc. products. Approximately 15% of the company's 2000 net sales and 12% of the company's 1999 and 1998 net sales were sales of products of the subsidiaries of Tyco International.

Distribution

O&M employs a decentralized approach to sales and customer service through its 45 distribution centers, strategically located to serve customers in 50 states and the District of Columbia. These distribution centers generally serve hospitals and other customers within a 100- to 150-mile radius. O&M delivers most medical and surgical supplies with a fleet of leased trucks. Contract carriers and parcel services are used to transport all other medical and surgical supplies.

Competition

The medical/surgical supply distribution industry in the United States is highly competitive and consists of three major nationwide distributors: OM Allegiance Corp., a subsidiary of Cardinal Health, Inc.; and McKesson General Medical Corp., a subsidiary of McKesson HBOC, Inc. In 2000, Allegiance Corp. acquired Bergen Brunswig Medical Corp., the medical and surgical distribution division of Bergen Brunswig Corporation. The industry also includes smaller national distributors of medical and surgical supplies and a number of regional and local distributors.

Competitive factors within the medical/surgical supply distribution industry include total delivered product cost, product availability, the ability to fill and invoice orders accurately, delivery time, services provided, inventory management, information technology, and the ability to meet special customer requirements. O&M believes its emphasis on technology combined with its decentralized and customer-focused approach to distribution of medical/surgical supplies enables it to compete effectively with both larger and smaller distributors by being located near the customer and offering a high level of customer service. Further consolidation of medical/surgical supply distributors is expected to continue through the purchase of smaller distributors by larger companies as a result of competitive pressures in the marketplace.

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Asset Management

O&M aims to provide the highest quality of service in the medical/surgical supply distribution industry by focusing on providing suppliers and customers with local sales and service support and the most responsive, efficient and cost-effective distribution of medical and surgical products. The company draws on technology to provide a broad range of value-added services to control inventory and accounts receivable.

Inventory. Due to O&M's significant investment in inventory to meet the rapid delivery requirements of its customers, efficient asset management is essential to the company's profitability. The significant and ongoing emphasis on cost control in the healthcare industry puts pressure on distributors and health-care providers to create more efficient inventory management systems. O&M has responded to these ongoing challenges by developing its inventory forecasting capabilities, client/server warehouse management system, product standardization and consolidation initiative, and vendor managed inventory process (VMI). VMI allows some of the company's major suppliers to monitor daily sales and inventory levels electronically so they can automatically and accurately replenish O&M's inventory. These and other services have enabled the company to grow sales without significantly increasing inventory levels.

Accounts Receivable. The company's credit practices are consistent with those of other medical/surgical supply distributors. O&M actively manages its accounts receivable to minimize credit risk and does not believe that credit risk associated with accounts receivable poses a significant risk to its results of operations.

Information Technology

In 1998, O&M signed a 10-year agreement with Perot Systems Corporation to

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outsource its information technology (IT) operations and to procure strategic application development services. This partnership has allowed the company to provide additional resources to major IT initiatives to support internal operations and to enhance services to the company's customers and suppliers. In 2000, O&M's capital expenditures included approximately \$16.8 million for computer hardware and software. O&M has focused its technology expenditures on electronic commerce, data warehouse/decision support, supply chain management/warehousing systems, sales and marketing programs and services, and infrastructure enhancements.

Electronic Commerce. Owens & Minor is an industry leader in the use of electronic commerce to exchange business transactions with trading partners. In 1999, the company introduced OM Direct, an Internet-based product catalog and direct ordering system, to supplement existing electronic data interchange (EDI) technologies.

The company also provides distribution services for several Internet-based medical/surgical supply companies. O&M is committed to ongoing investment in an open, Internet-based e-commerce platform to support the company's supply chain management initiatives and to enable expansion into new market segments for healthcare products. The company is committed to supporting e-commerce initiatives throughout the industry, including Marketplace@Novation, Medibuy, Broadlane, the Global Healthcare Exchange and others. The company expects to serve as an integration point for customers, both healthcare providers and suppliers.

Sales and Marketing

O&M's sales and marketing function is organized to support its decentralized field sales teams of approximately 230 people. Based from the company's distribution centers nationwide, the company's local sales teams are positioned to respond to customer needs quickly and efficiently. In addition, Owens & Minor has introduced a field organization focused on assisting customers in the clinical environment, specializing in a knowledge of surgical products and technology. The company's integrated sales and marketing strategy offers customers value-added services in logistics, information management, asset management and product mix management. O&M provides special training and support tools to its sales team to help promote these programs and services.

O&M's value-added programs and services for its trading partners include the following:

- . CostTrack: This industry-leading activity-based management program helps customers identify and track the cost-drivers in their distribution activities, giving them the information they need to drive workflow efficiencies, raise employee productivity and cut costs. With CostTrack, the pricing of services provided to customers is no longer based on a cost-plus model, but on the variety of the Owens & Minor services that they choose. In 2000, over 20% of the company's net sales were generated through the CostTrack program.

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B U S I N E S S D E S C R I P T I O N (c o n t i n u e d)

Owens & Minor, Inc. and Subsidiaries

- . WISDOM: This award-winning Internet-accessed decision support tool connects O&M's customers, suppliers and GPOs to its data warehouse.

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Password-protected, WISDOM offers customers online access to a wide variety of reports about their purchase history, contract compliance, product usage and other related data. This timely information helps customers make well-informed purchasing decisions and realize hard-dollar savings and operating efficiencies by standardizing their product lines and consolidating suppliers, increasing contract compliance and GPO-related revenues, and consolidating purchasing data among the various computer systems in a healthcare network. Over 90 healthcare systems currently subscribe to WISDOM.

- . PANDAC(R) Wound Closure Management Program: This information-based program provides customers an evaluation of their current and historical wound closure inventories and usage levels, helping them reduce their investment in suture and endomechanical equipment and control their costs per operative case. O&M guarantees customers a minimum five percent savings in total wound closure inventory expenditures during their first year on the program.
- . Focus On Consolidation, Utilization & Standardization (FOCUS): This partnership program drives product standardization and consolidation, increasing the volume of purchases from O&M's most efficient suppliers, which provides operational benefits and cost savings to healthcare customers. FOCUS centers around both commodity and preference product standardization. O&M requires its FOCUS partners to be market share leaders and to meet strict certification standards, such as exceeding minimum fill rates, offering a flexible returned goods policy and using EDI.

Other Matters

Regulation. The medical/surgical supply distribution industry is subject to regulation by federal, state and local government agencies. Each of O&M's distribution centers is licensed to distribute medical and surgical supplies as well as certain pharmaceutical and related products. The company must comply with regulations, including operating and security standards for each of its distribution centers, of the Food and Drug Administration, the Drug Enforcement Agency, the Occupational Safety and Health Administration, state boards of pharmacy and, in certain areas, state boards of health. O&M believes it is in material compliance with all statutes and regulations applicable to distributors of medical and surgical supply products and pharmaceutical and related products, as well as other general employee health and safety laws and regulations.

Properties. O&M's corporate headquarters are located in western Henrico County, in a suburb of Richmond, Virginia, in leased facilities. The company owns two undeveloped parcels of land adjacent to its corporate headquarters. The company leases offices and warehouses for its 45 distribution centers across the United States. In the normal course of business, the company regularly assesses its business needs and makes changes to the capacity and location of its distribution centers. The company believes that its facilities are adequate to carry on its business as currently conducted. All of O&M's distribution centers are leased from unaffiliated third parties. A number of leases are scheduled to terminate within the next several years. The company believes that, if necessary, it could find facilities to replace these leased premises without suffering a material adverse effect on its business.

Employees. At the end of 2000, the company had 2,763 full and part-time employees. Management believes that relations with employees are good.

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ANALYSIS OF OPERATIONS

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Owens & Minor, Inc. and Subsidiaries

2000 Financial Results

In 2000, O&M earned net income of \$33.1 million, or \$0.94 per diluted common share, compared with \$28.0 million, or \$0.82 per diluted common share, in 1999. Net income in 2000 and 1999 was increased by \$0.4 million and \$0.6 million after tax reductions of a restructuring reserve originally established in 1998. The 1998 restructuring charge of \$11.2 million (pretax) reflected the company's plan to downsize warehouse operations as a result of the cancellation of its contract with HCA - The Healthcare Company (HCA). Excluding the reductions of the restructuring reserve, net income for 2000 increased 19% to \$32.7 million, or \$0.93 per diluted common share, from \$27.4 million, or \$0.80 per diluted common share for 1999.

Results of Operations

The following table presents the company's consolidated statements of income on a percentage of net sales basis:

Year ended December 31,	2000	1999	1998
Net sales	100.0%	100.0%	100.0%
Cost of goods sold	89.3	89.3	89.2
Gross margin	10.7	10.7	10.8
Selling, general and administrative expenses	7.7	7.8	8.0
Depreciation and amortization	0.6	0.6	0.6
Interest expense, net	0.3	0.4	0.5
Discount on accounts receivable securitization	0.2	0.1	0.1
Distributions on mandatorily redeemable preferred securities	0.2	0.2	0.1
Nonrecurring restructuring expenses	-	-	0.4
Total expenses	9.0	9.1	9.7
Income before income taxes	1.7	1.6	1.1
Income tax provision	0.8	0.7	0.4
Net income	0.9%	0.9%	0.7%

Acquisition. On July 30, 1999, the company acquired certain net assets of Medix, Inc. (Medix), a distributor of medical/ surgical supplies, for approximately \$83 million. The company paid cash of approximately \$68 million and assumed debt of approximately \$15 million, which was paid off as part of the closing transaction. The excess of the purchase price over the fair value of the identifiable net assets acquired of approximately \$58 million has been recorded as goodwill and is being amortized on a straight-line basis over 40 years. As the acquisition was accounted for as a purchase, the operating results of Medix have been included in the company's consolidated financial statements since July 30, 1999. This acquisition strengthens the company's presence in the Midwest and provides opportunities for increased sales in this geographic area. Medix' net

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sales were approximately \$184 million for its last fiscal year, which ended October 2, 1998. The success of the acquisition will depend in part on the company's ability to integrate and capture synergies in the combined businesses.

In connection with the acquisition, management adopted a plan for integration of the businesses that includes closure of some Medix facilities and consolidation of certain administrative functions. An accrual of \$2.7 million, included in the allocation of the purchase price, was established to provide for certain costs related to this plan. As of December 31, 2000, \$1.1 million had been spent, principally for lease payments on closed facilities and employee separations. The integration of the Medix business is expected to be completed in 2001.

Net sales.

Net sales increased by 10% to \$3.50 billion for 2000, from \$3.19 billion in 1999. Excluding the sales generated by customers acquired through the Medix acquisition, net sales increased 6%. Most of this increase resulted from higher sales volumes due to increased penetration of existing accounts, most significantly Broadlane (formerly Tenet-BuyPower), whose distribution contract began in February 1999.

Net sales increased by 3% to \$3.19 billion for 1999, from \$3.09 billion in 1998. Excluding the sales generated by the Medix acquisition, net sales increased 1%. The increase in sales was due to new customer contracts, primarily Broadlane, and increased penetration of existing accounts, offset by the loss of the HCA contract, which was cancelled in mid-1998.

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ANALYSIS OF OPERATIONS (continued)

Owens & Minor, Inc. and Subsidiaries

Gross margin. Gross margin as a percentage of net sales for 2000 remained unchanged from 1999 at 10.7%, and decreased slightly from 10.8% in 1998. From 1999 to 2000, customer margins decreased slightly due to changes in the company's customer mix, including lower contract margins on business acquired from Medix. These decreases, however, were offset by favorable vendor initiatives. The decrease from 1998 to 1999 was a result of the benefits of certain supply chain initiatives being recognized over a lower sales base in 1998. The company will continue to pursue opportunities for margin improvement.

