UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS
PURSUANT TO SECTIONS 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934.

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 29, 2001

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 0-27078

HENRY SCHEIN, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	135 Duryea Road
(State or other jurisdiction of incorporation or organization)	Melville, New York (Address of principal executive offices)
11-3136595	11747
(I.R.S. Employer Identification No.)	(Zip Code)

Registrant's telephone number, including area code: (631) 843-5500

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

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, par value $.01
(Title of class)

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

The aggregate market value of the registrant's voting stock held by non-affiliates of the registrant, computed by reference to the closing sales price as quoted on the NASDAQ National Market on March 15, 2002 was approximately $1,867,354,000.

As of March 15, 2002 there were 42,917,608 shares of registrant's Common Stock, par value $.01 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:
Portions of the Registrant's definitive proxy statement to be filed pursuant to Regulation 14A not later than 120 days after the end of the fiscal year (December 29, 2001) are incorporated by reference in Part III hereof.

TABLE OF CONTENTS

		Page Number
PART I		
ITEM 1.	Business	1
ITEM 2.	Properties	12
ITEM 3.	Legal Proceedings	12
ITEM 4.	Submission of Matters to a Vote of Security Holders	13
PART II		
ITEM 5.	Market for Registrant's Common Equity and Related Stockholder Matters	14
ITEM 6.	Selected Financial Data	15
ITEM 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	17
ITEM 7A.	Market Risks	27
ITEM 8.	Financial Statements and Supplementary Data	28
ITEM 9.	Changes In and Disagreements With Accountants on Accounting and Financial Disclosure	60
PART III		
ITEM 10.	Directors and Executive Officers of the Registrant	60
ITEM 11.	Executive Compensation	60
ITEM 12.	Security Ownership of Certain Beneficial Owners and Management	60
ITEM 13.	Certain Relationships and Related Transactions	60
PART IV		
ITEM 14.	Exhibits, Financial Statement Schedules, and Reports on Form 8-K	60
	Exhibit Index	63

PART I

ITEM 1. BUSINESS

GENERAL

The Company is the largest distributor of healthcare products and services to office-based healthcare practitioners in the combined North American and European markets. The Company has operations in the United States, Canada, the United Kingdom, The Netherlands, Belgium, Germany, France, Austria, Spain, Australia and New Zealand, and conducts its business through two segments; healthcare distribution and technology. These segments, which are operated as individual business units, offer different products and services, albeit to the same customer base. The healthcare distribution segment consists of the Company's dental, medical, veterinary and international groups. The international group is comprised of the Company's healthcare distribution business units located primarily in Europe, and offers products and services to dental, medical and veterinary customers located in their respective geographic regions. The technology segment consists primarily of the Company's practice management software business and certain other value-added products and services which are distributed primarily to healthcare professionals in the North American market.

The Company sells products and services to over 400,000 customers, primarily dental practices and dental laboratories, as well as physician practices, veterinary clinics and institutions. In 2001, the Company's healthcare distribution business sold products to 75% of the estimated 110,000 dental practices in the United States. The Company believes that there is a strong awareness of the "Henry Schein" name among office-based healthcare practitioners due to its 70 years of experience in distributing healthcare products. Through its comprehensive catalogs and other direct sales and marketing programs, the Company offers its customers a broad product selection of both branded and private brand products which includes in excess of 80,000 stock keeping units ("SKU's") in North America and approximately 63,000 SKU's in Europe, at published prices that the Company believes are below those of its major competitors. The Company, through its technology business unit, offers various value-added products and services such as practice management software. As of December 29, 2001, the Company had over 39,000 users of its dental practice management software systems.

For further information on the Company's operating segments and operations by geographic area, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in ITEM 7 and Note 12 to the Consolidated Financial Statements.

During 2001, the Company distributed over 19.0 million pieces of direct marketing materials (such as catalogs, flyers and order stuffers) to approximately 650,000 office-based healthcare practitioners. The Company supports its direct marketing efforts with over 700 telesales representatives who facilitate order processing and generate sales through direct and frequent contact with customers, and with over 1,250 field sales consultants, including equipment sales specialists. The Company utilizes database segmentation techniques to more effectively market its products and services to customers. The Company continues to expand its management information systems and has established strategically located distribution centers to enable it to better serve its customers and increase its operating efficiency. The Company believes that these investments, coupled with its broad product offerings, enable the Company to provide its customers with a single source of supply for substantially all their healthcare product needs and provide them with convenient ordering and rapid, accurate and complete order fulfillment. The Company estimates that approximately 99% of all orders in the United States and Canada received before 5:00 p.m. are shipped on the same day the order is received and approximately 99% of orders are received by the customer within two days of placing the order. In addition, the Company estimates that approximately 99% of all items ordered in the United States and Canada are shipped without back ordering.

ACQUISITION STRATEGY

The Company believes that there has been consolidation among healthcare product distributors serving office-based healthcare practitioners in part to address significant changes in the healthcare industry, including potential healthcare reform, trends toward managed care, cuts in Medicare, consolidation of healthcare distribution companies and collective purchasing arrangements and that this trend will continue to create opportunities for the Company to expand through acquisitions. In recent years, the Company has acquired a number of companies engaged in businesses that are complementary to those of the Company. The Company's acquisition strategy includes acquiring additional sales that will be channeled through the Company's existing infrastructure, acquiring access to additional product lines, acquiring regional distributors with networks of field sales consultants and international expansion.

During the year ended December 29, 2001, the Company completed two acquisitions, neither of which was considered material either individually or in the aggregate. The two acquisitions were accounted for under the purchase method of accounting.

During 2000, the Company completed three acquisitions, none of which were considered material either individually or in the aggregate. Of the three completed acquisitions, two were accounted for under the purchase method of accounting and the remaining acquisition was accounted for under the pooling of interests method of accounting. The Company issued 465,480 shares of its Common Stock, with an aggregate value of approximately $7.9 million, in connection with the pooling transaction.

During 1999, the Company completed nine acquisitions. These completed acquisitions, which had aggregate net sales for 1998 of approximately $324.0 million, included (a) four international companies, (b) four medical supply companies, and (c) one valued-added services company. Of the nine completed acquisitions, eight were accounted for under the purchase method of accounting and the remaining acquisition was accounted for under the pooling of interests method of accounting.

The transactions completed under the purchase method of accounting have been included in the consolidated financial statements from their respective acquisition dates. The pooling transactions were not material and, accordingly, prior period financial statements have not been restated. Results of the pooled companies have been included in the consolidated financial statements from the beginning of the quarter in which the acquisition occurred.

CUSTOMERS

The Company, through its healthcare distribution and technology businesses, serves over 400,000 customers worldwide in the dental, medical and veterinary markets. The Company's dental customers include office-based dental practices, dental laboratories, universities, institutions, governmental agencies and large group accounts; medical customers include office-based physician practices, podiatrists, surgery centers, institutions, hospitals and governmental agencies; and the Company's veterinary customers include office-based veterinarians serving primarily small companion animals.

The Company believes that its healthcare distribution customers generally order from two or more suppliers for their healthcare product needs, and often use one supplier as their primary resource. The Company believes that its customers generally place larger orders and order more frequently from their primary suppliers. The Company estimates that it serves as a primary supplier to less than 15% of its total customer base and believes it has an opportunity to increase sales by increasing its level of business with those customers for which it serves as a secondary supplier.

Over the past several years the Company has expanded its customer base to include larger purchasing organizations, including certain dental laboratories, institutions, government agencies, hospitals and surgery centers. More recently, as cost-containment pressures have resulted in increased demand for low-cost products and value-added services, the Company has targeted specific groups of practices under common ownership, institutions and professional groups. For

example, the Company has an exclusive direct marketing agreement with an American Medical Association ("AMA") sponsored service pursuant to which member practitioners have access to the services' lower prices for products. In 2001, the AMA-sponsored service accounted for net sales of approximately $32.5 million. These services, government institutions and agencies, hospitals and other large or collective purchasers, require low-cost pricing and detailed product and usage information and reporting. The Company believes it is well situated to meet the needs of these customers, given its broad, low-cost product offerings and its management information systems. No single customer accounted for more than 2.0% of net sales in 2001.

SALES AND MARKETING

The Company's sales and marketing efforts, which are designed to establish and solidify customer relationships through personal visits by field sales representatives and frequent direct marketing contact, emphasize the Company's broad product lines, competitive prices and ease of order placement. The key elements of the Company's program in the United States are:

Field Sales Consultants

The Company has over 1,250 field sales consultants, including equipment sales specialists, covering certain major North American and international markets. These field sales consultants concentrate on attracting new customers and increasing sales to customers who do not currently order a high percentage of their total product needs from the Company. This strategy is designed to complement the Company's direct marketing and telesales strategies and to enable the Company to better market, service and support the sale of more sophisticated products and equipment. Once a field sales consultant has established a relationship with a customer, the consultant encourages the customer to use the Company's automated ordering process or its telesales representatives for its day-to-day needs. This simplifies the ordering process for the customer and increases the effectiveness of the field sales consultant.

Direct Marketing

During 2001, the Company distributed over 19.0 million pieces of direct marketing material, including catalogs, flyers, order stuffers and other promotional materials to approximately 650,000 office-based healthcare practitioners. The Company's principal U.S. dental consumable catalog, which is issued annually, contains an average of over 475 pages and includes approximately 46,000 SKU's. The number of catalogs and other direct marketing materials received by each customer depends upon the market they serve as well as their purchasing history. The Company's catalogs include detailed descriptions and specifications of both branded and private brand products and are utilized by healthcare practitioners as a reference source. By evaluating its customers' purchasing patterns, area of specialty, past product selections and other criteria, the Company identifies customers who may respond better to specific promotions or products. To facilitate its direct marketing activities, the Company maintains an in-house advertising department, which performs many creative services, which the Company believes streamlines the production process, provides greater flexibility and creativity in catalog production and results in cost savings.

Telesales

The Company supports its direct marketing with over 700 inbound and outbound telesales representatives who facilitate order processing and generate new sales through direct and frequent contact with customers. Inbound telesales representatives are responsible for assisting customers in purchasing decisions as well as answering product pricing and availability questions. In addition to assisting customers, inbound telesales representatives also market complementary or promotional products. The Company's telesales representatives utilize on-line computer terminals to enter customer orders and to access information about products, product availability, pricing, promotions and customer buying history.

The Company utilizes outbound telesales representatives and programs to better market its services to those customer accounts identified by the Company as either being high volume or high order frequency accounts. Outbound telesales representatives strive to manage long-term relationships with these customers through frequent and/or regularly scheduled phone contact and personalized service.

The Company's telesales representatives generally participate in an initial two-week training course designed to familiarize the sales representative with the Company's products, services and systems. In addition, generally all telesales representatives attend periodic training sessions and special sales programs and receive incentives, including monthly commissions.

CUSTOMER SERVICE

A principal element of the Company's customer service approach is to offer an order entry process that is convenient, easy and flexible. Customers typically place orders with one of the Company's experienced telesales representatives. Customers may place orders 24 hours a day using the Company's computerized order entry systems known as ArubA(R) Windows, ArubA(R) eZ, or ArubA(R) TouchTone (the Company's 24-hour automated phone service) and the Internet at www.henryschein.com or www.sullivanschein.com.

The Company focuses on providing rapid and accurate order fulfillment and high fill rates. The Company estimates that approximately 99% of all items ordered in the United States and Canada are shipped without back ordering, and that approximately 99% of all orders in the United States and Canada received before 5:00 p.m. are shipped on the same day the order is received. In addition, because the Company seeks to service a customer's entire order from the distribution center nearest the customer's facility, approximately 99% of orders are received within two days of placing the order. The Company continually monitors its customer service through customer surveys, focus groups and daily statistical reports. The Company maintains a liberal return policy to better assure customer satisfaction with its products.

PRODUCTS

The following chart sets forth the principal categories of products offered by the Company's healthcare distribution and technology businesses and certain top selling types of products in each category, with the percentage of 2001 consolidated net sales in parenthesis:

HEALTHCARE DISTRIBUTION (97.2%)

Dental Products (53.6%)

Consumable Dental Products and Small Equipment (40.9%)	Large Dental Equipment (9.7%)	Dental Laboratory Products (3.0%)
X-Ray Products; Infection Control; Handpieces; Preventatives; Impression Materials; Composites and Anesthetics	Dental Chairs; Delivery Units and Lights; X-Rays; and Equipment Repair	Teeth; Composites; Gypsum; Acrylics; Articulators; and Abrasives

Medical Products (39.8%)	Veterinary Products (3.8%)
Branded and Generic Pharmaceuticals; Surgical Products; Diagnostic Tests; Infection Control; X-Ray Products; and Vitamins	Branded and Generic Pharmaceuticals; Surgical Products; and Dental Products

TECHNOLOGY AND OTHER VALUE-ADDED PRODUCTS AND SERVICES (2.8%)

Software and Related Products and Other Value-Added Products, including Financial Products and Continuing Education

The percentage of 2000 and 1999 net sales was as follows: consumable dental products and small equipment, 43.5% and 45.2%, respectively; large dental equipment, 9.7% and 9.7%, respectively; dental laboratory products, 3.0% and 3.0%, respectively; medical products, 36.9% and 35.2%, respectively; veterinary products, 4.1% and 4.0%, respectively; and technology and other value-added products and services, 2.8% and 2.9%, respectively.

Consumable Supplies and Equipment

The Company offers in excess of 80,000 SKU's to its customers in North America, of which approximately 60,000 SKU's are offered to its dental customers, approximately 28,000 are offered to its medical customers and approximately 23,000 are offered to its veterinary customers. Over 40.0% of the Company's products are offered to all three types of the Company's customers in North America. The Company offers approximately 63,000 SKU's to its customers in Europe. Approximately 7.4% of the Company's net sales in 2001 was from sales of products offered under the Henry Schein private brand (i.e., products manufactured by various third parties for distribution by the Company under the Henry Schein(R) brand). The Company believes that the Henry Schein private brand line of over 7,500 SKU's offered in the United States and Canada is one of the most extensive in the industry. The Company updates its product offerings regularly to meet its customers' changing needs.

The Company offers a repair service, ProRepair(R), which provides a one to two day turnaround for hand pieces and certain small equipment. The Company also provides in-office installation and repair services for large equipment in certain North American and international markets. The Company had a total of 107 equipment sales and service centers open at the end of fiscal 2001.

Technology and Other Value-Added Products and Services

The Company sells practice management software systems to its dental and veterinary customers. The Company has over 39,000 users of its Easy Dental(R) and Dentrix software systems combined, and over 5,400 users of its AVImark(R) veterinary software systems, as of the end of fiscal 2001. The Company's practice management software products provide practitioners with patient treatment history, billing, accounts receivable analysis and management, an appointment calendar, electronic claims processing and word processing programs. The Company provides technical support and conversion services from other software. In addition, the Easy Dental(R) and Dentrix software systems allow customers to connect with the Company's order entry management systems. The Dentrix system is one of the most comprehensive clinically-based dental practice management software packages in the United States. The Dentrix premium software product complements Easy Dental(R), the Company's high-value practice management system. The Company believes the combined software product offerings enhance its ability to provide its customers with the widest array of system solutions to help manage their practices.

The Company offers its customers assistance in managing their practices by providing access to a number of financial services and products at rates that the Company believes are lower than what they would be able to secure independently. The Company's equipment leasing programs, which are administered by third party providers, allow it to fulfill a wide variety of practitioner financing needs. The Company also provides financing and consulting services for all phases of the healthcare practice including start-up, expansion or acquisition, and debt consolidation. The Company's patient financing program provides its dental and veterinary customers a method for reducing receivables and improving cash flow by providing patients access to financing. The Company does not assume any financial obligation to its customers or their patients in these programs.

Through an arrangement with one of the nation's largest bank credit card processors, the Company offers electronic bankcard processing. The Company also offers electronic insurance claims submission services for faster processing of patient reimbursements, all through a third-party provider for a transaction fee. The Company also offers practice management consulting services in selected markets in the United States. None of these services, either individually or in the aggregate represents a material source of revenue to the Company.

INFORMATION SYSTEMS

The Company's management information systems generally allow for centralized management of key functions, including inventory and accounts receivable management, purchasing, sales and distribution. A key attribute of the Company's management information systems is the daily operating control reports which allow managers throughout the Company to share information and monitor daily progress relating to sales activity, gross profit, credit and returns, inventory levels, stock balancing, unshipped orders, order fulfillment and other operational statistics. The Company continually seeks to enhance and upgrade its order processing information system. Additionally, in the United States, the Company has installed an integrated information system for its large dental equipment sales and service functions. Such systems centralize the tracking of customers' equipment orders, as well as spare parts inventories and repair services. (See "Management's Discussion and Analysis of Financial Condition and Results of Operations" in ITEM 7.)

DISTRIBUTION

The Company distributes its products in the United States primarily from its strategically located distribution centers in Eastern, Central, South Western and Western United States. Customers in Canada are serviced from distribution centers located in Eastern and Western Canada. The Company

maintains significant inventory levels of certain products in order to satisfy customer demand for prompt delivery and complete order fulfillment of their product needs. These inventory levels are managed on a daily basis with the aid of the Company's sophisticated purchasing and stock status management information systems. Once a customer's order is entered, it is electronically transmitted to the distribution center nearest the customer's location and a packing slip for the entire order is printed for order fulfillment. The Company's automated freight manifesting and laser bar code scanning facilitates the speed of the order fulfillment. The Company currently ships substantially all of its orders in the United States by United Parcel Service. In certain areas of the United States, the Company delivers its orders via contract carriers. The Company's international distribution centers include locations in the United Kingdom, France, Austria, The Netherlands, Belgium, Germany, and Spain.

PURCHASING

The Company believes that effective purchasing is a key element to maintaining and enhancing its position as a low-cost provider of healthcare products. The Company frequently evaluates its purchase requirements and suppliers' offerings and prices in order to obtain products at the best possible cost. The Company believes that its ability to make high volume purchases has enabled it to obtain favorable pricing and terms from its suppliers. The Company obtains its products for its North American distribution centers from over 2,300 suppliers of name brand products; in addition, the Company has established relationships with numerous local vendors to obtain products for its international distribution centers. In 2001, the Company's top 10 healthcare distribution vendors and the Company's single largest vendor, accounted for approximately 31.8% and 7.0%, respectively, of the Company's aggregate purchases.

COMPETITION

The distribution and manufacture of healthcare supplies and equipment is intensely competitive. Many of the healthcare distribution products the Company sells are available to the Company's customers from a number of suppliers. In addition, competitors of the Company could obtain exclusive rights from manufacturers to market particular products. Manufacturers could also seek to sell directly to end-users, and thereby eliminate the role of distributors, such as the Company.

In the United States, the Company competes with other distributors, as well as several major manufacturers of dental, medical and veterinary products, primarily on the basis of price, breadth of product line, customer service and value-added products and services. In the sale of its dental products, the Company's principal national competitor is Patterson Dental Co. In addition, the Company competes against a number of other distributors that operate on a national, regional and local level. The Company's principal competitors in the sale of medical products are PSS World Medical, Inc., the General Medical division of McKesson Corp., and the Allegiance division of Cardinal Health Inc., which are national distributors. In the veterinary market, the Company's two principal national competitors include The Butler Company and Burns Veterinary Supply. The Company also competes against a number of regional and local medical and veterinary distributors, as well as a number of manufacturers that sell directly to physicians and veterinarians. With regard to the Company's practice management software, the Company competes against numerous other firms, including firms such as PracticeWorks, Inc., which targets dental practices and Idexx Laboratories, Inc., which serves veterinary practices. The Company believes that it competes in Canada substantially on the same basis as in the United States.

The Company also faces intense competition internationally, where the Company competes on the basis of price and customer service against several large competitors, including Demedis, the GACD Group, the Pluradent Group and Bilricay, as well as a large number of dental product distributors and manufacturers in the United Kingdom, The Netherlands, Belgium, Germany, France, Austria, and Spain.

Significant price reductions by the Company's competitors could result in a similar reduction in the Company's prices as a consequence of its policy of matching its competitors' lowest advertised prices. Any of these competitive pressures may materially adversely affect operating results.

GOVERNMENTAL REGULATION

The Company's business is subject to requirements under various local, state, Federal and foreign governmental laws and regulations applicable to the manufacture and distribution of pharmaceuticals and medical devices. Among the Federal laws with which the Company must comply are the Federal Food, Drug, and Cosmetic Act, the Prescription Drug Marketing Act of 1987, and the Controlled Substances Act.

The Federal Food, Drug, and Cosmetic Act generally regulates the introduction, manufacture, advertising, labeling, packaging, storage, handling, marketing and distribution of, and record keeping for, pharmaceuticals and medical devices shipped in interstate commerce. The Prescription Drug Marketing Act of 1987, which amended the Federal Food, Drug, and Cosmetic Act, establishes certain requirements applicable to the wholesale distribution of prescription drugs, including the requirement that wholesale drug distributors be registered with the Secretary of Health and Human Services or licensed by each state in which they conduct business in accordance with federally established guidelines on storage, handling and record maintenance. Under the Controlled Substances Act, the Company, as a distributor of controlled substances, is required to obtain annually a registration from the Attorney General in accordance with specified rules and regulations and is subject to inspection by the Drug Enforcement Administration acting on behalf of the Attorney General. The Company is required to maintain licenses and permits for the distribution of pharmaceutical products and medical devices under the laws of the states in which it operates. In addition, the Company's dentist and physician customers are subject to significant governmental regulation. There can be no assurance that regulations that impact dentists' or physicians' practices will not have a material adverse impact on the Company's business.

The Company believes that it is in substantial compliance with all of the foregoing laws and the regulations promulgated thereunder and possesses all material permits and licenses required for the conduct of its business.

PROPRIETARY RIGHTS

The Company holds trademarks relating to the "Henry Schein" name and logo, as well as certain other trademarks. Pursuant to certain agreements executed in connection with a reorganization of the Company, both the Company and, Schein Pharmaceutical, Inc. (which was acquired by Watson Pharmaceuticals, Inc. during 2000), a company engaged in the manufacture and distribution of multi-source pharmaceutical products, are entitled to use the "Schein" name in connection with their respective businesses, but Schein Pharmaceutical, Inc. is not entitled to use the name "Henry Schein". The Company intends to protect its trademarks to the fullest extent practicable.

EMPLOYEES

As of December 29, 2001, the Company had over 6,500 full-time employees, including approximately 700 telesales representatives, 1,250 field sales consultants, including equipment sales specialists, 1,325 warehouse employees, 250 computer programmers and technicians, 600 management employees and 2,375 office, clerical and administrative employees. The Company believes that its relations with its employees are excellent.

