OWENS & MINOR INC/VA/
Form 10-K
February 25, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

x Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the year ended December 31, 2013

¨ 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 (State or other jurisdiction of incorporation or organization)	54-1701843 (I.R.S. Employer Identification No.)
9120 Lockwood Boulevard, Mechanicsville, Virginia (Address of principal executive offices)	23116 (Zip Code)

Registrant's telephone number, including area code (804) 723-7000
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 Purchase Rights	New York Stock Exchange
6.35% Senior Notes due 2016	Not Listed

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

Indicate by check mark if the registrant is a well-known seasoned issuer (as defined in Rule 405 of the Securities Act). Yes x No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x
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 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 whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) 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. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

The aggregate market value of Common Stock held by non-affiliates (based upon the closing sales price) was approximately $2,142,554,205 as of June 30, 2013.

The number of shares of the Company's common stock outstanding as of February 18, 2014 was 63,097,861 shares.

Documents Incorporated by Reference

The proxy statement for the annual meeting of shareholders to be held on May 1, 2014, is incorporated by reference for Item 5 of Part II and Part III.

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Corporate Officers, located on page 8 of the company's printed Annual Report, can be found at the end of the electronic filing of this Form 10-K.

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Part I

Item 1. Business

General

Owens & Minor, Inc. and subsidiaries (we, us or our), a Fortune 500 company headquartered in Richmond, Virginia, is a leading healthcare logistics company that connects the world of medical products to the point of care. We provide vital supply chain assistance to the providers of healthcare services and the manufacturers of healthcare products, supplies and devices in the United States and Europe. We serve our customers with a service portfolio that covers procurement, inventory management, delivery and sourcing for the healthcare market. With fully developed networks in the United States and Europe, we are equipped to serve a customer base ranging from hospitals, integrated healthcare systems, group purchasing organizations, and the U.S. federal government, to manufacturers of life-science and medical devices and supplies, including pharmaceuticals in Europe. The description of our business should be read in conjunction with the consolidated financial statements and supplementary data included in this Form 10-K.

Founded in 1882, Owens & Minor was incorporated in 1926 in Richmond, Virginia. We focus our operations on healthcare logistics services and provide our customers with a service portfolio that covers procurement, inventory management, delivery and sourcing for the healthcare market. Through organic growth and acquisitions over many years, we significantly expanded and strengthened our company, achieving national scale in the United States healthcare market. On August 31, 2012, we acquired the Movianto Group (Movianto), an established European healthcare third-party logistics provider. As a result of the acquisition, we have entered into third-party logistics services for the pharmaceutical, biotechnology and medical device industries in the European market, leveraging an existing platform that also expands our ability to serve our United States-based manufacturer customers on an international level.

Our Domestic segment includes all functions in the United States relating to our role as a healthcare services company providing distribution and logistics services to healthcare providers and manufacturers. The International segment consists of Movianto, our European third-party logistics service. Financial information by segment and geographic area beginning with the acquisition of Movianto in 2012 appears in Note 20, “Segment Information,” of the Notes to Consolidated Financial Statements included in this annual report.

The Domestic Segment

The Healthcare Supply Industry in the United States

Healthcare supply volumes in the United States are dependent on the rates of utilization of medical/surgical procedures by consumers, which are subject to fluctuation according to the condition of the domestic economy and other factors. Aside from consumer-driven activity, the healthcare supply industry is also experiencing growing demand for advanced logistics services from healthcare providers and manufacturers that are focused on achieving more efficient and cost-effective supply-chain operations.

In the United States, healthcare supply distributors contract with group purchasing organizations (GPOs) that negotiate distribution contracts on behalf of their healthcare provider members and also contract directly with healthcare providers and manufacturers for their services.

Healthcare providers are increasingly consolidating into larger, more sophisticated networks that are actively seeking reductions in the total cost of delivering healthcare products. These healthcare providers face complex financial challenges, including managing the cost of purchasing, receiving, storing and tracking supplies. Economic trends have also driven significant consolidation within the healthcare supply industry due to the competitive advantages enjoyed by larger organizations. Among these advantages are the ability to serve customers in widespread geographic locations, purchase inventory in large volume, develop technology platforms and decision-support systems and provide expertise to healthcare providers and manufacturers to help reduce supply chain costs.

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Our Products and Services

We offer a comprehensive portfolio of products and services to healthcare providers and manufacturers in the United States. Our portfolio of medical and surgical supplies includes branded products purchased in large volume from manufacturers and our own proprietary MediChoice® private-label products, which are internally sourced through our sourcing joint venture in China or through a select group of manufacturers. We store these items at our distribution centers and provide delivery of these products, along with related services, to healthcare providers around the nation. Most supplies are delivered using a leased fleet and almost all of our delivery personnel are our teammates, ensuring a consistent level of performance and customer service. In situations where they are more cost-effective and timely, we use contract carriers and parcel delivery services. We customize product deliveries, whether the orders are "just-in-time," "low-unit-of-measure," pallets, or truckloads. We also customize delivery schedules according to customers' needs to increase their efficiency in receiving and storing the product. We have deployed automation equipment in low-unit-of-measure picking modules in our larger distribution centers to maximize efficiency, and our distribution center teammates use voice-pick technology to enhance speed and accuracy in certain warehousing processes.

We also offer additional services to healthcare providers including supplier management, analytics, inventory management, outsourced resource management, clinical supply management and business process consulting. Our value-add services help providers improve their process for contracting with vendors, purchasing supplies and streamlining inventory. These include our operating room-focused inventory management program that helps healthcare providers manage suture and endo-mechanical inventory, as well as our customizable surgical supply service that includes the assembly and delivery of surgical supplies in procedure-based totes to coincide with the healthcare providers' surgical schedule.

The majority of our distribution arrangements compensate us on a cost-plus percentage basis, under which a negotiated percentage distribution fee is added to the contract cost agreed to by the customer and the supplier. We price our services for certain other activities under an activity-based pricing model. In these cases, pricing depends upon the range, level or complexity of service that we provide to customers, and in some cases we do not take title to the product involved although we maintain certain custodial risks. As a result, this fee-for-service pricing model aligns the fees we charge with the cost of the services provided, which is a component of selling, general and administrative expenses, rather than with the cost of the product, which is a component of cost of goods sold.

We offer a variety of programs and services dedicated to providing logistics and marketing solutions to our manufacturer customers as well. These programs and services are designed to help manufacturers increase market share, drive sales growth, or achieve operational efficiencies. Manufacturer programs are generally negotiated on an annual basis and provide for enhanced levels of support that are aligned with the manufacturer's annual objectives and growth goals. We have contractual arrangements with manufacturers participating in these programs that provide performance-based incentives to us, as well as cash discounts for prompt payment. Program incentives can be earned on a monthly, quarterly or annual basis.

All of our services utilize a common infrastructure of distribution centers, equipment, technology, and delivery methods (internal fleet, common carrier or parcel services). We operate a network of 43 distribution centers located throughout the continental United States, which are strategically located to efficiently serve our provider and manufacturer customers. A significant investment in information technology supports the business and efficiently manages growth, including warehouse management systems, customer service and ordering functions, demand forecasting programs, electronic commerce, data warehousing, decision support and supply-chain management, as well as significant enhancements to back office systems and overall technology infrastructure. During 2012, we initiated a three-year, $50 million investment in our information technology infrastructure in the United States designed to achieve operational and data-management efficiencies, improve customer service, and reduce increases in future operating expenses.

The International Segment

Our Products and Services

Our International segment, comprised of Movianto, represented 4.2% of our consolidated net revenues during 2013. Movianto is a European contract logistics service provider to the pharmaceutical, biotechnology and healthcare industry, offering a broad range of supply chain logistics services to manufacturers. Our warehousing and transportation offerings include storage, controlled-substance handling, cold-chain, emergency and export delivery, inventory management and pick & pack services. Our other services include order-to-cash, re-labeling, kitting, packaging, customer service and returns management.

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Movianto has a network of 20 logistics centers in 11 European countries, including Belgium, Czech Republic, Denmark, France, Germany, Netherlands, Portugal, Slovakia, Spain, Switzerland and the United Kingdom. To serve its clients, Movianto uses a fleet of leased and owned trucks, including cold-chain delivery trucks. The majority of our drivers are Movianto teammates, although contract carriers and parcel services are used in situations where they are more cost-effective and timely.

Movianto's client contracts are generally for three-year terms with rolling automatic one year extension periods. The tendering or competitive bidding process typically takes 12 to 18 months from the initial client request for proposal until becoming operational. Movianto offers significant flexibility to tailor contracts to specific client requirements, and it benefits from the expansion of clients into additional European countries. Pricing may be activity-based, with fees determined by clients' particular requirements for warehousing, handling and delivery services, or it may be based on buy-sell wholesaler arrangements for product and distribution services.

As a part of the Movianto acquisition in 2012, we entered into transition support services agreements with the former owner of Movianto under which it provides certain information technology and support services for terms ranging from six to 24 months. These services were substantially completed at the end of 2013.