Selling, general and administrative expenses. Selling, general and administrative (SG&A) expenses as a percentage of net sales was 7.7% in 2000 compared with 7.8% in 1999 and 8.0% in 1998. The decreases from year to year as a percentage of net sales were attributable to three major factors:

- . economies of scale as a result of a higher sales base without a significant increase in fixed costs
- . operating efficiencies driven by improved warehouse technology
- . continued management of administrative costs, including consolidation of certain administrative functions

Depreciation and amortization. Depreciation and amortization increased by 11% in 2000 to \$21.5 million, compared with \$19.4 million in 1999 and \$18.3 million in 1998. The increases from year to year were due, in part, to goodwill amortization of \$1.4 million and \$0.6 million in 2000 and 1999 resulting from

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the Medix acquisition. Excluding this amortization, depreciation and amortization increased by 7% from 1999 to 2000 and by 3% from 1998 to 1999 as a result of higher capital spending associated with information technology initiatives. O&M anticipates similar increases in depreciation in 2001 as the company continues to invest in information technology.

Net interest expense and discount on accounts receivable securitization (financing costs). Net financing costs totaled \$19.4 million in 2000, compared with \$17.1 million in 1999 and \$18.7 million in 1998. Net financing costs included collections of customer finance charges of \$5.3 million in 2000, up from \$4.6 million in 1999 and \$3.0 million in 1998. Excluding the collection of customer finance charges, financing costs increased to \$24.8 million in 2000 from \$21.7 million in both 1999 and 1998. The increase in financing costs was due to a combination of higher interest rates due to external market forces and an increase in outstanding financing resulting from the Medix acquisition. Average daily outstanding financing, which includes debt and accounts receivable sold under the company's off balance sheet receivables financing facility (Receivables Financing Facility), increased to \$262.7 million for 2000 from \$245.6 million in 1999. O&M expects to continue to manage its financing costs by continuing its working capital reduction initiatives and management of interest rates.

Nonrecurring restructuring expenses (credits). As a result of the HCA contract cancellation in the second quarter of 1998, the company recorded a nonrecurring restructuring charge of \$11.2 million, or \$6.6 million after taxes, to downsize operations. In the second quarters of 1999 and 2000, the company re-evaluated its restructuring reserve. Since the actions under this plan had resulted in lower projected total costs than originally anticipated, the company recorded reductions in the reserve of \$1.0 million in 1999 and \$0.8 million in 2000, or approximately \$0.6 million and \$0.4 million after taxes. In 2000, 1999 and 1998, amounts of \$1.8 million, \$2.1 million and \$2.0 million were charged against this liability. The remaining accrual consists primarily of losses on lease commitments for vacated warehouse and office space on leases through as late

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as 2006, as well as anticipated asset write-offs. Management attempts to sublease the vacant space when practicable to reduce the cost of the restructuring plan.

Income taxes. The income tax provision was \$27.1 million in 2000, \$22.1 million in 1999, and \$14.6 million in 1998. O&M's effective tax rate was 45.0% in 2000, compared with 44.1% in 1999 and 42.0% in 1998. The increase in the effective tax rate from year to year results primarily from the increase in certain nondeductible expenses.

Net income. Net income increased 18% to \$33.1 million in 2000 from \$28.0 million in 1999. For 1999, net income was 39% higher than 1998. The increase from 1998 to 1999 was primarily due to the impact of the nonrecurring restructuring charge discussed above. Excluding the effect of the restructuring charge and subsequent credits, 2000 net income increased to \$32.7 million from \$27.4 million in 1999 and \$26.8 million in 1998 and net income per diluted common share increased to \$0.93 compared to \$0.80 in 1999 and \$0.75 in 1998. Excluding the effect of the restructuring charge, 1999 net income attributable to common stock increased to \$27.4 million compared to \$24.9 million in 1998. The increase resulted from the retirement of the company's outstanding Series B Cumulative Preferred Stock in

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May 1998 which was funded through the issuance of \$132.0 million of mandatorily redeemable preferred securities. This favorable trend in net income from year to year is primarily due to the increase in sales and success in controlling operating expenses through productivity improvements.

Financial Condition, Liquidity and Capital Resources

Liquidity. As a result of favorable cash flows from operations, combined outstanding debt and off balance sheet accounts receivable securitization decreased by \$47.3 million to \$233.5 million at December 31, 2000. Excluding sales of accounts receivable and their subsequent collections under the company's receivables financing facility, \$68.8 million of cash was provided by operating activities in 2000, compared to \$61.7 million in 1999 and \$67.5 million in 1998.

In July 1999, the company acquired certain net assets of Medix for approximately \$83 million. This acquisition was funded by cash flow from operations and an increase in outstanding debt.

During 2000, the company replaced its revolving credit facility and receivables financing facility with new facilities expiring in April 2003 and July 2001. The new revolving credit facility allows the company to borrow up to \$225 million, unchanged from the prior facility. Under the new receivables financing facility, the company can sell up to \$225 million of accounts receivable, an increase of \$75 million from the prior facility. The company expects that its available financing will be sufficient to fund its working capital needs and long-term strategic growth, although this cannot be assured. At December 31, 2000, O&M had \$222.8 million of unused credit under its revolving credit facility and the ability to sell an additional \$145.0 million of accounts receivable under the receivables financing facility.

Working Capital Management. The company's working capital increased by \$14.2 million from December 31, 1999, to \$233.6 million at December 31, 2000, primarily due to a reduction in the amount of receivables sold under the financing facility. As of December 31, 2000, \$80.0 million of receivables were sold, compared to \$105.6 million at December 31, 1999. Excluding the impact of the financing facility, accounts receivable increased by \$9.4 million to \$341.9 million at December 31, 2000.

The company continues to focus on the management of inventory levels, and inventory turnover increased to 9.5 times for the year ended December 31, 2000, from 9.2 times for the year ended December 31, 1999, due to a combination of higher sales and reduced inventory levels.

Capital Expenditures. Capital expenditures were approximately \$19.6 million in 2000, of which approximately \$16.8 million was for computer hardware and software. The company expects to continue supporting strategic initiatives and improving operational efficiency through investments in technology, including system upgrades and the development of electronic commerce. The company expects future expenditures to be funded through cash flow from operations.

Recent Accounting Pronouncements. In May 1999, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) 137, Deferral of the Effective Date of SFAS 133, Accounting for Certain Derivative Instruments and Certain Hedging Activities. SFAS 137 delayed the effective date of SFAS 133 by one year. In September 2000, the FASB amended SFAS 133 with SFAS 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No. 133. The company will be

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ANALYSIS OF OPERATIONS (continued)

Owens & Minor, Inc. and Subsidiaries

required to adopt the provisions of this standard beginning on January 1, 2001. As a result, the company's interest rate swaps will be recognized on the consolidated balance sheet as either assets or liabilities at fair value, and the carrying amounts of certain liabilities hedged by the swaps will be adjusted based on changes in the values of the hedging instruments. At January 3, 2001, the interest rate swaps had a fair value of \$0.2 million as an asset. Adoption of this standard will not have a material effect on the company's net income.

In September 2000, the FASB issued SFAS 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, a replacement of SFAS 125 of the same title. SFAS 140 revises the standards for securitizations and other transfers of financial assets and expands the disclosure requirements for such transactions, while carrying over many of the provisions of SFAS 125 without change. The provisions of SFAS 140 are effective for transfers of financial assets and extinguishments of liabilities occurring after March 31, 2001, and are to be applied prospectively. Management is in the process of evaluating this standard, but does not believe that it will change the company's treatment of sales of accounts receivable under its Receivables Financing Facility, or have any material effect on the company's consolidated financial position, results of operations, or cash flows. The company has adopted the disclosure requirements of SFAS 140, which were required to be implemented in 2000. These disclosures are included in Note 8 to the Consolidated Financial Statements.

Risks. The company is subject to risks associated with changes in the medical industry, including continued efforts to control costs, which place pressure on operating margin, and changes in the way medical and surgical services are delivered to patients. The loss of one of the company's larger customers could have a significant effect on its business. However, management believes that the company's competitive position in the marketplace and its ability to control costs would enable it to continue profitable operations and attract new customers in the event of such a loss.

Market Risk. O&M provides credit, in the normal course of business, to its customers. The company performs ongoing credit evaluations of its customers and maintains reserves for credit losses.

The company is exposed to market risk relating to changes in interest rates. To manage this risk, O&M uses interest rate swaps to modify the company's exposure to interest rate movements and reduce borrowing costs. The company enters into these derivative transactions pursuant to its policies in areas such as counterparty exposure and hedging practices. O&M's net exposure to interest rate risk consists of floating rate instruments that are benchmarked to London Interbank Offered Rate (LIBOR). The company is exposed to certain losses in the event of nonperformance by the counterparties to these swap agreements. However, O&M's exposure is not significant and, since the counterparties are investment grade financial institutions, nonperformance is not anticipated.

The company is exposed to market risk from changes in interest rates related to its interest rate swaps. Interest expense is subject to change as a result of movements in interest rates. As of December 31, 2000, O&M had \$100 million of interest rate swaps on which the company pays a variable rate based on LIBOR and receives a fixed rate. A hypothetical increase in interest rates of 10%, or 70 basis points, would result in a potential reduction in future pre-tax earnings of approximately \$0.7 million per year in connection with these swaps.

Forward-Looking Statements. Certain statements in this discussion constitute "forward-looking statements" within the meaning of the Private Securities

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Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, including, but not limited to, general economic and business conditions, competition, changing trends in customer profiles, outcome of outstanding litigation, and changes in government regulations. Although O&M believes its expectations with respect to the forward-looking statements are based upon reasonable assumptions within the bounds of its knowledge of its business and operations, there can be no assurance that actual results, performance or achievements of the company will not differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements.

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CONSOLIDATED STATEMENTS OF INCOME

Owens & Minor, Inc. and Subsidiaries

(in thousands, except per share data)

Year ended December 31,	2000	1999	1998
Net sales	\$3,503,583	\$3,194,134	\$3,090,048
Cost of goods sold	3,127,911	2,851,556	2,755,158
Gross margin	375,672	342,578	334,890
Selling, general and administrative expenses	268,205	249,960	247,472
Depreciation and amortization	21,515	19,365	18,270
Interest expense, net	12,566	11,860	14,066
Discount on accounts receivable securitization	6,881	5,240	4,655
Distributions on mandatorily redeemable preferred securities	7,095	7,095	4,494
Nonrecurring restructuring expense (credit)	(750)	(1,000)	11,200
Total expenses	315,512	292,520	300,157
Income before income taxes	60,160	50,058	34,733
Income tax provision	27,072	22,079	14,588
Net income	33,088	27,979	20,145
Dividends on preferred stock	-	-	1,898
Net income attributable to common stock	\$ 33,088	\$ 27,979	\$ 18,247
Net income per common share - basic	\$ 1.01	\$ 0.86	\$ 0.56
Net income per common share - diluted	\$ 0.94	\$ 0.82	\$ 0.56
Cash dividends per common share	\$ 0.2475	\$ 0.23	\$ 0.20

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

Owens & Minor, Inc. and Subsidiaries

(in thousands, except per share data)