DISCLOSURE REGARDING FORWARD LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward looking statements. Certain information in ITEMS 1, 2, 3, 5, 7, 7A and 8 of this Form 10-K include information that is forward looking, such as the Company's opportunities to increase sales through, among other things, acquisitions; its exposure to fluctuations in foreign currencies; its anticipated liquidity and capital requirements; competitive product and pricing pressures and the ability to gain or maintain share of sales in global markets as a result of actions by competitors; and the results of legal proceedings. The matters referred to in forward looking statements could be affected by the risks and uncertainties involved in the Company's business. These risks and uncertainties include, but are not limited to, the effect of economic and market conditions, the impact of the consolidation of healthcare practitioners, the impact of healthcare reform, opportunities for acquisitions and the Company's ability to effectively integrate acquired companies, the acceptance and quality of software products, acceptance and ability to manage operations in foreign markets, the ability to maintain favorable supplier arrangements and relationships, possible disruptions in the Company's computer systems or telephone systems, possible increases in shipping rates or interruptions in shipping service, the level and volatility of interest rates and currency values, economic and political conditions in international markets, including civil unrest, government changes and restriction on the ability to transfer capital across borders, the impact of current or pending legislation, regulation and changes in accounting standards and taxation requirements, environmental laws in domestic and foreign jurisdictions, as well as certain other risks described above in this ITEM 1 and below in ITEM 3, Legal Proceedings and in ITEM 7, Management's Discussion and Analysis of Financial Condition and Results of Operations. Subsequent written and oral forward looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements in this paragraph and elsewhere in this Form 10-K.

The Company's principal executive offices are located at 135 Duryea Road, Melville, New York 11747, and its telephone number is 631-843-5500. As used in this Report, the term the "Company" refers to Henry Schein, Inc., a Delaware corporation, and its subsidiaries, a 50%-owned company and predecessor, unless otherwise stated.

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934. Accordingly, the Company files annual, quarterly, and special reports, proxy statements and other information with the Securities and Exchange Commission. You may read and copy any document filed by the Company at the SEC's public reference rooms located in New York, New York and Chicago, Illinois. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. The Company's SEC filings are also available to the public from the SEC's Website at http://www.sec.gov.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth certain information regarding the executive officers of the Company.

Name	Age	Position
Stanley M. Bergman..	52	Chairman, Chief Executive Officer, President and Director
Gerald A. Benjamin..	49	Executive Vice President, Chief Administrative Officer and Director
James P. Breslawski.	48	Executive Vice President, President US Dental and Director
Leonard A. David....	53	Vice President - Human Resources and Special Counsel and Director
Larry M. Gibson.....	55	Executive Vice President and Chief Technology Officer
Michael Racioppi....	47	President - Medical Group
Mark E. Mlotek......	46	Senior Vice President - Corporate Business Development Group and Director
Steven Paladino.....	44	Executive Vice President, Chief Financial Officer and Director
Michael Zack........	49	Senior Vice President - International Group

STANLEY M. BERGMAN has been Chairman, Chief Executive Officer and President since 1989 and a director of the Company since 1982. Mr. Bergman held the position of Executive Vice President of the Company and Schein Pharmaceutical, Inc. from 1985 to 1989 and Vice President of Finance and Administration of the Company from 1980 to 1985. Mr. Bergman is a certified public accountant.

GERALD A. BENJAMIN has been Executive Vice President and Chief Administrative Officer since February 2000. Prior to holding his current position, Mr. Benjamin was Senior Vice President of Administration and Customer Satisfaction since 1993, and has been a director of the Company since September 1994. Mr. Benjamin was Vice President of Distribution Operations of the Company from 1990 to 1992 and Director of Materials Management of the Company from 1988 to 1990.

JAMES P. BRESLAWSKI has been Executive Vice President of the Company and President of US Dental since 1990, with primary responsibility for the US Dental Group, and a director of the Company since 1990. Between 1980 and 1990, Mr. Breslawski held various positions with the Company, including Chief Financial Officer, Vice President of Finance and Administration and Controller. Mr. Breslawski is a certified public accountant.

LEONARD A. DAVID has been Vice President of Human Resources and Special Counsel since January 1995. Mr. David held the office of Vice President, General Counsel and Secretary from 1990 to 1995 and practiced corporate and business law for eight years prior to joining the Company. Mr. David has been a director of the Company since September 1994.

LARRY M. GIBSON has been Executive Vice President and Chief Technology Officer since October 2000. Prior to holding his current position, Mr. Gibson joined the Company as President of the Practice Management Technologies Group in February 1997, concurrent with the acquisition of Dentrix Dental Systems, Inc. ("Dentrix"). Before joining the Company, Mr. Gibson was founder, Chairman and CEO of Dentrix, started in 1980. Prior to his employment with Dentrix, Mr. Gibson was employed by Weidner Communication Systems from 1978.

MICHAEL RACIOPPI has been President of the Medical Group since February 2000 and Interim President since September 1999. Prior to holding his current position, Mr. Racioppi was Vice President of the Company since 1994, with primary responsibility for the Medical Division, the marketing and merchandising groups. Mr. Racioppi served as Vice President and as Senior Director, Corporate Merchandising from 1992 to 1994. Before joining the Company in 1992, Mr. Racioppi was employed by Ketchum Distributors Inc. as the Vice President of Purchasing and Marketing.

MARK E. MLOTEK has been Senior Vice President of Corporate Business Development Group since February 2000. Prior to holding his current position, Mr. Mlotek was Vice President, General Counsel and Secretary from 1994 to 1999, and became a director of the Company in September 1995. Prior to joining the Company, Mr. Mlotek was a partner in the law firm of Proskauer Rose LLP, counsel to the Company, specializing in mergers and acquisitions, corporate reorganizations and tax law from 1989 to 1994.

STEVEN PALADINO has been Executive Vice President and Chief Financial Officer since February 2000. Prior to holding his current position, Mr. Paladino was Senior Vice President and Chief Financial Officer of the Company since 1993 and has been a director of the Company since 1992. From 1990 to 1992, Mr. Paladino served as Vice President and Treasurer and from 1987 to 1990 served as Corporate Controller of the Company. Before joining the Company, Mr. Paladino was employed as a public accountant for seven years and most recently was with the international accounting firm of BDO Seidman, LLP. Mr. Paladino is a certified public accountant.

MICHAEL ZACK has been responsible for the International Group of the Company since 1989. Mr. Zack was employed by Polymer Technology (a subsidiary of Bausch & Lomb) as Vice President of International Operations from 1984 to 1989 and by Gruenenthal GmbH as Manager of International Subsidiaries from 1975 to 1984.

ITEM 2. PROPERTIES

The Company owns or leases the following properties:

Property	Location	Own or Lease	Approximate Square Footage	Lease Expiration Date
Corporate Headquarters..	Melville, NY (1)	Lease	105,000	December 2005
Corporate Headquarters..	Melville, NY	Lease	67,000	November 2005
Distribution Center.....	Denver, PA	Lease	413,000	February 2013
Distribution Center.....	Pelham, NY (2)	Lease	108,000	July 2007
Distribution Center.....	Jacksonville, FL (3)	Lease	136,000	December 2009
Distribution Center.....	Secaucus, NJ	Lease	138,000	November 2008
Distribution Center.....	Indianapolis, IN (3)	Own	287,000	N/A
Distribution Center.....	Indianapolis, IN	Lease	225,000	April 2002
Distribution Center.....	West Allis, WI	Lease	106,000	October 2011
Distribution Center.....	Grapevine, TX	Lease	132,000	July 2008
Distribution Center.....	Sparks, NV	Lease	115,000	June 2003
Distribution Center.....	United Kingdom	Lease	85,000	August 2005
Distribution Center.....	Gallin, Germany	Own	172,000	N/A

(1) The Company purchased this facility on January 10, 2002.

(2) The Company is subletting 66,500 square feet of this facility through July 2007.

(3) The Company was not utilizing these locations at December 29, 2001, however the Company anticipates utilizing these facilities during 2002.

All of the properties listed in the table above are primarily used in the Company's healthcare distribution segment.

The Company also leases distribution, office, showroom and sales space in other locations including the United States, Canada, France, Germany, The Netherlands, Belgium, Spain, Austria and the United Kingdom. One 50%-owned company also leases space in the United States.

The Company believes that its properties are generally in good condition, are well maintained, and are generally suitable and adequate to carry on the Company's business. The Company has additional operating capacity at its listed facilities.

ITEM 3. LEGAL PROCEEDINGS

The Company's business involves a risk of product liability claims and other claims in the ordinary course of business, and from time to time the Company is named as a defendant in cases as a result of its distribution of pharmaceutical and other healthcare products. As of December 29, 2001, the Company was named a defendant in approximately 72 product liability cases. Of these claims, 56 involve claims made by healthcare workers who claim allergic reaction relating to exposure to latex gloves. In each of these cases, the Company acted as a distributor of both brand name and "Henry Schein" private brand latex gloves, which were manufactured by third parties. To date, discovery in these cases has generally been limited to product identification issues. The manufacturers in these cases have withheld indemnification of the Company pending product identification; however, the Company is taking steps to implead those manufacturers into each case in which the Company is a defendant. The Company is also a named defendant in nine lawsuits involving the sale of phentermine and fenfluramin. Plaintiffs in the cases allege injuries from the combined use of the drugs known as "Phen/fen." The Company expects to obtain

indemnification from the manufacturers of these products, although this is dependent upon, among other things, the financial viability of the manufacturer and their insurers.

In Texas District Court, Travis County, the Company and one of its subsidiaries are defendants in a matter entitled Shelly E. Stromboe & Jeanne N. Taylor, on Behalf of Themselves and All Other Similarly Situated vs. Henry Schein, Inc., Easy Dental Systems, Inc. and Dentisoft, Inc., Case No. 98-00886. This complaint alleges among other things, negligence, breach of contract, fraud and violations of certain Texas commercial statutes involving the sale of certain practice management software products sold prior to 1998 under the Easy Dental(R) name. In October 1999, the Court, on motion, certified both a Windows(R) Sub-Class and a DOS Sub-Class to proceed as a class action pursuant to Tex. R.Civ. P.42. It is estimated that 5,000 Windows(R) customers and 15,000 DOS customers could be covered by the judge's ruling. In November of 1999, the Company filed an interlocutory appeal of the District Court's determination to the Texas Court of Appeals on the issue of whether this case was properly certified as a class action. On September 14, 2000, the Court of Appeals affirmed the District Court's certification order. On January 5, 2001, the Company filed a Petition for Review in the Texas Supreme Court asking this court to find "conflicts jurisdiction" to permit review of the District Court's certification order, which appeal is now pending. On April 5, 2001 the Texas Supreme Court requested that the parties file briefs on the merits. On August 23, 2001, the Texas Supreme Court dismissed the Company's Petition for Review based on lack of conflicts jurisdiction. The Company filed a motion for rehearing on September 24, 2001 requesting that the Texas Supreme Court reconsider and reverse its finding that it is without conflicts jurisdiction to review the case. On November 8, 2001, the Texas Supreme Court granted the motion for rehearing and withdrew its order of August 23, 2001. The Texas Supreme Court heard oral argument on February 6, 2002. Pending a decision by the Supreme Court on the Petition for Review, a trial on the merits, currently scheduled for July, 2002, will be stayed.

In February 2002, the Company was served with a summons and complaint in an action commenced in the Superior Court of New Jersey, Law Division, Morris County, entitled West Morris Pediatrics, P.A. v. Henry Schein, Inc., doing business as Caligor, no. MRSL-421-02. The complaint by West Morris Pediatrics purports to be on behalf of a nationwide class, but there has been no court determination that the case may proceed as a class action. Plaintiff seeks to represent a class of all physicians, hospitals and other healthcare providers throughout New Jersey and across the United States. This complaint alleges, among other things, breach of oral contract, breach of implied covenant of good faith and fair dealing, violation of the New Jersey Consumer Fraud Act, unjust enrichment, and conversion. The Company has not yet submitted its response to this complaint. The Company intends to vigorously defend itself against this claim, as well as all other claims, suits and complaints.

The Company has various insurance policies, including product liability insurance, covering risks and in amounts it considers adequate. In many cases in which the Company has been sued in connection with products manufactured by others, the Company is provided indemnification by the manufacturer. There can be no assurance that the coverage maintained by the Company is sufficient or will be available in adequate amounts or at a reasonable cost, or that indemnification agreements will provide adequate protection for the Company. In the opinion of the Company, all pending matters are covered by insurance or will not otherwise seriously harm the Company's financial condition.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the Company's stockholders during the fourth quarter of fiscal 2001.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The following table sets forth, for the periods indicated, the high and low reported sales prices of the Common Stock of the Company as reported on the NASDAQ National Market System for each quarterly period in fiscal 2000 and 2001 and for the first quarter of fiscal 2002 through March 15, 2002.

	High	Low
Fiscal 2000:		
1st Quarter	$ 18.81	$ 10.75
2nd Quarter	$ 18.50	$ 13.12
3rd Quarter	$ 20.63	$ 13.31
4th Quarter	$ 36.50	$ 18.59
Fiscal 2001:		
1st Quarter	$ 37.44	$ 27.19
2nd Quarter	$ 40.57	$ 29.84
3rd Quarter	$ 40.00	$ 31.61
4th Quarter	$ 41.50	$ 31.90
Fiscal 2002:		
1st Quarter (Through March 15, 2002)	$ 46.11	$ 35.22

The Company's Common Stock is quoted through the NASDAQ National Market tier of the NASDAQ Stock Market under the symbol "HSIC." On March 15, 2002, there were approximately 757 holders of record of the Common Stock. On March 15, 2002, the last reported sales price was $43.51.

DIVIDEND POLICY

The Company does not anticipate paying any cash dividends on its Common Stock in the foreseeable future; it intends to retain its earnings to finance the expansion of its business and for general corporate purposes. Any payment of dividends will be at the discretion of the Company's Board of Directors and will depend upon the earnings, financial condition, capital requirements, level of indebtedness, contractual restrictions with respect to payment of dividends and other factors. The Company's revolving credit agreement, as well as a note payable that was repaid in January 2002, limit the distribution of dividends without the prior written consent of the lenders.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data, with respect to the Company's financial position and its results of operations for each of the five years in the period ended December 29, 2001, set forth below has been derived from the Company's consolidated financial statements. The selected financial data presented below should be read in conjunction with the Financial Statements and Supplementary Data in ITEM 8 and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in ITEM 7. The Selected Operating Data and Net Sales By Market Data presented below have not been audited.

	Years ended				
	December 29, 2001	December 30, 2000	December 25, 1999	December 26, 1998	December 27, 1997
	(In thousands, except per share and selected operating data)				
Statements of Operations Data:					
Net sales	$ 2,558,243	$ 2,381,721	$ 2,284,544	$ 1,922,851	$ 1,698,862
Gross profit	699,324	647,901	608,596	523,831	442,842
Selling, general and administrative expenses	551,574	520,288	489,364	427,635	380,233
Merger and integration costs (1)	--	585	13,467	56,666	50,779
Restructuring costs (2)	--	14,439	--	--	--
Operating income	147,750	112,589	105,765	39,530	11,830
Interest income	10,078	6,279	7,777	6,964	7,353
Interest expense	(17,324)	(20,409)	(23,593)	(12,050)	(7,643)
Other - net	(153)	(1,925)	(166)	1,570	1,375
Other income (expense) - net	(7,399)	(16,055)	(15,982)	(3,516)	1,085
Income before taxes on income, minority interest and equity in earnings (losses) of affiliates	140,351	96,534	89,783	36,014	12,915
Taxes on income	51,930	36,150	35,589	20,325	17,670
Minority interest in net income (loss) of subsidiaries	1,462	1,757	1,690	145	(430)
Equity in earnings (losses) of affiliates	414	(1,878)	(2,192)	783	2,141
Net income (loss)	87,373	56,749	50,312	16,327	(2,184)
Net income (loss) per common share:					
Basic	$ 2.06	$ 1.38	$ 1.24	$ 0.42	$ (0.06)
Diluted	$ 2.01	$ 1.35	$ 1.21	$ 0.39	$ (0.06)
Weighted average shares outstanding:					
Basic	42,366	41,244	40,585	39,305	37,531
Diluted	43,545	42,007	41,438	41,549	37,531

	Years ended				
	December 29, 2001	December 30, 2000	December 25, 1999	December 26, 1998	December 27, 1997
	(In thousands, except per share and selected operating data)				
Pro Forma Data (3):					
Pro forma net income (loss)	$ --	$ --	$ --	$ 13,748	$ (1,778)
Pro forma net income (loss) per common share					
Basic	$ --	$ --	$ --	$ 0.35	$ (0.05)
Diluted	$ --	$ --	$ --	$ 0.33	$ (0.05)
Pro forma average shares outstanding:					
Basic	--	--	--	39,305	37,531
Diluted	--	--	--	41,549	37,531
Selected Operating Data:					
Number of orders shipped	7,891,000	8,280,000	7,979,000	6,718,000	6,064,000
Average order size	$ 324	$ 288	$ 286	$ 286	$ 280
Net Sales by Market Data:					
Healthcare Distribution:					
Dental (4)	$ 1,106,580	$ 1,073,889	$ 1,047,259	$ 1,085,717	$ 999,671
Medical	929,825	794,880	715,210	515,276	441,110
Veterinary	52,744	56,421	52,050	48,492	40,852
International (5)	398,071	389,946	403,137	230,792	181,278
Total Healthcare Distribution	2,487,220	2,315,136	2,217,656	1,880,277	1,662,911
Technology (6)	71,023	66,585	66,888	42,574	35,951
	$ 2,558,243	$ 2,381,721	$ 2,284,544	$ 1,922,851	$ 1,698,862
Balance Sheet data:					
Working capital	$ 489,909	$ 423,547	$ 428,429	$ 403,592	$ 312,916
Total assets	1,385,428	1,231,068	1,204,102	962,040	803,946
Total debt	261,417	276,693	363,624	209,451	148,685
Minority interest	6,786	7,996	7,855	5,904	2,225
Stockholders' equity	680,457	579,060	517,867	463,034	424,223

(1) Merger and integration costs consist primarily of investment banking, legal, accounting and advisory fees, compensation, write-off of duplicate management information systems, other assets and the impairment of goodwill arising from acquired businesses integrated into the Company's medical and dental businesses, as well as certain other integration costs incurred primarily in connection with the 1998 acquisition of H. Meer Dental Supply Co., Inc. ("Meer") and the 1997 acquisitions of Sullivan Dental Products, Inc., Micro Bio-Medics, Inc. and Dentrix Dental Systems, Inc., which were accounted for under the pooling of interests method of accounting. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Acquisition Strategy" in ITEM 7 and the Financial Statements and Supplementary Data in ITEM 8.

(2) Restructuring costs consist primarily of employee severance costs, including severance pay and benefits of approximately $7.2 million, facility closing costs, primarily lease termination and asset write-off costs of approximately $4.4 million and professional and consulting fees directly related to the restructuring plan of approximately $2.8 million. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Plan of Restructuring" in ITEM 7 and the Financial Statements and Supplementary Data in ITEM 8.

(3) Reflects the provision for income tax (expense) recoveries on previously untaxed earnings of Meer as an S Corporation of $(0.6) million and $0.4 million for 1998 and 1997, respectively, and the pro forma elimination of a net deferred tax asset arising from Meer's conversion from an S Corporation to a C Corporation of $2.0 million in 1998. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Acquisition Strategy" in ITEM 7 and the Financial Statements and Supplementary Data in ITEM 8.

(4) Dental consists of the Company's dental business in the United States and Canada.

(5) International consists of the Company's business (primarily dental) outside the United States and Canada, primarily in Europe.

(6) Technology consists of the Company's practice management software business and certain other value-added products and services, which are distributed primarily to healthcare professionals in the North American market.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the Company's consolidated financial condition and consolidated results of operations should be read in conjunction with the Company's consolidated financial statements and related notes thereto included in ITEM 8 herein.

GENERAL

Critical Accounting Policies and Estimates

Financial Reporting Release No. 60, which was recently released by the Securities and Exchange Commission, requires all companies to include a discussion of critical accounting policies or methods used in the preparation of financial statements. Note 1 of the consolidated financial statements, included elsewhere in this annual report on Form 10-K, includes a summary of the significant accounting policies and methods used in the preparation of the Company's consolidated financial statements.

The Company believes the following critical accounting policies affect the significant judgments and estimates used in the preparation of the Company's financial statements:

Revenue Recognition

Sales are recorded when products are shipped or services are rendered to customers, as the Company generally has no significant post delivery obligations, the product price is fixed and determinable, collection of the resulting receivable is probable and product returns are reasonably estimable. Revenues derived from post contract customer support for practice management software is deferred and recognized ratably over the period in which the support is to be provided, generally one-year. Revenues from freight charged to customers are recognized when products are shipped. Provisions for discounts, rebates to customers, customer returns and other adjustments are provided for in the period the related sales are recorded based upon historical data.

Management's Estimates

The discussion and analysis of the Company's financial condition and results of operations are based upon the Company's consolidated financial statements. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, the Company evaluates estimates, including those related to sales provisions, as described above, volume purchase rebates, income taxes, bad debts, inventory reserves, intangible assets and contingencies. The Company bases it estimates on historical data, when available, experience, and on various other assumptions that are believed to be reasonable under the circumstances, the combined results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Goodwill and Other Intangible Assets

At December 29, 2001, the Company has recorded approximately $288.0 million in goodwill and other intangible assets, net of accumulated amortization, primarily related to acquisitions made in 2001 and prior years. The recoverability of these assets is subject to an impairment test based on the estimated fair value of the underlying businesses. (See "Effect of Recently Issued Accounting Standards").

PLAN OF RESTRUCTURING

On August 1, 2000, the Company announced a comprehensive restructuring plan designed to improve customer service and increase profitability by maximizing the efficiency of the Company's infrastructure. In addition to closing or downsizing certain facilities, this world-wide initiative included the elimination of approximately 300 positions, including open positions, or approximately 5% of the total workforce, throughout all levels within the organization. The restructuring plan was substantially completed at December 30, 2000.

For the year ended December 30, 2000, the Company incurred one-time restructuring costs of approximately $14.4 million, ($9.3 million after taxes), or approximately $0.22 per diluted share, consisting primarily of; employee severance costs, including severance pay and benefits of approximately $7.2 million, facility closing costs, primarily lease termination and asset write-off costs of approximately $4.4 million, and outside professional and consulting fees directly related to the restructuring plan of approximately $2.8 million.

ACQUISITION STRATEGY

The Company's results of operations in recent years have been significantly impacted by strategies and transactions undertaken by the Company to expand its business, both domestically and internationally, in part, to address significant changes in the healthcare industry, including potential healthcare reform, trends toward managed care, cuts in Medicare, consolidation of healthcare distribution companies and collective purchasing arrangements.

During the year ended December 29, 2001, the Company completed the acquisition of two healthcare distribution businesses, which included the purchase of the remaining 50% interest of an affiliate. Neither of these purchases was considered material either individually or in the aggregate. The two transactions were accounted for under the purchase method of accounting and have been included in the consolidated financial statements from their respective acquisition dates.