Our Customers

We currently provide distribution, outsourced resource management and/or consulting services to thousands of healthcare provider customers. These customers include multi-facility networks of healthcare providers offering a broad spectrum of healthcare services to a particular market or markets (IHNs) as well as smaller, independent hospitals in the United States. In addition to contracting with healthcare providers at the IHN level and through GPOs, we also contract with other types of healthcare providers including surgery centers, physicians' practices and smaller networks of hospitals that have joined together to negotiate terms. We have contracts to provide distribution services to the members of a number of national GPOs, including Novation, LLC (Novation), MedAssets Inc. (MedAssets), Premier, Inc. (Premier) and HealthTrust Purchasing Group (HPG). In 2012 and 2013, we renewed the distribution agreements with all four GPOs to continue our status as an authorized distributor for their member healthcare providers and allow us to compete with other authorized distributors for the business of individual members. Below is a summary of these agreements:

GPO	Year of Renewal	Term	Sales to Members as a % of Consolidated Net Revenue in 2013
Novation	2012	5 years*	33%
MedAssets	2013	3 years	24%
Premier	2013	3 years	21%
HPG	2013	5 years	9%

* Agreement also includes two one-year renewals after the initial term

We have our own independent relationships with most of our hospital customers through separate contractual commitments that may or may not be based upon the terms of our agreement with the GPO. As a result, the termination or expiration of an agreement with a particular GPO would not necessarily mean that we would lose the members of such GPO as our customers.

Our supplier and manufacturer customers represent the largest and most influential healthcare manufacturers in the industry. We have long-term relationships with these important companies in the healthcare supply chain and have long provided traditional distribution services to them. We currently have relationships with approximately 1,300 of these supplier and manufacturer customers. In the Domestic segment, sales of products supplied by subsidiaries of Covidien Ltd. accounted for approximately 13% of our consolidated net revenue for 2013. Sales of products supplied by Johnson & Johnson Health Care Systems, Inc. were approximately 10% of our consolidated net revenue for 2013. In Europe, we serve a diverse customer base of approximately 600 manufacturer clients, including pharmaceutical, biotechnology and medical device manufacturers.

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Asset Management

In the healthcare supply distribution industry, a significant investment in inventory and accounts receivable is required to meet the rapid delivery requirements of customers and provide high-quality service. As a result, efficient asset management is essential to our profitability. We continually work to refine our processes to optimize inventory and collect accounts receivable.

Inventory

We are focused in our efforts to optimize inventory and continually consolidate products and collaborate with supply-chain partners on inventory productivity initiatives. When we convert large-scale, multi-state IHN customers to our distribution network, an additional investment in inventory in advance of expected sales is generally required. We actively monitor inventory for obsolescence and use inventory turnover and other operational metrics to measure our performance in managing inventory.

Accounts Receivable

In the normal course of business, we provide credit to our domestic and European customers and use credit management techniques to evaluate customers' creditworthiness and facilitate collection. These techniques may include performing initial and ongoing credit evaluations of customers based primarily on financial information provided by them and from sources available to the general public. We also use third-party information from sources such as credit reporting agencies, banks and other credit references. We actively manage our accounts receivable to minimize credit risk, days sales outstanding (DSO) and accounts receivable carrying costs. Our ability to accurately invoice and ship product to customers enhances our collection results and drives our positive DSO performance. We also have arrangements with certain customers under which they make deposits on account, either because they do not meet our standards for creditworthiness or in order to obtain more favorable pricing.

Competition

The medical/surgical supply distribution and healthcare logistics industries are highly competitive in the United States and Europe. The U.S. sector includes Owens & Minor, Inc., as well as two major nationwide manufacturers who also provide distribution services, Cardinal Health, Inc. and privately-held Medline, Inc. In addition, we compete with a number of regional and local distributors and customer self-distribution models. Major logistics competitors serving healthcare manufacturers in the United States and in Europe include United Parcel Service, FedEx Corporation, Deutsche Post DHL and Alloga, as well as local competitors in specific countries.

Regulation

The medical/surgical supply distribution industry in the United States is subject to regulation by federal, state and local government agencies. Each of our distribution centers is licensed to distribute medical and surgical supplies, as well as certain pharmaceutical and related products. We must comply with laws and regulations, including those governing operations, storage, transportation, safety and security standards for each of our distribution centers, of the Food and Drug Administration, the Drug Enforcement Agency, the Department of Transportation, the Department of Homeland Security, the Occupational Safety and Health Administration, and state boards of pharmacy, or similar state licensing boards and regulatory agencies. We are also subject to various federal and state laws intended to protect the privacy of health or other personal information and to prevent healthcare fraud and abuse. We believe we are in material compliance with all statutes and regulations applicable to distributors of medical and surgical supply products and pharmaceutical and related products, including the Healthcare Insurance Portability and Accountability Act of 1996 (HIPAA), Medicare, Medicaid, as well as applicable general employment and employee health and safety laws and regulations.

Movianto is subject to local, country and European-wide regulations, including those promulgated by the European Medicines Agency (EMA), a decentralized agency of the European Union responsible for the scientific evaluation of medicines developed by pharmaceutical companies for use in the European Union. In addition, quality requirements are imposed by healthcare industry manufacturers which audit Movianto on a regular basis. Each of our logistics centers in Europe is licensed to distribute medical and surgical supplies, as well as certain pharmaceutical and related products, according to the country-specific requirements. We believe we are in material compliance with all statutes and regulations, including Good Distribution Practices sponsored by the European Commission. Movianto is also ISO 9001:2008 certified across the entire enterprise.

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Employees

At the end of 2013, we employed approximately 4,900 full- and part-time teammates in the Domestic segment and 1,800 in the International segment. Most of our international teammates are covered by collective bargaining agreements. Ongoing teammate training is critical to performance and we use Owens & Minor University®, an in-house training facility, to offer classes in leadership, management development, finance, operations, safety and sales. We continue to have positive relationships with teammates and European works councils.

Available Information

We make our Forms 10-K, Forms 10-Q and Forms 8-K (and all amendments to these reports) available free of charge through the SEC Filings link in the Investor Relations content section on our website located at www.owens-minor.com as soon as reasonably practicable after they are filed with or furnished to the SEC. Information included on our website is not incorporated by reference into this Annual Report on Form 10-K.

You may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding the company (http://www.sec.gov).

Additionally, we have adopted a written Code of Honor that applies to all of our directors, officers and teammates, including our principal executive officer and senior financial officers. This Code of Honor (including any amendments to or waivers of a provision thereof) and our Corporate Governance Guidelines are available on our website at www.owens-minor.com.

Item 1A. Risk Factors

Set forth below are certain risk factors that we currently believe could materially and adversely affect our business, financial condition and prospects. These risk factors are in addition to those mentioned in other parts of this report and are not all of the risks that we face. We could also be affected by risks that we currently are not aware of or that we currently do not consider material to our business.

Competition

The medical/surgical supply distribution industry in the United States is highly competitive and characterized by intense pricing pressure. We compete with other national distributors and a number of regional and local distributors, as well as customer self-distribution models and, to a lesser extent, certain third-party logistics companies. Competitive factors within the medical/surgical supply distribution industry include market pricing, total delivered product cost, product availability, the ability to fill and invoice orders accurately, delivery time, range of services provided, efficient product sourcing, inventory management, information technology, electronic commerce capabilities, and the ability to meet customer-specific requirements. Our success is dependent on the ability to compete on the above factors, while managing internal costs and expenses. These competitive pressures could have a material adverse effect on our results of operations.

In addition, in recent years, the healthcare industry in the United States has experienced and continues to experience significant consolidation in response to cost containment legislation and general market pressures to reduce costs. This consolidation of our customers and suppliers generally gives them greater bargaining power to reduce the pricing available to them, which may adversely impact our results of operations.

The healthcare third-party logistics business in both the United States and abroad also is characterized by intense competition from a number of international, regional and local companies, including large conventional logistics companies that are moving into the healthcare and pharmaceutical distribution business. This competitive market places continuous pricing pressure on us from customers and manufacturers that could adversely affect our results of operations and financial condition if we are unable to continue to increase our revenues and to offset margin reductions caused by pricing pressures through cost control measures.

Dependence on Significant Healthcare Provider Customers

In 2013, our top ten customers in the United States represented approximately 23% of our consolidated net revenue. In addition, in 2013, approximately 77% of our consolidated net revenue was from sales to member hospitals under contract with our largest group purchasing organizations (GPO): Novation, MedAssets and Premier. We could lose a significant customer or GPO relationship if an existing contract expires without being replaced or is terminated by the customer or GPO prior to its

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expiration (if permitted by the applicable contract). Although the termination of our relationship with a given GPO would not necessarily result in the loss of all of the member hospitals as customers, any such termination of a GPO relationship, or a significant individual customer relationship, could have a material adverse effect on our results of operations.