December 31,	2000	1999
Assets		
Current assets		
Cash and cash equivalents	\$ 626	\$ 669
Accounts and notes receivable, net	261,905	226,927
Merchandise inventories	315,570	342,478
Other current assets	16,190	19,172
Total current assets	594,291	589,246
Property and equipment, net	24,239	25,877
Goodwill, net	204,849	210,837
Deferred income taxes	-	145
Other assets, net	44,169	38,895
Total assets	\$867,548	\$865,000
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable	\$291,507	\$303,490
Accrued payroll and related liabilities	9,940	6,883
Deferred income taxes	16,502	15,403
Other accrued liabilities	42,705	44,022
Total current liabilities	360,654	369,798
Long-term debt	152,872	174,553
Accrued pension and retirement plans	8,879	6,268
Deferred income taxes	371	-
Total liabilities	522,776	550,619
Company-obligated mandatorily redeemable preferred securities of subsidiary trust, holding solely convertible debentures of Owens & Minor, Inc.		
	132,000	132,000
Shareholders' equity		
Preferred stock, par value \$100 per share; authorized - 10,000 shares Series A; Participating Cumulative Preferred Stock; none issued	-	-
Common stock, par value \$2 per share; authorized - 200,000 shares; issued and outstanding - 33,180 shares and 32,711 shares	66,360	65,422
Paid-in capital	18,039	12,890
Retained earnings	129,001	104,069
Accumulated other comprehensive loss	(628)	-
Total shareholders' equity	212,772	182,381
Commitments and contingencies		

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Total liabilities and shareholders' equity	\$867,548	\$865,000
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See accompanying notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

Owens & Minor, Inc. and Subsidiaries

(in thousands)

Year ended December 31,	2000	1999	1998
Operating activities			
Net income	\$33,088	\$ 27,979	\$ 20,145
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	21,515	19,365	18,270
Nonrecurring restructuring provision (credit)	(750)	(1,000)	11,200
Deferred income taxes	(1,293)	8,236	22,737
Provision for LIFO reserve	2,973	1,741	1,536
Provision for losses on accounts and notes receivable	227	559	496
Sales of (collections of sold) accounts receivable, net	(25,612)	30,612	(35,000)
Changes in operating assets and liabilities:			
Accounts and notes receivable	(9,593)	(30,131)	8,617
Merchandise inventories	23,935	(42,397)	8,899
Accounts payable	(14,783)	86,871	(23,375)
Net change in other current assets and current liabilities	8,926	(11,232)	(651)
Other, net	4,522	1,686	(389)
Cash provided by operating activities	43,155	92,289	32,485
Investing activities			
Net cash paid for acquisition of business	-	(82,699)	-
Additions to property and equipment	(8,005)	(8,933)	(8,053)
Additions to computer software	(11,622)	(13,172)	(4,556)
Other, net	(152)	(2,359)	160
Cash used for investing activities	(19,779)	(107,163)	(12,449)
Financing activities			
Net proceeds from issuance of mandatorily redeemable preferred securities	-	-	127,268
Repurchase of preferred stock	-	-	(115,000)
Additions to debt	-	25,178	-
Reductions of debt	(21,645)	-	(32,550)
Other financing, net	1,545	(2,741)	5,554
Cash dividends paid	(8,156)	(7,520)	(9,268)
Proceeds from exercise of stock options	4,837	80	3,923

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Cash provided by (used for) financing activities	(23,419)	14,997	(20,073)
Net increase (decrease) in cash and cash equivalents	(43)	123	(37)
Cash and cash equivalents at beginning of year	669	546	583
Cash and cash equivalents at end of year	\$ 626	\$ 669	\$ 546

See accompanying notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Owens & Minor, Inc. and Subsidiaries

(in thousands, except per share data)

	Preferred Shares Outstanding	Preferred Stock	Common Shares Outstanding	Common Stock	Paid-in Capital	Retained Earnings	Accumula Other Comprehen Loss
Balance December 31, 1997	1,150	\$ 115,000	32,213	\$64,426	\$ 8,005	\$ 71,870	\$ -
Net income	-	-	-	-	-	20,145	-
Comprehensive income							
Issuance of restricted stock	-	-	64	128	832	-	-
Unearned compensation	-	-	-	-	(657)	-	-
Common stock cash dividends (/1/)	-	-	-	-	-	(6,507)	-
Preferred stock cash dividends (/1/)	-	-	-	-	-	(1,898)	-
Exercise of stock options	-	-	333	666	3,978	-	-
Repurchase of preferred stock	(1,150)	(115,000)	-	-	-	-	-
Other	-	-	8	16	122	-	-
Balance December 31, 1998	-	-	32,618	65,236	12,280	83,610	-
Net income	-	-	-	-	-	27,979	-
Comprehensive income							
Issuance of restricted stock	-	-	74	148	893	-	-
Unearned compensation	-	-	-	-	(454)	-	-
Common stock cash dividends (/1/)	-	-	-	-	-	(7,520)	-
Exercise of stock							

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options	-	-	6	12	71	-	-
Other	-	-	13	26	100	-	-

Balance December 31, 1999	-	-	32,711	65,422	12,890	104,069	-
Net income	-	-	-	-	-	33,088	-
Unrealized loss on investment, net of \$419 tax benefit	-	-	-	-	-	-	(628)
Comprehensive income							
Issuance of restricted stock	-	-	102	204	622	-	-
Unearned compensation	-	-	-	-	(139)	-	-
Common stock cash dividends (/1/)	-	-	-	-	-	(8,156)	-
Exercise of stock options	-	-	355	710	4,541	-	-
Other	-	-	12	24	125	-	-

Balance December 31, 2000	-	\$ -	33,180	\$66,360	\$18,039	\$129,001	\$(628)

(/1/)Cash dividends were \$0.2475, \$0.23 and \$0.20 per common share in 2000, 1999 and 1998. Cash dividends were \$1.65 per preferred share in 1998.

See accompanying notes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Owens & Minor, Inc. and Subsidiaries

Note 1 - Summary of Significant Accounting Policies

Basis of Presentation. Owens & Minor, Inc. is the leading distributor of national name brand medical and surgical supplies in the United States. The consolidated financial statements include the accounts of Owens & Minor, Inc. and its wholly owned subsidiaries (the company). All significant intercompany accounts and transactions have been eliminated. The preparation of the consolidated financial statements in accordance with generally accepted accounting principles requires management assumptions and estimates that affect amounts reported. Actual results may differ from these estimates.

Cash and Cash Equivalents. Cash and cash equivalents include cash and marketable securities with an original maturity or maturity at acquisition of three months or less. Cash and cash equivalents are stated at cost, which approximates market value.

Accounts Receivable. The company maintains an allowance for doubtful accounts based upon the expected collectibility of accounts receivable. Allowances for doubtful accounts of \$6.4 million and \$6.5 million have been applied as reductions of accounts receivable at December 31, 2000 and 1999.

Merchandise Inventories. The company's merchandise inventories are valued on a last-in, first-out (LIFO) basis.

Property and Equipment. Property and equipment are stated at cost or, if ac-

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quired under capital leases, at the lower of the present value of minimum lease payments or fair market value at the inception of the lease. Normal maintenance and repairs are expensed as incurred, and renovations and betterments are capitalized. Depreciation and amortization are provided for financial reporting purposes using the straight-line method over the estimated useful lives of the assets or, for capital leases and leasehold improvements, over the terms of the lease, if shorter. In general, the estimated useful lives for computing depreciation and amortization are four to eight years for warehouse equipment and three to eight years for computer, office and other equipment. Straight-line and accelerated methods of depreciation are used for income tax purposes.

Goodwill. Goodwill is amortized on a straight-line basis over 40 years from the dates of acquisition. As of December 31, 2000 and 1999, goodwill was \$238.8 million and the related accumulated amortization was \$34.0 million and \$28.0 million. Based upon management's assessment of undiscounted future cash flows, the carrying value of goodwill at December 31, 2000 has not been impaired. The carrying value of goodwill could be impacted if estimated future cash flows are not achieved.

Computer Software. The company develops and purchases software for internal use. Software development costs incurred during the application development stage are capitalized. Once the software has been installed and tested and is ready for use, additional costs incurred in connection with the software are expensed as incurred. Capitalized computer software costs are amortized over the estimated useful life of the software, usually between 3 and 5 years. Computer software costs are included in other assets, net in the consolidated balance sheets. Unamortized software at December 31, 2000 and 1999 was \$23.7 million and \$18.2 million. Depreciation and amortization expense includes \$6.1 million, \$4.9 million and \$5.1 million of software amortization for the years ended December 31, 2000, 1999 and 1998.

Investment. The company owns equity securities of a provider of business-to-business e-commerce services in the healthcare industry. The investment is classified as available-for-sale, in accordance with SFAS 115, Accounting for Certain Investments in Debt and Equity Securities, and is included in other assets, net in the consolidated balance sheets at fair value, with unrealized gains and losses, net of tax, reported as accumulated other comprehensive loss. At December 31, 2000, the estimated fair value (based on the quoted market price), gross unrealized loss and cost basis of this investment were \$0.2 million, \$1.0 million and \$1.2 million. At December 31, 1999, the investment was stated at its cost basis of \$1.2 million, as there was no market for the securities at that time.

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Revenue Recognition. The company recognizes product revenue when product has been shipped, fees are determinable, and collectibility is probable. Service revenue is recognized ratably over the period during which services are provided. In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) 101, Revenue Recognition in Financial Statements, which clarifies the application of generally accepted accounting principles to revenue recognition in financial statements. The company adopted the provisions of SAB 101 in the fourth quarter of 2000. No changes in accounting principles or restatements were required, as the company's revenue recognition policy was in compliance with the SAB.

Reclassification of Shipping Fees. In July 2000, the Emerging Issues Task Force

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(EITF) reached a consensus on EITF Issue 00-10, Accounting for Shipping and Handling Fees and Costs. This consensus requires that all amounts billed to a customer in a sale transaction related to shipping and handling represent revenue and should be classified as such. Prior to the consensus, the company classified certain amounts billed to customers for shipping as a reduction of out-bound freight costs in selling, general and administrative (SG&A) expenses. The company adopted the provisions of the consensus in the fourth quarter of 2000 and, accordingly, reclassified these amounts from SG&A expenses to net sales for all prior periods. As a result, net sales, gross margin, and SG&A expenses for 1999 and 1998 have been increased by \$7.8 million and \$7.9 million. Shipping costs are included in SG&A expenses.

Stock-based Compensation. The company uses the intrinsic value method as defined by Accounting Principles Board Opinion No. 25 to account for stock-based compensation. This method requires compensation expense to be recognized for the excess of the quoted market price of the stock at the grant date or the measurement date over the amount an employee must pay to acquire the stock. The disclosures required by SFAS 123 are included in Note 11 to the Consolidated Financial Statements.

Derivative Financial Instruments. The company enters into interest rate swaps as part of its interest rate risk management strategy. These instruments are designated as hedges of interest-bearing liabilities and anticipated cash flows associated with off balance sheet financing. Net payments or receipts are accrued as interest payable or receivable and as interest expense or income. Fees related to these instruments are amortized over the life of the instrument. If the outstanding balance of the underlying liability were to drop below the notional amount of the swap, the excess portion of the swap would be marked to market, and the resulting gain or loss included in net income.

Effective January 1, 2001, the company will adopt SFAS 133, Accounting for Derivative Instruments and Hedging Activities, as amended by SFAS 137, Accounting for Derivative Instruments and Hedging Activities--Deferral of the Effective Date of FASB Statement No. 133, and SFAS 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities. SFAS 133 requires that an entity recognize all derivatives as either assets or liabilities measured at fair value. The accounting for changes in the fair value of a derivative depends on the use of the derivative. Adoption of these new accounting standards is not expected to have a material effect on the company's net income, but will change the reported values of assets and liabilities recorded in the consolidated balance sheet.

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Operating Segments. As defined in SFAS 131, Disclosures about Segments of an Enterprise and Related Information, the company has 11 operating segments, representing various geographic areas within the United States. As each of these segments is substantially identical to the others in each of the five aggregation characteristics identified in the statement, they are considered one operating segment for purposes of financial statement disclosure.