During the year ended December 30, 2000, the Company completed the acquisition of two healthcare distribution businesses and one technology business, none of which were considered material either individually or in the aggregate. Of the three completed acquisitions, two were accounted for under the purchase method of accounting and the remaining acquisition was accounted for under the pooling of interests method of accounting. The Company issued 465,480 shares of its Common Stock, with an aggregate value of approximately $7.9 million in connection with the pooling transaction. The transactions completed under the purchase method of accounting have been included in the consolidated financial statements from their respective acquisition dates. The pooling transaction was not material and, accordingly, prior period financial statements have not been restated. Results of the acquired company have been included in the consolidated financial statements from the beginning of the second quarter of 2000.

During the year ended December 25, 1999, the Company completed the acquisition of eight healthcare distribution businesses and one technology business. The completed acquisitions included General Injectables and Vaccines, Inc. ("GIV"), and the international dental, medical and veterinary healthcare distribution businesses of Heiland Holding GmbH (the "Heiland Group"). GIV, which had 1998 net sales of approximately $120.0 million, is a leading independent direct marketer of vaccines and other injectable products to office-based practitioners in the United States. The Heiland Group, the largest direct marketer of healthcare supplies to office-based practitioners in Germany, had 1998 net sales of approximately $130.0 million. The acquisition agreements for GIV provides for additional cash consideration of up to $6.0 million per year through 2004, not to exceed $22.5 million in total, to be paid if certain profitability targets are met. The remaining seven acquisitions had combined net sales of approximately $74.0 million for 1998. Six of the acquisitions were accounted for under the purchase method of accounting, while the remaining

acquisition was accounted for under the pooling of interests method of accounting. Results of operations of the business acquisitions accounted for under the purchase method of accounting have been included in the consolidated financial statements commencing with the acquisition dates. The total cash purchase price paid for the acquisitions accounted for under the purchase method of accounting was approximately $137.2 million. The Company issued 189,833 shares of its Common Stock with an aggregate market value of $6.4 million in connection with the pooling transaction. The pooling transaction was not material and, accordingly, prior period financial statements have not been restated. Results of the acquired company have been included in the consolidated financial statements from the beginning of the quarter in which the acquisition occurred.

In connection with the 2000 and 1999 acquisitions, the Company incurred certain merger and integration costs of approximately $0.6 million and $13.5 million, respectively. Net of taxes, merger and integration costs were approximately $0.01 and $0.23 per share, on a diluted basis, respectively. Merger and integration costs for the healthcare distribution and technology segments were $0.0 million and $0.6 million for 2000 and $13.5 million and $0.0 million for 1999, respectively. Merger and integration costs consist primarily of investment banking, legal, accounting and advisory fees, severance, impairment of goodwill arising from acquired businesses integrated into the Company's medical and dental businesses, as well as certain other integration costs associated with these mergers.

Excluding the merger, integration, and restructuring costs of $9.9 million after tax and losses of $3.5 million after tax on disposals of (i) a United Kingdom practice management software development business unit, and (ii) the sale of a 50% interest in a dental anesthetic manufacturer, in 2000, and the merger and integration costs of $9.5 million after tax in 1999, pro forma net income and pro forma net income per common share, on a diluted basis, would have been $70.1 million, and $1.67, respectively, for the year ended December 30, 2000, and $59.8 million and $1.44, respectively, for the year ended December 25, 1999.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, Net Sales, Gross Profit and Adjusted Operating Profit, excluding merger and integration, and restructuring costs (in thousands), by business segment for the years ended 2001, 2000, and 1999. Percentages are calculated on related net sales.

	2001		2000		1999	
Net Sales by Segment Data:						
Healthcare distribution:						
Dental (1)	$1,106,580	43.2%	$1,073,889	45.1%	$1,047,259	45.8%
Medical	929,825	36.3%	794,880	33.4%	715,210	31.3%
Veterinary	52,744	2.1%	56,421	2.4%	52,050	2.3%
International (2)	398,071	15.6%	389,946	16.4%	403,137	17.6%
Total healthcare distribution	2,487,220	97.2%	2,315,136	97.2%	2,217,656	97.1%
Technology (3)	71,023	2.8%	66,585	2.8%	66,888	2.9%
Total	$2,558,243	100.0%	$2,381,721	100.0%	$2,284,544	100.0%
Gross Profit by Segment Data:						
Healthcare distribution	$ 649,469	26.1%	$ 601,036	26.0%	$ 563,107	25.4%
Technology	49,855	70.2%	46,865	70.4%	45,489	68.0%
Total	$ 699,324	27.3%	$ 647,901	27.2%	$ 608,596	26.6%
Adjusted Operating Profit (excluding merger and integration, and restructuring costs) by Segment Data:						
Healthcare distribution (4)	$ 123,767	5.0%	$ 102,953	4.4%	$ 93,934	4.2%
Technology (5)	23,983	33.8%	24,660	37.0%	25,298	37.8%
Total	$ 147,750	5.8%	$ 127,613	5.4%	$ 119,232	5.2%

(1) Dental consists of the Company's dental business in the United States and Canada.

(2) International consists of the Company's business (primarily dental) outside the United States and Canada, primarily in Europe.

(3) Technology consists of the Company's practice management software business and certain other value-added products and services, which are distributed primarily to healthcare professionals in the North American market.

(4) Excludes merger and integration, and restructuring costs of $0.0 million, $14.1 million, and $13.5 million in 2001, 2000, and 1999, respectively.

(5) Excludes merger and integration, and restructuring costs of $0.0 million, $1.0 million, and $0.0 million in 2001, 2000, and 1999, respectively.

2001 COMPARED TO 2000

The company reports financial results on a 52-53 week basis and, as such, the 2000 fiscal year included an additional week. For the year ended December 29, 2001, net sales increased $176.5 million, or 7.4%, to $2,558.2 million in 2001 from $2,381.7 million in 2000. On a comparable basis (excluding the additional week in 2000), net sales growth was approximately 8.7%. Of the $176.5 million increase, approximately $172.1 million, or 97.5%, represented a 7.4% (8.7% on a comparable basis) increase in the Company's healthcare distribution business. As part of this increase, approximately $135.0 million represented a 17.0% (18.6% on a comparable basis) increase in its medical business, $32.7 million represented a 3.0% (4.0% on a comparable basis) increase in its dental business, $8.1 million represented a 2.1% (3.5% on a comparable basis) increase in the Company's international business, and $(3.7) million represented a 6.5% (5.2% on a comparable basis) decrease in the Company's veterinary business. The increase in medical net sales was primarily attributable to increased sales to core physicians' office and alternate care markets. In the dental market, the

increase in net sales was primarily due to increased account penetration. In the international market, the increase in net sales was primarily due to increased account penetration in Germany, France, and the United Kingdom, somewhat offset by unfavorable exchange rates to the U.S. dollar. Had net sales for the international market been translated at the same exchange rates in 2000, net sales would have increased by 5.8%. In the veterinary market, the decrease in net sales was primarily due to the loss of a product line. The remaining increase in 2001 net sales was due to the technology business, which increased $4.4 million, or 6.7% (7.6% on a comparable basis), to $71.0 million for 2001, from $66.6 million for 2000. The increase in technology and value-added product net sales was primarily due to increased sales of technology products and related services.

Gross profit increased by $51.4 million, or 7.9%, to $699.3 million in 2001, from $647.9 million in 2000. Gross profit margin increased by 0.1% to 27.3% from 27.2% in the prior year. Healthcare distribution gross profit increased by $48.4 million, or 8.1%, to $649.4 million in 2001, from $601.0 million in 2000. Healthcare distribution gross profit margin increased by 0.1%, to 26.1%, from 26.0% in the prior year primarily due to changes in sales mix. Technology gross profit increased by $3.0 million, or 6.4%, to $49.9 million in 2001, from $46.9 million in 2000. Technology gross profit margin decreased by 0.2%, to 70.2%, from 70.4% in the prior year primarily due to changes in sales mix.

Selling, general and administrative expenses increased by $31.3 million, or 6.0%, to $551.6 million in 2001 from $520.3 million in 2000. Selling and shipping expenses increased by $23.5 million, or 7.6%, to $334.1 million in 2001 from $310.6 million in 2000. As a percentage of net sales, selling and shipping expenses increased 0.1% to 13.1% in 2001 from 13.0% in 2000. General and administrative expenses increased $7.8 million, or 3.7%, to $217.5 million in 2001 from $209.7 million in 2000. As a percentage of net sales, general and administrative expenses decreased 0.3% to 8.5% in 2001 from 8.8% in 2000. The decrease was primarily due to reductions in expenses associated with the Company's restructuring program.

Other income (expense) - net decreased by $(8.7) million, to $(7.4) million in 2001 from $(16.1) million for 2000, due primarily to higher interest income on long-term loans receivable and short-term investments, higher finance charge income on trade accounts receivable, lower interest expense due to reductions in long-term debt and bank credit line balances and lower interest rates, and in 2000, the nonrecurring loss of $1.6 million after tax on the sale of the Company's software development unit in the United Kingdom.

Equity in earnings (losses) of affiliates increased $2.3 million to $0.4 million in 2001 from $(1.9) million in 2000. The increase is primarily due to a nonrecurring net loss of $1.9 million during the fourth quarter of 2000 from the sale of the Company's interest in HS Pharmaceutical, Inc. ("H.S. Pharmaceutical").

For 2001, the Company's effective tax rate was 37.0%. The difference between the Company's effective tax rate and the Federal statutory rate relates primarily to state income taxes.

For 2000, the Company's effective tax rate was 37.4%. Excluding merger and integration costs, the majority of which are not deductible for income tax purposes, the Company's effective tax rate would have been 37.3%. The difference between the Company's effective tax rate and the Federal statutory rate relates primarily to state income taxes.

2000 COMPARED TO 1999

Net sales increased $97.2 million, or 4.3%, to $2,381.7 million in 2000 from $2,284.5 million in 1999. Of the $97.2 million increase, approximately $97.5 million, or 100.3%, represented a 4.4% increase in the Company's healthcare distribution business. As part of this increase, approximately $79.7 million represented a 11.1% increase in its medical business, $26.6 million represented a 2.5% increase in its dental business, $4.4 million represented a 8.4% increase in the Company's veterinary business, and $(13.2) million represented a 3.3% decrease in the Company's international business. The increase in medical net sales was primarily attributable to increased sales to core physicians' office and alternate care markets. In the dental market, the

increase in net sales was primarily due to increased account penetration. In the veterinary market, the increase in net sales was primarily due to increased account penetration. In the international market, the decrease in net sales was primarily due to unfavorable exchange rate translation adjustments. Had net sales for the international market been translated at the same exchange rates in 1999, net sales would have increased by 8.4%. The remaining decrease in 2000 net sales was due to the technology business, which decreased $(0.3) million, or 0.3%, to $66.6 million for 2000, from $66.9 million for 1999. The decrease in technology and value-added product net sales was primarily due to a decrease in practice management software sales, which was exceptionally strong in 1999 primarily due to Year 2000 conversions.

Gross profit increased by $39.3 million, or 6.5%, to $647.9 million in 2000, from $608.6 million in 1999. Gross profit margin increased by 0.6% to 27.2% from 26.6% last year. Healthcare distribution gross profit increased by $37.9 million, or 6.7%, to $601.0 million in 2000, from $563.1 million in 1999. Healthcare distribution gross profit margin increased by 0.6%, to 26.0%, from 25.4% last year primarily due to changes in sales mix. Technology gross profit increased by $1.4 million, or 3.0%, to $46.9 million in 2000, from $45.5 million in 1999. Technology gross profit margin increased by 2.4%, to 70.4%, from 68.0% last year also primarily due to changes in sales mix.

Selling, general and administrative expenses increased by $30.9 million, or 6.3%, to $520.3 million in 2000 from $489.4 million in 1999. Selling and shipping expenses increased by $9.7 million, or 3.2%, to $310.6 million in 2000 from $300.9 million in 1999. As a percentage of net sales, selling and shipping expenses decreased 0.2% to 13.0% in 2000 from 13.2% in 1999. This decrease was primarily due to improvement in the Company's distribution efficiencies resulting from the leveraging of the Company's distribution infrastructure. General and administrative expenses increased $21.2 million, or 11.2%, to $209.7 million in 2000 from $188.5 million in 1999, primarily as a result of acquisitions. As a percentage of net sales, general and administrative expenses increased 0.5% to 8.8% in 2000 from 8.3% in 1999.

Other income (expense) - net changed by $(0.1) million, to $(16.1) million for the year ended December 30, 2000 from $(16.0) million for 1999 primarily due to the non-recurring loss of approximately $1.6 million, or approximately $0.04 per diluted share, from the sale of the Company's software development unit in the United Kingdom and lower interest income on accounts receivable balances, offset by a decrease in interest expense resulting from a decrease in average borrowings.

Equity in losses of affiliates decreased $0.3 million or 13.6%, to $(1.9) million in 2000 from $(2.2) million in 1999. The net decrease is primarily due to increased earnings from an affiliate offset by a non-recurring net loss of approximately $1.9 million, or approximately $0.05 per diluted share from the sale of the Company's interest in HS Pharmaceutical during the fourth quarter of 2000.

For 2000, the Company's effective tax rate was 37.4%. Excluding merger and integration costs, the majority of which are not deductible for income tax purposes, the Company's effective tax rate would have been 37.3%. The difference between the Company's effective tax rate, excluding merger and integration costs, and the Federal statutory rate relates primarily to state income taxes.

For 1999, the Company's effective tax rate was 39.6%. Excluding merger and integration costs, the majority of which are not deductible for income tax purposes, the Company's effective tax rate would have been 38.3%. The difference between the Company's effective tax rate, excluding merger and integration costs, and the Federal statutory rate relates primarily to state income taxes.

SEASONALITY

The Company's business is subject to seasonal and other quarterly influences. Net sales and operating profits are generally higher in the fourth quarter due to timing of sales of software and equipment, year-end promotions and purchasing patterns of office-based healthcare practitioners and are generally lower in the first quarter due primarily to the increased purchases in the prior quarter. Quarterly results also may be materially affected by a variety of other factors, including the timing of acquisitions and related costs, timing of purchases, special promotional campaigns, fluctuations in exchange rates associated with international operations and adverse weather conditions.

EURO CONVERSION

Effective January 1, 2000, 11 of the 15 member countries of the European Union adopted the Euro as their common legal currency. On that date, the participating countries established fixed Euro conversion rates between their existing sovereign currencies and the Euro. The participating countries now issue sovereign debt exclusively in Euro, and have re-denominated outstanding sovereign debt. The authority to direct monetary policy for the participating countries, including money supply and official interest rates for the Euro, is now exercised by the new European Central Bank.

Beginning on January 1, 2002, Euro banknotes were put into circulation. There was a changeover period of two months during which there was dual circulation - where both Euro and national currencies were used together. Following the changeover period, the national currencies were completely replaced by the Euro.

During 2001, the Company successfully converted all of their European information systems in order to achieve timely Euro information system and product readiness, so as to conduct transactions in the Euro, in accordance with implementation schedules as they are established by the European Commission. The costs of these changes were not material to the Company and are included as part of operating expenses for 2001.

E-COMMERCE

Traditional healthcare supply and distribution relationships are being challenged by electronic on-line commerce solutions. The Company's distribution business is characterized by rapid technological developments and intense competition. The rapid evolution of on-line commerce will require continuous improvement in performance, features and reliability of Internet content and technology by the Company, particularly in response to competitive offerings. Through the Company's proprietary technologically based suite of products, customers are offered a variety of competitive alternatives. The Company's tradition of reliable service, proven name recognition, and large customer base built on solid customer relationships makes it well situated to participate fully in this rapidly growing aspect of the distribution business. The Company is exploring ways and means of improving and expanding its Internet presence and will continue to do so. In January 2001, the Company announced the unveiling of a new website (http://www.henryschein.com), which includes an array of value-added features. As part of this effort, the Company also launched http://www.sullivanschein.com website for its office-based dental practitioner customers.

INFLATION

Management does not believe inflation had a material adverse effect on the financial statements for the periods presented.

EFFECT OF RECENTLY ISSUED ACCOUNTING STANDARDS

(A) In June 2001, the Financial Accounting Standards Board finalized FASB Statements No. 141, Business Combinations ("FAS 141"), and No. 142, Goodwill and Other Intangible Assets ("FAS 142"). FAS 141 requires the use of the purchase method of accounting and prohibits the use of the pooling-of-interests method of accounting for business combinations initiated after June 30, 2001. FAS 141 also requires that the Company recognize acquired intangible assets apart from goodwill if the acquired intangible assets meet certain criteria. FAS 141 applies to all business combinations initiated after June 30, 2001 and for purchase business combinations completed on or after July 1, 2001. It also requires, upon adoption of FAS 142, that the Company reclassify, if necessary, the carrying amounts of intangible assets and goodwill based on the criteria in FAS 141.

FAS 142 requires, among other things, that companies no longer amortize goodwill, but instead test goodwill for impairment at least annually. In addition, FAS 142 requires that the Company identify reporting units for the purposes of assessing potential future impairments of goodwill, reassess the useful lives of other existing recognized intangible assets, and cease amortization of intangible assets with an indefinite useful life. An intangible asset with an indefinite useful life should be tested for impairment in accordance with the guidance in FAS 142. FAS 142 is required to be applied in fiscal years beginning after December 15, 2001 to all goodwill and other intangible assets recognized at that date, regardless of when those assets were initially recognized. FAS 142 also requires the Company to complete a transitional goodwill impairment test within six months from the date of adoption. The Company is also required to reassess the useful lives of other intangible assets within the first interim quarter after adoption of FAS 142.

Certain of the Company's business combinations effected prior to June 30, 2001 were accounted for using both the pooling-of-interests and purchase methods. The pooling-of-interests method does not result in the recognition of acquired goodwill or other intangible assets. As a result, the adoption of FAS 141 and FAS 142 will not have any effect with respect to the Company's prior transactions that were accounted for under the pooling-of-interests method. However, all future business combinations will be accounted for under the purchase method, which may result in the recognition of goodwill and other intangible assets. With respect to the Company's business combinations that were effected prior to June 30, 2001, using the purchase method of accounting, the net carrying amounts of the resulting goodwill and other intangible assets as of December 29, 2001 were $280.0 million and $8.0 million, respectively. Amortization expense during the year ended December 29, 2001 was $12.9 million of which $11.6 million was amortization of goodwill and $1.3 million was amortization of other intangibles. The Company has estimated that the impact of not amortizing goodwill on the results of operations will be an increase of approximately $0.17 per diluted share in 2002. The Company is still determining the reporting units to be used for its goodwill impairment testing, and accordingly, has not determined the impact, if any, from the results of such testing.

(B) In August 2001, the FASB issued FASB Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets ("FAS 144"). This statement supercedes FASB Statement No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of ("FAS 121") and amends Accounting Principles Board Opinion No. 30, Reporting Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions. FAS 144 retains the fundamental provisions of FAS 121 for recognition and measurement of impairment, but amends the accounting and reporting standards for segments of a business to be disposed of. FAS 144 is effective for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years, with early application encouraged. The provisions of FAS 144 generally are to be applied prospectively. The Company believes that the adoption of FAS 144 will not have a material impact on the Company's financial position or results of operations.

RISK MANAGEMENT

The Company has operations in the United States, Canada, the United Kingdom, The Netherlands, Belgium, Germany, France, Austria, Spain, Australia and New Zealand. Substantially all of the Company's operations endeavor to protect their financial results by using foreign currency forward contracts to hedge intercompany debt and the foreign currency payments to foreign vendors. The total U.S. dollar equivalent of all foreign currency forward contracts hedging debt and the purchase of merchandise from foreign vendors was $44.1 million and $2.6 million, respectively, as of the end of fiscal 2001. As of December 29, 2001 the fair value of these contracts, which are determined by quoted market prices and expire through November 2002, was not material. For the year ended December 29, 2001, the Company recognized an immaterial loss relating to its foreign currency forward contracts.

The Company considers its investment in foreign operations to be both long-term and strategic. As a result, the Company does not hedge the long-term translation exposure to its balance sheet. The Company has experienced negative translation adjustments of approximately $5.7 million and $7.8 million in 2001 and 2000, respectively, which adjustments were reflected in the balance sheet as a component of stockholders' equity. The cumulative translation adjustment at the end of 2001 showed a net negative translation adjustment of $23.9 million.

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal capital requirements have been to fund (a) capital expenditures, (b) repayments on bank borrowings, (c) working capital needs resulting from increased sales, special inventory forward buy-in opportunities and (d) acquisitions. Since sales tend to be strongest during the fourth quarter and special inventory forward buy-in opportunities are most prevalent just before the end of the year, the Company's working capital requirements have been generally higher from the end of the third quarter to the end of the first quarter of the following year. The Company has financed its business primarily through its operations, its revolving credit facilities, private placement loans and stock issuances.

Net cash provided by operating activities for the year ended December 29, 2001 of $190.9 million resulted primarily from net income of $87.4 million, non-cash charges of approximately $54.2 million, and a net increase in operating items of working capital of approximately $49.3 million. The increase in working capital was primarily due to an increase in accounts payable and accruals of $55.1 million, a $8.8 million decrease in other current assets, and a $3.2 million decrease in accounts receivable, offset by a $17.8 million increase in inventories. The Company's accounts receivable days sales outstanding ratio improved to 53.52 days for the period ending December 29, 2001 from 57.07 days for the period ending December 30, 2000. The Company's inventory turns improved to 6.93 inventory turns for the period ending December 29, 2001 from 6.28 inventory turns for the period ending December 30, 2000. The Company anticipates future increases in working capital requirements as a result of its continued sales growth, extended payment terms and special inventory forward buy-in opportunities.

Net cash used in investing activities for the year ended December 29, 2001 of $55.1 million resulted primarily from cash used for capital expenditures of $46.1 million, of which $10.2 million was for the Company's new mid-west distribution center, and business acquisitions of $8.6 million. During the past three years, the Company has invested $110.4 million in the development of new computer systems, and for new and existing operating facilities. In the coming year, the Company expects to invest in excess of $50 million in capital projects to modernize and expand its facilities and infrastructure computer systems, and integrate operations.

Net cash provided by financing activities for the year ended December 29, 2001 of $0.4 million resulted primarily from proceeds from the issuance of stock upon exercise of stock options of $14.2 million, offset primarily by net

payments on borrowings from banks of $10.8 million and net payments on long-term debt of $2.9 million.

Certain holders of minority interests in acquired entities have the right at certain times to require the Company to acquire their interest at fair value pursuant to a formula price based on earnings of the entity.

The Company's cash and cash equivalents as of December 29, 2001 of $193.4 million consist of bank balances and investments in money market funds. These investments have staggered maturity dates, none of which exceed three months, and have a high degree of liquidity since the securities are actively traded in public markets.

The Company entered into an amended revolving credit facility on August 15, 1997 that increased its main credit facility to $150.0 million and extended the facility termination date to August 15, 2002. There were no borrowings under the credit facility at December 29, 2001. The Company expects to renew the revolving line of credit prior to its scheduled termination in August 2002. The Company also has one uncommitted bank line of $15.0 million, of which no amounts have been borrowed against at December 29, 2001.