Dependence on Significant Domestic Suppliers

In the United States, we distribute products from nearly 1,300 suppliers and are dependent on these suppliers for the continuing supply of products. In 2013, sales of products of our ten largest domestic suppliers accounted for approximately 53% of consolidated net revenue. We rely on suppliers to provide agreeable purchasing and delivery terms and performance incentives. Our ability to sustain adequate operating earnings has been, and will continue to be, partially dependent upon our ability to obtain favorable terms and incentives from suppliers, as well as suppliers continuing use of third-party distributors to sell and deliver their products. A change in terms by a significant supplier, or the decision of such a supplier to distribute its products directly to healthcare providers rather than through third-party distributors, could have a material adverse effect on our results of operations.

Integration of Acquisitions

In connection with our growth strategy, we from time to time acquire other businesses that we believe will expand or complement our existing businesses and operations. In 2012, we completed our first international acquisition through our purchase of Movianto, which has facilities in 11 European countries and operates throughout the European marketplace. The integration of acquisitions, particularly international acquisitions, involves a number of significant risks, which may include but are not limited to, the following:

- Expenses and difficulties in the transition and integration of operations and systems;
- Retention of current customers and the ability to obtain new customers;
- The assimilation and retention of personnel, including management personnel, in the acquired businesses;
- Accounting, tax, regulatory and compliance issues that could arise;
- Difficulties in implementing uniform controls, procedures and policies in our acquired companies, or in remediating control deficiencies in acquired companies not formerly subject to the Sarbanes-Oxley Act of 2002;
- Unanticipated expenses incurred or charges to earnings based on unknown circumstances or liabilities;
- Failure to realize the synergies and other benefits we expect from the acquisition at the pace we anticipate;
- General economic conditions in the markets in which the acquired businesses operate; and
- Difficulties encountered in conducting business in markets where we have limited experience and expertise.

If we are unable to successfully complete and integrate our strategic acquisitions in a timely manner, our business, growth strategies and results of operations could be adversely affected.

International Operations

Our acquisition of Movianto represents our first significant movement into the international marketplace. Additionally, in 2011, we entered into a joint venture in China to provide product sourcing services. Operations outside the United States involve issues and risks, including but not limited to the following, any of which could have an adverse effect on our business and results of operations:

- Lack of familiarity with and expertise in conducting business in foreign markets;
- Foreign currency fluctuations and exchange risk;
- Unexpected changes in foreign regulations or conditions relating to labor, economic or political environment, and social norms or requirements;
- Adverse tax consequences and difficulties in repatriating cash generated or held abroad;
- Local economic environments, such as in the European markets served by Movianto, including recession, inflation, indebtedness, currency volatility and competition; and
- Changes in trade protection laws and other laws affecting trade and investment, including import/export regulations in both the United States and foreign countries.

International operations are also subject to risks of violation of laws that prohibit improper payments to and bribery of government officials and other individuals and organizations for the purpose of obtaining or retaining business. These laws include the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and other similar laws and regulations in foreign jurisdictions, any violation of which could result in substantial liability and a loss of reputation in the marketplace. Failure to comply with these laws also could subject us to civil and criminal penalties that could adversely affect our business and results of operations.

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Changes in the Healthcare Environment in the United States

We, along with our customers and suppliers, are subject to extensive federal and state regulations relating to healthcare as well as the policies and practices of the private healthcare insurance industry. In recent years, there have been a number of government and private initiatives to reduce healthcare costs and government spending. These changes have included an increased reliance on managed care; reductions in Medicare and Medicaid reimbursement levels; consolidation of competitors, suppliers and customers; a shift in healthcare provider venues from acute care settings to clinics, physician offices and home care; and the development of larger, more sophisticated purchasing groups. All of these changes place additional financial pressure on healthcare provider customers, who in turn seek to reduce the costs and pricing of products and services provided by us. We expect the healthcare industry to continue to change significantly and these potential changes, which may include a reduction in government support of healthcare services, adverse changes in legislation or regulations, and further reductions in healthcare reimbursement practices, could have a material adverse effect on our results of operations.

In March 2010, federal healthcare legislation known as the Affordable Care Act was enacted. This healthcare reform legislation includes, among other things, provisions for expanded Medicaid eligibility and access to healthcare insurance as well as increased taxes and fees on certain corporations and medical products. Effective January 1, 2013, the Affordable Care Act imposed a 2.3% federal excise tax on manufacturers for sales of certain medical devices. In the event these manufacturers attempt to pass all or a portion of this excise tax through to us, or in the event such tax leads manufacturers to offer less favorable terms and incentives to distributors, our profitability could be adversely impacted. The provisions of the Affordable Care Act will not be fully implemented until 2018 and, although there is no way to predict the full impact of the law on the healthcare industry and our operations, its implementation may have an adverse effect on both customer purchasing and payment behavior and supplier product prices and terms of sale, all of which could adversely affect our results of operations.

Regulatory Requirements

We must comply with numerous laws and regulations in the United States, Europe, Asia and other countries where we distribute. We also are required to hold permits and licenses and to comply with the operational and security standards of various governmental bodies and agencies. Any failure to comply with these laws and regulations or any failure to maintain the necessary permits, licenses or approvals, or to comply with the required standards, could disrupt our operations and/or adversely affect our results of operations and financial condition. In addition, we are subject to various federal and state laws intended to prevent healthcare fraud and abuse. The requirements of these fraud and abuse laws are complicated and subject to interpretation and may be applied by a regulator, prosecutor or judge in a manner that could negatively impact us financially or operationally.

General Economic Climate

The financial and economic climate in recent years continues to have a negative impact on most sectors of the domestic economy and the international markets in which Movianto operates. This uncertain financial and economic climate has reduced patient demand for healthcare services, reduced product price inflation, intensified pressures on healthcare providers to reduce both costs and purchases of our products and services and could compromise our customers' ability to timely pay for their purchases. Poor economic conditions could lead our suppliers to offer less favorable terms of purchase to distributors, which would negatively affect our profitability. These and other possible consequences of financial and economic changes could materially and adversely affect our business and results of operations.

Bankruptcy, Insolvency or other Credit Failure of Customers

We provide credit in the normal course of business to customers. We perform initial and ongoing credit evaluations of customers and maintain reserves for credit losses. The bankruptcy, insolvency or other credit failure of one or more customers with substantial balances due to us could have a material adverse effect on our results of operations.

Reliance on Information Systems and Technological Advancement

We rely on information systems to receive, process, analyze and manage data in distributing thousands of inventory items to customers from numerous distribution and logistics centers. These systems are also relied upon for billings to and collections from customers, as well as the purchase of and payment for inventory and related transactions from our suppliers. In addition, the success of our long-term growth strategy is dependent upon the ability to continually monitor and upgrade our information systems to provide better service to customers. Our business and results of operations may be materially adversely affected if systems are interrupted or damaged by unforeseen events (including cyber attacks) or fail to operate for an extended period of time, or if we fail to appropriately enhance our systems to support growth and strategic initiatives.

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Changes in Tax Laws
We operate throughout the United States and Europe as well as in China. As a result, we are subjected to the tax laws and regulations of the United States federal, state and local governments and of various foreign jurisdictions. From time to time, legislative and regulatory initiatives are proposed, including but not limited to proposals to repeal LIFO (last-in, first-out) treatment of domestic inventory or changes in tax accounting methods for inventory or other tax items, that could adversely affect our tax positions, tax rate or cash payments for taxes.

Item 1B. Unresolved Staff Comments
None.

Item 2. Properties
Our Domestic segment had 43 distribution centers as well as office and warehouse space across the United States as of December 31, 2013. We lease all of these distribution centers from unaffiliated third parties. We also lease offices in China and Malaysia as well as small offices for sales and consulting personnel across the United States. In addition, we have a warehousing arrangement in Honolulu, Hawaii, with an unaffiliated third party, and lease space on a temporary basis from time to time to meet our inventory storage needs. We own our corporate headquarters building, and adjacent acreage, in Mechanicsville, Virginia, a suburb of Richmond, Virginia.

Our International segment leases18 and owns two logistics centers across 11 European countries. We also operate seven transport depots, of which we lease six and own one. We also lease office space in Stuttgart, Germany.

We regularly assess our business needs and make changes to the capacity and location of distribution and logistics centers. We believe that our facilities are adequate to carry on our business as currently conducted. A number of leases are scheduled to terminate within the next several years. We believe that, if necessary, we could find facilities to replace these leased premises without suffering a material adverse effect on our business.

Item 3. Legal Proceedings
We are subject to various legal actions that are ordinary and incidental to our business, including contract disputes, employment, workers' compensation, product liability, regulatory and other matters. We establish reserves from time to time based upon periodic assessment of the potential outcomes of pending matters. In addition, we believe that any potential liability arising from employment, product liability, workers' compensation and other personal injury litigation matters would be adequately covered by our insurance coverage, subject to policy limits, applicable deductibles and insurer solvency. While the outcome of legal actions cannot be predicted with certainty, we believe, based on current knowledge and the advice of counsel, that the outcome of these currently pending matters, individually or in the aggregate, will not have a material adverse effect on our financial condition or results of operations.

Part II

Item 4. Mine Safety Disclosures
Not applicable.