Note 2 - Acquisition

On July 30, 1999, the company acquired certain net assets of Medix, Inc. (Medix), a distributor of medical and surgical supplies, for approximately \$83 million. Medix' customers, located primarily in the Midwest, included acute care hospitals, long-term care facilities and clinics. The acquisition has been accounted for by the purchase method and, accordingly, the operating results of

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Medix have been included in the company's consolidated financial statements since the date of acquisition. Assuming the acquisition had been made at the beginning of the periods, consolidated net sales, on a pro forma basis would have been approximately \$3.31 billion and \$3.28 billion for the years ended December 31, 1999 and 1998. Consolidated net income and net income per share on a pro forma basis would not have been materially different from the results reported.

The company paid cash of approximately \$68 million and assumed debt of approximately \$15 million, which was paid off as part of the closing transaction. The excess of the purchase price over the fair value of the identifiable net assets acquired of approximately \$58 million has been recorded as goodwill and is being amortized on a straight-line basis over 40 years.

In connection with the acquisition, management adopted a plan for integration of the businesses that includes closure of some Medix facilities and consolidation of certain administrative functions. An accrual was established to provide for certain costs of this plan. The following table sets forth the major components of the accrual and activity through December 31, 2000:

(in thousands)

	Exit Plan		Balance at
	Provision Charges		December 31,
			2000
Losses under lease commitments	\$1,643	\$ 358	\$1,285
Employee separations	395	312	83
Other	685	404	281
Total	\$2,723	\$1,074	\$1,649

The employee separations relate to severance costs for employees in operations and activities being exited. As of December 31, 2000, approximately 40 employees had been terminated. The integration of the Medix business is expected to be completed in 2001.

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Note 3 - Restructuring

In the second quarter of 1998, the company recorded a nonrecurring restructuring charge of \$11.2 million related to the impact of the cancellation of its medical/surgical distribution contract with HCA - The Healthcare Company (HCA). The restructuring plan includes reductions in warehouse space and in the number of employees in those facilities that had the highest volume of business with HCA. In the second quarters of 2000 and 1999, the company re-evaluated its estimate of the remaining costs to be incurred and reduced the accrual by \$0.8 million in 2000 and \$1.0 million in 1999. Approximately 130 employees were terminated in connection with the restructuring plan.

The following table sets forth the activity in the restructuring accrual through December 31, 2000:

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(in thousands)

	Restructuring Provision	Charges	Adjustments	Balance at December 31, 2000
Losses under lease commitments	\$ 4,194	\$3,058	\$ 1,582	\$2,718
Asset write-offs	3,968	1,466	(1,681)	821
Employee separations	2,497	1,288	(1,209)	-
Other	541	99	(442)	-
Total	\$11,200	\$5,911	\$(1,750)	\$3,539

Note 4 - Merchandise Inventories

The company's merchandise inventories are valued on a LIFO basis. If LIFO inventories had been valued on a current cost or first-in, first-out (FIFO) basis, they would have been greater by \$31.6 million and \$28.6 million as of December 31, 2000 and 1999.

Note 5 - Property And Equipment

The company's investment in property and equipment consists of the following:

(in thousands)

December 31,	2000	1999
Warehouse equipment	\$24,012	\$23,337
Computer equipment	34,137	30,606
Office and other equipment	12,683	12,804
Leasehold improvements	10,540	9,903
Land and improvements	1,743	1,743
	83,115	78,393
Accumulated depreciation and amortization	(58,876)	(52,516)
Property and equipment, net	\$24,239	\$25,877

Depreciation and amortization expense for property and equipment in 2000, 1999, and 1998 was \$9.4 million, \$9.3 million and \$8.6 million.

Note 6 - Accounts Payable

Accounts payable balances were \$291.5 million and \$303.5 million as of December 31, 2000 and 1999, of which \$249.6 million and \$264.4 million were trade accounts payable and \$41.9 million and \$39.1 million, were drafts payable. Drafts payable are checks written in excess of bank balances to be funded upon clearing the bank.

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Note 7 - Debt

The company's long-term debt consists of the following:

(in thousands)

December 31,	2000		1999	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
10.875% Senior Subordinated Notes, mature June 2006	\$150,000	\$156,375	\$150,000	\$155,250
Revolving Credit Facility with interest based on London Interbank Offered Rate (LIBOR) or Prime Rate, expires April 2003, credit limit of \$225,000	2,200	2,200	22,600	22,600
Obligation under financing agreement	1,333	1,333	2,578	2,578
Total debt	153,533	159,908	175,178	180,428
Less current maturities	(661)	(661)	(625)	(625)
Long-term debt	\$152,872	\$159,247	\$174,553	\$179,803

In May 1996, the company issued \$150.0 million of 10.875% Senior Subordinated 10-year notes (Notes), which mature on June 1, 2006. Interest on the Notes is payable semi-annually on June 1 and December 1. The Notes are redeemable, after June 1, 2001, at the company's option, subject to certain restrictions. The Notes are unconditionally guaranteed on a joint and several basis by all significant subsidiaries of the company, other than O&M Funding Corp. (OMF) and Owens & Minor Trust I.

In April 2000, the company replaced its Revolving Credit Facility with a new agreement. The new Revolving Credit Facility expires in April 2003 with interest based on, at the company's discretion, LIBOR or the Prime Rate. The company is charged a commitment fee of between 0.20% and 0.275% on the unused portion of the facility and a utilization fee of 0.25% if borrowings exceed \$112.5 million. The terms of the Revolving Credit Facility limit the amount of indebtedness that the company may incur, require the company to maintain certain levels of net worth, current ratio, leverage ratio and fixed charge coverage, and restrict the ability of the company to materially alter the character of the business through consolidation, merger or purchase or sale of assets. At December 31, 2000, the company was in compliance with these covenants.

The company entered into a financing agreement for computer software licenses. This agreement requires periodic payments through January 2002, and interest is imputed at a rate of 7.0%.

Net interest expense includes finance charge income of \$5.3 million, \$4.6 million, and \$3.0 million in 2000, 1999, and 1998. Finance charge income represents payments from customers for past due balances on their accounts. Cash payments for interest during 2000, 1999, and 1998 were \$16.5 million, \$16.0 million, and \$16.4 million.

The estimated fair value of long-term debt is based on the borrowing rates currently available to the company for loans with similar terms and average maturities. The annual maturities of long-term debt within the five years

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subsequent to December 31, 2000 are: \$0.7 million in 2001, \$0.7 million in 2002 and \$2.2 million in 2003.

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Note 8 - Off Balance Sheet Receivables Financing Facility

Effective July 14, 2000, the company replaced its Receivables Financing Facility with a new facility expiring in July 2001. Under the terms of the new facility, OMF is entitled to transfer, without recourse, certain of the company's trade receivables and to receive up to \$225.0 million from a group of unrelated third party purchasers at a cost of funds equal to commercial paper rates, the Prime Rate or LIBOR (plus a charge for administrative and credit support services). The terms of the new facility require the company to maintain certain levels of net worth, current ratio, leverage ratio and fixed coverage, and restrict the company's ability to materially alter the character of the business through consolidation, merger, or purchase or sale of assets. The company continues to service the receivables that are transferred under the facility.

At December 31, 2000 and 1999, net accounts receivable of \$80.0 million and \$105.6 million, respectively, had been sold under the agreements in effect at those dates and, as a result, have been derecognized in the consolidated balance sheet.

Note 9 - Derivative Financial Instruments

The company manages its interest rate risk primarily through the use of interest rate swap agreements. The company's interest rate swap agreements as of December 31, 2000 and 1999 included \$100.0 million notional amounts that effectively converted a portion of the company's fixed rate financing instruments to variable rates. Under these swap agreements, expiring in May 2006, the company pays the counterparties a variable rate based on LIBOR and the counterparties pay the company a fixed interest rate ranging from 7.35% to 7.38% in 2000 and 7.29% to 7.32% in 1999. At the option of the counterparties, these swaps can be terminated in 2001. As of December 31, 1999, the company also had \$65.0 million notional amount of interest rate swap agreements that effectively converted the company's variable rate financing instruments to fixed rate instruments. Under these swap agreements, which were terminated in November 2000, the company paid the counterparties a fixed rate ranging from 5.75% to 5.93% and the counterparties paid the company a variable rate based on LIBOR.

The payments received or disbursed in connection with the interest rate swaps are included in interest expense, net. Based on estimates of the prices obtained from a dealer, the company had an unrealized gain of approximately \$0.1 million and an unrealized loss of approximately \$1.0 million at December 31, 2000 and 1999 for the fixed to variable rate swaps, and an unrealized gain of approximately \$0.7 million at December 31, 1999 for the variable to fixed rate swaps.

The company is exposed to certain losses in the event of nonperformance by the counterparties to these swap agreements. However, the company's exposure is not material and, since the counterparties are investment grade financial institutions, nonperformance is not anticipated.

Note 10 - Mandatorily Redeemable Preferred Securities

In May 1998, Owens & Minor Trust I (Trust), a statutory business trust sponsored and wholly owned by Owens & Minor, Inc. (O&M), issued 2,640,000 shares of \$2.6875 Term Convertible Securities, Series A (Securities), for aggregate proceeds of \$132.0 million. Each Security has a liquidation value of \$50. The net proceeds were invested by the Trust in 5.375% Junior Subordinated

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Convertible Debentures of O&M (Debentures). The Debentures are the sole assets of the Trust. O&M applied substantially all of the net proceeds of the Debentures to repurchase 1,150,000 shares of its Series B Cumulative Preferred Stock at its par value.

The Securities accrue and pay quarterly cash distributions at an annual rate of 5.375% of the liquidation value. Each Security is convertible into 2.4242 shares of the common stock of O&M at the holder's option prior to May 1, 2013. The Securities are mandatorily redeemable upon the maturity of the Debentures on April 30, 2013, and may be redeemed by the company in whole or in part after May 1, 2001. The obligations of the Trust, as provided under the term of the Securities, are fully and unconditionally guaranteed by O&M.

The estimated fair value of the Securities was \$122.1 million and \$79.5 million at December 31, 2000 and 1999 based on quoted market prices. As of December 31, 2000 and 1999, the company had accrued \$1.2 million of distributions related to the Securities.

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 Note 11 - Stock-based Compensation

The company maintains stock-based compensation plans (Plans) that provide for the granting of stock options, stock appreciation rights (SARs), restricted common stock and common stock. The Plans are administered by the Compensation and Benefits Committee of the Board of Directors and allow the company to award or grant to officers, directors and employees incentive, non-qualified and deferred compensation stock options, SARs and restricted and unrestricted stock. At December 31, 2000, approximately 0.6 million common shares were available for issuance under the Plans.

Stock options awarded under the Plans generally vest over three years and expire ten years from the date of grant. The options are granted at a price equal to fair market value at the date of grant. Restricted stock awarded under the Plans generally vests over three or five years. At December 31, 2000, there were no SARs outstanding.

The company has a Management Equity Ownership Program. This program requires each of the company's officers to own the company's common stock at specified levels, which gradually increase over five years. Officers who meet specified ownership goals in a given year are awarded restricted stock under the provisions of the program. The company also has an Annual Incentive Plan. Under the plan, certain employees may be awarded restricted stock based on pre-established objectives. Upon issuance of restricted shares, unearned compensation is charged to shareholders' equity for the market value of restricted stock and recognized as compensation expense ratably over the vesting period. Amortization of unearned compensation for restricted stock awards was approximately \$693 thousand, \$534 thousand and \$302 thousand for 2000, 1999, and 1998.