On June 30, 1999 and September 25, 1998, the Company completed private placement transactions under which it issued $130.0 million and $100.0 million, respectively, in Senior Notes, the proceeds of which were used respectively, for the permanent financing of its acquisitions of GIV and the Heiland Group, as well as repaying and retiring a portion of four uncommitted bank lines and to pay down amounts owed under its revolving credit facility. The $130.0 million notes come due on June 30, 2009 and bear interest at a rate of 6.94% per annum. Principal payments totaling $20.0 million are due annually starting September 25, 2006 on the $100.0 million notes and bear interest at a rate of 6.66% per annum. Interest on both notes is payable semi-annually. Certain of the Company's subsidiaries have credit facilities that totaled $39.9 million at December 29, 2001 under which $4.0 million had been borrowed.

The aggregate purchase price of the acquisitions completed during 1999, including the acquisition of the minority interests of two subsidiaries, was approximately $139.0 million, payable $132.6 million in cash and $6.4 million in stock. The acquisitions of GIV and the Heiland Group were funded by the Company's revolving credit agreement and various short-term borrowings entered into in January 1999. Existing borrowing lines primarily funded the remaining cash portion of the purchases.

The following table shows the Company's contractual obligations related to fixed and variable rate long-term debt as well as lease obligations (See Notes 9 and 14(a) to the Consolidated financial statements):

	Payments due by period (in thousands)				
	Total	< 1 year	1 - 3 years	4 - 5 years	> 5 years
Contractual obligations:					
Long term debt	$255,252	$ 14,392	$ 2,543	$ 21,222	$217,095
Capital lease obligations	2,140	831	562	227	520
Operating lease obligations	106,558	19,866	32,387	24,138	30,167
Total	$363,950	$ 35,089	$ 35,492	$ 45,587	$247,782

The Company believes that its cash and cash equivalents of $193.4 million as of December 29, 2001, its ability to access public and private debt and equity markets, and the availability of funds under its existing credit

agreements will provide it with sufficient liquidity to meet its currently foreseeable short-term and long-term capital needs.

ITEM 7A. MARKET RISKS

The Company is exposed to market risks, which include changes in U.S. and international interest rates as well as changes in foreign currency exchange rates as measured against the U.S. dollar and each other. The Company attempts to reduce these risks by utilizing financial instruments, pursuant to Company policies.

Forward Foreign Currency Contracts

The value of certain foreign currencies as compared to the U.S. dollar may affect the Company's financial results. Changes in exchange rates may positively or negatively affect the Company's revenues (as expressed in U.S. dollars), gross margins, operating expenses, and retained earnings. Where the Company deems it prudent, it engages in hedging programs aimed at limiting, in part, the impact of currency fluctuations. Using primarily forward exchange contracts, the Company hedges those transactions that, when remeasured according to accounting principles generally accepted in the United States, may impact its statement of income. From time to time, the Company purchases short-term forward exchange contracts to protect against currency exchange risks associated with the ultimate repayment of intercompany loans due from the Company's international subsidiaries and the payment of merchandise purchases to foreign vendors. As of December 29, 2001, the Company had outstanding foreign currency forward contracts aggregating $46.7 million, of which $44.1 million related to intercompany debt and $2.6 million related to the purchase of merchandise from foreign vendors. The contracts hedge against currency fluctuations of British Pounds ($24.1 million), Euros ($21.1 million) Australian dollars ($1.3 million), and New Zealand dollars ($0.2 million). As of December 29, 2001 the fair value of these contracts, which are determined by quoted market prices and expire through November 2002, was not material. For the year ended December 29, 2001, the Company recognized an immaterial loss relating to its foreign currency forward contracts.

These hedging activities provide only limited protection against currency exchange risks. Factors that could impact the effectiveness of the Company's programs include volatility of the currency markets, and availability of hedging instruments. All currency contracts that are entered into by the Company are components of hedging programs and are entered into for the sole purpose of hedging an existing or anticipated currency exposure, not for speculation. Although the Company maintains these programs to reduce the impact of changes in currency exchange rates, when the U. S. dollar sustains a strengthening position against currencies in which the Company sells products and services, or a weakening exchange rate against currencies in which the Company incurs costs, the Company's revenues or costs are adversely affected.

Interest Rates

The Company is exposed to risk from changes in interest rates from borrowings under certain variable bank credit lines and loan agreements. The Company has fixed rate debt of $130.0 million at 6.94% and $100.0 million at 6.66%. If the remaining outstanding debt at December 29, 2001 of $31.4 million was the average balance for the following twelve month period and the Company experienced a 1% increase in average interest rates, the interest expense for that period would have increased by $0.3 million. Based upon current economic conditions, the Company does not believe interest rates will increase substantially in the near future. As a result, the Company does not believe it is necessary to hedge its exposure against potential future interest rate increases.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS
HENRY SCHEIN, INC. AND SUBSIDIARIES

	Page
Report of Independent Certified Public Accountants	29
Consolidated Financial Statements:	
Balance Sheets as of December 29, 2001 and December 30, 2000	30
Statements of Income and Comprehensive Income for the years ended December 29, 2001, December 30, 2000, and December 25, 1999	31
Statements of Stockholders' Equity for the years ended December 29, 2001, December 30, 2000 and December 25, 1999	32
Statements of Cash Flows for the years ended December 29, 2001, December 30, 2000 and December 25, 1999	33
Notes to Consolidated Financial Statements	34
Report of Independent Certified Public Accountants	62
Schedule II - Valuation and Qualifying Accounts, for the years ended December 29, 2001, December 30, 2000, and December 25, 1999	67

All other schedules are omitted because the required information is either inapplicable or is included in the consolidated financial statements or the notes thereto.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Stockholders
Henry Schein, Inc.
Melville, New York

We have audited the accompanying consolidated balance sheets of Henry Schein, Inc. and Subsidiaries as of December 29, 2001 and December 30, 2000, and the related consolidated statements of income and comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 29, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Henry Schein, Inc. and Subsidiaries at December 29, 2001 and December 30, 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 29, 2001 in conformity with accounting principles generally accepted in the United States of America.

BDO SEIDMAN, LLP

New York, New York
March 1, 2002

HENRY SCHEIN, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	December 29, 2001	December 30, 2000
ASSETS		
Current assets:		
Cash and cash equivalents	$ 193,367	$ 58,362
Accounts receivable, less reserves of $31,929 and $27,556, respectively	363,700	371,668
Inventories	291,231	276,473
Deferred income taxes	25,751	21,001
Prepaid expenses and other	52,922	60,900
Total current assets	926,971	788,404
Property and equipment, net	117,980	94,663
Goodwill and other intangibles, net	288,004	292,018
Investments and other	52,473	55,983
	$ 1,385,428	$ 1,231,068
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 263,190	$ 216,535
Bank credit lines	4,025	4,390
Accruals:		
Salaries and related expenses	41,602	39,830
Merger, integration, and restructuring costs	5,867	13,735
Acquisition earnout payments	26,800	15,500
Other expenses	80,355	68,788
Current maturities of long-term debt	15,223	6,079
Total current liabilities	437,062	364,857
Long-term debt	242,169	266,224
Other liabilities	18,954	12,931
Total liabilities	698,185	644,012
Minority interest	6,786	7,996
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.01 par value, authorized 1,000,000, issued and outstanding 0 and 0, respectively	--	--
Common stock, $.01 par value, authorized 120,000,000, issued: 42,745,204 and 41,946,284, respectively	427	419
Additional paid-in capital	393,047	373,413
Retained earnings	312,402	225,029
Treasury stock, at cost, 62,479 shares	(1,156)	(1,156)
Accumulated comprehensive loss	(23,922)	(18,179)
Deferred compensation	(341)	(466)
Total stockholders' equity	680,457	579,060
	$ 1,385,428	$ 1,231,068

See accompanying notes to consolidated financial statements.

HENRY SCHEIN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
AND COMPREHENSIVE INCOME
(In thousands, except per share data)

	Years ended		
	December 29, 2001	December 30, 2000	December 25, 1999
Net sales	$ 2,558,243	$ 2,381,721	$ 2,284,544
Cost of sales	1,858,919	1,733,820	1,675,948
Gross profit	699,324	647,901	608,596
Operating expenses:			
Selling, general and administrative	551,574	520,288	489,364
Merger and integration costs	--	585	13,467
Restructuring costs	--	14,439	--
Operating income	147,750	112,589	105,765
Other income (expense):			
Interest income	10,078	6,279	7,777
Interest expense	(17,324)	(20,409)	(23,593)
Other - net	(153)	(1,925)	(166)
Income before taxes on income, minority interest and equity in earnings (losses) of affiliates	140,351	96,534	89,783
Taxes on income	51,930	36,150	35,589
Minority interest in net income of subsidiaries	1,462	1,757	1,690
Equity in earnings (losses) of affiliates	414	(1,878)	(2,192)
Net income	$ 87,373	$ 56,749	$ 50,312
Net income	$ 87,373	$ 56,749	$ 50,312
Other comprehensive income (loss):			
Foreign currency translation adjustment	(5,743)	(7,820)	(8,302)
Comprehensive income	$ 81,630	$ 48,929	$ 42,010
Net income per common share:			
Basic	$ 2.06	$ 1.38	$ 1.24
Diluted	$ 2.01	$ 1.35	$ 1.21
Weighted average common shares outstanding:			
Basic	42,366	41,244	40,585
Diluted	43,545	42,007	41,438

See accompanying notes to consolidated financial statements.

HENRY SCHEIN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share data)

	Common Stock $.01 Par Value		Additional Paid-in Capital	Retained Earnings
	Shares	Amount		
Balance, December 26, 1998	40,250,936	$ 402	$ 348,119	$ 119,064
Deficit of one company acquired under the pooling of interests method, not deemed material	__	__	__	(1,567)
Net income	__	__	__	50,312
Shares issued for acquisitions	189,833	2	1,900	__
Shares issued to ESOP trust	101,233	1	1,766	__
Amortization of restricted stock	__	__	__	__
Foreign currency translation loss	__	__	__	__
Shares issued upon exercise of stock options by employees, including tax benefit of $5,974	226,304	2	9,972	__
Balance, December 25, 1999	40,768,306	407	361,757	167,809
Retained earnings of one company acquired under the pooling of interests method, not deemed material	__	__	__	471
Net income	__	__	__	56,749
Shares issued for acquisitions	465,480	5	423	__
Shares issued to ESOP trust	121,253	1	2,192	__
Amortization of restricted stock	__	__	__	__
Foreign currency translation loss	__	__	__	__
Shares issued upon exercise of stock options by employees, including tax benefit of $2,758	591,245	6	9,041	__
Balance, December 30, 2000	41,946,284	419	373,413	225,029
Net income	__	__	__	87,373
Shares issued to ESOP trust	61,997	1	2,224	__
Amortization of restricted stock	__	__	__	__
Foreign currency translation loss	__	__	__	__
Shares issued upon exercise of stock options by employees, including tax benefit of $3,262	736,923	7	17,410	__
Balance, December 29, 2001	42,745,204	$ 427	$ 393,047	$ 312,402

	Treasury Stock	Accumulated Comprehensive Loss	Deferred Compensation	Total Stockholders' Equity
Balance, December 26, 1998	$ (1,156)	$ (2,057)	$ (1,338)	$ 463,034
Deficit of one company acquired under the pooling of interests method, not deemed material	__	__	__	(1,567)
Net income	__	__	__	50,312
Shares issued for acquisitions	__	__	__	1,902
Shares issued to ESOP trust	__	__	__	1,767
Amortization of restricted stock	__	__	747	747
Foreign currency translation loss	__	(8,302)	__	(8,302)
Shares issued upon exercise of stock options by employees, including tax benefit of $5,974	__	__	__	9,974
Balance, December 25, 1999	(1,156)	(10,359)	(591)	517,867
Retained earnings of one company acquired under the pooling of interests method, not deemed material	__	__	__	471
Net income	__	__	__	56,749
Shares issued for acquisitions	__	__	__	428
Shares issued to ESOP trust	__	__	__	2,193
Amortization of restricted stock	__	__	125	125
Foreign currency translation loss	__	(7,820)	__	(7,820)
Shares issued upon exercise of stock options by employees, including tax benefit of $2,758	__	__	__	9,047
Balance, December 30, 2000	(1,156)	(18,179)	(466)	579,060
Net income	__	__	__	87,373
Shares issued to ESOP trust	__	__	__	2,225
Amortization of restricted stock	__	__	125	125
Foreign currency translation loss	__	(5,743)	__	(5,743)
Shares issued upon exercise of stock options by employees, including tax benefit of $3,262	__	__	__	17,417
Balance, December 29, 2001	$ (1,156)	$ (23,922)	$ (341)	$ 680,457

See accompanying notes to consolidated financial statements.

HENRY SCHEIN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Years ended		
	December 29, 2001	December 30, 2000	December 25, 1999
Cash flows from operating activities:			
Net income	$ 87,373	$ 56,749	$ 50,312
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	35,642	33,762	28,273
Provision for losses and allowances on trade and other receivables	7,988	7,165	255
Stock issued to ESOP trust	2,225	2,193	1,767
Provision (benefit) for deferred income taxes	292	(1,335)	13
Undistributed (earnings) losses of affiliates	(414)	1,878	2,192
Minority interest in net income of subsidiaries	1,462	1,757	1,690
Write-off of equipment, intangibles and other	7,067	701	286
Changes in operating assets and liabilities (net of purchase acquisitions):			
Decrease (increase) in accounts receivable	3,194	5,186	(22,258)
(Increase) decrease in inventories	(17,850)	4,630	12,102
Decrease (increase) in other current assets	8,808	(4,628)	6,786
Increase (decrease) in accounts payable and accruals	55,124	44,936	(24,925)
Net cash provided by operating activities	190,911	152,994	56,493
Cash flows from investing activities:			
Capital expenditures	(46,127)	(29,743)	(34,549)
Business acquisitions, net of cash acquired of $228, $0, and $11,092	(8,588)	(6,838)	(132,552)
Proceeds from sale of fixed assets	--	--	8,583
Other	(355)	(9,645)	(5,557)
Net cash used in investing activities	(55,070)	(46,226)	(164,075)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	10,166	--	131,211
Principal payments on long-term debt	(13,042)	(5,147)	(14,873)
Proceeds from issuance of stock upon exercise of stock options by employees	14,155	6,283	3,998
Proceeds from borrowing from banks	1,988	9,714	139,924
Payments on borrowings from banks	(12,740)	(89,047)	(146,877)
Other	(156)	346	40
Net cash provided by (used in) financing activities	371	(77,851)	113,423
Net increase in cash and cash equivalents	136,212	28,917	5,841
Effect of exchange rate changes on cash and cash equivalents	(1,207)	3,426	(8,044)
Cash and cash equivalents, beginning of year	58,362	26,019	28,222
Cash and cash equivalents, end of year	$ 193,367	$ 58,362	$ 26,019

See accompanying notes to consolidated financial statements.

NOTE 1-SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Henry Schein, Inc. and all of its wholly owned and majority-owned subsidiaries (collectively the "Company"). Investments in unconsolidated affiliates, which are greater than or equal to 20% and less than or equal to 50% owned, are accounted for under the equity method. All intercompany accounts and transactions are eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fiscal Year

The Company reports its operations and cash flows on a 52-53 week basis ending on the last Saturday of December. The fiscal year ended December 29, 2001 consisted of 52 weeks. The fiscal year ended December 30, 2000 consisted of 53 weeks. The fiscal year ended December 25, 1999 consisted of 52 weeks.

Revenue Recognition

Sales are recorded when products are shipped or services are rendered to customers, as the Company generally has no significant post delivery obligations, the product price is fixed and determinable, collection of the resulting receivable is probable and product returns are reasonably estimable. Revenues derived from post contract customer support for practice management software are deferred and recognized ratably over the period in which the support is to be provided, generally one-year. Revenues from freight charged to customers are recognized when products are shipped. Provisions for discounts, rebates to customers, customer returns and other adjustments are provided for in the period the related sales are recorded based on historical data.

Direct Shipping and Handling Costs

Freight and other direct shipping costs are included in "Cost of sales". Direct handling costs, which represent primarily direct compensation costs of employees who pick, pack and otherwise prepare, if necessary, merchandise for shipment to the Company's customers are reflected in "Selling, general and administrative" expenses. These costs were approximately $21,200, $17,700, and $15,700 for the years ended 2001, 2000, and 1999, respectively.

Advertising

The Company generally expenses advertising and promotional costs as incurred. Total advertising and promotional expenses were approximately $14,300, $13,900, and $12,600 for fiscal years ended 2001, 2000, and 1999, respectively.

NOTE 1-SIGNIFICANT ACCOUNTING POLICIES-(CONTINUED)

Inventories

Inventories consist substantially of finished goods and are valued at the lower of cost or market. Cost is determined by the first-in, first-out ("FIFO") method.

Property and Equipment and Depreciation and Amortization

Property and equipment are stated at cost. Depreciation is computed primarily under the straight-line method over the following estimated useful lives:

	Years
Buildings and improvements	40
Machinery and warehouse equipment...	5-10
Furniture, fixtures and other	3-10
Computer equipment and software	3-8

Amortization of leasehold improvements is computed using the straight-line method over the lesser of the useful life of the assets or the lease term.

Capitalized software costs consist of costs to purchase and develop software. The Company capitalizes certain incurred software development costs in accordance with the American Institute of Certified Public Accountants ("AICPA") issued Statement of Position No. 98-1, "Accounting for the Cost of Computer Software Developed or Obtained for Internal Use" ("SOP 98-1"). Costs incurred during the application-development stage for software bought and further customized by outside vendors for the Company's use and software developed by a vendor for the Company's proprietary use have been capitalized. Costs incurred for the Company's own personnel who are directly associated with software development are also capitalized.

Taxes on Income

The Company accounts for income taxes under an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. In estimating future tax consequences, the Company generally considers all expected future events other than enactments of changes in tax laws or rates. The effect on deferred tax assets and liabilities of a change in tax rates will be recognized as income or expense in the period that includes the enactment date. The Company files a consolidated Federal income tax return with its 80% or greater owned subsidiaries.

Statement of Cash Flows

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments and other short-term investments with an initial maturity of three months or less to be cash equivalents.

NOTE 1--SIGNIFICANT ACCOUNTING POLICIES-(CONTINUED)

Foreign Currency Translation and Transactions

The financial position and results of operations of the Company's foreign subsidiaries are determined using local currency as the functional currency. Assets and liabilities of these subsidiaries are translated at the exchange rate in effect at each year-end. Income statement accounts are translated at the average rate of exchange prevailing during the year. Translation adjustments arising from the use of differing exchange rates from period to period are included in the accumulated comprehensive loss account in stockholders' equity. Gains and losses resulting from foreign currency transactions are included in earnings.

Derivative Financial Instruments

On December 31, 2000, the Company adopted Statement of Financial Accounting Standards No. 133 ("FAS 133") "Accounting for Derivative Instruments and Hedging Activities", as amended, and interpreted, which requires that all derivative instruments be recorded on the balance sheet at their fair value. The impact of adopting FAS 133 on the Company's Statement of Income and Balance Sheet was not material.

The Company uses derivatives to reduce its exposure to fluctuations in foreign currencies. Derivative products, specifically foreign currency forward contracts, are used to hedge the foreign currency market exposures underlying certain inter-company debt and certain forecasted transactions with foreign vendors. The Company does not enter such contracts for speculative purposes.

For derivative instruments that are designated and qualify as a fair value hedge (i.e., hedging the exposure to changes in the fair value of an asset or a liability or an identified portion thereof that is attributable to a particular risk), the gain or loss on the derivative instrument as well as the offsetting gain or loss on the hedged item attributable to the hedged risk are recognized in earnings in the current period. For derivative instruments that are designated and qualify as a cash flow hedge (i.e., hedging the exposure of variability in expected future cash flows that would be attributable to a particular risk), the effective portion of the gain or loss on the derivative instrument is reported as a component of Accumulated comprehensive loss (a component of stockholders' equity) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss on the derivative instrument, if any (i.e., the ineffective portion and any portion of the derivative instrument excluded from the assessment of effectiveness) is recognized in earnings in the current period. For derivative instruments not designated as hedging instruments, changes in their fair values are recognized in earnings, as a component of Other-net.

Acquisitions

The net assets of businesses purchased are recorded at their fair value at the acquisition date and the consolidated financial statements include their operations from that date. Any excess of acquisition costs over the fair value of identifiable net assets acquired is included in Goodwill. Certain acquisitions provide for contingent consideration, primarily cash, to be paid in the event certain financial performance targets are satisfied over future periods. The Company's policy is to record a liability and adjust the acquisition price for such amounts when the targets are met.

NOTE 1--SIGNIFICANT ACCOUNTING POLICIES--(CONTINUED)

Long-Lived Assets

Long-lived assets, such as goodwill and property and equipment, are evaluated for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through the estimated undiscounted future cash flows from the use of these assets. When any such impairment exists, the related assets are written down to fair value.

Stock-Based Compensation

The Company accounts for its stock option awards to employees under the intrinsic value based method of accounting prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees". Under the intrinsic value based method, compensation cost is the excess, if any, of the quoted market price of the stock at grant date or other measurement date over the amount an employee must pay to acquire the stock. The Company makes pro forma disclosures of net income and earnings per share as if the fair value based method of accounting had been applied as required by Statement of Financial Accounting Standards No. 123 ("FAS 123"), "Accounting for Stock-Based Compensation".

Earnings Per Share

Basic earnings per share includes no dilution and is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect, in periods in which they have a dilutive effect, the effect of common shares issuable upon exercise of stock options.

Comprehensive Income

Comprehensive income includes net income and revenues, expenses, gains and losses that, under generally accepted accounting principles, are excluded from net income as these amounts are recorded directly as an adjustment to stockholders' equity. The Company's comprehensive income is comprised of net income and foreign currency translation adjustments.

Fair Value of Financial Instruments

The carrying amounts of cash, accounts receivable, and accounts payable approximate fair value because of the immediate or short-term maturity of these financial instruments. The carrying amount reported for long-term debt approximates fair value because certain of the underlying instruments are at variable rates, which are repriced frequently. The remaining portion of long-term debt approximates fair value because the interest approximates current market rates for financial instruments with similar maturities and terms.

New Accounting Pronouncements

(A) In June 2001, the Financial Accounting Standards Board finalized FASB Statements No. 141, Business Combinations ("FAS 141"), and No. 142, Goodwill and Other Intangible Assets ("FAS 142"). FAS 141 requires the use of the purchase method of accounting and prohibits the use of the pooling-of-interests method of accounting for business combinations initiated after June 30, 2001. FAS 141 also

NOTE 1--SIGNIFICANT ACCOUNTING POLICIES--(CONTINUED)

requires that the Company recognize acquired intangible assets apart from goodwill if the acquired intangible assets meet certain criteria. FAS 141 applies to all business combinations initiated after June 30, 2001 and for purchase business combinations completed on or after July 1, 2001. It also requires, upon adoption of FAS 142, that the Company reclassify, if necessary, the carrying amounts of intangible assets and goodwill based on the criteria in FAS 141.