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities
Owens & Minor, Inc.'s common stock trades on the New York Stock Exchange under the symbol OMI. As of February 13, 2014, there were approximately 3,484 common shareholders of record. We believe there are an estimated additional 30,985 beneficial holders of our common stock. See Selected Quarterly Financial Information in Item 15 of this report for high and low closing sales prices of our common stock and quarterly cash dividends per common share and Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, for a discussion of our dividend payments.

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5-Year Total Shareholder Return

The following performance graph compares the performance of our common stock to the S&P 500 Index and an Industry Peer Group (which includes the companies listed below) for the last five years. This graph assumes that the value of the investment in the common stock and each index was $100 on December 31, 2008, and that all dividends were reinvested.

The Industry Peer Group, weighted by market capitalization, consists of companies engaged in the business of healthcare product distribution. The Peer Group includes pharmaceutical distribution companies: AmerisourceBergen Corporation, Cardinal Health, Inc., and McKesson Corporation; and medical product distribution companies: Henry Schein, Inc., and Patterson Companies, Inc.

	Base Period	Years Ended				
Company Name / Index	12/2008	12/2009	12/2010	12/2011	12/2012	12/2013
Owens & Minor, Inc.	$100.00	$116.81	$123.13	$119.43	$126.30	$166.60
S&P 500 Index	100.00	126.46	145.51	148.59	172.37	228.19
Peer Group	100.00	146.87	174.80	190.01	223.72	359.71

Share Repurchase Program. In February 2011, our Board of Directors authorized a share repurchase program of up to $50 million of our outstanding common stock to be executed at the discretion of management over a three-year period, expiring in February 2014. The program is intended to offset shares issued in conjunction with our stock incentive plan and may be suspended or discontinued at any time. During the year ended December 31, 2013, we repurchased in open-market transactions and retired 560 thousand shares at an average price per share of $33.72. As of December 31, 2013, we have no remaining shares authorized for repurchase.

In February 2014, our Board of Directors renewed our share repurchase program authorizing the purchase of $100 million in common stock through 2017. The timing of repurchases and the number of shares of common stock to be repurchased will be determined by management based upon market conditions and other factors. The program is intended, in part, to offset shares issued in conjunction with our stock incentive plan and may be suspended or discontinued at any time.

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The following table summarizes the share repurchase activity by month during the fourth quarter of 2013.

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of a publicly announced program	Maximum dollar value of shares that may yet be purchased under the program
October 2013	41,600	$ 34.58	41,600	$ 1,737,703
November 2013	21,200	$ 36.88	21,200	$ 955,593
December 2013	25,770	$ 37.09	25,770	$ —
Total	88,570		88,570	

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Item 6. Selected Consolidated Financial Data
(in thousands, except ratios and per share data)

	At or for the Year Ended December 31,				
	2013 (2)	2012 (3)	2011 (4)	2010 (5)	2009
Summary of Operations:					
Net revenue (9)	$9,071,532	$8,868,324	$8,627,912	$8,123,608	$8,037,624
Income from continuing operations	$110,882	$109,003	$115,198	$110,579	$116,859
Loss from discontinued operations, net of tax(1)	—	—	—	—	(12,201)
Net income	$110,882	$109,003	$115,198	$110,579	$104,658
Per Common Share(6) :					
Net income (loss) attributable to Owens & Minor, Inc. per common share—basic:					
Continuing operations	$1.76	$1.72	$1.82	$1.76	$1.87
Discontinued operations	—	—	—	—	(0.19)
Net income per share—basic	$1.76	$1.72	$1.82	$1.76	$1.68
Net income (loss) attributable to Owens & Minor, Inc. per common share—diluted:					
Continuing operations	$1.76	$1.72	$1.81	$1.75	$1.86
Discontinued operations	—	—	—	—	(0.19)
Net income per share—diluted	$1.76	$1.72	$1.81	$1.75	$1.67
Cash dividends	$0.960	$0.880	$0.800	$0.708	$0.613
Stock price at year end	$36.56	$28.51	$27.79	$29.43	$28.62
Summary of Financial Position:					
Total assets	$2,324,042	$2,214,398	$1,946,815	$1,822,039	$1,747,088
Cash and cash equivalents	$101,905	$97,888	$135,938	$159,213	$96,136
Total debt	$216,243	$217,591	$214,556	$210,906	$210,917
Total Owens & Minor, Inc. shareholders' equity	$1,023,913	$972,526	$918,087	$857,518	$769,179
Selected Ratios:					
Gross margin as a percent of revenue	12.31 %	10.43 %	9.94 %	9.94 %	10.13 %
Selling, general, and administrative expenses as a percent of revenue	9.52 %	7.70 %	7.08 %	6.94 %	7.37 %
Operating earnings as a percent of revenue	2.18 %	2.22 %	2.36 %	2.41 %	2.50 %
Days sales outstanding (DSO) (7)	22.1	20.8	20.7	19.6	21.4
Average annual inventory turnover (8)	10.4	10.1	10.2	10.4	10.6

(1) In January 2009, we exited our direct-to-consumer diabetes supply (DTC) business. Accordingly, the DTC business is presented as discontinued operations for all periods presented.

(2) We incurred charges of $12.4 million ($8.9 million after tax, or $0.14 per common share) associated with acquisition-related and exit and realignment activities in 2013. See Notes 3 and 9 of Notes to Consolidated Financial Statements.

(3) We incurred charges of $10.2 million ($8.2 million after tax, or $0.13 per common share) associated with acquisition-related and exit and realignment activities in 2012. See Notes 3 and 9 of Notes to Consolidated Financial Statements.

(4) We incurred charges of $13.2 million ($8.0 million after tax, or $0.13 per common share) associated with acquisition-related and exit and realignment activities in 2011. See Note 9 of Notes to Consolidated Financial Statements.

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(5) We terminated our frozen defined benefit pension plan in the fourth quarter of 2010 and recognized a settlement charge of $19.6 million ($11.9 million after tax, or $0.19 per common share).

(6) On March 31, 2010, we effected a three-for-two stock split of our outstanding shares of common stock in the form of a stock dividend of one share of common stock for every two shares outstanding to stockholders of record on March 15, 2010. The common stock began trading on a post-split basis on April 1, 2010. All share and per-share data (except par value) have been adjusted to reflect this split.

(7) Based on net revenue for the fourth quarter of the year.

(8) Based on cost of goods sold for the preceding 12 months.

(9) 2012 net revenue has been revised to reflect current year revenue presentation. See Note 1 of Notes to Consolidated Financial Statements.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's discussion and analysis of financial condition and results of operations is intended to assist the reader in the understanding and assessment of significant changes and trends related to the results of operations of the Company together with its subsidiaries. The discussion and analysis presented below refers to, and should be read in conjunction with, the consolidated financial statements and accompanying notes included in Item 8 of Part II of this Annual Report on Form 10-K.

Overview

Owens & Minor, Inc., along with its subsidiaries, (we, us, or our) is a leading national distributor of name-brand medical and surgical supplies and a healthcare logistics company. We report our business under two segments: Domestic and International. The Domestic segment includes all services in the United States relating to our role as a medical supply logistics company serving healthcare providers and manufacturers. The International segment, which is comprised of the Movianto Group (Movianto) acquired on August 31, 2012, provides third-party logistics for the pharmaceutical, biotechnology and medical device industries in the European market. Segment financial information is provided in Note 20 of Notes to the Consolidated Financial Statements included in this annual report.

Financial Highlights.

The following table provides a reconciliation of reported operating earnings, net income and diluted net income per common share to non-GAAP measures used by management:

	For the years ended December 31,		
(Dollars in thousands, except per share data)	2013	2012	2011
Operating earnings, as reported (GAAP)	$198,083	$196,753	$203,515
Acquisition-related and exit and realignment charges	12,444	10,164	13,168
Operating earnings, adjusted (non-GAAP) (Adjusted Operated Earnings)	$210,527	$206,917	$216,683
Adjusted Operating Earnings as a percent of revenue (non-GAAP)	2.32 %	2.33 %	2.51 %
Net income attributable to Owens & Minor, Inc., as reported (GAAP)	$110,882	$109,003	$115,198
Acquisition-related and exit and realignment charges, net of tax	8,856	8,200	7,993
Net income, adjusted (non-GAAP) (Adjusted Net Income)	$119,738	$117,203	$123,191
Net income attributable to Owens & Minor, Inc. per diluted common share, as reported (GAAP)	$1.76	$1.72	$1.81
Acquisition-related and exit and realignment charges, per diluted common share	0.14	0.13	0.13
Net income per diluted common share, adjusted (non-GAAP) (Adjusted EPS)	$1.90	$1.85	$1.94

Use of Non-GAAP Measures

Our management's discussion and analysis contains financial measures that are not calculated in accordance with U.S. generally accepted accounting principles (GAAP). In general, the measures exclude items and charges that (i) management does not believe reflect our core business and relate more to strategic, multi-year corporate activities; or (ii) relate to activities or actions that may have occurred over multiple or in prior periods without predictable trends. Management uses these non-GAAP financial measures internally to evaluate our performance, evaluate the balance sheet, engage in financial and operational planning and determine incentive compensation.