The following table summarizes the activity and terms of outstanding options at December 31, 2000, and for the years in the three-year period then ended:

(in thousands, except per share data)

	2000	1999	1998
	Average	Average	Average
	Exercise	Exercise	Exercise
Options	Price	Options	Price

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Options outstanding						
beginning of year	2,448	\$13.75	2,001	\$13.78	1,940	\$13.50
Granted	500	8.73	600	13.70	550	13.79
Exercised	(358)	13.57	(6)	12.68	(333)	12.12
Expired/cancelled	(87)	12.38	(147)	13.66	(156)	13.89
Outstanding at end of year	2,503	\$12.82	2,448	\$13.75	2,001	\$13.78
Exercisable options at end of year	1,655	\$13.75	1,560	\$13.83	1,137	\$14.16

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At December 31, 2000, the following option groups were outstanding:

Range of Exercise Prices	Number of Options (000's)	Outstanding			Exercisable		
		Weighted Average Exercise Price	Weighted Remaining Contractual (Years)	Average Life	Number of Options (000's)	Weighted Average Exercise Price	Weighted Remaining Contractual Life (Years)
\$ 8.31 - 11.94	600	\$ 8.85	8.71		132	\$10.35	7.48
\$12.50 - 17.06	1,903	\$14.07	5.96		1,523	\$14.04	5.49
	2,503	\$12.82	6.62		1,655	\$13.75	5.65

Using the intrinsic value method, the company's 2000, 1999 and 1998 net income includes stock-based compensation expense (net of tax benefit) of approximately \$381 thousand, \$306 thousand and \$201 thousand. Had the company included in stock-based compensation expense the fair value at grant date of stock option awards granted in 2000, 1999 and 1998, net income would have been \$32.4 million (or \$0.99 per basic common share and \$0.92 per diluted common share), \$26.6 million (or \$0.82 per basic common share and \$0.78 per diluted common share) and \$19.0 million (or \$0.52 per basic and diluted common share) for the years ended December 31, 2000, 1999 and 1998. The weighted average fair value of options granted in 2000, 1999 and 1998 was \$2.69, \$4.35 and \$4.06, per option. The fair value of each option is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions used for grants: dividend yield of 1.6%-3.0% in 2000, 1.6%-2.4% in 1999, and 1.2%-1.5% in 1998; expected volatility of 36.7% in 2000, 32.4%-38.6% in 1999, and 32.4%-37.9% in 1998; risk-free interest rate of 5.1% in 2000, 6.4% in 1999, and 4.7% in 1998; and expected lives of 5 years in 2000 and 2.1-5.1 years in 1999 and 1998.

Note 12 - Retirement Plans

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Savings and Protection Plan. The company maintains a voluntary Savings and Protection Plan covering substantially all full-time employees who have completed one month of service and have attained age 18. The company matches a certain percentage of each employee's contribution. The plan provides for a minimum contribution by the company to the plan for all eligible employees of 1% of their salary. This contribution can be increased at the company's discretion. The company incurred approximately \$2.7 million, \$2.5 million and \$2.1 million in 2000, 1999, and 1998 of expenses related to this plan.

Pension Plan. The company has a noncontributory pension plan covering substantially all employees who had earned benefits as of December 31, 1996. On that date, substantially all of the benefits of employees under this plan were frozen, with all participants becoming fully vested. The company expects to continue to fund the plan based on federal requirements, amounts deductible for income tax purposes and as needed to ensure that plan assets are sufficient to satisfy plan liabilities. As of December 31, 2000, plan assets consist primarily of equity securities, including 34 thousand shares of the company's common stock, and U.S. Government securities.

Retirement Plan. The company also has a noncontributory, unfunded retirement plan for certain officers and other key employees. Benefits are based on a percentage of the employees' compensation. The company maintains life insurance policies on plan participants to act as a financing source for the plan.

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The following table sets forth the plans' financial status and the amounts recognized in the company's consolidated balance sheets:

(in thousands)

	Pension Plan		Retirement Plan	
	2000	1999	2000	1999
December 31,				
Change in benefit obligation				
Benefit obligation, beginning of year	\$22,518	\$22,288	\$ 5,888	\$ 6,094
Service cost	224	225	466	542
Interest cost	1,540	1,470	604	406
Amendment	-	-	3,574	-
Actuarial loss (gain)	142	(571)	1,197	(978)
Benefits paid	(1,371)	(894)	(210)	(176)
Benefit obligation, end of year	\$23,053	\$22,518	\$ 11,519	\$ 5,888
Change in plan assets				
Fair value of plan assets, beginning of year	\$27,785	\$24,143	\$ -	\$ -
Actual return on plan assets	(1,650)	4,536	-	-
Employer contribution	-	-	210	176
Benefits paid	(1,371)	(894)	(210)	(176)
Fair value of plan assets, end of year	\$24,764	\$27,785	\$ -	\$ -

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Funded status				
Funded status at December 31	\$ 1,711	\$ 5,267	\$ (11,519)	\$ (5,888)
Unrecognized net actuarial (gain) loss	(294)	(4,112)	1,830	635
Unrecognized prior service cost (benefit)	-	-	3,254	(188)
Unrecognized net obligation being recognized through 2002	-	-	82	123

Net amount recognized	\$ 1,417	\$ 1,155	\$ (6,353)	\$ (5,318)

Amounts recognized in the consolidated balance sheets				
Prepaid benefit cost	\$ 1,417	\$ 1,155	\$ -	\$ -
Accrued benefit cost	-	-	(8,255)	(5,318)
Intangible asset	-	-	1,902	-

Net amount recognized	\$ 1,417	\$ 1,155	\$ (6,353)	\$ (5,318)

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The components of net periodic pension cost for the Pension and Retirement Plans are as follows:

(in thousands)

Year ended			
December 31,	2000	1999	1998

Service cost	\$ 690	\$ 767	\$ 597
Interest cost	2,144	1,876	1,765
Expected return on plan assets	(2,026)	(1,811)	(1,682)
Amortization of prior service cost (benefit)	133	(16)	(17)
Amortization of transition obligation	41	41	41
Recognized net actuarial loss	2	84	57

Net periodic pension cost	\$ 984	\$ 941	\$ 761

The weighted average discount rate used in determining the actuarial present value of the projected benefit obligations was assumed to be 6.75% for the Pension Plan and 7.75% for the Retirement Plan in 2000 and 7.0% for the Pension Plan and 8.0% for the Retirement Plan in 1999. The rate of increase in future compensation levels used in determining the projected benefit obligation was 5.5% in 2000 and 1999. The expected long-term rate of return on plan assets was assumed to be 8.5% in 2000 and 1999.

Note 13 - Income Taxes

The income tax provision consists of the following:

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(in thousands)

Year ended December 31,	2000	1999	1998
Current tax provision (benefit):			
Federal	\$23,604	\$11,724	\$(7,690)
State	4,761	2,119	(459)
Total current provision (benefit)	28,365	13,843	(8,149)
Deferred tax provision (benefit):			
Federal	(1,131)	7,206	19,895
State	(162)	1,030	2,842
Total deferred provision (benefit)	(1,293)	8,236	22,737
Total income tax provision	\$27,072	\$22,079	\$14,588

A reconciliation of the federal statutory rate to the company's effective income tax rate is shown below:

Year ended December 31,	2000	1999	1998
Federal statutory rate	35.0%	35.0%	35.0%
Increases (reductions) in the rate resulting from:			
State income taxes, net of federal income tax impact	5.5	5.5	4.9
Nondeductible goodwill amortization	2.5	3.0	4.7
Nontaxable income	-	-	(4.0)
Other, net	2.0	0.6	1.4
Effective rate	45.0%	44.1%	42.0%

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The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below:

(in thousands)

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Year ended December 31,	2000	1999

Deferred tax assets:		
Allowance for doubtful accounts	\$ 2,567	\$ 2,592
Accrued liabilities not currently deductible	3,979	3,900
Employee benefit plans	4,214	3,767
Nonrecurring restructuring expenses	1,416	2,444
Property and equipment	201	-
Tax loss carryforward, net	205	633
Unrealized loss on investment	419	-
Other	1,301	1,156

Total deferred tax assets	14,302	14,492

Deferred tax liabilities:		
Merchandise inventories	25,133	24,531
Accounts receivable	700	1,400
Property and equipment	-	1,869
Goodwill	2,080	1,093
Computer software	2,422	472
Other	840	385

Total deferred tax liabilities	31,175	29,750

Net deferred tax liability	\$ (16,873)	\$ (15,258)

At December 31, 2000 and 1999, the company had a \$0.05 million and \$0.04 million valuation allowance, for state net operating losses. Based on the level of historical taxable income and projections of future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the company will realize the benefits of these deductible differences, net of existing valuation allowances. Cash payments for income taxes for 2000, 1999, and 1998 were \$23.8 million, \$17.9 million, and \$14.1 million, respectively.

In August 2000, the company received notice from the Internal Revenue Service that it has disallowed certain prior year deductions for interest on loans associated with the company's corporate-owned life insurance (COLI) program. Management believes that the company has complied with the tax law as it relates to its COLI program, and has filed an appeal with the Internal Revenue Service. The impact of the disallowance of these deductions, if appeals were unsuccessful, would be approximately \$8.5 million after tax, including interest. The ultimate resolution of this matter may take several years and a determination adverse to the company could have a material impact on the company's results of operations.

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Note 14 - Net Income Per Common Share

The following sets forth the computation of basic and diluted net income per common share:

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(in thousands, except per share data)

Year ended December 31,	2000	1999	1998
Numerator:			
Net income	\$33,088	\$27,979	\$20,145
Preferred stock dividends	-	-	1,898
Numerator for basic net income per common share - net income available to common shareholders			
	33,088	27,979	18,247
Distributions on convertible mandatorily redeemable preferred securities, net of taxes	3,902	3,966	-
Numerator for diluted net income per common share - net income available to common shareholders after assumed conversions			
	\$36,990	\$31,945	\$18,247
Denominator:			
Denominator for basic net income per common share - weighted average shares	32,712	32,574	32,488
Effect of dilutive securities:			
Conversion of mandatorily redeemable preferred securities	6,400	6,400	-
Stock options and restricted stock	341	124	99
Other	-	-	4
Denominator for diluted net income per common share - adjusted weighted average shares and assumed conversions			
	39,453	39,098	32,591
Net income per common share - basic	\$ 1.01	\$ 0.86	\$ 0.56
Net income per common share - diluted	\$ 0.94	\$ 0.82	\$ 0.56

During the years ended December 31, 2000, 1999, and 1998, outstanding options to purchase approximately 1,550 thousand, 2,263 thousand and 461 thousand common shares were excluded from the calculation of diluted net income per share because their exercise price exceeded the average market price for the year.

Note 15 - Shareholders' Equity

In May 1998, the company repurchased all of the shares of its Series B preferred stock at par value. Each share of preferred stock had an annual dividend of \$4.50, payable quarterly, had voting rights on items submitted to a vote of the holders of common stock and was convertible into approximately 6.1 shares of common stock at the shareholder's option.

The company has a shareholder rights agreement under which 8/27ths of a Right is attendant to each outstanding share of common stock of the company. Each full Right entitles the registered holder to purchase from the company one one-hundredth of a share of Series A Participating Cumulative Preferred Stock (the Series A Preferred Stock), at an exercise price of \$75 (the Purchase Price). The Rights will become exercisable, if not earlier redeemed, only if a person or group acquires 20% or more of the outstanding shares of the company's common stock or announces a tender offer, the consummation of which would result in ownership by a person or group of 20% or more of such outstanding shares. Each holder of a Right, upon the occurrence of certain events, will become entitled

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to receive, upon exercise and payment of the Purchase Price, Series A Preferred Stock (or in certain circumstances, cash, property or other securities of the company or a potential acquirer) having a value equal to twice the amount of the Purchase Price. The Rights will expire on April 30, 2004, if not earlier redeemed.