FAS 142 requires, among other things, that companies no longer amortize goodwill, but instead test goodwill for impairment at least annually. In addition, FAS 142 requires that the Company identify reporting units for the purposes of assessing potential future impairments of goodwill, reassess the useful lives of other existing recognized intangible assets, and cease amortization of intangible assets with an indefinite useful life. An intangible asset with an indefinite useful life should be tested for impairment in accordance with the guidance in FAS 142. FAS 142 is required to be applied in fiscal years beginning after December 15, 2001 to all goodwill and other intangible assets recognized at that date, regardless of when those assets were initially recognized. FAS 142 also requires the Company to complete a transitional goodwill impairment test within six months from the date of adoption. The Company is also required to reassess the useful lives of other intangible assets within the first interim quarter after adoption of FAS 142.

Certain of the Company's business combinations effected prior to June 30, 2001 were accounted for using both the pooling-of-interests and purchase methods. The pooling-of-interests method does not result in the recognition of acquired goodwill or other intangible assets. As a result, the adoption of FAS 141 and FAS 142 will not have any effect with respect to the Company's prior transactions that were accounted for under the pooling-of-interests method. However, all future business combinations will be accounted for under the purchase method, which may result in the recognition of goodwill and other intangible assets. With respect to the Company's business combinations that were effected prior to June 30, 2001, using the purchase method of accounting, the net carrying amounts of the resulting goodwill and other intangible assets as of December 29, 2001 were approximately $280,000 and $8,000, respectively. Amortization expense during the year ended December 29, 2001 was $12,900 of which $11,600 was amortization of goodwill and $1,300 was amortization of other intangibles. The Company has estimated that the impact of not amortizing goodwill on the results of operations will be an increase of approximately $0.17 per diluted share in 2002. The Company is still determining the reporting units to be used for its goodwill impairment testing, and accordingly, has not determined the impact, if any, from the results of such testing.

(B) In August 2001, the FASB issued FASB Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets ("FAS 144"). This statement supercedes FASB Statement No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of ("FAS 121") and amends Accounting Principles Board Opinion No. 30, Reporting Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions. FAS 144 retains the fundamental provisions of FAS 121 for recognition and measurement of impairment, but amends the accounting and reporting standards for segments of a business to be disposed of. FAS 144 is effective for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years, with early application encouraged. The provisions of FAS 144 generally are to be applied prospectively. The Company believes that the adoption of FAS 144 will not have a material impact on the Company's financial position or results of operations.

NOTE 2--EARNINGS PER SHARE

A reconciliation of shares used in calculating basic and diluted earnings per share follows:

	Years ended		
	December 29, 2001	December 30, 2000	December 25, 1999
Basic	42,366	41,244	40,585
Effect of assumed conversion of employee stock options ...	1,179	763	853
Diluted	43,545	42,007	41,438

Options to purchase approximately 1,114, 3,011, and 2,485 shares of common stock at prices ranging from $35.50 to $46.00, $19.73 to $46.00, and $24.56 to $46.00 per share that were outstanding during 2001, 2000, and 1999, respectively, were not included in the computation of diluted earnings per share for each of the respective years because the options' exercise prices exceeded the fair market value of the Company's common stock.

NOTE 3--PROPERTY AND EQUIPMENT, NET

Major classes of property and equipment consist of the following:

	December 29, 2001	December 30, 2000
Land	$ 3,540	$ 1,257
Buildings and leasehold improvements	52,257	42,744
Machinery and warehouse equipment	24,016	21,909
Furniture, fixtures and other	27,096	24,888
Computer equipment and software	101,894	76,999
	208,803	167,797
Less accumulated depreciation and amortization ..	90,823	73,134
Net property and equipment	$117,980	$ 94,663

The net book value of equipment held under capital leases amounted to approximately $1,081 and $2,165 as of December 29, 2001 and December 30, 2000, respectively (See Note 14(b)).

NOTE 4--GOODWILL AND OTHER INTANGIBLES, NET

Goodwill and other intangibles, net consist of the following:

	Estimated Lives	December 29, 2001	December 30, 2000
Goodwill	30 years	$ 326,473	$ 319,625
Other	3- 5 years	17,473	16,812
		343,946	336,437
Less accumulated amortization		55,942	44,419
		$ 288,004	$ 292,018

Goodwill represents the excess of the purchase price of acquisitions over the fair value of identifiable net assets acquired. During 2001, the increase in goodwill was primarily due to additional purchase price consideration of approximately $13,300 for a prior year acquisition, net of an impairment loss related to the healthcare distribution business. Other intangibles include covenants not-to-compete, customer lists and deferred financing costs.

NOTE 5--INVESTMENTS AND OTHER

Investments and other consist of the following:

	December 29, 2001	December 30, 2000
Long-term notes receivables (1)	$ 41,214	$ 39,028
Investments in unconsolidated affiliates	4,201	4,791
Other	7,058	12,164
	$ 52,473	$ 55,983

- ----------
(1) Long-term notes receivables include various notes due arising from the sale of certain businesses of approximately $22,251 in 2001 and $21,700 in 2000.

The Company's investment as of December 29, 2001, is a 50% interest in an unconsolidated affiliate, which is involved in the healthcare distribution business. In the fourth quarter of fiscal 2000, the Company sold its 50% interest in HS Pharmaceutical Inc. ("HS Pharmaceutical"), a manufacturer and distributor of generic pharmaceuticals, which resulted in a non-recurring net loss of $1,925 which is included in Equity in earnings (losses) of affiliates.

NOTE 6--BUSINESS ACQUISITIONS

During the year ended December 29, 2001, the Company completed the acquisition of two healthcare distribution businesses, which included the purchase of the remaining 50% interest of an affiliate. Neither of these purchases was considered material either individually or in the aggregate. The two transactions were accounted for under the purchase method of accounting and have been included in the consolidated financial statements from their respective acquisition dates.

In 2000, the Company completed the acquisition of two healthcare distribution businesses and one technology business, none of which were considered material either individually or in the aggregate. Of the three completed acquisitions, two were accounted for under the purchase method of accounting and the remaining acquisition was accounted for under the pooling of interests method of accounting. The Company issued 465,480 shares of its Common Stock, with an aggregate value of approximately $7,900 in connection with the pooling transaction. The transactions completed under the purchase method of accounting have been included in the consolidated financial statements from their respective acquisition dates. The pooling transaction was not material and accordingly, prior period financial statements have not been restated. Results of the acquired company have been included in the consolidated financial statements from the beginning of the second quarter of 2000.

In 1999, the Company completed the acquisition of eight healthcare distribution businesses and one technology business, the most significant of which were transactions accounted for under the purchase method of accounting; General Injectables and Vaccines, Inc. ("GIV") (on December 30, 1998), a leading independent direct marketer of vaccines and other injectables to office based practitioners throughout the United States; and the Heiland Group GmbH ("Heiland") (on December 31, 1998), the largest direct marketer of healthcare supplies to the medical, dental, and veterinarian office-based practitioners in Germany.

GIV and Heiland had 1998 net sales of approximately $120,000 and $130,000, respectively. The purchase price and resultant goodwill, which was being amortized over 30 years, for these acquisitions was approximately $65,000 and $47,400 for GIV, and $60,400 and $55,800 for Heiland, respectively (see Note 9 (a)). The acquisition agreements for GIV provide for additional cash consideration of up to $6,000 per year through 2004, not to exceed $22,500 in total, to be paid if certain profitability targets are met.

Additionally, during 1999, the Company acquired six other companies, which had total sales in 1998 of approximately $74,000 that were accounted for under the purchase method of accounting. Results of operations of the business acquisitions accounted for under the purchase method of accounting have been included in the financial statements commencing with the acquisition dates. The total purchase price of the six companies acquired was approximately, $11,800. The Company also acquired one company, which is being accounted for under the pooling of interests method of accounting, which was not material. In connection with this acquisition, the Company issued 189,833 shares of its Common Stock with an aggregate market value of $6,400. The pooling transaction was not material and accordingly prior period financial statements have not been restated. Results of the pooling transaction acquisition have been included in the consolidated financial statements from the beginning of the quarter in which the acquisition occurred.

Summarized unaudited pro forma results of operations for the acquisitions completed during fiscal 2001 and 2000, which were accounted for under the purchase method of accounting, are not presented as the impact of reflecting the Company's results of operations which assumed the acquisitions occurred as of the beginning of the fiscal 2000 is not material.

NOTE 6--BUSINESS ACQUISITIONS-(CONTINUED)

The Company incurred certain direct costs in connection with the aforementioned acquisitions accounted for under the pooling of interests method of accounting including, in 1998, the H. Meer Dental Supply Co. Inc. ("Meer"), a distributor of consumable dental supplies, and the integration of these and certain other acquired businesses into the Company's infrastructure. These costs, which have been classified as merger and integration costs, are as follows:

	Years ended		
	December 29, 2001	December 30, 2000	December 25, 1999
Direct transaction / merger costs (1)	$ --	$ 585	$4,032
Integration costs:			
Severance and other direct costs	--	--	3,437
Costs associated with the closure of distribution centers (2)	--	--	5,583
Long-lived asset write-off and impairment	--	--	415
Total integration costs	--	--	9,435
Total merger and integration costs	$ --	$ 585	$ 13,467

- ----------

(1) Primarily investment banking and professional fees, including $3,533 related to Meer in 1999 (primarily legal fees resulting from the acquisition).

(2) Primarily rent and consulting fees.

NOTE 6--BUSINESS ACQUISITIONS-(CONTINUED)

The following table shows the activity in the merger and integration accruals:

	Balance at Beginning of Year	Provision	Payments	Applied Against Long-Lived Assets (1)	Adjustments to Reflect Actual Cost	Balance at End of Year
Year ended December 25, 1999:						
Severance and other direct costs...	$ 7,943	$ 4,721	$ (9,686)	$ -	$ (1,284)	$ 1,694
Direct transaction and other integration costs............	14,049	8,340	(9,156)	(6,524)	1,690	8,399
	$ 21,992	$ 13,061	$ (18,842)	$ (6,524)	$ 406	$ 10,093
Year ended December 30, 2000:						
Severance and other direct costs...	$ 1,694	$ -	$ (947)	$ -	$ -	$ 747
Direct transaction and other integration costs............	8,399	585	(4,844)	-	-	4,140
	$ 10,093	$ 585	$ (5,791)	$ -	$ -	$ 4,887
Year ended December 29, 2001:						
Severance and other direct costs...	$ 747	$ -	$ (382)	$ -	$ -	$ 365
Direct transaction and other integration costs............	4,140	-	(1,957)	-	-	2,183
	$ 4,887	$ -	$ (2,339)	$ -	$ -	$ 2,548

- ----------

(1) To reflect specific write-offs relating to amounts previously provided.

As a result of the acquisitions and integration of these and certain other businesses into the Company's infrastructure, 870 employees were terminated through December 25, 1999. Of the 870 terminated employees, 206 received severance during 1999, 37 received severance during 2000, 11 received severance during 2001, and 1 was owed severance at December 29, 2001.

NOTE 7--PLAN OF RESTRUCTURING

On August 1, 2000, the Company announced a comprehensive restructuring plan designed to improve customer service and increase profitability by maximizing the efficiency of the Company's infrastructure. In addition to closing or downsizing certain facilities, this worldwide initiative included the elimination of approximately 300 positions, including open positions, or about 5% of the total workforce, throughout all levels within the organization.

For the year ended December 30, 2000, the Company incurred one-time restructuring costs of approximately $14,439 ($9,270 after taxes), consisting of employee severance pay and benefits, facility closing costs representing primarily lease termination and asset write-off costs, and outside professional and consulting fees directly related to the restructuring plan.

NOTE 7--PLAN OF RESTRUCTURING-(CONTINUED)

The following table shows amounts expensed and paid for restructuring costs that were incurred and accrued in 2000:

	Balance at December 30, 2000	Payments	Adjustments to Reflect Actual Cost	Balance at December 29, 2001
Severance costs (1)	$ 4,007	$(4,106)	$ 732	$ 633
Facility closing costs (2)	3,684	(1,278)	239	2,645
Other professional and consulting costs.	1,157	(145)	(971)	41
	$ 8,848	$(5,529)	$ -	$ 3,319

- ----------

(1) Represents salaries and related benefits for employees separated from the Company.

(2) Represents costs associated with the closing of certain equipment branches (primarily lease termination costs) and property and equipment write-offs.

For the year ended December 30, 2000, 284 employees separated from the Company and received severance payments in 2000. During 2001, 104 of these employees received severance payments, and 6 were owed severance pay and benefits at December 29, 2001. These employees were from nearly all functional areas of the Company's operations.

NOTE 8--BANK CREDIT LINES

At December 29, 2001, certain subsidiaries of the Company had available various short-term bank credit lines totaling approximately $39,850, expiring through January 2004. Borrowings of $4,025 under these credit lines, bear interest rates ranging from 4.00% to 7.25%, and were collateralized by accounts receivable, inventory and property and equipment with an aggregate net book value of $83,110 at December 29, 2001.

NOTE 9--LONG-TERM DEBT

Long-term debt consists of:

	Years ended	
	December 29, 2001	December 30, 2000
Private Placement Loans (a)	$230,000	$230,000
Borrowings under Revolving Credit Agreement (b)	--	10,660
Notes payable to banks, interest at 4.49% to 6.94%, payable in quarterly installments ranging from $59 to $63 through 2019, semi-annual installments of $452 through 2002 and a lump sum payment of $5,423 on January 1, 2002	21,091	21,517
Various loans payable with interest, in varying installments through 2010, uncollateralized	2,517	5,682
Note payable, interest payable quarterly at 5.28% plus a margin; balance due on January 1, 2002	1,644	1,984
Capital lease obligations in various installments through fiscal 2010; interest at 6.0% to 10.1% or varies with prime rate (see Note 14 (b))	2,140	2,460
Total	257,392	272,303
Less current maturities	15,223	6,079
Total long-term debt	$242,169	$266,224

(a) Private Placement Loans

On June 30, 1999, the Company completed a private placement transaction under which it issued $130,000 in Senior Notes, the proceeds of which were used for the permanent financing of its acquisitions of GIV and Heiland, as well as repaying and retiring a portion of four uncommitted bank lines. The notes come due on June 30, 2009 and bear interest at a rate of 6.94% per annum. Interest is payable semi-annually.

On September 25, 1998, the Company completed a private placement transaction under which it issued $100,000 in Senior Notes, the proceeds of which were used to pay down amounts owed under its revolving credit facility. Principal payments totaling $20,000 are due annually starting September 25, 2006 through 2010. The notes bear interest at a rate of 6.66% per annum. Interest is payable semi-annually.

(b) Revolving Credit Agreement

On August 15, 1997, the Company entered into an amended revolving credit agreement which, among other things, increased the maximum available borrowings to $150,000 from $100,000 and extended the term of the agreement to August 15, 2002. The interest rate on any borrowings under the agreement is based on prime, or LIBOR, as defined in the agreement, which were 4.75%, and 4.84%, respectively, at December 29, 2001. There were no borrowings outstanding at December 29, 2001. The agreement provides for a sliding scale fee ranging from 0.1% to 0.3%, based upon certain financial ratios, on any unused portion of the commitment. The agreement also provides, among other things, that the Company will maintain, on a consolidated basis, as defined, a minimum tangible net worth, current cash flow, and interest coverage ratios, a maximum leverage ratio, and contains restrictions relating to annual dividends in excess of $500, guarantees of subsidiary debt, investments in subsidiaries, mergers and acquisitions, liens, capital expenditures, certain changes in ownership and

NOTE 9--LONG-TERM DEBT--(CONTINUED)

employee and shareholder loans. The Company expects to renew the revolving line of credit prior to its scheduled termination in August 2002.

As of December 29, 2001, the aggregate amounts of long-term debt maturing in each of the next five years are as follows: 2002 - $15,223; 2003 - $1,895; 2004 - $1,210; 2005 - $703; 2006 - $20,746.

NOTE 10--TAXES ON INCOME

Taxes on income are based on income before taxes on income, minority interest and equity in earnings (losses) of affiliates as follows:

	Years ended		
	December 29, 2001	December 30, 2000	December 25, 1999
Domestic	$ 140,675	$ 102,777	$ 84,877
Foreign	(324)	(6,243)	4,906
Total	$ 140,351	$ 96,534	$ 89,783

The provision (benefit) for taxes on income was as follows:

	Years ended		
	December 29, 2001	December 30, 2000	December 25, 1999
Current tax expense:			
U.S. Federal	$ 46,225	$ 33,989	$ 28,137
State and local	3,806	2,882	5,579
Foreign	1,607	614	1,860
Total current	51,638	37,485	35,576
Deferred tax expense (benefit):			
U.S. Federal	(162)	(1,046)	954
State and local	234	90	(1,338)
Foreign	220	(379)	397
Total deferred	292	(1,335)	13
Total provision	$ 51,930	$ 36,150	$ 35,589

NOTE 10--TAXES ON INCOME--(CONTINUED)

The tax effects of temporary differences that give rise to the Company's deferred tax asset (liability) are as follows:

	Years ended	
	December 29, 2001	December 30, 2000
Current deferred tax assets:		
Inventory, premium coupon redemptions and accounts receivable valuation allowances	$ 14,433	$ 11,824
Uniform capitalization adjustments to inventories	3,578	3,750
Other accrued liabilities	7,740	5,427
Total current deferred tax asset	25,751	21,001
Non-current deferred tax asset (liability):		
Property and equipment	(12,402)	(8,459)
Provision for other long-term liabilities	(5,198)	(3,001)
Net operating loss carryforward	150	156
Net operating losses of foreign subsidiaries	2,697	2,863
Total non-current deferred tax liability	(14,753)	(8,441)
Valuation allowance for non-current deferred tax assets (1)	(1,850)	(2,686)
Net non-current deferred tax liabilities	(16,603)	(11,127)
Net deferred tax asset	$ 9,148	$ 9,874

- ----------

(1) Primarily relates to operating losses of foreign subsidiaries.

The net deferred tax asset is realizable as the Company has sufficient taxable income in prior years to realize the tax benefit for deductible temporary differences. The non-current deferred liability is included in Other liabilities on the Consolidated Balance Sheets.

At December 29, 2001, the Company has net operating loss carryforwards for Federal income tax purposes of $389, which are available to offset future Federal taxable income through 2010. Foreign net operating losses totaled $8,096 at December 29, 2001. Such losses can be utilized against future foreign income. These losses expire between 2002 and 2011 with $1,674 expiring in 2002.

NOTE 10--TAXES ON INCOME--(CONTINUED)

The tax provisions differ from the amount computed using the Federal statutory income tax rate as follows:

	Years ended		
	December 29, 2001	December 30, 2000	December 25, 1999
Provision at Federal statutory rate	$ 49,122	$ 33,785	$ 31,425
State income taxes, net of Federal income tax effect	2,626	1,874	2,757
Net foreign losses for which no tax benefits are available	597	1,009	196
Foreign income taxed at other than the Federal statutory rate	(6)	448	38
Reduction in valuation allowance	(210)	(1,011)	--
Non-deductible merger and integration costs	--	205	1,329
Other	(199)	(160)	(156)
Income tax provision	$ 51,930	$ 36,150	$ 35,589

Provision has not been made for U.S. or additional foreign taxes on undistributed earnings of foreign subsidiaries. Those earnings have been and will continue to be reinvested. These earnings could become subject to additional tax if they were remitted as dividends, if foreign earnings were loaned to the Company or a U.S. affiliate, or if the Company should sell its stock in the foreign subsidiaries. It is not practicable to determine the amount of additional tax, if any, that might be payable on the foreign earnings; however, the Company believes that foreign tax credits would substantially offset any U.S. tax. At December 29, 2001, the cumulative amount of reinvested earnings was approximately $6,073.

NOTE 11--FINANCIAL INSTRUMENTS AND CREDIT RISK CONCENTRATIONS

(a) Financial Instruments

To reduce its exposure to fluctuations in foreign currencies, the Company is party to foreign currency forward contracts with major financial institutions, which are used to hedge the foreign currency market exposures underlying certain inter-company debt and certain forecasted transactions with foreign vendors.

As of December 29, 2001, the Company had outstanding foreign currency forward contracts aggregating $46,732, of which, $44,077 related to inter-company debt and $2,655 related to the purchase and sale of merchandise from foreign vendors. The contracts hedge against currency fluctuations of British Pounds ($24,145), Euros ($21,071), Australian dollars ($1,294), and New Zealand dollars ($222). As of December 29, 2001, the fair value of these contracts, which are determined by quoted market prices and expire through November 2002, was not material. For the year ended December 29, 2001, the Company recognized an immaterial loss relating to its foreign currency forward contracts.

While the Company is exposed to credit loss in the event of nonperformance by the counter parties of these contracts, the Company does not anticipate nonperformance by the counter parties. The Company does not require collateral or other security to support these financial instruments.

NOTE 11-- FINANCIAL INSTRUMENTS AND CREDIT RISK CONCENTRATIONS--(CONTINUED)

(b) Concentrations of Credit Risk

Certain financial instruments potentially subject the Company to concentrations of credit risk. These financial instruments consist primarily of trade receivables and short-term cash investments. The Company places its short-term cash investments with high credit quality financial institutions and, by policy, limits the amount of credit exposure to any one financial institution. Concentrations of credit risk with respect to trade receivables are limited due to a large customer base and its dispersion across different types of healthcare professionals and geographic areas. The Company maintains an allowance for losses based on the expected collectability of all receivables.

NOTE 12--SEGMENT AND GEOGRAPHIC DATA

The Company has two reportable segments: healthcare distribution and technology. The healthcare distribution segment, which is comprised of the Company's dental, medical, veterinary and international business groups, distributes healthcare products (primarily consumable) and services to office-based healthcare practitioners and professionals in the combined North American and international markets. Products, which are similar for each business group, are maintained and distributed from strategically located distribution centers. The technology segment consists primarily of the Company's practice management software business and certain other value-added products and services that are distributed primarily to healthcare professionals in the North American market.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates segment performance based on operating income.

The Company's reportable segments are strategic business units that offer different products and services, albeit to the same customer base. Most of the technology business was acquired as a unit, and the management at the time of acquisition was retained. The following table presents information about the Company's business segments:

	Years ended		
	December 29, 2001	December 30, 2000	December 25, 1999
Net Sales:			
Healthcare distribution (1):			
Dental	$ 1,106,580	$ 1,073,889	$ 1,047,259
Medical	929,825	794,880	715,210
Veterinary	52,744	56,421	52,050
International (2)	398,071	389,946	403,137
Total healthcare distribution	2,487,220	2,315,136	2,217,656
Technology (3)	71,023	66,585	66,888
Total	$ 2,558,243	$ 2,381,721	$ 2,284,544

- ----------

(1) Consists of consumable products, small equipment, laboratory products, large dental equipment, branded and generic pharmaceuticals, surgical products, diagnostic tests, infection control and vitamins.