Management provides these non-GAAP financial measures to investors as supplemental metrics to assist readers in assessing the effects of items and events on our financial and operating results and in comparing our performance to that of our competitors. However, the non-GAAP financial measures used by us may be calculated differently from, and therefore may not be comparable to, similarly titled measures used by other companies.

The non-GAAP financial measures disclosed by us should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and the financial results calculated in accordance with GAAP.

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Acquisition-related charges, pre-tax, of $3.5 million and $10.5 million in 2013 and 2012 are associated with Movianto and $0.5 million in 2011 is related to the establishment of our joint venture in China. Acquisition-related charges in 2013 primarily consist of costs to transition Movianto's information technology and other operations and administrative functions from the former owner. Charges in 2012 are primarily transaction costs incurred to perform due diligence and to analyze, negotiate and consummate the acquisition and costs to perform post-closing activities to establish a tax-efficient organizational structure. Exit and realignment charges (income), pre-tax, of $8.9 million, $(0.4) million and $12.7 million in 2013, 2012 and 2011 are associated with optimizing our operations and include the consolidation of distribution and logistics centers and closure of offsite warehouses in the United States and Europe. Net of tax charges have been tax effected in the preceding table using a blended income tax rate depending on the amount of charges incurred in different tax jurisdictions. Unless otherwise stated, our analysis hereinafter excludes acquisition-related and exit and realignment charges. More information about these charges is provided in Notes 3 and 9 of Notes to Consolidated Financial Statements included in this annual report.

Adjusted EPS increased to $1.90 in 2013 from $1.85 in 2012 primarily due to an increase in Adjusted Operating Earnings of $3.6 million. Domestic segment operating earnings were $211.9 million for 2013, a decrease of $0.4 million when compared to the prior year. International segment operating losses improved over the prior year by $4.0 million to $1.4 million for 2013. The Domestic segment operating earnings were affected by higher gross margin, which was fully offset by higher selling, general and administrative expenses. The International segment operating loss includes a full year of activity which showed improving results in the second half of 2013.

Results of Operations

2013 compared to 2012

Net revenue.	For the years ended December 31,		Change	
(Dollars in thousands)	2013	2012	$	%
Domestic	$8,688,018	$8,731,484	$(43,466)	(0.5)%
International	383,514	136,840	246,674	180.3%
Net revenue	$9,071,532	$8,868,324	$203,208	2.3%

Net revenue for the current year increased due to a full year of activity in our International segment compared to four months in the prior year. Domestic segment revenue continued to be impacted by ongoing market trends including lower rates of healthcare utilization. In addition, our continued rationalization of smaller, less profitable healthcare provider customers and suppliers and reduced government purchases were not fully offset by growth in existing customers, fee-for-service and new business. Fee-for-service business represents approximately two-thirds of net revenue in the International segment.

Gross margin.	For the years ended December 31,		Change	
(Dollars in thousands)	2013	2012	$	%
Gross margin	$1,117,075	$924,654	$192,421	20.8%
As a % of net revenue	12.31%	10.43%		

Gross margin increased primarily due to a full year of Movianto activity in the current year which contributed $177.4 million to the year over year change. The Domestic segment gross margin benefitted from strategic initiatives including growth in fee-for-service business during the year and supplier price changes in the first and second quarters of 2013 at a higher level than in 2012.

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We value Domestic segment inventory under the LIFO method. Had inventory been valued under the first-in, first-out (FIFO) method, gross margin as a percentage of net revenue would have been lower by 3 basis points in 2013 and higher by 5 basis points in 2012.

Operating expenses.	For the years ended December 31,		Change	
(Dollars in thousands)	2013	2012	$	%
SG&A expenses	$863,656	$682,595	$181,061	26.5 %
As a % of net revenue	9.52 %	7.70 %		
Depreciation and amortization	$50,586	$39,604	$10,982	27.7 %
Other operating income, net	$(7,694)	$(4,462)	$(3,232)	72.4 %

Selling, general and administrative (SG&A) expenses include labor, warehousing, handling and delivery costs associated with our distribution and logistics services, as well as labor costs for our supply-chain consulting services and all costs associated with our fee-for-service business. The costs to convert new customers to our information systems are generally incurred prior to the recognition of revenues from new customers. The International segment also includes costs for information technology and other transition services provided by the former owners of Movianto which were substantially completed in 2013.

SG&A expense increased by $165.4 million in the current year due to a full year of activity in Movianto. Domestic SG&A expense also increased over the prior year due to greater fee-for-service sales activity, increased costs to support strategic initiatives and higher costs associated with workers' compensation, litigation and healthcare. During the second quarter of 2013, we reached a settlement in the administrative proceedings before the California Board of Equalization related to certain municipal sales tax incentives. As a result, SG&A expenses were reduced in 2013 by a net amount of $4.3 million, which was fully offset by the increased costs noted above. In the future, the company expects to receive an ongoing tax incentive that will vary with eligible revenues generated by sales to California-based customers. More information about this incentive is provided in Note 18 of Notes to Consolidated Financial Statements included in this annual report.

Depreciation and amortization expense increase in the current year was primarily related to warehouse equipment and information technology hardware and software acquired with Movianto. In addition, depreciation and amortization increased $0.8 million in the Domestic segment due to software enhancements for operational efficiency improvements.

Other operating income includes finance charge income of $6.0 million and $4.9 million in 2013 and 2012. The increase over the prior year was due to $1.6 million increase in income associated with product financing arrangements with customers in Europe, $0.8 million in foreign exchange gains and a net $0.9 million in Domestic charges incurred in 2012 associated with specific litigation matters and loss contingency expenses which did not recur in the current year.

Interest expense, net.	For the years ended December 31,		Change	
(Dollars in thousands)	2013	2012	$	%
Interest expense, net	$13,098	$13,397	$(299)	(2.2)%
Effective interest rate	6.05 %	6.17 %		

For 2013, the decrease in interest expense was primarily from lower commitment fees in our new revolving credit facility effective June 2012, partially offset by less interest income earned on cash and cash equivalents.

Income taxes.	For the years ended December 31,		Change	
(Dollars in thousands)	2013	2012	$	%
Income tax provision	$74,103	$74,353	$(250)	(0.3)%
Effective tax rate	40.1 %	40.6 %		

The provision for income taxes, including income taxes on acquisition-related and exit and realignment charges, decreased from the prior year due to the impact of non-deductible acquisition-related costs in 2012 incurred as a result of the Movianto acquisition as well as results of benefits recognized in the current year upon the conclusion of examinations of our 2009 and 2010 Federal and certain state income tax returns. These benefits were partially offset by the impact of foreign taxes.

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2012 compared to 2011

Net revenue.	For the years ended December 31,		Change	
(Dollars in thousands)	2012	2011	$	%
Domestic	$8,731,484	$8,627,912	$103,572	1.2 %
International	136,840	—	136,840	N/A
Net revenue	$8,868,324	$8,627,912	$240,412	2.8 %

Domestic segment revenue increased as a result of growth from existing customers. Factors affecting the Domestic segment growth rate included lower comparative utilization of healthcare services, reduced product price inflation and a lower level of government purchasing, as well as ongoing rationalization of certain of the company's suppliers. The International segment revenue for 2012 includes activity since our acquisition on August 31, 2012.

Gross margin.	For the years ended December 31,		Change	
(Dollars in thousands)	2012	2011	$	%
Gross margin	$924,654	$857,537	$67,117	7.8 %
As a % of net revenue	10.43 %	9.94 %		

The increases in gross margin dollars and gross margin percentage are primarily due to contributions by Movianto for the four months since acquisition. These gains were partially offset by declines in the Domestic segment due to customer mix, including lower margin on new contracts with large integrated health networks and competitive pressures.

We value Domestic segment inventory under the LIFO method. Had inventory been valued under the first-in, first-out (FIFO) method, gross margin as a percentage of net revenue would have been higher by 5 basis points in 2012 and 16 basis points in 2011.

Operating expenses.	For the years ended December 31,		Change	
(Dollars in thousands)	2012	2011	$	%
SG&A expenses	$682,595	$610,657	$71,938	11.8 %
As a % of net revenue	7.70 %	7.08 %		
Depreciation and amortization	$39,604	$34,135	$5,469	16.0 %
Other operating income, net	$(4,462)	$(3,938)	$(524)	13.3 %

SG&A expenses include labor, warehousing, handling and delivery costs associated with our distribution and third-party logistics services, as well as labor costs for our supply-chain consulting services. The costs to convert new customers to our information systems are generally incurred prior to the recognition of revenues.

SG&A expenses increased as a result of the acquisition of Movianto. The increase was partially offset by decreases in the Domestic segment primarily due to lower expenses in our fee-for-service operations, including lower costs for our third-party logistics business that converted a large new customer during 2011. International segment SG&A expenses include costs for information technology and other transition services provided by the former owners of Movianto, as well as information technology outsourcing and consulting for support and maintenance of its information systems.