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Note 16 - Commitments And Contingencies

The company has a commitment through November 2, 2008 to outsource its information technology operations, including strategic application development services. The commitment is cancelable after November 2, 2003 with 180 days prior notice and payment of a minimum termination fee of between \$3.0 million to \$12.0 million depending upon the date of termination. The company has a commitment through December 2005 to outsource the management and operation of its main-frame computer. This commitment is cancelable at any time on 180 days prior notice and a minimum termination fee of between \$1.7 million and \$3.5 million, depending upon the date of termination.

The company also has entered into non-cancelable agreements to lease certain office and warehouse facilities with remaining terms ranging from one to seven years. Certain leases include renewal options, generally for five-year increments. At December 31, 2000, future minimum annual payments under non-cancelable operating lease agreements with original terms in excess of one year are as follows:

(in thousands)

	Total
2001	\$21,366
2002	18,275
2003	15,493
2004	11,677
2005	8,138
Later years	6,836
Total minimum payments	\$81,785

Rent expense for all operating leases for the years ended December 31, 2000, 1999, and 1998 was \$28.1 million, \$26.1 million, and \$26.1 million.

The company has limited concentrations of credit risk with respect to financial instruments. Temporary cash investments are placed with high credit quality institutions and concentrations within accounts and notes receivable are limited due to their geographic dispersion.

Net sales to member hospitals under contract with Novation totaled \$1.8 billion in 2000, \$1.7 billion in 1999 and \$1.5 billion in 1998, approximately 51%, 53% and 49%, of the company's net sales. As members of a group purchasing organization, Novation hospitals have an incentive to purchase from their primary selected distributor; however, they operate independently and are free to negotiate directly with distributors and manufacturers.

Note 17 - Legal Proceedings

Prior to December 1992, the company's subsidiary Stuart Medical, Inc. (Stuart), which was acquired in 1994, distributed spinal fixation devices manufactured by Sofamor S.N.C. (formerly known as Sofamor, S.A.). As of January 8, 2001, Stuart was named as a defendant in 26 lawsuits alleging personal injuries attributable to spinal fixation devices distributed by Stuart (the Cases).

On August 9, 1999, Medtronic Sofamor Danek, Inc., Danek Medical, Inc. and Sofamor, S.N.C., successors to the manufacturer of the spinal fixation devices distributed by Stuart, assumed the defense of Stuart and indemnified Stuart and others against all costs of defense, any settlements and/or any adverse judgment(s) that may be entered against Stuart in these Cases. Stuart also retains insurance coverage for the defense of the Cases. In addition, the company and Stuart are contractually entitled to indemnification by the former shareholders of Stuart for any liabilities and related expenses incurred by the company or Stuart in connection with the foregoing litigation. Management believes that Stuart's available insurance coverage, together with the indemnification rights discussed above, is adequate to cover any losses should they occur. The company is not aware of any uncertainty as to the availability and adequacy of such insurance or indemnification, although there can be no assurance that the Sofamor successor companies, Stuart's insurance carriers and former shareholders will have sufficient financial resources in the future to meet such obligations.

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As of December 31, 2000, approximately 174 lawsuits (the Lawsuits), seeking compensatory and punitive damages, in most cases of an unspecified amount, have been filed in various federal and state courts against the company, product manufacturers and other distributors and sellers of natural rubber latex products. The company has obtained dismissal or summary judgment in 45 cases. The Lawsuits allege injuries arising from the use of latex products, principally medical gloves. The active Lawsuits (122) also include claims by approximately 80 spouses asserting loss of consortium. The company may be named as a defendant in additional, similar lawsuits in the future. In the course of its medical supply business, the company has distributed latex products, including medical gloves, but it does not, nor has it ever manufactured any latex products. The company has tendered the defense of the Lawsuits to manufacturer defendants whose gloves were distributed by the company. The company will continue to vigorously pursue indemnification from latex product manufacturers. The company's insurers are paying all costs of defense in the Lawsuits, and the company believes, at this time, that future defense costs and any potential liability should be adequately covered by the insurance, subject to policy limits and insurer solvency. Most of the Lawsuits are at the early stages of trial preparation. Several Lawsuits that were scheduled for trial have been dismissed on summary judgment. After analyzing the above factors at this point in time, it would appear that the likelihood of a material loss to the company with respect to the Lawsuits is remote.

The company is party to various other legal actions that are ordinary and incidental to its business. While the outcome of legal actions cannot be predicted with certainty, management believes the outcome of these proceedings will not have a material adverse effect on the company's financial condition or results of operations.

Note 18 - Condensed Consolidating Financial Information

The following tables present condensed consolidating financial information for: Owens & Minor, Inc.; on a combined basis, the guarantors of Owens &

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Minor, Inc.'s Notes; and the non-guarantor subsidiaries of the Notes. Separate financial statements of the guarantor subsidiaries are not presented because the guarantors are jointly, severally and unconditionally liable under the guarantees and the company believes the condensed consolidating financial information is more meaningful in understanding the financial position, results of operations and cash flows of the guarantor subsidiaries.

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Condensed Consolidating Financial Information

(in thousands)

Year ended December 31, 2000	Owens & Minor, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Statements of Operations					
Net sales	\$ -	\$3,503,583	\$ -	\$ -	\$3,503,583
Cost of goods sold	-	3,127,911	-	-	3,127,911
Gross margin	-	375,672	-	-	375,672
Selling, general and administrative expenses	137	266,684	1,384	-	268,205
Depreciation and amortization	-	21,515	-	-	21,515
Interest expense, net	17,869	(5,303)	-	-	12,566
Intercompany interest expense, net	(7,904)	30,520	(22,616)	-	-
Discount on accounts receivable securitization	-	15	6,866	-	6,881
Distributions on mandatorily redeemable preferred securities	-	-	7,095	-	7,095
Nonrecurring restructuring credit	-	(750)	-	-	(750)
Total expenses	10,102	312,681	(7,271)	-	315,512
Income (loss) before income taxes	(10,102)	62,991	7,271	-	60,160
Income tax provision (benefit)	(4,445)	27,841	3,676	-	27,072
Net income (loss)	\$ (5,657)	\$ 35,150	\$ 3,595	\$ -	\$ 33,088

Year ended December 31, 1999	Owens & Minor, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
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Statements of Operations

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Net sales	\$	-	\$3,194,134	\$	-	\$	-	\$3,194,134
Cost of goods sold		-	2,851,556		-		-	2,851,556

Gross margin		-	342,578		-		-	342,578

Selling, general and administrative expenses		9	249,390		561		-	249,960
Depreciation and amortization		-	19,365		-		-	19,365
Interest expense, net		16,798	(4,938)		-		-	11,860
Intercompany interest expense, net		(6,976)	25,326		(18,350)		-	-
Discount on accounts receivable securitization		-	32		5,208		-	5,240
Distributions on mandatorily redeemable preferred securities		-	-		7,095		-	7,095
Nonrecurring restructuring credit		-	(1,000)		-		-	(1,000)

Total expenses		9,831	288,175		(5,486)		-	292,520

Income (loss) before income taxes		(9,831)	54,403		5,486		-	50,058
Income tax provision (benefit)		(4,326)	23,865		2,540		-	22,079

Net income (loss)	\$	(5,505)	\$ 30,538	\$	2,946	\$	-	\$ 27,979

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Condensed Consolidating Financial Information

(in thousands)

Year ended December 31, 1998	Owens & Minor, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated			

Statements of Operations								
Net sales	\$	-	\$3,090,048	\$	-	\$	-	\$3,090,048
Cost of goods sold		-	2,755,158		-		-	2,755,158

Gross margin		-	334,890		-		-	334,890

Selling, general and administrative expenses		5	247,224		243		-	247,472
Depreciation and amortization		-	18,270		-		-	18,270
Interest expense, net		17,205	(3,139)		-		-	14,066
Intercompany interest expense, net		(10,854)	24,469		(13,615)		-	-

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Discount on accounts receivable securitization	-	67	4,588	-	4,655
Distributions on mandatorily redeemable preferred securities	-	-	4,494	-	4,494
Nonrecurring restructuring expense	-	11,200	-	-	11,200
Total expenses	6,356	298,091	(4,290)	-	300,157
Income (loss) before income taxes	(6,356)	36,799	4,290	-	34,733
Income tax provision (benefit)	(2,574)	15,424	1,738	-	14,588
Net income (loss)	(3,782)	21,375	2,552	-	20,145
Dividends on preferred stock	1,898	-	-	-	1,898
Net income (loss) attributable to common stock	\$ (5,680)	\$ 21,375	\$ 2,552	\$ -	\$ 18,247

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Condensed Consolidating Financial Information

(in thousands)

December 31, 2000	Owens & Minor, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Balance Sheets					
Assets					
Current assets					
Cash and cash equivalents	\$ 507	\$ 118	\$ 1	\$ -	\$ 626
Accounts and notes receivable, net	-	24,224	237,681	-	261,905
Merchandise inventories	-	315,570	-	-	315,570
Intercompany advances, net	129,447	79,645	(209,092)	-	-
Other current assets	17	16,173	-	-	16,190
Total current assets	129,971	435,730	28,590	-	594,291
Property and equipment, net	-	24,236	3	-	24,239
Goodwill, net	-	204,849	-	-	204,849
Intercompany investments	305,441	15,001	136,083	(456,525)	-

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Other assets, net	8,735	35,157	277	-	44,169
<hr/>					
Total assets	\$444,147	\$714,973	\$ 164,953	\$(456,525)	\$867,548
<hr/>					
Liabilities and shareholders' equity					
Current liabilities					
Accounts payable	\$ -	\$291,507	\$ -	\$ -	\$291,507
Accrued payroll and related liabilities	-	9,940	-	-	9,940
Deferred income taxes	(85)	18,828	(2,241)	-	16,502
Other accrued liabilities	1,717	39,331	1,657	-	42,705
<hr/>					
Total current liabilities	1,632	359,606	(584)	-	360,654
Long-term debt	152,200	672	-	-	152,872
Intercompany long-term debt	136,083	-	-	(136,083)	-
Accrued pension and retirement plans	-	8,879	-	-	8,879
Deferred income taxes	(930)	1,304	(3)	-	371
<hr/>					
Total liabilities	288,985	370,461	(587)	(136,083)	522,776
<hr/>					
Company-obligated mandatorily redeemable preferred securities of subsidiary trust, holding solely convertible debentures of Owens & Minor, Inc.	-	-	132,000	-	132,000
<hr/>					
Shareholders' equity					
Common stock	66,360	40,879	5,583	(46,462)	66,360
Paid-in capital	18,039	258,979	15,001	(273,980)	18,039
Retained earnings	71,391	44,654	12,956	-	129,001
Accumulated other comprehensive loss	(628)	-	-	-	(628)
<hr/>					
Total shareholders' equity	155,162	344,512	33,540	(320,442)	212,772
<hr/>					
Total liabilities and shareholders' equity	\$444,147	\$714,973	\$ 164,953	\$(456,525)	\$867,548
<hr/>					

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Condensed Consolidating Financial Information

(in thousands)

Owens & Guarantor Non-guarantor

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December 31, 1999	Minor, Inc.	Subsidiaries	Subsidiaries	Eliminations	Consolidated

Balance Sheets					
Assets					
Current assets					
Cash and cash equivalents	\$ 507	\$ 158	\$ 4	\$ -	\$ 669
Accounts and notes receivable, net	-	112,088	114,839	-	226,927
Merchandise inventories	-	342,478	-	-	342,478
Intercompany advances, net	157,315	(67,049)	(90,266)	-	-
Other current assets	-	19,172	-	-	19,172

Total current assets	157,822	406,847	24,577	-	589,246
Property and equipment, net	-	25,877	-	-	25,877
Goodwill, net	-	210,837	-	-	210,837
Intercompany investments	305,441	15,001	136,083	(456,525)	-
Deferred income taxes	388	(243)	-	-	145
Other assets, net	9,894	27,788	1,213	-	38,895