(2) Consists of products sold in Dental, Medical and Veterinary markets, primarily in Europe.

(3) Consists of practice management software and other value-added products and services, which are distributed primarily to healthcare professionals in the North American market.

NOTE 12--SEGMENT AND GEOGRAPHIC DATA--(CONTINUED)

	Years ended		
	December 29, 2001	December 30, 2000	December 25, 1999
Operating Income:			
Healthcare distribution (includes merger and integration and restructuring costs of $0, $14,081, and $13,467, respectively)	$ 123,767	$ 88,872	$ 80,467
Technology (includes merger and integration and restructuring costs of $0, $943, and $0, respectively)	23,983	23,717	25,298
Total	$ 147,750	$ 112,589	$ 105,765
Interest Income:			
Healthcare distribution	$ 9,435	$ 5,231	$ 7,811
Technology	2,619	4,424	1,534
Total	$ 12,054	$ 9,655	$ 9,345
Interest Expense:			
Healthcare distribution	$ 18,574	$ 22,611	$ 24,785
Technology	726	1,174	376
Total	$ 19,300	$ 23,785	$ 25,161

	December 29, 2001	December 30, 2000	December 25, 1999
Total Assets:			
Healthcare distribution	$1,355,681	$1,188,098	$1,134,312
Technology	88,590	97,058	110,563
Total	$1,444,271	$1,285,156	$1,244,875
Depreciation and Amortization:			
Healthcare distribution	$ 34,080	$ 32,465	$ 26,355
Technology	1,562	1,297	1,918
Total	$ 35,642	$ 33,762	$ 28,273
Capital Expenditures:			
Healthcare distribution	$ 45,289	$ 28,344	$ 32,639
Technology	838	1,399	1,910
Total	$ 46,127	$ 29,743	$ 34,549

NOTE 12--SEGMENT AND GEOGRAPHIC DATA--(CONTINUED)

The following table reconciles segment totals to consolidated totals as of, and for the years ended December 29, 2001, December 30, 2000, and December 25, 1999:

	2001	2000	1999
Total Assets:			
Total assets for reportable segments	$ 1,444,271	$ 1,285,156	$ 1,244,875
Receivables due from healthcare distribution segment	(57,685)	(46,494)	(36,593)
Receivables due from technology segment	(1,158)	(7,594)	(4,180)
Consolidated total assets	$ 1,385,428	$ 1,231,068	$ 1,204,102
Interest Income:			
Total interest income for reportable segments	$ 12,054	$ 9,655	$ 9,345
Interest on receivables due from healthcare distribution segment	(1,737)	(2,887)	(1,369)
Interest on receivables due from technology segment	(239)	(489)	(199)
Total consolidated interest income	$ 10,078	$ 6,279	$ 7,777
Interest Expense:			
Total interest expense for reportable segments	$ 19,300	$ 23,785	$ 25,161
Interest on payables due to healthcare distribution segment	(239)	(489)	(199)
Interest on payables due to technology segment	(1,737)	(2,887)	(1,369)
Total consolidated interest expense	$ 17,324	$ 20,409	$ 23,593

The following table presents information about the Company by geographic area as of, and for the years ended December 29, 2001, December 30, 2000, and December 25, 1999. Revenues by geographic area are based on the respective locations of the Company's subsidiaries. No individual country, except for the United States, generated net sales greater than 10% of consolidated net sales. There were no material amounts of sales or transfers among geographic areas and there were no material amounts of United States export sales.

	2001		2000		1999	
	Net Sales	Long-Lived Assets	Net Sales	Long-Lived Assets	Net Sales	Long-Lived Assets
North America	$2,179,645	$ 296,858	$2,010,398	$ 271,188	$1,899,188	$ 249,524
Europe and other	378,598	109,126	371,323	115,493	385,356	132,216
Consolidated Total...	$2,558,243	$ 405,984	$2,381,721	$ 386,681	$2,284,544	$ 381,740

The Company's subsidiary located in Germany had long-lived assets of $71,825, $77,995, and $88,050 at December 29, 2001, December 30, 2000, and December 25, 1999, respectively.

NOTE 13--STOCKHOLDERS' EQUITY

(a) Common Stock Purchase Rights

On November 30, 1998, the Company's Board of Directors adopted a Stockholder Rights Plan (the "Rights Plan"), and declared a dividend under the Rights Plan of one common stock purchase right (a "Right") on each outstanding share of the Company's Common Stock. Until the occurrence of certain events, each share of Common Stock that is issued will also have a Right attached to it. The Rights provide, in substance, that should any person or group acquire 15% or more of the outstanding Common Stock of the Company after the date of adoption of the Rights Plan, each Right, other than Rights held by the acquiring person or group, would entitle its holder to purchase a certain number of shares of Common Stock for 50% of the then-current market value of the Common Stock. Unless a 15% acquisition has occurred, the Company may redeem the Rights at any time prior to the termination date of the Rights Plan. This Right to purchase the Common Stock at a discount will not be triggered by a person's or group's acquisition of 15% or more of the Common Stock pursuant to a tender or exchange offer which is for all outstanding shares at a price and on terms that the Board of Directors determines (prior to acquisition) to be adequate and in the stockholders' best interests. In adition, this Right will not be triggered by the positions of existing shareholders.

Certain business combinations with an acquiring person or its affiliates will trigger an additional feature of the Rights. Each Right, (other than Rights held by the acquiring person or group), will entitle its holder to purchase a certain number of shares of the Common Stock of the acquiring person at a price equal to 50% of the market value of such shares at the time of exercise. Initially, the Rights will be attached to, and trade with, the certificates representing the Company's outstanding shares of Common Stock and no separate certificates representing the Rights will be distributed. The Rights will become exercisable only if a person or group acquires, (or commences a tender or exchange offer for), 15% or more of the Company's Common Stock.

The Board of Directors may, at its option redeem all but not less than all of the then outstanding Rights at a redemption price of $0.01 per Right at any time prior to the earlier of (a) any person or group acquiring 15% or more of the Company's Common Stock or (b) the final expiration date of November 30, 2008.

(b) Stock Options

The Company established the 1994 Stock Option Plan for the benefit of certain employees. As amended in June 2001, pursuant to this plan the Company may issue up to approximately 4,445,000 shares of its Common Stock. The Plan provides for two classes of options: Class A options and Class B options. A maximum of 237,897 shares of Common Stock may be covered by Class A options. Both incentive and non-qualified stock options may be issued under the Plan.

In 1995, Class A options to acquire 237,897 common shares were issued to certain executive management at an exercise price of $4.21 per share, substantially all of which became exercisable upon the closing of the Company's initial public offering which was on November 3, 1995. The exercise price of all Class B options issued has been equal to the market price on the date of grant and accordingly no compensation cost has been recognized. Substantially all Class B options become exercisable up to the tenth anniversary of the date of issuance, subject to acceleration upon termination of employment.

On May 8, 1996, the Company's stockholders approved the 1996 Non-Employee Director Stock Option Plan, under which the Company may grant options to each director who is not also an officer or employee of the Company, for up to 50,000 shares of the Company's Common Stock. The exercise price and term, not to exceed

NOTE 13--STOCKHOLDERS' EQUITY - (CONTINUED)

10 years, of each option is determined by the plan committee at the time of the grant. During 2001, 2000, and 1999, 12,000, 0, and 13,000, options, respectively, were granted to certain non-employee directors at exercise prices, which were equal to the market price on the date of grant.

Additionally, in 1997 as a result of the Company's acquisition of Sullivan Dental Products Inc. and Micro Bio-Medics, Inc., the Company assumed their respective stock option plans (the "Assumed Plans"). Options granted under the Assumed Plans of 1,218,000 and 1,117,000, respectively are exercisable for up to ten years from the date of grant at prices not less than the fair market value of the respective acquirees' common stock at the date of grant, on a converted basis.

A summary of the status of the Company's two fixed stock option plans and the Assumed Plans, and the related transactions is presented below:

	Years ended					
	December 29, 2001		December 30, 2000		December 25, 1999	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	4,650,722	$ 24.59	5,439,340	$ 23.53	4,434,173	$ 25.89
Granted	883,600	28.73	93,500	14.77	1,447,935	17.35
Exercised	(736,923)	19.21	(591,245)	11.00	(226,304)	36.22
Forfeited	(151,128)	30.26	(290,873)	29.39	(216,464)	36.76
Outstanding at end of year	4,646,271	$ 26.04	4,650,722	$ 24.59	5,439,340	$ 23.53
Options exercisable at year end	3,722,164	$ 26.53	3,708,213	$ 25.98	3,593,439	$ 23.62

The following table summarizes information about stock options outstanding at December 29, 2001:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 4.21 to $ 16.00	1,117,524	6.5	$ 12.05	875,127	$ 12.00
$ 16.13 to $ 27.00	1,128,233	6.2	$ 22.46	1,081,265	$ 22.49
$ 28.63 to $ 35.71	1,387,390	7.9	$ 30.69	756,019	$ 32.36
$ 36.08 to $ 46.00	1,013,124	6.4	$ 39.09	1,009,753	$ 39.10
	4,646,271	6.8	$ 26.04	3,722,164	$ 26.53

The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations in accounting for its employee stock options. Under APB 25, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

NOTE 13--STOCKHOLDERS' EQUITY - (CONTINUED)

Pro forma information regarding net income and earnings per share is required by FAS 123, and has been determined as if the Company and its acquired subsidiaries had accounted for its employee stock options under the fair value method of FAS 123. The weighted average fair value of options granted during 2001, 2000, and 1999 was $17.05, $8.85, and $9.85, respectively. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 2001, 2000, and 1999: risk-free interest rates of 5.0% for 2001, 6.3% for 2000, and 5.6% for 1999; volatility factor of the expected market price of the Company's Common Stock of 48.0% for 2001, 45.1% for 2000, and 45.8% for 1999, assumed dividend yield of 0% for all years and a weighted-average expected life of the option of 10 years.

Under the accounting provisions of FAS 123, the Company's net income and net income per common share would have been adjusted to the pro forma amounts indicated below:

	Years ended		
	December 29, 2001	December 30, 2000	December 25, 1999
Net income	$ 80,728	$ 48,630	$ 43,012
Net income per common share:			
Basic	$ 1.91	$ 1.18	$ 1.06
Diluted	$ 1.85	$ 1.16	$ 1.04

(c) Employee Benefit Plans

Employee Stock Ownership Plan (ESOP)

In 1994, the Company established an ESOP and a related trust as a benefit for substantially all of its domestic employees. This plan supplements the Company's Profit Sharing Plan, whereby a percentage, as defined, of the profit sharing allocation granted to eligible employees is provided in shares of the Company's Common Stock. Charges to operations related to this plan were $2,378, $2,537, and $2,283 for 2001, 2000, and 1999, respectively, based on the prevailing market price of the Company's Common Stock on the date of issuance. Under this plan, the Company issued 61,997, 121,253, and 101,233 shares of the Company's Common Stock to the trust in 2001, 2000, and 1999, to satisfy the 2000, 1999, and 1998 contribution, respectively. The Company expects to fund the 2001 accrued contribution in 2002 with shares of the Company's Common Stock. As of April 1, 1998 the Company's ESOP was merged into its 401(k) plan. Shares of the Company's Common Stock are held in trust by the 401(k) plan.

Profit Sharing Plan

Prior to April 1, 1998, the Company had qualified contributory and noncontributory 401(k) and profit sharing plans, respectively, for eligible employees. As of April 1, 1998, the Company's profit sharing plan was merged into its 401(k) plan. Assets of the profit sharing plan are now held in self-directed accounts within the 401(k) plan. Contributions to the plans were determined by the Board of Directors and charged to operations during 2001, 2000, and 1999 amounted to $4,099, $7,305, and $6,517, respectively.

NOTE 13--STOCKHOLDER'S EQUITY -- (CONTINUED)

The Company provides a matching 401(k) contribution of 100% of the participants' contributions with respect to the first 7% of the employees' base compensation. Forfeitures attributable to participants who leave the Company before becoming fully vested are used by the Company to reduce the matching contribution.

Supplemental Executive Retirement Plan

In 1994, the Company instituted an unfunded non-qualified supplemental executive retirement plan for eligible employees. The increases in plan value that were charged to operations, were $426, $360, and $617 for 2001, 2000, and 1999, respectively.

NOTE 14--COMMITMENTS AND CONTINGENCIES

(a) Operating Leases

The Company leases facilities and equipment under noncancelable operating leases expiring through 2013. Management expects that in the normal course of business, leases will be renewed or replaced by other leases.

Future minimum annual rental payments under the noncancelable leases at December 29, 2001 are as follows:

2002	$ 19,866
2003	17,087
2004	15,300
2005	13,591
2006	10,547
Thereafter	30,167
Total minimum lease payments	$ 106,558

The future minimum annual rental payments exclude the rent obligations associated with the corporate headquarters as the Company purchased this facility on January 10, 2002.

Total rental expense for 2001, 2000, and 1999 was $26,085, $29,730, and $25,798, respectively.

NOTE 14--COMMITMENTS AND CONTINGENCIES --(CONTINUED)

(b) Capital Leases

The Company leases certain equipment under capital leases. The following is a schedule of approximate future minimum annual lease payments under the capitalized leases together with the present value of the net minimum lease payments at December 29, 2001:

2002	$ 919
2003	556
2004	262
2005	163
2006	154
Thereafter	585
Total minimum lease payments	2,639
Less: Amount representing interest at 6.0% to 10.1%	(499)
	$ 2,140

(c) Litigation

The Company's business involves a risk of product liability claims and other claims in the ordinary course of business, and from time to time the Company is named as a defendant in cases as a result of its distribution of pharmaceutical and other healthcare products. As of December 29, 2001, the Company was named a defendant in approximately 72 product liability cases. Of these claims, 56 involve claims made by healthcare workers who claim allergic reaction relating to exposure to latex gloves. In each of these cases, the Company acted as a distributor of both brand name and "Henry Schein" private brand latex gloves, which were manufactured by third parties. To date, discovery in these cases has generally been limited to product identification issues. The manufacturers in these cases have withheld indemnification of the Company pending product identification; however, the Company is taking steps to implead those manufacturers into each case in which the Company is a defendant. The Company is also a named defendant in nine lawsuits involving the sale of phentermine and fenfluramin. Plaintiffs in the cases allege injuries from the combined use of the drugs known as "Phen/fen." The Company expects to obtain indemnification from the manufacturers of these products, although this is dependent upon, among other things, the financial viability of the manufacturer and their insurers.

In Texas District Court, Travis County, the Company and one of its subsidiaries are defendants in a matter entitled Shelly E. Stromboe & Jeanne N. Taylor, on Behalf of Themselves and All Other Similarly Situated vs. Henry Schein, Inc., Easy Dental Systems, Inc. and Dentisoft, Inc., Case No. 98-00886. This complaint alleges among other things, negligence, breach of contract, fraud and violations of certain Texas commercial statutes involving the sale of certain practice management software products sold prior to 1998 under the Easy Dental(R) name. In October 1999, the Court, on motion, certified both a Windows(R) Sub-Class and a DOS Sub-Class to proceed as a class action pursuant to Tex. R.Civ. P.42. It is estimated that 5,000 Windows(R) customers and 15,000 DOS customers could be covered by the judge's ruling. In November of 1999, the Company filed an interlocutory appeal of the District Court's determination to the Texas Court of Appeals on the issue of whether this case was properly certified as a class action. On September 14, 2000, the Court of Appeals affirmed the District Court's certification order. On January 5, 2001, the Company filed a Petition for Review in the Texas Supreme Court asking this court to find "conflicts jurisdiction" to permit review of the District Court's certification order, which appeal is now pending. On April 5, 2001 the Texas Supreme Court requested that the parties file briefs on the merits.

NOTE 14--COMMITMENTS AND CONTINGENCIES --(CONTINUED)

On August 23, 2001, the Texas Supreme Court dismissed the Company's Petition for Review based on lack of conflicts jurisdiction. The Company filed a motion for rehearing on September 24, 2001 requesting that the Texas Supreme Court reconsider and reverse its finding that it is without conflicts jurisdiction to review the case. On November 8, 2001, the Texas Supreme Court granted the motion for rehearing and withdrew its order of August 23, 2001. The Texas Supreme Court heard oral argument on February 6, 2002. Pending a decision by the Supreme Court on the Petition for Review, a trial on the merits, currently scheduled for July, 2002, will be stayed.

In February 2002, the Company was served with a summons and complaint in an action commenced in the Superior Court of New Jersey, Law Division, Morris County, entitled West Morris Pediatrics, P.A. v. Henry Schein, Inc., doing business as Caligor, no. MRSL-421-02. The complaint by West Morris Pediatrics purports to be on behalf of a nationwide class, but there has been no court determination that the case may proceed as a class action. Plaintiff seeks to represent a class of all physicians, hospitals and other healthcare providers throughout New Jersey and across the United States. This complaint alleges, among other things, breach of oral contract, breach of implied covenant of good faith and fair dealing, violation of the New Jersey Consumer Fraud Act, unjust enrichment, and conversion. The Company has not yet submitted its response to this complaint. The Company intends to vigorously defend itself against this claim, as well as all other claims, suits and complaints.

The Company has various insurance policies, including product liability insurance, covering risks and in amounts it considers adequate. In many cases in which the Company has been sued in connection with products manufactured by others, the Company is provided indemnification by the manufacturer. There can be no assurance that the coverage maintained by the Company is sufficient or will be available in adequate amounts or at a reasonable cost, or that indemnification agreements will provide adequate protection for the Company. In the opinion of the Company, all pending matters are covered by insurance or will not otherwise seriously harm the Company's financial condition.

(d) Employment, Consulting and Noncompete Agreements

The Company has employment, consulting and noncompete agreements expiring through 2006 (except for a lifetime consulting agreement with a principal stockholder which provides for initial compensation of $283 per year, increasing $25 every fifth year beginning in 2002). The agreements provide for varying base aggregate annual payments of approximately $4,946 per year, which decrease periodically to approximately $867 per year. In addition, some agreements have provisions for incentive and additional compensation.

NOTE 15--SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest and income taxes amounted to the following:

	Years ended		
	December 29, 2001	December 30, 2000	December 25, 1999
Interest	$ 17,541	$ 19,810	$ 19,528
Income taxes	$ 37,222	$ 28,219	$ 23,266

The fair value of assets acquired through business acquisitions is indicated in the following table:

	Years ended		
	December 29, 2001	December 30, 2000	December 25, 1999
Fair value of assets acquired, excluding cash	$ 10,074	$ 6,838	$239,278
Less liabilities assumed and created upon acquisition	1,486	--	106,726
Net cash paid	$ 8,588	$ 6,838	$132,552

NOTE 16--QUARTERLY INFORMATION (UNAUDITED)

The following presents certain unaudited quarterly financial data:

	Quarters ended			
	March 31, 2001	June 30, 2001	September 29, 2001	December 29, 2001
Net Sales	$593,895	$606,285	$659,774	$698,289
Gross profit	159,357	166,892	178,856	194,219
Operating income	27,583	35,272	41,875	43,020
Net income	14,132	20,910	25,195	27,136
Net income per share:				
Basic	$ 0.34	$ 0.49	$ 0.59	$ 0.64
Diluted	$ 0.33	$ 0.48	$ 0.58	$ 0.62

	Quarters ended			
	March 25, 2000	June 24, 2000	September 23, 2000	December 30, 2000
Net Sales	$554,139	$568,631	$603,319	$655,632
Gross profit	149,116	158,815	161,951	178,019
Operating income	23,477	30,982	28,944	29,186
Net income	11,398	16,381	16,238	12,732
Net income per share:				
Basic	$ 0.28	$ 0.40	$ 0.39	$ 0.31
Diluted	$ 0.28	$ 0.39	$ 0.39	$ 0.30

The Company's business is subject to seasonal and other quarterly influences. Net sales and operating profits are generally higher in the fourth quarter due to timing of sales of software and equipment, year-end promotions and purchasing patterns of office-based healthcare practitioners and are generally lower in the first quarter due primarily to the increased purchases in the prior quarter. Quarterly results also may be materially affected by a variety of other factors, including the timing of acquisitions and related costs, timing of purchases, special promotional campaigns, fluctuations in exchange rates associated with international operations and adverse weather conditions. In the fourth quarter of 2000, the Company recorded non-recurring after tax losses on business disposals relating to the sale of its United Kingdom practice management software development business unit and sale of its 50% interest in dental anesthetic manufacturer, HS Pharmaceutical of approximately $1,600 and $1,900, respectively. Restructuring charges of approximately $5,400 and $9,000 pretax ($3,400 and $5,900, after taxes) were recorded in the third and fourth quarters of 2000, respectively. Merger and integration charges of approximately $600 were recorded in the first quarter of 2000.

Diluted earnings per share calculations for each quarter include the effect of stock options, when dilutive to the quarter's average number of shares outstanding for each period, and therefore the sum of the quarters may not necessarily be equal to the full year earnings per share amount.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information set forth under the caption "Executive Officers of the Registrant" in Part I of this Annual Report on Form 10-K and the information set forth under the caption "Election of Directors" in the Company's definitive 2002 Proxy Statement to be filed pursuant to Regulation 14A is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is hereby incorporated by reference from the Company's definitive 2002 Proxy Statement to be filed pursuant to Regulation 14A.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item is hereby incorporated by reference from the Company's definitive 2002 Proxy Statement to be filed pursuant to Regulation 14A.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is hereby incorporated by reference from the Company's definitive 2002 Proxy Statement to be filed pursuant to Regulation 14A.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) 1. Financial Statements
The Consolidated Financial Statements of the Company filed as a part of this report are listed on the index on page 28.

2. Financial Statement
Schedules Schedule II No other schedules are required.

3. Exhibits
The exhibits required by Item 601 of Regulation S-K and filed herewith are listed in the Exhibit List immediately preceding the exhibits.

(b) Reports on Form 8-K
None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Melville, State of New York, on March 19, 2002.

Henry Schein, Inc.