Depreciation and amortization, primarily related to warehouse equipment and information technology hardware and software, increased in 2012 as a result of the acquisition of Movianto. Domestic segment depreciation and amortization increased $2.4 million for operational software improvements and for warehouse equipment and leasehold improvements related to warehouse automation and the relocation of a distribution center. This increase was partially offset by lower amortization resulting from the expiration of noncompete agreements.

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Other operating income, net included finance charge income of $4.9 million and $2.9 million for 2012 and 2011. Finance charge income for 2012 includes income from customer inventory financing arrangements in Europe. Other operating income, net, in 2012 includes legal expenses and loss contingencies expense of approximately $2.0 million associated with California-specific litigation and compensation and benefits requirements, partially offset by income of $1.1 million from the settlement of a class action litigation. Other operating income for 2011 benefitted from $2.2 million received from settlement of an anti-trust class action lawsuit. In addition, other operating income in 2011 included expenses of $1.7 million primarily for the development of a model for partnering with customers.

Interest expense, net.	For the years ended December 31,		Change	
(Dollars in thousands)	2012	2011	$	%
Interest expense, net	$13,397	$13,682	$(285)	(2.1)%
Effective interest rate	6.17%	6.42%		

For 2012, the effective interest rate decreased to 6.17% primarily due to a 30 basis point decrease as a result of replacing our revolving credit facility in June 2012 with a new revolving credit facility with lower commitment fees (refer to Capital Resources in Management's Discussion and Analysis of Financial Condition for a description of the new revolving credit facility). The decrease in commitment fees was partially offset by a decline in interest income from interest rate swaps, which were terminated in 2011.

Income taxes.	For the years ended December 31,		Change	
(Dollars in thousands)	2012	2011	$	%
Income tax provision	$74,353	$74,635	$(282)	(0.4)%
Effective tax rate	40.6%	39.3%		

Excluding the acquisition-related and exit and realignment costs in 2012, of which approximately $4.6 million were not tax deductible, the effective tax rate was 39.4% for 2012.

Financial Condition, Liquidity and Capital Resources

Financial condition. We monitor operating working capital through days sales outstanding (DSO) and merchandise inventory turnover. We estimate a hypothetical increase (decrease) in DSO of one day would result in a decrease (increase) in our cash balances, an increase (decrease) in borrowings against our revolving credit facility, or a combination thereof of approximately $25 million.

The majority of our cash and cash equivalents are held in cash depository accounts with major banks in the United States and Europe or invested in high-quality, short-term liquid investments. Changes in our working capital can vary in the normal course of business based upon the timing of inventory purchases, collection of accounts receivable, and payment to suppliers.

	For the years ended December 31,		Change	
(Dollars in millions)	2013	2012	$	%
Cash and cash equivalents	$101.9	$97.9	$4.0	4.1%
Accounts and notes receivable, net of allowances	$572.9	$537.3	$35.6	6.6%
Consolidated DSO (1)	22.1	20.8		
Merchandise inventories	$771.7	$763.8	$7.9	1.0%
Consolidated inventory turnover (2)	10.4	10.1		
Accounts payable	$643.9	$603.1	$40.8	6.8%

(1) Based on year end accounts receivable and net revenue for the fourth quarter

(2) Based on average annual inventory and costs of goods sold for the years ended December 31, 2013 and 2012

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Liquidity and capital expenditures. The following table summarizes our consolidated statements of cash flows for the years ended December 31, 2013, 2012 and 2011:

(Dollars in millions)	2013	2012	2011
Net cash provided by (used for) continuing operations:			
Operating activities	$140.6	$218.5	$68.4
Investing activities	(57.1)	(190.8)	(33.9)
Financing activities	(82.0)	(68.4)	(57.5)
Discontinued operations	—	—	(0.3)
Effect of exchange rate changes on cash	2.5	2.7	—
Increase (decrease) in cash and cash equivalents	$4.0	$(38.0)	$(23.3)

Cash provided by operating activities was $140.6 million in 2013, compared to $218.5 million in 2012 and $68.4 million in 2011. Cash from operating activities for 2013 decreased compared to 2012 due to changes in working capital, including increases in accounts and notes receivable which experienced an increase in DSO of 1.3 days (unfavorable impact on cash of $33.3 million). Cash from operating activities for 2012 increased over 2011 due to the reduction of Domestic segment inventories and benefitted from a decrease in Domestic segment DSO of 1.6 days in 2012 (favorable impact of approximately $38.3 million). Cash from operating activities in 2011 was a result of operating earnings and an increase in accounts payable, due to increased inventory purchases, offset by a build-up of inventory of approximately $100 million for new business, an increase in DSO of 1.1 days (unfavorable impact on cash of $26.3 million), and an increase in other current assets related to our growth in revenues.

Cash used for investing activities was $57.1 million for 2013, compared to $190.8 million for 2012 and $33.9 million for 2011. Capital expenditures in 2013 were $60.1 million primarily related to information technology initiatives and distribution center and logistics facility moves and modifications. In 2012, we acquired Movianto in exchange for approximately $155.2 million of cash plus assumed third-party debt (primarily capitalized leases) of $2.1 million. Domestic segment capital expenditures were $34.5 million in 2012, primarily related to our strategic and operational efficiency initiatives, particularly initiatives relating to information technology enhancements. Capital expenditures in 2011 primarily included leasehold improvements and warehouse equipment for our distribution centers and logistics facilities, as well as investments in operational software improvements and certain customer-facing technologies.

Net cash used in financing activities was $82.0 million in 2013, 68.4 million in 2012, and $57.5 million in 2011. We paid dividends of $60.7 million, $55.7 million and $50.9 million and repurchased common stock under a share repurchase program for $18.9 million, $15.0 million and $16.1 million in the years ended December 31, 2013, 2012 and 2011. In addition, in 2011 we received proceeds of $4.0 million as a result of the termination of interest rate swaps.

Cash used by operating activities of discontinued operations was $0.3 million for 2011, associated with administrative costs.

Capital resources. Our sources of liquidity include cash and cash equivalents and a revolving credit facility. On June 5, 2012, we entered into a five-year $350 million Credit Agreement with Wells Fargo Bank, N.A., JPMorgan Chase Bank, N.A. and a syndicate of financial institutions (the Credit Agreement). This agreement replaced an existing $350 million credit agreement set to expire on June 7, 2013. Under the Credit Agreement, we have the ability to request two one-year extensions and to request an increase in aggregate commitments by up to $150 million. The interest rate, which is subject to adjustment quarterly, is based on the London Interbank Offered Rate (LIBOR), the Federal Funds Rate or the Prime Rate, plus an adjustment based on the better of our debt ratings or leverage ratio (Credit Spread) as defined by the Credit Agreement. We are charged a commitment fee of between 17.5 and 42.5 basis points on the unused portion of the facility. The terms of the Credit Agreement limit the amount of indebtedness that we may incur and require us to maintain ratios for leverage and interest coverage, including on a pro forma basis in the event of an acquisition. At December 31, 2013, we had no borrowings and letters of credit of $5.0 million outstanding on the revolving credit facility, leaving $345.0 million available for borrowing.

We may utilize the revolving credit facility for long-term strategic growth, capital expenditures, working capital and general corporate purposes. If we were unable to access the revolving credit facility, it could impact our ability to fund these needs. During 2013, we had no borrowings or repayments under the credit facilities. Based on our leverage ratio at December 31, 2013, the interest rate under the new credit facility was LIBOR plus 1.375%. We have $200 million of senior notes outstanding, which mature in 2016 and bear interest at 6.35%, payable semi-annually on April 15 and October 15. The revolving credit facility and senior notes contain cross-default provisions which could result in the acceleration of payments due in the event of default of either agreement. We believe we were in compliance with the debt covenants at December 31, 2013.

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We earn a portion of our operating earnings in foreign jurisdictions outside the U.S., which we consider to be indefinitely reinvested. Accordingly, no U.S. federal and state income taxes and withholding taxes have been provided on these earnings. Our cash, cash equivalents, short-term investments, and marketable securities held by our foreign subsidiaries totaled \$22.2 million and \$24.9 million as of December 31, 2013 and 2012. We do not intend, nor do we foresee a need, to repatriate these funds or other assets held outside the U.S. In the future, should we require more capital to fund discretionary activities in the U.S. than is generated by our domestic operations and is available through our borrowings, we could elect to repatriate cash or other assets from foreign jurisdictions that have previously been considered to be indefinitely reinvested. Upon distribution of these assets, we could be subject to additional U.S. federal and state income taxes and withholding taxes payable to foreign jurisdictions, where applicable.

The IRS on January 10, 2014 released final regulations relating to the adjustment of inventory costs for certain sales-based vendor charge-backs and the allowable treatment of these charge-backs in tax LIFO calculations. The Company is currently analyzing the impact of this regulatory change on our tax LIFO position, which could cause our related deferred tax liability to become due and payable, impacting future cash flow.