Total assets	\$473,545	\$686,107	\$161,873	\$ (456,525)	\$865,000

Liabilities and shareholders' equity					
Current liabilities					
Accounts payable	\$ -	\$303,490	\$ -	\$ -	\$303,490
Accrued payroll and related liabilities	-	6,883	-	-	6,883
Deferred income taxes	(8)	17,186	(1,775)	-	15,403
Other accrued liabilities	1,354	40,965	1,703	-	44,022

Total current liabilities	1,346	368,524	(72)	-	369,798
Long-term debt	172,600	1,953	-	-	174,553
Intercompany long-term debt	136,083	-	-	(136,083)	-
Accrued pension and retirement plans	-	6,268	-	-	6,268

Total liabilities	310,029	376,745	(72)	(136,083)	550,619

Company-obligated mandatorily redeemable preferred securities of subsidiary trust, holding solely convertible debentures of Owens & Minor, Inc.					
	-	-	132,000	-	132,000

Shareholders' equity					
Common stock	65,422	40,879	5,583	(46,462)	65,422
Paid-in capital	12,890	258,979	15,001	(273,980)	12,890
Retained earnings	85,204	9,504	9,361	-	104,069

Total shareholders' equity	163,516	309,362	29,945	(320,442)	182,381

Total liabilities and					

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shareholders' equity \$473,545 \$686,107 \$161,873 \$(456,525) \$865,000

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Condensed Consolidating Financial Information

(in thousands)

Year ended December 31, 2000	Owens & Minor, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Statements of Cash Flows					
Operating activities					
Net income (loss)	\$ (5,657)	\$ 35,150	\$ 3,595	\$ -	\$33,088
Adjustments to reconcile net income (loss) to cash provided by (used for) operating activities:					
Depreciation and amortization	-	21,515	-	-	21,515
Nonrecurring restructuring credit	-	(750)	-	-	(750)
Deferred income taxes	(619)	(205)	(469)	-	(1,293)
Provision for LIFO reserve	-	2,973	-	-	2,973
Provision for losses on accounts and notes receivable	-	397	(170)	-	227
Collections of sold accounts receivable, net	-	-	(25,612)	-	(25,612)
Changes in operating assets and liabilities:					
Accounts and notes receivable	-	87,467	(97,060)	-	(9,593)
Merchandise inventories	-	23,935	-	-	23,935
Accounts payable	-	(14,783)	-	-	(14,783)
Net change in other current assets and current liabilities	346	8,876	(296)	-	8,926
Other, net	3,191	144	1,187	-	4,522
Cash provided by (used for) operating activities	(2,739)	164,719	(118,825)	-	43,155
Investing activities					
Additions to property and equipment	-	(8,002)	(3)	-	(8,005)
Additions to computer software	-	(11,622)	-	-	(11,622)

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Other, net	(155)	3	-	-	(152)

Cash used for investing activities	(155)	(19,621)	(3)	-	(19,779)

Financing activities					
Reductions of debt	(20,400)	(1,245)	-	-	(21,645)
Change in intercompany advances	27,868	(146,693)	118,825	-	-
Other financing, net	(1,255)	2,800	-	-	1,545
Cash dividends paid	(8,156)	-	-	-	(8,156)
Proceeds from exercise of stock options	4,837	-	-	-	4,837

Cash provided by (used for) financing activities	2,894	(145,138)	118,825	-	(23,419)

Net decrease in cash and cash equivalents	-	(40)	(3)	-	(43)
Cash and cash equivalents at beginning of year	507	158	4	-	669

Cash and cash equivalents at end of year	\$ 507	\$ 118	\$ 1	\$ -	\$ 626

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Condensed Consolidating Financial Information

(in thousands)

Year ended	Owens & Minor, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
December 31, 1999					

Statements of Cash Flows					
Operating activities					
Net income (loss)	\$ (5,505)	\$ 30,538	\$ 2,946	\$ -	\$ 27,979
Adjustments to reconcile net income (loss) to cash provided by (used for) operating activities:					
Depreciation and amortization	-	19,365	-	-	19,365
Nonrecurring restructuring credit	-	(1,000)	-	-	(1,000)
Deferred income taxes	(396)	10,407	(1,775)	-	8,236
Provision for LIFO reserve	-	1,741	-	-	1,741
Provision for losses on accounts and notes					

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receivable	-	292	267	-	559
Sales of accounts receivable, net	-	-	30,612	-	30,612
Changes in operating assets and liabilities:					
Accounts and notes receivable	-	1,970	(32,101)	-	(30,131)
Merchandise inventories	-	(42,397)	-	-	(42,397)
Accounts payable	-	86,871	-	-	86,871
Net change in other current assets and current liabilities	(39)	(11,536)	343	-	(11,232)
Other, net	3,049	(1,404)	41	-	1,686
<hr/>					
Cash provided by (used for) operating activities	(2,891)	94,847	333	-	92,289
<hr/>					
Investing activities					
Net cash paid for acquisition of business	-	(82,699)	-	-	(82,699)
Additions to property and equipment	-	(8,933)	-	-	(8,933)
Additions to computer software	-	(13,172)	-	-	(13,172)
Other, net	(1,222)	63	(1,200)	-	(2,359)
<hr/>					
Cash used for investing activities	(1,222)	(104,741)	(1,200)	-	(107,163)
<hr/>					
Financing activities					
Additions to debt	22,600	2,578	-	-	25,178
Change in intercompany advances	(11,045)	10,175	870	-	-
Other financing, net	-	(2,741)	-	-	(2,741)
Cash dividends paid	(7,520)	-	-	-	(7,520)
Proceeds from exercise of stock options	80	-	-	-	80
<hr/>					
Cash provided by financing activities	4,115	10,012	870	-	14,997
<hr/>					
Net increase in cash and cash equivalents	2	118	3	-	123
Cash and cash equivalents at beginning of year	505	40	1	-	546
<hr/>					
Cash and cash equivalents at end of year	\$ 507	\$ 158	\$ 4	\$ -	\$ 669
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Condensed Consolidating Financial Information

(in thousands)

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Year ended December 31, 1998	Owens & Minor, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Statements of Cash Flows					
Operating activities					
Net income (loss)	\$ (3,782)	\$ 21,375	\$ 2,552	\$ -	\$ 20,145
Adjustments to reconcile net income (loss) to cash provided by (used for) operating activities:					
Depreciation and amortization	-	18,270	-	-	18,270
Nonrecurring restructuring provision	-	11,200	-	-	11,200
Deferred income taxes	-	22,737	-	-	22,737
Provision for LIFO reserve	-	1,536	-	-	1,536
Provision for losses on accounts and notes receivable	-	262	234	-	496
Collections of sold accounts receivable, net	-	-	(35,000)	-	(35,000)
Changes in operating assets and liabilities:					
Accounts and notes receivable	-	(74)	8,691	-	8,617
Merchandise inventories	-	8,899	-	-	8,899
Accounts payable	-	(23,375)	-	-	(23,375)
Net change in other current assets and current liabilities	460	(1,952)	841	-	(651)
Other, net	1,506	(1,895)	-	-	(389)
Cash provided by (used for) operating activities	(1,816)	56,983	(22,682)	-	32,485
Investing activities					
Additions to property and equipment	-	(8,053)	-	-	(8,053)
Additions to computer software	-	(4,556)	-	-	(4,556)
Other, net	-	160	-	-	160
Cash used for investing activities	-	(12,449)	-	-	(12,449)
Financing activities					
Net proceeds from issuance of mandatorily redeemable preferred securities	(4,732)	-	132,000	-	127,268
Repurchase of preferred stock	(115,000)	-	-	-	(115,000)
Reductions of debt	(32,550)	-	-	-	(32,550)
Change in intercompany					

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advances	159,443	(50,126)	(109,317)	-	-
Other financing, net	-	5,554	-	-	5,554
Cash dividends paid	(9,268)	-	-	-	(9,268)
Proceeds from exercise of stock options	3,923	-	-	-	3,923

Cash provided by (used for) financing activities	1,816	(44,572)	22,683	-	(20,073)

Net increase (decrease) in cash and cash equivalents	-	(38)	1	-	(37)
Cash and cash equivalents at beginning of year	505	78	-	-	583

Cash and cash equivalents at end of year	\$ 505	\$ 40	\$ 1	\$ -	\$ 546

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INDEPENDENT AUDITORS' REPORT

Owens & Minor, Inc. and Subsidiaries

The Board of Directors and Shareholders
Owens & Minor, Inc.:

We have audited the accompanying consolidated balance sheets of Owens & Minor, Inc. and subsidiaries (the company) as of December 31, 2000 and 1999, and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2000. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Owens & Minor, Inc. and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

Richmond, Virginia
January 30, 2001

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REPORT OF MANAGEMENT

The management of Owens & Minor, Inc. is responsible for the preparation, integrity and objectivity of the consolidated financial statements and related information presented in this annual report. The consolidated financial statements were prepared in conformity with generally accepted accounting principles applied on a consistent basis and include, when necessary, the best estimates and judgments of management.

The company maintains a system of internal controls that provides reasonable assurance that its assets are safeguarded against loss or unauthorized use, that transactions are properly recorded and that financial records provide a reliable basis for the preparation of the consolidated financial statements.

The Audit Committee of the Board of Directors, composed entirely of directors who are not current employees of Owens & Minor, Inc., meets periodically and privately with the company's independent auditors and internal auditors, as well as with company management, to review accounting, auditing, internal control and financial reporting matters. The independent auditors and internal auditors have direct access to the Audit Committee with and without management present to discuss the results of their activities.

/s/ G. Gilmer Minor, III
 G. Gilmer Minor, III
 Chairman & Chief Executive Officer

/s/ Richard F. Bozard
 Richard F. Bozard
 Vice President & Treasurer
 Acting Chief Financial Officer

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QUARTERLY FINANCIAL INFORMATION (/1/)

Owens & Minor, Inc. and Subsidiaries

(in thousands, except per share data)

2000					
Quarters	1st	2nd(/3/)	3rd	4th	
Net sales (/2/)	\$856,742	\$875,230	\$874,318	\$897,293	
Gross margin (/2/)	91,961	92,803	93,121	97,787	
Net income	6,840	8,015	8,466	9,767	
Per common share:					
Net income					
Basic	\$ 0.21	\$ 0.25	\$ 0.26	\$ 0.30	
Diluted	0.20	0.23	0.24	0.27	
Dividends	0.06	0.0625	0.0625	0.0625	
Market price					
High	\$ 12.00	\$ 17.19	\$ 18.25	\$ 18.38	
Low	8.13	10.25	14.69	11.88	

1999

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Quarters	1st	2nd(/3/)	3rd	4th
Net sales(/2/)	\$743,057	\$774,351	\$813,788	\$862,939
Gross margin(/2/)	80,702	82,338	87,168	92,371
Net income	5,491	6,480	7,142	8,866
Per common share:				
Net income				
Basic	\$ 0.17	\$ 0.20	\$ 0.22	\$ 0.27
Diluted	0.17	0.19	0.21	0.25
Dividends	0.05	0.06	0.06	0.06
Market price				
High	\$ 17.00	\$ 12.44	\$ 13.00	\$ 10.63
Low	9.56	9.50	9.63	7.56

- (/1/) On July 30, 1999, the company acquired certain net assets of Medix, Inc. This acquisition was accounted for as a purchase.
- (/2/) Net sales and gross margin have been restated for all periods in accordance with Emerging Issues Task Force Issue 00-10, Accounting for Shipping and Handling Fees and Costs. See Note 1 to the Consolidated Financial Statements.
- (/3/) In the second quarters of 2000 and 1999, the company reduced the restructuring accrual by \$0.8 million and \$1.0 million, or \$0.4 million and \$0.6 million after taxes. See Note 3 to the Consolidated Financial Statements.