By: /s/ STANLEY M. BERGMAN
Stanley M. Bergman Chairman,
Chief Executive Officer and President

Pursuant to the requirements of the Securities Exchange Act of 1934 this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Capacity	Date
/s/ STANLEY BERGMAN Stanley M. Bergman	Chairman, Chief Executive Officer, President and Director (principal executive officer)	March 19, 2002
/s/ STEVEN PALADINO Steven Paladino	Executive Vice President, Chief Financial Officer and Director (principal financial and accounting officer)	March 19, 2002
/s/ JAMES P. BRESLAWSKI James P. Breslawski	Director	March 19, 2002
/s/ GERALD A. BENJAMIN Gerald A. Bejamin	Director	March 19, 2002
/s/ LEONARD A. DAVID Leonard A. David	Director	March 19, 2002
/s/ MARK. E. MLOTEK Mark E. Mlotek	Director	March 19, 2002
/s/ BARRY ALPERIN Barry Alperin	Director	March 19, 2002
/s/ PAMELA JOSEPH Pamela Joseph	Director	March 19, 2002
/s/ DONALD J. KABAT Donald J. Kabat	Director	March 19, 2002
/s/ PHILIP LASKAWY Philip Laskawy	Director	March 19, 2002
/s/ NORMAN MATTHEWS Norman Matthews	Director	March 19, 2002
/s/ MARVIN H. SCHEIN Marvin H. Schein	Director	March 19, 2002
/s/ IRVING SHAFRAN Irving Shafran	Director	March 19, 2002

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Stockholders
Henry Schein, Inc.
Melville, New York

The audits referred to in our report dated March 1, 2002 relating to the consolidated financial statements of Henry Schein, Inc. and subsidiaries, which is contained in ITEM 8 of the Form 10-K included the audit of the financial statement schedule listed in the accompanying index. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement schedule based upon our audits.

In our opinion the financial statement schedule presents fairly, in all material respects, the information set forth therein.

BDO SEIDMAN, LLP

March 1, 2002
New York, New York

Exhibit No.	Description	Page No.
	Unless otherwise indicated, exhibits are incorporated by reference to the correspondingly numbered exhibits in the Company's Registration Statement on Form S-1 (Commission File No. 33-96528).	
3.1	Form of Amended and Restated Articles of Incorporation.	
3.2	Amendments dated November 12, 1997 to Amended and Restated Articles of Incorporation (Incorporated by reference to Exhibit 3.3 to HSI's Annual Report on Form 10-K for the fiscal year ended December 27, 1997).	
3.3	Amendment dated June 16, 1998 to Amended and Restated Articles of Incorporation (Incorporated by reference to Exhibit 3.3 to Henry Schein, Inc.'s Registration on Form S-3, Reg. No. 333-59793).	
3.4	Form of By-laws.	
3.5	Amendments to Amended and Restated By-laws adopted July 15, 1997.(Incorporated by reference to Exhibit 3.3 to Henry Schein, Inc.'s Registration Statement on Form S-4, Reg. No. 33-36081).	
10.1	Amended and Restated HSI Agreement (the "HSI Agreement"), effective as of February 16, 1994, among the Company, Marvin H. Schein, the Trust established by Marvin H. Schein under Trust Agreement dated September 9, 1994, the Charitable Trust established by Marvin H. Schein under Trust Agreement dated September 12, 1994, the Estate of Jacob M. Schein, the Trusts established by Articles Third and Fourth of the Will of Jacob M. Schein, the Trust established by Pamela Joseph under Trust Agreement dated February 9, 1994, the Trust established by Martin Sperber under Trust Agreement dated September 19, 1994, the Trust established by Stanley M. Bergman under Trust Agreement dated September 15, 1994, Pamela Schein, Pamela Joseph, Martin Sperber, Stanley M. Bergman, Steven Paladino and James P. Breslawski (collectively, the "HSI Parties").	
10.2	HSI Registration Rights Agreement dated September 30, 1994, among the Company, Pamela Schein, the Trust established by Pamela Joseph under Trust Agreement dated February 9, 1994, Marvin H. Schein, the Trust established by Marvin H. Schein under Trust Agreement dated December 31, 1993, the Trust established by Marvin H. Schein under Trust Agreement dated September 19, 1994, the Charitable Trust established by Marvin H. Schein under Trust Agreement dated September 12, 1994, Martin Sperber, the Trust established by Martin Sperber under Trust Agreement dated September 19, 1994, Stanley M. Bergman and the Trust.	
10.3	Letter Agreement dated September 30, 1994 to the Company from Marvin H. Schein, Pamela Joseph, and Pamela Schein.	
10.4	Release to the HSI Agreement dated September 30, 1994.	
10.5	Separation Agreement dated as of September 30, 1994 by and between the Company, Schein Pharmaceutical, Inc. and Schein Holdings, Inc.	

Exhibit No.	Description	Page No.
10.6	Restructuring Agreement dated September 30, 1994 among Schein Holdings, Inc., the Company, the Estate of Jacob M. Schein, Marvin H. Schein, the Trust established by Marvin H. Schein under Trust Agreement dated December 31, 1993, the Trust established by Marvin H. Schein under Trust Agreement dated September 9, 1994, the Charitable Trust established by Marvin H. Schein under Trust Agreement dated September 12, 1994, Pamela Schein, Pamela Joseph, the Trust established by Pamela Joseph under Trust Agreement dated February 9, 1994 the Trusts under Articles Third and Fourth of the Will of Jacob M. Schein; Stanley M. Bergman, the Trust established by Stanley M. Bergman under Trust Agreement dated September 15, 1994, Martin Sperber, the Trust established by Martin Sperber under Trust Agreement dated December 31, 1993, and the Trust established by Martin Sperber under Trust Agreement dated September 19, 1994.	
10.7	Agreement and Plan of Corporate Separation and Reorganization dated as of September 30, 1994 among Schein Holdings, Inc., the Company, the Estate of Jacob M. Schein, Marvin H. Schein, the Trust established by Marvin H. Schein under Trust Agreement dated December 31, 1993, the Trust established by Marvin H. Schein under Trust Agreement dated September 9, 1994, the Charitable Trust established by Marvin H. Schein under Trust Agreement dated September 12, 1994, Pamela Schein, the Trust established Article Fourth of the Will of Jacob M. Schein for the benefit of Pamela Schein and her issue under Trust Agreement dated September 29, 1994, Pamela Joseph, the Trust established by Pamela Joseph under Trust Agreement dated February 9, 1994, the Trust established by Pamela Joseph under Trust Agreement dated September 28, 1994 and the Trusts under Articles Third and Fourth of the Will of Jacob M. Schein.	
10.8	Henry Schein, Inc. 1994 Stock Option Plan, as amended and restated effective as of June 6, 2001.**	
10.9	Henry Schein, Inc. Amendment and Restatement of the Supplemental Executive Retirement Plan. **	
10.11	Consulting Agreement dated September 30, 1994 between the Company and Marvin H. Schein.**	
10.13	Amended and Restated Stock Issuance Agreement dated as of December 24, 1992 between the Company and Stanley M. Bergman.**	
10.14	Stock Issuance Agreements dated December 27, 1994 between the Company and various executive officers.**	

Exhibit No.	Description	Page No.
10.15	Form of Henry Schein, Inc. Non-Employee Director Stock Option Plan.**	
10.16	Amended Credit Agreement dated December 15, 1995 among the Company, The Chase Manhattan Bank, N.A., Cooperatieve Centrale Raiffeisen Boerenleenbank, B.A. , New York Branch, Natwest Bank, "Rabobank Nederland", N.A. and European American Bank (Incorporated by reference to the Company's Registration Statement on Form S-1 (Commission File No. 33-96528)).	
10.17	First Amendment to the Amended Credit Agreement dated December 15, 1995 among the Company, The Chase Manhattan Bank, N.A., Natwest Bank, N.A., Rabobank Nederland, and European American Bank.	
10.18	Amendments to the Company's 1994 Stock Option Plan effective as of July 15, 1997.	
10.19	Revolving Credit Agreement (the ("Credit Agreement") dated as of January 31, 1997 among the Company, The Chase Manhattan Bank, Fleet Bank, N.A., Cooperatieve Centrale Raiffeisen Boerenleenbank, B.A., "Rabobank Nederland", New York Branch and European American Bank (Incorporated by reference to Exhibit 10.20 to the Company's Registration Statement on Form S-1 Commission File No. 33-96528)).	
10.20	Employment Agreement dated March 7, 1997, between Bruce J. Haber and the Company (Incorporated by reference to the Company's Registration Statement on Form S-4 (Registration No. 333-30615)).	
10.21	Termination of Employment Agreement, dated March 7, 1997 as revised, between Bruce J. Haber and the Company (Incorporated by reference to Exhibit 10.92 to the Company's Registration Statement on Form S-4 (Registration No. 333-30615)).	
10.22	Amendment dated as of June 30, 1997 to Credit Agreement (Incorporated by reference to Exhibit 10.103 to the Company's Registration Statement on Form S-4 (Commission File No. 333-36081)).	
10.23	Amendment No. 2 and Supplement to Revolving Credit Agreement, dated August 15, 1997 (Incorporated by reference to Exhibit 10.104 to the Company's Registration Statement on Form S-4 (Commission File No. 333-36081)).	
10.24	Lease Agreement dated December 23, 1997, between First Industrial Pennsylvania, L.P. and the Company (Incorporated by reference to Exhibit 10.103 to the Company's 1998 Annual Report on Form 10K).	
10.25	Amendment dated as of May 15, 1998 to Credit Agreement (Incorporated by reference to Exhibit 10.108 to the Company's Quarterly Report on Form 10Q for the quarter ended June 27, 1998).	
10.26	Henry Schein Inc., Senior Executive Group 2002 Performance Incentive Plan Summary. **+	
10.27	Stock Purchase Agreement by and among the Company, New River Management Company, L.L.C., Chiron Corporation and Biological & Popular Culture Inc., dated as of December 8, 1998 (Incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K dated December 31, 1998).	

Exhibit No.	Description	Page No.
10.28	Amendment No. 1, dated as of December 30, 1998, to the Stock Purchase Agreement by and among the Company, New River Management Company, L.L.C., Chiron Corporation and Biological & Popular Culture Inc., dated as of December 8, 1998. (Incorporated by reference to Exhibit 2.2 to the Company's Current Report on Form 8-K dated December 31, 1998).	
10.29	Rights Agreement dated as of November 30, 1998, between the Company, and Continental Stock Transfer and Trust Co. (Incorporated by reference to Exhibit to the Company's Current Report on Form 8-K, dated November 30, 1998).	
10.30	Form of the Note Purchase Agreements between the Company and the Purchasers listed on Schedule A thereto relating to an aggregate of $130,000,000 in principal amount of the Company's 6.94% Senior Notes due June 30, 2009 (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 26, 1999).	
10.31	Form of Change in Control Agreements dated July 1, 2001 between the Company and Gerald Benjamin, James Breslawski, Leonard David, Mark Mlotek, Steven Paladino, Michael Racioppi and Michael Zack, respectively. **+	
10.32	Employment Agreement dated as of January 1, 2000 between the Company and Stanley M. Bergman. **	
10.33	Form of Change in Control Agreement dated July 1, 2001 between the Company and Larry Gibson. **+	
10.34	Form of Note Purchase Agreements between the Company and the Purchasers listed on Schedule A thereto relating to an aggregate of $100,000,000 in principal amount of the Company's 6.66% Senior Notes due July 15, 2010 (Incorporated by reference to Exhibit 10.111 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 26, 1998).	
21.1	List of Subsidiaries of the Company.	
23.1	Consent of BDO Seidman, LLP +	

- ----------

+ Filed herewith

**Indicates management contract or compensatory plan or agreement

Schedule II
Valuation and Qualifying Accounts

Column A	Column B	Column C	Column D	Column E
		Additions		
Description	Balance at beginning of period	Charged to costs and expenses	Deductions	Balance at end of period
Year ended December 25, 1999:				
Allowance for doubtful accounts............	$ 13,207	$ 4,861	$ (5,268)	$ 12,800
Other accounts receivable allowances (1)...	6,929	1,127	(465)	7,591
	$ 20,136	$ 5,988	$ (5,733)	$ 20,391
Year ended December 30, 2000:				
Allowance for doubtful accounts............	$ 12,800	$ 10,065	$ (4,834)	$ 18,031
Other accounts receivable allowances (1)...	7,591	2,095	(161)	9,525
	$ 20,391	$ 12,160	$ (4,995)	$ 27,556
Year ended December 29, 2001:				
Allowance for doubtful accounts............	$ 18,031	$ 8,850	$ (4,479)	$ 22,402
Other accounts receivable allowances (1)...	9,525	1,152	(1,150)	9,527
	$ 27,556	$ 10,002	$ (5,629)	$ 31,929

- ----------
(1) Primarily allowance for sales returns.

Henry Schein, Inc.

Management Team

2002 Performance Incentive Plan

Plan Summary

1. INTRODUCTION

Congratulations on being designated a participant in the Performance Incentive Plan ("PIP," or the "Plan"), Henry Schein's incentive-based cash compensation program for its management team. Plan participants include the entire management team of directors and vice presidents. The Plan has been designed to bind all participants together in a concerted effort to drive our business toward achieving common objectives that benefit the Company as a whole, the management team and each participant. The Plan is specifically designed to:

- Provide each participating management team member ("Participant") with an annual cash bonus opportunity;
- Foster achievement of specific corporate, business unit and individual performance goals ("Goals");
- Recognize and reward Participants for individual and management team achievements; and
- Reward each Participant with a cash Super Bonus, if measurable Company profitability Goals are exceeded.

The PIP cash bonus award, in conjunction with a Participant's base compensation, is intended to provide Participants with competitive total annual cash compensation that is at or above the median for comparable positions at companies in our industry and at other organizations of our size.

2. ELIGIBILITY

The Chief Executive Officer ("CEO") annually determines eligibility for participation in the Plan. Participation is intended to be ongoing. However, changes in assignments may result in a Participant's being ineligible to participate in the Plan. Team Schein Members will be notified at the beginning of each year regarding their eligibility to participate in the Plan.

3. PIP AWARDS

PIP awards are based on:

- The Company's quarterly profitability, specifically measured against earnings per share ("EPS"), net income or other predetermined profitability Goals;
- The level of achievement of the Participant's business unit or functional area of its financial and other performance Goals; and
- Each Participant's achievement of his or her individual Goals.

4. INDIVIDUAL PERFORMANCE GOALS

A Participant's individual performance Goals are classified into three categories:

- Company financial performance,

- Functional area financial performance, and
- MBO performance.

The Company Financial Performance Goals are determined for each quarter, with each quarterly Goal representing, on a stand alone basis, 25% of each Participant's target for the Company Financial Performance component of his or her program. The Functional Financial Performance Goal and the MBO Performance Goal evaluation and analysis will be on an annual basis, unless specified. The PIP award payouts and the Super Bonus award payouts corresponding to levels of achievement of Company Financial Performance Goals are set forth on Exhibits A1 - - A4. The PIP award payouts for meeting or exceeding Functional Area Financial Goals and each Participant's individualized MBO Performance Goals are set forth on Exhibits B and C, respectively.

The CEO and the person to whom the Participant reports ("Manager") will determine the Participant's Goals at the start of each year. A review of these Goals will be an ongoing process. Any changes during the year must be approved by the Manager and, if appropriate, by the CEO. Each Participant and his or her Manager are encouraged to have performance evaluations during the year to monitor progress and, if necessary, to modify Goals (with the approval of the CEO, if appropriate) for the balance of the year.

The following table illustrates performance Goals for different types of management positions:

Performance Goals Based on Position and Role

Management Segment	Range of Performance Goal Categories		
	Functional Financial Performance	Company Financial Performance	MBO Performance
Corporate Management Participants (e.g. Finance, Supply Chain TSM's, etc)	20% - 50%	15% - 30%	40% - 60%
Major Business Unit Participants (e.g. Dental Group, Medical Group, Veterinary Group TSM's, etc.)	60% - 70%	10% - 20%	20% - 30%
Supporting Corporate Function Participants (e.g. Legal Department, Human Resources Department TSM's, etc.)	20% - 30%	10% - 20%	50% - 60%

Note: This schedule is intended to provide guidelines for development of a specific performance plan for each Participant. Final weighting of performance Goals for each Participant will be determined by the Participant's Manager and, if appropriate, approved by the CEO.

5. COMPANY FINANCIAL PERFORMANCE GOALS

Company net income goals will be set for the entire Management Team on a quarterly EPS basis. These are internally developed EPS base Goals as determined by the executive management team. Other metrics to be used as part of the Company's financial performance Goals formula may include pre-tax profits, gross profit improvement from previous periods, etc.

See Exhibits A1 - A4 for PIP award payouts for achieving Company Financial Performance Goals.

6. FUNCTIONAL AREA FINANCIAL PERFORMANCE GOALS

For Participants managing areas that impact a P&L, these Goals are based on the business unit's financial performance measured against annual financial budgets, in the following areas:

- o Group/Divisional contribution dollars.
- o Group/Divisional Pre-Tax income after "service charges."
- o Group/Divisional net income Goals.
- o Pre-Tax Income of operating subsidiaries -- sales, gross profit and operating income Goals.

For Participants with infrastructure or supporting responsibilities, these Goals are based on expense performance relative to the budget (after adjustment for volume of business, if appropriate).

See Exhibit B for PIP award payouts for achieving and exceeding Functional Area Financial Goals.

7. MBO PERFORMANCE GOALS

Specific, measurable MBO Performance Goals will be developed for each Participant. These MBO Performance Goals should drive toward and support four enterprise-wide initiatives: Profitability; Process Excellence; Customer Orientation and Strategic Planning.

- o Profitability - e.g., reduce expenses as a percent of sales; increase business unit sales; reduce inventory.

- o Process Excellence - e.g., implement a new policy; reduce errors to customers; reduce DSO's; increase inventory turns.

- o Customer Satisfaction - e.g., increase frequency of salesperson to customer contacts; implement project to develop TSR screen to aid in positive customer interactions; support internal customer by completing all recruits within a reasonable, predetermined time period; develop customer feedback program, such as surveys and focus groups.

- o Strategic Planning - e.g., develop strategic plan based on individual responsibilities; benchmark Participant's unit against similar companies' functions.

See Exhibit C for PIP award payouts for achieving and exceeding MBO Performance Goals.

8. ACQUISITIONS, NEW BUSINESS VENTURES

Goals will be adjusted for acquisitions and new business ventures that are not initially considered in developing the original Company target, unless otherwise determined by the CEO and the Chief Financial Officer ("CFO"). If this occurs, it will be timely communicated to the Participant and his or her Manager.

9. THE SUPER BONUS

HSI's enhanced PIP program also includes a Super Bonus opportunity.

If the Company as a whole exceeds its quarterly internal EPS base Goals, each Participant has the opportunity to earn a Super Bonus in relation to the COMPANY FINANCIAL PERFORMANCE component of his or her PIP award. See Exhibits A1 - A4 for Super Bonus award payouts for exceeding Company Financial Performance Goals.

10. PLAN AWARDS

During the first fiscal quarter of each year, individual performance for the previous year is evaluated relative to Goals. PIP and Super Bonus awards are determined for each performance category, as applicable. A Participant's total Plan award will equal the sum of the awards earned in each category for the previous year's performance.

In order to receive any PIP or Super Bonus award, Participants must be actively employed on March 15 of the year the Plan award is to be paid out. A prorated Plan award may be available, at the discretion of the CEO, if a Participant in the Plan dies, becomes permanently disabled, retires at the normal retirement age during the Plan year, or in other special circumstances.

PIP and Super Bonus awards, less applicable withholdings, will generally be made by the end of the first fiscal quarter of each year.

THIS SUMMARY IS A GENERAL DESCRIPTION OF THE HENRY SCHEIN, INC. PERFORMANCE INCENTIVE PLAN FOR THE MANAGEMENT TEAM AS OF JANUARY 1, 2002. THIS SUMMARY IS NOT INTENDED TO, NOR DOES IT CONSTITUTE, A CONTRACT OR GUARANTEE OF CONTINUED EMPLOYMENT. THE COMPANY RESERVES THE RIGHT TO CHANGE OR TERMINATE THE PLAN AT ANY TIME WITHOUT NOTICE.

Henry Schein, Inc.
135 Duryea Road
Melville, New York 11747

July 1, 2001

Mr.

Dear :

As you know, the Board of Directors of Henry Schein, Inc. ("HSI" or the "Company") awarded you certain Change in Control protection outlined in the letter agreement dated January 1, 2000 (the "CIC Agreement"). The CIC Agreement was supplemented by a letter dated as of the same date, clarifying certain matters referred to in the CIC Agreement. (Together, the CIC Agreement and supplemental letter are referred to herein as the "2000 Agreement.")

The CIC Agreement provided, generally, for two Change in Control benefits, i.e., a severance benefit set forth in Section 3 of the CIC Agreement, and a cash bonus based on a phantom share award set forth in Section 2 of the CIC Agreement. Under the 2000 Agreement, the severance benefit provisions would continue in full force and effect indefinitely. The cash bonus provisions, by contrast, were to expire on June 30, 2001.

Having concluded that the cash bonus provisions of the CIC Agreement should be extended to December 31, 2002 in a modified form, the Board of Directors of the Company has authorized this letter agreement which (1) carries forward, without alteration, the severance benefit of the 2000 Agreement, and (2) carries forward, in modified form, the cash bonus benefit through December 31, 2002. Accordingly, this letter agreement ("Letter Agreement") amends and restates in its entirety the 2000 Agreement and any and all other prior agreements between you and the Company relating to the subject matter hereof. For ease of reference, changes from the CIC Agreement appear in bold-face italics.

1. Term Of Agreement. THE TERM OF THIS AGREEMENT SHALL COMMENCE ON JULY 1, 2001 (THE "EFFECTIVE DATE") AND CONTINUE IN FULL FORCE AND EFFECT INDEFINITELY;

PROVIDED, HOWEVER, THAT THE PROVISIONS OF SECTION 2 HEREOF SHALL BE OF NO FURTHER FORCE OR EFFECT AFTER DECEMBER 31, 2002, UNLESS A CHANGE IN CONTROL HAS OCCURRED ON OR PRIOR TO SUCH DATE, IN WHICH EVENT, THE PROVISIONS OF SECTION 2 HEREOF SHALL CONTINUE IN FULL FORCE AND EFFECT WITH RESPECT TO SUCH CHANGE IN CONTROL. THE PERIOD FROM THE EFFECTIVE DATE TO DECEMBER 31, 2002 OR SUCH LATER DATE, IF ANY, AS THE COMPANY, IN ITS SOLE DISCRETION, MAY HEREAFTER EXTEND THE PROVISIONS OF SECTION 2 HEREOF, IS HEREINAFTER REFERRED TO AS THE TERM.

2. Entitlement to Cash Bonus. Provided (a) you are then employed by the Company or (b) you were employed by the Company until your employment was terminated by the Company without Cause or by you for Good Reason, in either case, (i) within ninety (90) days prior to the effective date of the Change in Control, or (ii) after the first public announcement of the pendency of the Change in Control, upon the effective date of the Change in Control you shall be entitled to a cash payment equal to the Change in Control Price (as defined), as determined as of such payment date, times ______, such payment to be paid to you no later than 10 days after the effective date of the Change in Control ("Bonus Payment Date"). In the event that the Change in Control Price increases in the 50-day period after the Bonus Payment Date occurs, you shall be entitled to receive an additional payment equal to the product of such increase in the Change in Control Price times ______ such amount payable to you no later than 60 days from the Bonus Payment Date.