We paid quarterly cash dividends on our outstanding common stock at the rate of \$0.24 per share during 2013, \$0.22 per share during 2012, and \$0.20 per share during 2011. Our annual dividend payout ratio for the three years ended December 31, 2013, based on Adjusted EPS, was in the range of 41.2% to 50.5%. In February 2014, the Board of Directors approved a 4.2% increase in the amount of our quarterly dividend to \$0.25 per common share. We anticipate continuing to pay quarterly cash dividends in the future. However, the payment of future dividends remains within the discretion of the Board of Directors and will depend upon our results of operations, financial condition, capital requirements and other factors.

In February 2011, the Board of Directors authorized a share repurchase program of up to \$50 million of our outstanding common stock to be executed at the discretion of management over a three-year period, expiring in February 2014. The program is intended to offset shares issued in conjunction with our stock incentive plan and may be suspended or discontinued at any time. During 2013, we repurchased approximately 560 thousand shares at \$18.9 million under this program. At December 31, 2013, we had purchased all shares authorized under this program.

In February 2014, our Board of Directors renewed our share repurchase program authorizing the purchase of \$100 million in common stock through 2017. The timing of repurchases and the number of shares of common stock to be repurchased will be determined by management based upon market conditions and other factors. The program is intended to offset shares issued in conjunction with our stock incentive plan and may be suspended or discontinued at any time.

We believe available financing sources, including cash generated by operating activities and borrowings under the Credit Agreement, will be sufficient to fund our working capital needs, capital expenditures, long-term strategic growth, payments under long-term debt and lease arrangements, payments of quarterly cash dividends, share repurchases and other cash requirements. While we believe that we will have the ability to meet our financing needs in the foreseeable future, changes in economic conditions may impact (i) the ability of financial institutions to meet their contractual commitments to us, (ii) the ability of our customers and suppliers to meet their obligations to us or (iii) our cost of borrowing.

Off-Balance Sheet Arrangements

We do not have guarantees or other off-balance sheet financing arrangements, including variable interest entities, which we believe could have a material impact on financial condition or liquidity.

Contractual Obligations

The following is a summary of our significant contractual obligations as of December 31, 2013:

(Dollars in millions)	Payments due by period				
Contractual obligations	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long-term debt [1]	\$231.8	\$12.7	\$219.1	\$—	\$—
Purchase obligations [2]	145.2	40.2	74.6	30.4	—

Operating leases (2)	296.5	60.1	95.2	65.1	76.1
Capital lease obligations (1)	12.8	3.9	5.8	2.8	0.3
Unrecognized tax benefits, net (3)	4.2	—	—	—	—
Other long-term liabilities (4)	80.4	3.1	5.4	4.6	67.3
Total contractual obligations (5)	$770.9	$120.0	$400.1	$102.9	$143.7

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(1) See Note 10 of Notes to Consolidated Financial Statements. Debt is assumed to be held to maturity with interest paid at the stated rate in effect at December 31, 2013.
(2) See Note 18 of Notes to Consolidated Financial Statements.
(3) We cannot reasonably estimate the timing of cash settlement for the liability associated with unrecognized tax benefits.
(4) Other long-term liabilities include estimated minimum required payments for our unfunded retirement plan for certain officers. See Note 13 of Notes to Consolidated Financial Statements. Certain long-term liabilities, including deferred tax liabilities and post-retirement benefit obligations, are excluded as we cannot reasonably estimate the timing of payments for these items.
(5) Excludes certain contingent contractual obligations that are required to be paid in the event that performance targets specified by customer contracts are not achieved. See Note 18 of Notes to Consolidated Financial Statements.

Critical Accounting Policies

Our consolidated financial statements and accompanying notes have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of the financial statements requires us to make estimates and assumptions that affect the reported amounts and related disclosures. We continually evaluate the accounting policies and estimates used to prepare the financial statements.

Critical accounting policies are defined as those policies that relate to estimates that require us to make assumptions about matters that are highly uncertain at the time the estimate is made and could have a material impact on our results due to changes in the estimate or the use of different assumptions that could reasonably have been used. Our estimates are generally based on historical experience and various other assumptions that are judged to be reasonable in light of the relevant facts and circumstances. Because of the uncertainty inherent in such estimates, actual results may differ. We believe our critical accounting policies and estimates include allowances for losses on accounts and notes receivable, inventory valuation, accounting for goodwill and long-lived assets, self-insurance liabilities, supplier incentives, and business combinations.

Allowances for losses on accounts and notes receivable. We maintain valuation allowances based upon the expected collectability of accounts and notes receivable. The allowances include specific amounts for accounts that are likely to be uncollectible, such as customer bankruptcies and disputed amounts, and general allowances for accounts that may become uncollectible. These allowances are estimated based on a number of factors, including industry trends, current economic conditions, creditworthiness of customers, age of the receivables, changes in customer payment patterns, and historical experience. At December 31, 2013, accounts and notes receivable were $573 million, net of allowances of $15.0 million. An unexpected bankruptcy or other adverse change in the financial condition of a customer could result in increases in these allowances, which could have a material effect on the results of operations.

Inventory valuation. Merchandise inventories are valued at the lower of cost or market, with cost determined using the last-in, first-out (LIFO) method for Domestic segment inventories and the first-in, first-out (FIFO) method for International segment inventories. An actual valuation of inventory under the LIFO method is made only at the end of the year based on the inventory levels and costs at that time. LIFO calculations are required for interim reporting purposes and are based on estimates of the expected mix of products in year-end inventory. In addition, inventory valuation includes estimates of allowances for obsolescence and variances between actual inventory on-hand and perpetual inventory records that can arise throughout the year. These estimates are based on factors such as the age of inventory and historical trends. At December 31, 2013, the carrying value of inventory was $772 million, which is $109 million lower than the value of inventory had it all been accounted for on a FIFO basis.

Goodwill and long-lived assets. Goodwill represents the excess of consideration paid over the fair value of identifiable net assets acquired. Long-lived assets, which are a component of identifiable net assets, include intangible assets with finite useful lives, property and equipment, and computer software costs. Intangible assets with finite useful lives consist primarily of customer relationships and non-compete agreements acquired through business combinations. Certain assumptions and estimates are employed in determining the fair value of identifiable net assets acquired.

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We evaluate goodwill for impairment annually and whenever events occur or changes in circumstance indicate that the carrying amount of goodwill may not be recoverable. In performing the impairment test, we perform qualitative assessments based on macroeconomic conditions, structural changes in the industry, estimated financial performance, and other relevant information. If necessary, we perform a quantitative analysis to estimate the fair value of the reporting unit using valuation techniques, including comparable multiples of the reporting unit's earnings before interest, taxes, depreciation and amortization (EBITDA) and discounted cash flows. The EBITDA multiples are based on an analysis of current enterprise valuations and recent acquisition prices of similar companies, if available. Goodwill totaled $275 million at December 31, 2013.

Long-lived assets, which exclude goodwill, are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of long-lived assets may not be recoverable. We assess long-lived assets for potential impairment by comparing the carrying value of an asset, or group of related assets, to its estimated undiscounted future cash flows. At December 31, 2013, long-lived assets included property and equipment of $192 million, net of accumulated depreciation; intangible assets of $40.4 million, net of accumulated amortization; and computer software costs of $74.4 million, net of accumulated amortization.

We did not record any material impairment losses related to goodwill or long-lived assets in 2013. However, the impairment review of goodwill and long-lived assets requires the extensive use of accounting judgment, estimates and assumptions. The application of alternative assumptions could produce materially different results.

Self-insurance liabilities. We are self-insured for most employee healthcare, workers’ compensation and automobile liability costs; however, we maintain insurance for individual losses exceeding certain limits. Liabilities are estimated for healthcare costs using current and historical claims data. Liabilities for workers’ compensation and automobile liability claims are estimated using historical claims data and loss development factors. If the underlying facts and circumstances of existing claims change or historical trends are not indicative of future trends, then we may be required to record additional expense that could have a material effect on the results of operations. Self-insurance liabilities recorded in our consolidated balance sheet for employee healthcare, workers’ compensation and automobile liability costs totaled $13.9 million at December 31, 2013.

Supplier incentives. We have contractual arrangements with certain suppliers that provide incentives, including operational efficiency and performance-based incentives, on a monthly, quarterly or annual basis. These incentives are recognized as a reduction in cost of goods sold as targets become probable of achievement. Supplier incentives receivable are recorded for interim and annual reporting purposes and are based on our estimate of the amounts which are expected to be realized. If we do not achieve required targets under certain programs as estimated, it could have a material adverse effect on our results of operations.

Business Combinations. We allocate the fair value of purchase consideration to the tangible assets acquired, liabilities assumed and intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. When determining the fair values of assets acquired and liabilities assumed, management makes significant estimates and assumptions, especially with respect to intangible assets.

Critical estimates in valuing certain intangible assets include but are not limited to future expected cash flows from customer relationships and discount rates. Our estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates.

Recent Accounting Pronouncements

For a discussion of recent accounting pronouncements, see Note 1 of Notes to the Consolidated Financial Statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk from changes in interest rates related to our revolving credit facility. We had no outstanding borrowings and $5.0 million in letters of credit under the facility at December 31, 2013. A hypothetical increase in interest rates of 100 basis points would result in a potential reduction in future pre-tax earnings of approximately $0.1 million per year for every $10 million of outstanding borrowings under the revolving credit facility.