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C O R P O R A T E I N F O R M A T I O N

Owens & Minor, Inc. and Subsidiaries

Annual Meeting

The annual meeting of Owens & Minor, Inc. shareholders will be held on Thursday, April 26, 2001, at the Virginia Historical Society, 428 North Boulevard, Richmond, Virginia.

Transfer Agent, Registrar and Dividend Disbursing Agent
 The Bank of New York
 Shareholder Relations Department-11E P.O.
 Box 11258
 Church Street Station New York, NY
 10286 800-524-4458
 shareowner-svcs@bankofny.com

Dividend Reinvestment and Stock Purchase Plan

The Dividend Reinvestment and Stock Purchase Plan offers holders of Owens & Minor, Inc. common stock an opportunity to buy additional shares automatically with cash dividends and to buy additional shares with voluntary cash payments. Under the plan, the company pays all brokerage commissions and service charges

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for the acquisition of shares. Information regarding the plan may be obtained by writing the transfer agent at the following address:

The Bank of New York
Dividend Reinvestment Department P.O. Box
1958
Newark, NJ 07101-9774

Shareholder Records

Direct correspondence concerning Owens & Minor, Inc. stock holdings or change of address to The Bank of New York's Shareholder Services Department (listed above). Direct correspondence concerning lost or missing dividend checks to:

The Bank of New York
Receive and Deliver Department-11W P .O.
Box 11002
Church Street Station
New York, NY 10286

Duplicate Mailings

When a shareholder owns shares in more than one account or when several shareholders live at the same address, they may receive multiple copies of annual reports. To eliminate multiple mailings, please write to the transfer agent.

Counsel

Hunton & Williams
Richmond, Virginia

Independent Auditors

KPMG LLP
Richmond, Virginia

Market for the Registrant's Common Equity and Related Stockholder Matters

Owens & Minor, Inc.'s common stock trades on the New York Stock Exchange under the symbol OMI. As of December 31, 2000, there were approximately 15,000 common shareholders.

Press Releases

Owens & Minor, Inc.'s press releases are available through Company News On-Call by fax-on-demand at 800-758-5804, ext. 667125, or at www.prnewswire.com or at www.owens-minor.com.

Corporate Communications and Investor Relations

804-747-9794

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Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 5th day of March,

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2001.

OWENS & MINOR, INC.

/s/ G. Gilmer Minor, III

G. Gilmer Minor, III
Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant on the 5th day of March 2001 and in the capacities indicated.

/s/ G. Gilmer Minor, III

G. Gilmer Minor, III
Chairman and Chief Executive Officer and Director (Principal Executive Officer)

/s/ Richard F. Bozard

Richard F. Bozard
Vice President and Treasurer Acting Chief Financial Officer (Principal Financial Officer)

/s/ Olwen B. Cape

Olwen B. Cape
Vice President and Controller (Principal Accounting Officer)

/s/ A. Marshall Acuff, Jr.

A. Marshall Acuff, Jr.
Director

/s/ Henry A. Berling

Henry A. Berling
Director

/s/ Josiah Bunting, III

Josiah Bunting, III
Director

/s/ John T. Crotty

John T. Crotty
Director

/s/ James B. Farinholt, Jr.

James B. Farinholt, Jr.
Director

/s/ Vernard W. Henley

Vernard W. Henley
Director

/s/ E. Morgan Massey

E. Morgan Massey
Director

/s/ Peter S. Redding

Peter S. Redding
Director

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Peter S. Redding

/s/ James E. Rogers Director

James E. Rogers

/s/ James E. Ukrop Director

James E. Ukrop

/s/ Anne Marie Whittemore Director

Anne Marie Whittemore

Owens & Minor, Inc. Statement of Differences

1. The printed Annual Report and Form 10-K contains numerous graphs and photographs not incorporated into the electronic Form 10-K.
2. Pages 1-13, 16 and 17 of the printed document have not been included in the electronic document, as they do not contain items required by Form 10-K.
3. The 10-K cover sheet and index, presented on pages 54 and 55 of the printed document, have been repositioned to the front of the electronic document.

INDEX TO EXHIBITS DESCRIPTION

- 3.1 Amended and Restated Articles of Incorporation of Owens & Minor, Inc. (incorporated herein by reference to the Company's Annual Report on Form 10-K, Exhibit 3(a), for the year ended December 31, 1994)
- 3.2 Amended and Restated Bylaws of the Company (incorporated herein by reference to the Company's Quarterly Report on Form 10-Q, Exhibit 3, for the quarter ended June 30, 1999)
- 4.1 Indenture dated as of May 29, 1996 among Owens & Minor, Inc., as Issuer, Owens & Minor Medical, Inc., National Medical Supply Corporation, Owens & Minor West, Inc., Koley's Medical Supply, Inc., Lyons Physician Supply Company, A. Kuhlman & Co., Stuart Medical, Inc., as Guarantors, and Crestar Bank, as Trustee ("Notes Indenture") (incorporated herein by reference to the Company's Quarterly Report on Form 10-Q, Exhibit 4(a), for the quarter ended June 30, 1996)
- 4.2 Supplemental Indenture No. 1 dated as of May 12, 1998 to Notes Indenture (incorporated herein by reference to the Company's Quarterly Report on Form 10-Q, Exhibit 4.1, for the quarter ended June 30, 1998)
- 4.3 Amended and Restated Rights Agreement dated as of May 10, 1994 between Owens & Minor, Inc. and Bank of New York, as successor Rights Agent (incorporated herein by reference to the Company's Quarterly Report on Form 10-Q, Exhibit 4, for the quarter ended June 30, 1995)
- 4.4 Credit Agreement dated as of April 24, 2000 by and among Owens & Minor, Inc., as Borrower, Certain of its Subsidiaries, as Guarantors, the banks identified therein, First Union National Bank and Suntrust Bank, as Syndication Agents, Bank One, N.A., as Managing Agent, The Bank of Nova

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- Scotia, as Co-Agent, and Bank of America, N.A., as Administrative Agent (incorporated herein by reference to the Company's Quarterly Report on Form 10-Q , Exhibit 4, for the quarter ended March 31, 2000)
- 4.5 Junior Subordinated Debentures Indenture dated as of May 13, 1998 between Owens & Minor, Inc. and The First National Bank of Chicago (incorporated herein by reference to the Company's Registration Statement on Form S-3, Registration No. 333-58665, Exhibit 4.1)
 - 4.6 First Supplemental Indenture dated as of May 13, 1998 between Owens & Minor, Inc. and The First National Bank of Chicago (incorporated herein by reference to the Company's Registration Statement on Form S-3, Registration No. 333-58665, Exhibit 4.2)
 - 4.7 Registration Rights Agreement dated as of May 13, 1998 between Owens & Minor, Inc. and J.P. Morgan Securities Inc., Donaldson, Lufkin & Jenrette Securities Corporation and Merrill Lynch & Co. (incorporated herein by reference to the Company's Registration Statement on Form S-3, Registration No. 333-58665, Exhibit 4.3)
 - 4.8 Amended and Restated Declaration of Trust of Owens & Minor Trust I (incorporated herein by reference to the Company's Registration Statement on Form S-3, Registration No. 333-58665, Exhibit 4.4)
 - 4.9 Restated Certificate of Trust of Owens & Minor Trust I (included in Exhibit 4.7)
 - 4.10 Form of \$2.6875 Term Convertible Security (included in Exhibit 4.7)
 - 4.11 Form of 5.375% Junior Subordinated Convertible Debenture (included in Exhibit 4.5)
 - 4.12 Owens & Minor, Inc. Guarantee Agreement dated as of May 13, 1998 (incorporated herein by reference to the Company's Registration Statement on Form S-3, Registration No. 333-58665, Exhibit 4.8)
 - 10.1 Owens & Minor, Inc. Annual Incentive Plan (incorporated herein by reference to the Company's definitive Proxy Statement dated March 25, 1991)*
 - 10.2 Owens & Minor, Inc. Management Equity Ownership Program, as amended effective December 18, 2000* -- filed herewith
 - 10.3 Owens & Minor, Inc. Supplemental Executive Retirement Plan, as amended and restated effective July 1, 2000* -- filed herewith
 - 10.4 Forms of Owens & Minor, Inc. Executive Severance Agreements (incorporated herein by reference to the Company's Annual Report on Form 10-K, Exhibit 10.8, for the year ended December 31, 1998)*
 - 10.5 Owens & Minor, Inc. 1993 Stock Option Plan (incorporated herein by reference to the Company's Annual Report on Form 10-K, Exhibit 10(k), for the year ended December 31, 1993)*
 - 10.6 Amended and Restated Owens & Minor, Inc. 1993 Directors' Compensation Plan ("Directors' Plan") (incorporated herein by reference to the Company's Annual Report on Form 10-K, Exhibit 10(k), for the year ended December 31, 1996)*
 - 10.7 The forms of agreement with directors entered into pursuant to (i) the Stock Option Program, (ii) the Deferred Fee Program and (iii) the Stock

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- Purchase Program of the Directors' Plan (incorporated herein by reference to the Company's Quarterly Report on Form 10-Q, Exhibit (10), for the quarter ended March 31, 1996)*
- 10.8 Owens & Minor, Inc. 1998 Stock Option and Incentive Plan (incorporated herein by reference to Annex A of the Company's definitive Proxy Statement filed pursuant to Section 14(a) of the Securities Exchange Act on March 13, 1998 (File No. 001-09810))*
- 10.9 Amendment to 1998 Stock Option and Incentive Plan (incorporated herein by reference to the Company's Annual Report of Form 10-K, Exhibit 10.14, for the year ended December 31, 1999)*
- 10.10 Owens & Minor, Inc. 1998 Directors' Compensation Plan (incorporated herein by reference from Annex B of the Company's definitive Proxy Statement filed pursuant to Section 14(a) of the Securities Exchange Act on March 13, 1998 (File No. 001-09810))*
- 10.11 Amendment No. 1 to Owens & Minor, Inc. 1998 Directors' Compensation Plan (incorporated herein by reference to the Company's Annual Report on Form 10-K, Exhibit 10.15, for the year ended December 31, 1998)*
- 10.12 Form of Enhanced Authorized Distribution Agency Agreement dated as of August 20, 1997 between VHA, Inc. and Owens & Minor (incorporated herein by reference to the Company's Quarterly Report on Form 10-Q, Exhibit 10(d), for the quarter ended September 30, 1997)**
- 10.13 Receivables Purchase Agreement dated as of July 14, 2000 among O&M Funding Corp., Owens & Minor Medical, Inc., Owens & Minor, Inc., Falcon Asset Securitization Corporation, Receivables Capital Corporation, Liberty Street Funding Corporation, Bank One, N.A., Bank of America, National Association, and The Bank of Nova Scotia (incorporated herein by reference to the Company's Quarterly Report on Form 10-Q, Exhibit 10(a), for the quarter ended June 30, 2000)
- 10.14 Receivables Sale Agreement dated as of July 14, 2000 among Koley's Medical Supply, Inc., Owens & Minor Medical, Inc., Owens & Minor West, Inc., Stuart Medical, Inc. and O&M Funding Corp. (incorporated herein by reference to the Company's Quarterly Report on Form 10-Q, Exhibit 10(b), for the quarter ended June 30, 2000)
- 11.1 Calculation of Net Income Per Common Share Information related to this item is in Part II, Item 8, Notes to Consolidated Financial Statements, Note 14 - Net Income per Common Share
- 21.1 Subsidiaries of Registrant
- 23.1 Consent of KPMG LLP, independent auditors
- * Management contract or compensatory plan or arrangement.
- ** The Company has requested confidential treatment by the Commission of certain portions of this Agreement, which portions have been omitted and filed separately with the Commission.