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Due to the nature and pricing of our Domestic segment distribution services, we are exposed to potential volatility in fuel prices. Our strategies for helping to mitigate our exposure to changing domestic fuel prices has included entering into leases for trucks with improved fuel efficiency and entering into fixed–price agreements for diesel fuel. We benchmark our domestic diesel fuel purchase prices against the U.S. Weekly Retail On-Highway Diesel Prices (benchmark) as quoted by the U.S. Energy Information Administration. The benchmark averaged $3.92 per gallon in 2013, decreased 1% from $3.97 per gallon in 2012. Based on our fuel consumption in 2013, we estimate that every 10 cents per gallon increase in the benchmark would reduce our Domestic segment operating earnings by approximately $0.4 million. In January 2013, we entered into a fixed-price purchase agreement with one of our diesel fuel suppliers for approximately one-third of our anticipated Domestic segment fuel usage for 2013 at an equivalent benchmark price of $3.91 per gallon. We have not entered into a similar agreement for 2014.

In the normal course of business, we are exposed to foreign currency translation and transaction risks. Our business transactions outside of the United States are primarily denominated in the Euro and British Pound. We may use foreign currency forwards, swaps and options, where possible, to manage our risk related to certain foreign currency fluctuations. However, we believe that our foreign currency transaction risks are low since our revenues and expenses are typically denominated in the same currency.

Item 8. Financial Statements and Supplementary Data

See Item 15. Exhibits and Financial Statement Schedules.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

We carried out an evaluation, with the participation of management, including our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures (pursuant to Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based upon that evaluation, the principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of December 31, 2013.

There has been no change in our internal control over financial reporting during our last fiscal quarter (our fourth quarter in the case of an annual report) ended December 31, 2013, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Not applicable.

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Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f), for Owens & Minor, Inc. (the company). Under the supervision and with the participation of management, including the company's principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2013, based on the framework in Internal Control—Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on our evaluation under the COSO framework, management concluded that the company's internal control over financial reporting was effective as of December 31, 2013.

The effectiveness of the company's internal control over financial reporting as of December 31, 2013, has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which is included in this annual report.

/s/ Craig R. Smith

Craig R. Smith
Chairman & Chief Executive Officer

/s/ Richard A. Meier

Richard A. Meier
Executive Vice President & Chief Financial Officer

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Report of Independent Registered Public Accounting Firm
The Board of Directors and Shareholders
Owens & Minor, Inc.:

We have audited Owens & Minor, Inc.'s internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Owens & Minor, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Owens & Minor, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Owens & Minor, Inc. and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2013 and our report dated February 24, 2014, expressed an unqualified opinion on those consolidated financial statements.

Richmond, Virginia
February 24, 2014

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Part III

Items 10-14.

Information required by Items 10-14 can be found under Corporate Officers on page 8 of the Annual Report (or at the end of the electronic filing of this Form 10-K) and the registrant’s 2014 Proxy Statement pursuant to instructions (1) and G(3) of the General Instructions to Form 10-K.

Because our common stock is listed on the New York Stock Exchange (NYSE), our Chief Executive Officer is required to make, and he has made, an annual certification to the NYSE stating that he was not aware of any violation by of the corporate governance listing standards of the NYSE. Our Chief Executive Officer made his annual certification to that effect to the NYSE as of May 14, 2013. In addition, we have filed, as exhibits to this Annual Report on Form 10-K, the certifications of our principal executive officer and principal financial officer required under Sections 906 and 302 of the Sarbanes-Oxley Act of 2002 to be filed with the Securities and Exchange Commission regarding the quality of our public disclosure.

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Part IV

Item 15. Exhibits and Financial Statement Schedules

a) The following documents are filed as part of this report:

b) Exhibits:

See Index to Exhibits on page 63.

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OWENS & MINOR, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data)

Year ended December 31,	2013	2012	2011
Net revenue	$9,071,532	$8,868,324	$8,627,912
Cost of goods sold	7,954,457	7,943,670	7,770,375
Gross margin	1,117,075	924,654	857,537
Selling, general, and administrative expenses	863,656	682,595	610,657
Acquisition-related and exit and realignment charges	12,444	10,164	13,168
Depreciation and amortization	50,586	39,604	34,135
Other operating income, net	(7,694)	(4,462)	(3,938)
Operating earnings	198,083	196,753	203,515
Interest expense, net	13,098	13,397	13,682
Income before income taxes	184,985	183,356	189,833
Income tax provision	74,103	74,353	74,635
Net income	$110,882	$109,003	$115,198
Net income attributable to Owens & Minor, Inc. per common share:			
Basic	$1.76	$1.72	$1.82
Diluted	$1.76	$1.72	$1.81
Cash dividends per common share	$0.96	$0.88	$0.80

See accompanying notes to consolidated financial statements.

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OWENS & MINOR, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

Year ended December 31,	2013	2012	2011
Net income	$110,882	$109,003	$115,198
Other comprehensive income, net of tax:			
Currency translation adjustments (net of income tax expense of $111 in 2013 and $210 in 2012)	6,143	9,749	—
Change in unrecognized net periodic pension costs (net of income tax expense of $2,429 in 2013 and income tax benefit of $1,671 in 2012 and $1,488 in 2011)	3,839	(2,611)	(2,328)
Other (net of income tax expense of $32 in 2013, 2012 and 2011)	(8)	(50)	(50)
Other comprehensive income (loss)	9,974	7,088	(2,378)
Comprehensive income	$120,856	$116,091	$112,820

See accompanying notes to consolidated financial statements.

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OWENS & MINOR, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

December 31,	2013	2012
Assets		
Current assets		
Cash and cash equivalents	$101,905	$97,888
Accounts and notes receivable, net	572,854	537,335
Merchandise inventories	771,663	763,756
Other current assets	279,510	231,264
Total current assets	1,725,932	1,630,243
Property and equipment, net	191,961	191,841
Goodwill, net	275,439	274,884
Intangible assets, net	40,406	42,313
Other assets, net	90,304	75,117
Total assets	$2,324,042	$2,214,398
Liabilities and equity		
Current liabilities		
Accounts payable	$643,872	$603,137
Accrued payroll and related liabilities	23,296	25,468
Deferred income taxes	41,613	42,107
Other current liabilities	280,398	254,924
Total current liabilities	989,179	925,636
Long-term debt, excluding current portion	213,815	215,383
Deferred income taxes	43,727	36,269
Other liabilities	52,278	63,454
Total liabilities	1,298,999	1,240,742
Commitments and contingencies		
Equity		
Owens & Minor, Inc. 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—63,096 shares and 63,271 shares	126,193	126,544
Paid-in capital	196,605	187,394
Retained earnings	691,547	658,994
Accumulated other comprehensive loss	9,568	(406)
Total Owens & Minor, Inc. shareholders' equity	1,023,913	972,526
Noncontrolling interest	1,130	1,130
Total equity	1,025,043	973,656
Total liabilities and equity	$2,324,042	$2,214,398

See accompanying notes to consolidated financial statements.

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OWENS & MINOR, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

Year ended December 31,	2013	2012	2011
Operating activities:			
Net income	$110,882	$109,003	$115,198
Adjustments to reconcile net income to cash provided by operating activities of continuing operations:			
Depreciation and amortization	50,586	39,604	34,135
Share-based compensation expense	6,381	5,697	5,674
Deferred income tax expense	3,713	1,060	14,520
Provision for losses on accounts and notes receivable	787	1,004	2,176
Pension contributions	—	—	(409)
Changes in operating assets and liabilities:			
Accounts and notes receivable	(38,645)	27,161	(37,273)
Merchandise inventories	(7,064)	58,734	(86,250)
Accounts payable	47,374	(18,694)	44,058
Net change in other assets and liabilities	(32,337)	(4,490)	(24,654)
Other, net	(1,123)	(573)	1,244
Cash provided by operating activities of continuing operations	140,554	218,506	68,419
Investing activities:			
Acquisition, net of cash acquired	—	(155,210)	—
Additions to computer software and intangible assets	(32,010)	(29,131)	(11,334)
Additions to property and equipment	(28,119)	(9,832)	(24,981)
Proceeds from sale of property and equipment	3,051	3,298	2,430
Cash used for investing activities of continuing operations	(57,078)	(190,875)	(33,885)
Financing activities:			
Cash dividends paid	(60,731)	(55,681)	(50,909)
Repurchases of common stock	(18,876)	(15,000)	(16,124)
Financing costs paid	—	(1,303)	—
Proceeds from exercise of stock options	5,352	4,986	9,179
Excess tax benefits related to share-based compensation	898	1,293	2,154
Proceeds from termination of interest rate swaps	—	—	4,005
Other, net	(8,623)	(2,710)	(5,836)
Cash used for financing activities of continuing operations	(81,980)	(68,415)	(57,531)
Discontinued operations:			
Operating cash flows	—	—	(278)
Net cash used for discontinued operations	—	—	(278)
Effect of exchange rate changes on cash and cash equivalents	2,521	2,734	