3. Entitlement to Severance Benefits.

(a) Cash Severance Benefit. In the event your employment is terminated (a "Termination") by the Company without Cause or by you for Good Reason, in either case within two years following a Change in Control, you shall be entitled to receive the sum of the following, payable in a cash lump sum no later than 15 days after the Termination date: (i) Base Salary through the Termination date; (ii) a pro rata annual incentive award at target for the year in which the Termination occurs, and (iii) an amount equal to 300% of the sum of your Base Salary plus your target annual cash bonus. In addition, notwithstanding the foregoing, in the event your employment is terminated by the Company without Cause or by you for Good Reason, in either case (i) within ninety (90) days prior to the effective date of a Change in Control, or (ii) after the first public announcement of the pendency of the Change in Control, such termination shall, upon the effective date of a Change in Control, be deemed to be a "Termination" covered under the preceding sentence of this Section 3(a), and you shall be entitled to the amounts provided for under the preceding sentence.

(b) Other Severance Benefits. In the event you are entitled to the amounts provided for in Section 3(a) hereof, and notwithstanding anything to the contrary contained in any stock option or restricted stock agreement, you shall also be entitled to the following: (i) immediate vesting of all outstanding stock options to the fullest extent permitted under the applicable stock option plan; (ii) elimination of all

restrictions on any restricted or deferred stock awards outstanding at the time of Termination, (iii) immediate vesting of all restricted or deferred stock awards and non-qualified retirement benefits, (iv) settlement of all deferred compensation arrangements in accordance with any then applicable deferred compensation plan or election form (v) continued participation in all HSI's welfare benefit plans (INCLUDING, WITHOUT LIMITATION, HEALTH COVERAGE AND OTHER BENEFIT PLANS AND PROGRAMS PURSUANT TO WHICH BENEFITS ARE PROVIDED TO YOU AS OF THE TERMINATION DATE) at the same benefit level at which you were participating on the Termination date for a period of 36 months unless and until the date or dates you receive substantially equivalent coverage from a subsequent employer.

(c) Section 280(G) Gross-Up Protection. In the event you become entitled to payments, all or a portion of which become subject to tax imposed under Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") (or any other similar tax, but excluding any income tax of any nature)("Excise Tax"), HSI shall pay you an additional amount ("Gross-Up Payment") such that the amount retained by you after reduction for any Excise Tax (including penalties or interest thereon) equals the amount to be paid to you by HSI hereunder prior to the imposition of such Excise Tax. The amount of the Gross-Up Payment shall be calculated by HSI's independent auditors. In the event that such Gross-Up Payment is finally determined to be less than the amount necessary to provide that the amount to be retained by you after reduction for any Excise Tax (including penalties or interest thereon) equals the amount to be paid to you by HSI hereunder prior to the imposition of such Excise Tax, HSI shall pay an additional amount to you in respect of such deficiency (including any interest and penalties). In the event that such Gross-Up Payment is finally determined to exceed the amount necessary to provide that the amount to be retained by you after reduction for any Excise Tax (including penalties or interest thereon) equals the amount to be paid to you by HSI hereunder prior to the imposition of such Excise Tax, you must promptly repay the entire amount of such excess Gross-Up Payment to HSI.

(d) No Mitigation; No Offset. In the event of any Termination, you shall be under no obligation to seek other employment and no amounts due to you under this Agreement shall be subject to offset due to any remuneration attributable to subsequent employment that you may obtain.

(e) Exclusivity of Severance Payments; Release. In the event you are entitled to the amounts provided for in Section 3(a) hereof, you shall not be entitled to any other severance payments or severance benefits from HSI or any payments by HSI on account of any claim by you of wrongful termination, including claims under any federal, state or local human and civil rights or labor laws. Termination payments and benefits made to you are conditioned upon your execution of a release agreement, in a form reasonably satisfactory to HSI, releasing any and all claims arising out of

your employment (other than enforcement of this Agreement), any rights under HSI's incentive compensation and employee benefit plans, and any claim for any non-employment related tort for personal injury.

4. Definitions. For purposes of this Agreement, the following terms shall have the meanings ascribed to them.

(a) "Base Salary" means the annualized rate of pay in effect on the Termination date, provided that if a reduction in Base Salary is the basis for a Termination for Good Reason, then "Base Salary" shall mean the rate of pay in effect immediately prior to such reduction. AS USED HEREIN, THE TERM "BASE SALARY" INCLUDES, WITHOUT LIMITATION, THE ANNUALIZED RATE OF ANY AUTOMOBILE ALLOWANCE IN EFFECT ON THE DATE OF TERMINATION, AND THE AMOUNT, AS APPLICABLE, OF THE COMPANY'S MATCHING 401(K) CONTRIBUTION AND/OR SUPPLEMENTAL EMPLOYMENT RETIREMENT PLAN CONTRIBUTION FOR THE FULL YEAR PRECEDING THE DATE OF THE CHANGE IN CONTROL.

(b) "Cause" shall exist if: (i) you are convicted of, or plead nolo contendere to, any felony which materially and adversely impacts HSI's financial condition or reputation, (ii) you engage in conduct that constitutes willful gross neglect or willful gross misconduct in carrying out your duties which materially and adversely impacts HSI's financial condition or reputation, or (iii) you violate Section 5 of this Agreement.

(c) A "Change in Control" shall be deemed to occur upon any of the following: (i) acquisition by any one "person" (as such term is defined in ss.3(a)(9) of the Securities and Exchange Act of 1934, as amended, and used in ss.13(d) and 14(d) thereof, including "group" as defined in ss.13(d) thereof) of 33% or more of the Company's voting shares without the prior express approval of the Company's Board of Directors; (ii) acquisition by any one "person" or "group" (as referred to in the preceding sentence) of more than 50% of HSI's voting shares; (iii) directors elected to the Board over any 24 month period not nominated by the HSI Executive Committee represent 30% or more of the total number of directors constituting the Board at the beginning of the period (or such nomination results from an actual or threatened proxy contest); (iv) any merger, consolidation or other corporate combination upon the completion of which HSI shares do not represent more than 50% of the combined voting power of the resulting entity; and (v) upon the sale of all or substantially all of the consolidated assets of HSI, other than a distribution to shareholders.

(d) "Change in Control Price" shall mean an amount in cash, not more than $45, equal to the RESULT OBTAINED BY SUBTRACTING $15 FROM the higher of (i) the amount of cash and fair market value of property that is the

highest price per share paid (including extraordinary dividends) in any transaction triggering the Change in Control or any liquidation of shares following a sale of substantially all assets of the Company, or (ii) the highest fair market value per share at any time during the 60-day period preceding and 60-day period following the Change in Control.

(e) "Confidential Information" shall mean all information concerning the business of HSI relating to any of their products, product development, trade secrets, customers, suppliers, finances, and business plans and strategies. Excluded from the definition of "Confidential Information" is information (i) that is or becomes part of the public domain, other than through your breach of this Agreement, or (ii) regarding HSI's business or industry properly acquired by you in the course of your career as an employee in HSI's industry and independent of your employment by HSI. For this purpose, information known or available generally within the trade or industry of HSI shall be deemed to be known or available to the public.

(f) "Good Reason" shall mean your termination of your employment based upon one or more of the following events (except as a result of a prior termination): (i) any change in your position or responsibilities or assignment of duties materially inconsistent with your status prior to the Change in Control; (ii) following a business combination related to a Change in Control, a failure to offer you a position in the combined business entity, having authority equivalent in scope to the authority in the position held by you in the Company immediately prior to such business combination; (iii) any decrease in your Base Salary, target annual incentive or long-term incentive opportunity; (iv) any breach of the terms of this Agreement by HSI after receipt of written notice from you and a reasonable opportunity to cure such breach; (v) HSI fails to obtain any successor entity's assumption of its obligations to you hereunder; or (vi) the Company requiring you to perform your services as an employee on an ongoing basis at a location more than 75 miles distant from the location at which you perform your services as of the date immediately prior to the Change in Control.

5. Non-Disclosure; Non-Solicitation; Non-Disparagement.

(a) During the Term and thereafter, you shall not, without HSI's prior written consent disclose to anyone (except in good faith in the ordinary course of business) or make use of any Confidential Information except in the performance of your duties hereunder or when required to do so by law. In the event that you are so required by law, you shall give prompt written notice to HSI sufficient to allow HSI the opportunity to object to or otherwise resist such order.

(b) During the Term and for a period of 24 months thereafter, you shall not, without HSI's prior written consent, solicit for employment, whether directly or indirectly, any person who (i) at the time is employed by HSI or any affiliate, or (ii) was employed by HSI or any affiliate within three months prior to such solicitation.

(c) You agree that, during the Term and thereafter (including following any Termination for any reason) you will not make statements or representations, or otherwise communicate, directly or indirectly, in writing, orally, or otherwise, or take any action which may, directly or indirectly, disparage or be damaging to HSI or its respective officers, directors, employees, advisors, businesses or reputations. Notwithstanding the foregoing, nothing in this Agreement shall preclude you from making truthful statements or disclosures that are required by applicable law, regulation or legal process.

6. Resolution of Disputes. Any controversy or claim arising out of or relating to this Agreement or any breach or asserted breach hereof shall be resolved by binding arbitration, to be held at an office closest to HSI's principal offices in accordance with the rules and procedures of the American Arbitration Association. Judgment upon the award rendered by the arbitrator(s) may be entered in any court of competent jurisdiction. Pending the resolution of any arbitration or court proceeding, HSI shall continue payment of all amounts and benefits due you hereunder. All reasonable costs and expenses of any arbitration or court proceeding (including fees and disbursements of counsel) shall be promptly paid on your behalf by HSI; provided, however, that no such expense reimbursement shall be made if and to the extent the arbitrator(s) determine(s) that any of your litigation assertions or defenses were in bad faith or frivolous.

7. Effect of Agreement on Other Benefits. Except as specifically provided in this Agreement, the existence of this Agreement shall not be interpreted to prohibit or restrict your participation in any other employee benefit or other plans or programs in which you currently participate.

8. Not an Employment Agreement. This Agreement is not a contract of employment between you and HSI. HSI may terminate you at any time, subject to the terms hereof or any other agreement that might exist between you and HSI.

9. Assignability; Binding Nature. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, heirs (as applies to you) and permitted assigns. HSI agrees that in the event of a sale or transfer of assets, it shall, as a condition of such sale, require such assignee or transferee to expressly assume HSI's liabilities, obligations and duties hereunder.

10. Governing Law/Jurisdiction. This Agreement shall be governed by and construed and interpreted in accordance with the laws of New York without reference to principles of conflict of laws.

Please acknowledge your acceptance of the terms of this Agreement by executing below and returning a copy to HSI.

HENRY SCHEIN, INC.

By: ______________________________
Stanley M. Bergman
Chairman, President and CEO

Accepted:

Henry Schein, Inc.
135 Duryea Road
Melville, New York 11747

July 1, 2001

Mr.

Dear :

As you know, the Board of Directors of Henry Schein, Inc. ("HSI" or the "Company") awarded you certain Change in Control protection outlined in the letter agreement dated January 1, 2000 (the "CIC Agreement"). The CIC Agreement was supplemented by a letter dated as of the same date, clarifying certain matters referred to in the CIC Agreement. (Together, the CIC Agreement and supplemental letter are referred to herein as the "2000 Agreement.")

The CIC Agreement provided, generally, for two Change in Control benefits, i.e., a severance benefit set forth in Section 3 of the CIC Agreement, and a cash bonus based on a phantom share award set forth in Section 2 of the CIC Agreement. Under the 2000 Agreement, the severance benefit provisions would continue in full force and effect indefinitely. The cash bonus provisions, by contrast, were to expire on June 30, 2001.

Having concluded that the cash bonus provisions of the CIC Agreement should be extended to December 31, 2002 in a modified form, the Board of Directors of the Company has authorized this letter agreement which (1) carries forward, without alteration, the severance benefit of the 2000 Agreement, and (2) carries forward, in modified form, the cash bonus benefit through December 31, 2002. Accordingly, this letter agreement ("Letter Agreement") amends and restates in its entirety the 2000 Agreement and any and all other prior agreements between you and the Company relating to the subject matter hereof. For ease of reference, changes from the CIC Agreement appear in bold-face italics.

1. Term Of Agreement. THE TERM OF THIS AGREEMENT SHALL COMMENCE ON JULY 1, 2001 (THE "EFFECTIVE DATE") AND CONTINUE IN FULL FORCE AND EFFECT INDEFINITELY;

PROVIDED, HOWEVER, THAT THE PROVISIONS OF SECTION 2 HEREOF SHALL BE OF NO FURTHER FORCE OR EFFECT AFTER DECEMBER 31, 2002, UNLESS A CHANGE IN CONTROL HAS OCCURRED ON OR PRIOR TO SUCH DATE, IN WHICH EVENT, THE PROVISIONS OF SECTION 2 HEREOF SHALL CONTINUE IN FULL FORCE AND EFFECT WITH RESPECT TO SUCH CHANGE IN CONTROL. THE PERIOD FROM THE EFFECTIVE DATE TO DECEMBER 31, 2002 OR SUCH LATER DATE, IF ANY, AS THE COMPANY, IN ITS SOLE DISCRETION, MAY HEREAFTER EXTEND THE PROVISIONS OF SECTION 2 HEREOF, IS HEREINAFTER REFERRED TO AS THE TERM.

2. Entitlement to Cash Bonus. Provided (a) you are then employed by the Company or (b) you were employed by the Company until your employment was terminated by the Company without Cause or by you for Good Reason, in either case, (i) within ninety (90) days prior to the effective date of the Change in Control, or (ii) after the first public announcement of the pendency of the Change in Control, upon the effective date of the Change in Control you shall be entitled to a cash payment equal to the Change in Control Price (as defined), as determined as of such payment date, times ______, such payment to be paid to you no later than 10 days after the effective date of the Change in Control ("Bonus Payment Date"). In the event that the Change in Control Price increases in the 50-day period after the Bonus Payment Date occurs, you shall be entitled to receive an additional payment equal to the product of such increase in the Change in Control Price times ______ such amount payable to you no later than 60 days from the Bonus Payment Date.

3. Entitlement to Severance Benefits.

(a) Cash Severance Benefit. In the event your employment is terminated (a "Termination") by the Company without Cause or by you for Good Reason, in either case within two years following a Change in Control, you shall be entitled to receive the sum of the following, payable in a cash lump sum no later than 15 days after the Termination date: (i) Base Salary through the Termination date; (ii) a pro rata annual incentive award at target for the year in which the Termination occurs, and (iii) an amount equal to 200% of the sum of your Base Salary plus your target annual cash bonus. In addition, notwithstanding the foregoing, in the event your employment is terminated by the Company without Cause or by you for Good Reason, in either case (i) within ninety (90) days prior to the effective date of a Change in Control, or (ii) after the first public announcement of the pendency of the Change in Control, such termination shall, upon the effective date of a Change in Control, be deemed to be a "Termination" covered under the preceding sentence of this Section 3(a), and you shall be entitled to the amounts provided for under the preceding sentence.

(b) Other Severance Benefits. In the event you are entitled to the amounts provided for in Section 3(a) hereof, and notwithstanding anything to the contrary contained in any stock option or restricted stock agreement, you shall also be entitled to the following: (i) immediate vesting of all outstanding stock options to the fullest extent permitted under the applicable stock option plan; (ii) elimination of all

restrictions on any restricted or deferred stock awards outstanding at the time of Termination, (iii) immediate vesting of all restricted or deferred stock awards and non-qualified retirement benefits, (iv) settlement of all deferred compensation arrangements in accordance with any then applicable deferred compensation plan or election form (v) continued participation in all HSI's welfare benefit plans (INCLUDING, WITHOUT LIMITATION, HEALTH COVERAGE AND OTHER BENEFIT PLANS AND PROGRAMS PURSUANT TO WHICH BENEFITS ARE PROVIDED TO YOU AS OF THE TERMINATION DATE) at the same benefit level at which you were participating on the Termination date for a period of 24 months unless and until the date or dates you receive substantially equivalent coverage from a subsequent employer.

(c) Section 280(G) Gross-Up Protection. In the event you become entitled to payments, all or a portion of which become subject to tax imposed under Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") (or any other similar tax, but excluding any income tax of any nature)("Excise Tax"), HSI shall pay you an additional amount ("Gross-Up Payment") such that the amount retained by you after reduction for any Excise Tax (including penalties or interest thereon) equals the amount to be paid to you by HSI hereunder prior to the imposition of such Excise Tax. The amount of the Gross-Up Payment shall be calculated by HSI's independent auditors. In the event that such Gross-Up Payment is finally determined to be less than the amount necessary to provide that the amount to be retained by you after reduction for any Excise Tax (including penalties or interest thereon) equals the amount to be paid to you by HSI hereunder prior to the imposition of such Excise Tax, HSI shall pay an additional amount to you in respect of such deficiency (including any interest and penalties). In the event that such Gross-Up Payment is finally determined to exceed the amount necessary to provide that the amount to be retained by you after reduction for any Excise Tax (including penalties or interest thereon) equals the amount to be paid to you by HSI hereunder prior to the imposition of such Excise Tax, you must promptly repay the entire amount of such excess Gross-Up Payment to HSI.

(d) No Mitigation; No Offset. In the event of any Termination, you shall be under no obligation to seek other employment and no amounts due to you under this Agreement shall be subject to offset due to any remuneration attributable to subsequent employment that you may obtain.

(e) Exclusivity of Severance Payments; Release. In the event you are entitled to the amounts provided for in Section 3(a) hereof, you shall not be entitled to any other severance payments or severance benefits from HSI or any payments by HSI on account of any claim by you of wrongful termination, including claims under any federal, state or local human and civil rights or labor laws. Termination payments and benefits made to you are conditioned upon your execution of a release agreement, in a form reasonably satisfactory to HSI, releasing any and all claims arising out of

your employment (other than enforcement of this Agreement), any rights under HSI's incentive compensation and employee benefit plans, and any claim for any non-employment related tort for personal injury.

4. Definitions. For purposes of this Agreement, the following terms shall have the meanings ascribed to them.

(a) "Base Salary" means the annualized rate of pay in effect on the Termination date, provided that if a reduction in Base Salary is the basis for a Termination for Good Reason, then "Base Salary" shall mean the rate of pay in effect immediately prior to such reduction. AS USED HEREIN, THE TERM "BASE SALARY" INCLUDES, WITHOUT LIMITATION, THE ANNUALIZED RATE OF ANY AUTOMOBILE ALLOWANCE IN EFFECT ON THE DATE OF TERMINATION, AND THE AMOUNT, AS APPLICABLE, OF THE COMPANY'S MATCHING 401(K) CONTRIBUTION AND/OR SUPPLEMENTAL EMPLOYMENT RETIREMENT PLAN CONTRIBUTION FOR THE FULL YEAR PRECEDING THE DATE OF THE CHANGE IN CONTROL.

(b) "Cause" shall exist if: (i) you are convicted of, or plead nolo contendere to, any felony which materially and adversely impacts HSI's financial condition or reputation, (ii) you engage in conduct that constitutes willful gross neglect or willful gross misconduct in carrying out your duties which materially and adversely impacts HSI's financial condition or reputation, or (iii) you violate Section 5 of this Agreement.

(c) A "Change in Control" shall be deemed to occur upon any of the following: (i) acquisition by any one "person" (as such term is defined in ss.3(a)(9) of the Securities and Exchange Act of 1934, as amended, and used in ss.13(d) and 14(d) thereof, including "group" as defined in ss.13(d) thereof) of 33% or more of the Company's voting shares without the prior express approval of the Company's Board of Directors; (ii) acquisition by any one "person" or "group" (as referred to in the preceding sentence) of more than 50% of HSI's voting shares; (iii) directors elected to the Board over any 24 month period not nominated by the HSI Executive Committee represent 30% or more of the total number of directors constituting the Board at the beginning of the period (or such nomination results from an actual or threatened proxy contest); (iv) any merger, consolidation or other corporate combination upon the completion of which HSI shares do not represent more than 50% of the combined voting power of the resulting entity; and (v) upon the sale of all or substantially all of the consolidated assets of HSI, other than a distribution to shareholders.

(d) "Change in Control Price" shall mean an amount in cash, not more than $45, equal to the RESULT OBTAINED BY SUBTRACTING $15 FROM the higher of (i) the amount of cash and fair market value of property that is the

highest price per share paid (including extraordinary dividends) in any transaction triggering the Change in Control or any liquidation of shares following a sale of substantially all assets of the Company, or (ii) the highest fair market value per share at any time during the 60-day period preceding and 60-day period following the Change in Control.

(e) "Confidential Information" shall mean all information concerning the business of HSI relating to any of their products, product development, trade secrets, customers, suppliers, finances, and business plans and strategies. Excluded from the definition of "Confidential Information" is information (i) that is or becomes part of the public domain, other than through your breach of this Agreement, or (ii) regarding HSI's business or industry properly acquired by you in the course of your career as an employee in HSI's industry and independent of your employment by HSI. For this purpose, information known or available generally within the trade or industry of HSI shall be deemed to be known or available to the public.

(f) "Good Reason" shall mean your termination of your employment based upon one or more of the following events (except as a result of a prior termination): (i) any change in your position or responsibilities or assignment of duties materially inconsistent with your status prior to the Change in Control; (ii) following a business combination related to a Change in Control, a failure to offer you a position in the combined business entity, having authority equivalent in scope to the authority in the position held by you in the Company immediately prior to such business combination; (iii) any decrease in your Base Salary, target annual incentive or long-term incentive opportunity; (iv) any breach of the terms of this Agreement by HSI after receipt of written notice from you and a reasonable opportunity to cure such breach; (v) HSI fails to obtain any successor entity's assumption of its obligations to you hereunder; or (vi) the Company requiring you to perform your services as an employee on an ongoing basis at a location more than 75 miles distant from the location at which you perform your services as of the date immediately prior to the Change in Control.

5. Non-Disclosure; Non-Solicitation; Non-Disparagement.

(a) During the Term and thereafter, you shall not, without HSI's prior written consent disclose to anyone (except in good faith in the ordinary course of business) or make use of any Confidential Information except in the performance of your duties hereunder or when required to do so by law. In the event that you are so required by law, you shall give prompt written notice to HSI sufficient to allow HSI the opportunity to object to or otherwise resist such order.

(b) During the Term and for a period of 24 months thereafter, you shall not, without HSI's prior written consent, solicit for employment, whether directly or indirectly, any person who (i) at the time is employed by HSI or any affiliate, or (ii) was employed by HSI or any affiliate within three months prior to such solicitation.

(c) You agree that, during the Term and thereafter (including following any Termination for any reason) you will not make statements or representations, or otherwise communicate, directly or indirectly, in writing, orally, or otherwise, or take any action which may, directly or indirectly, disparage or be damaging to HSI or its respective officers, directors, employees, advisors, businesses or reputations. Notwithstanding the foregoing, nothing in this Agreement shall preclude you from making truthful statements or disclosures that are required by applicable law, regulation or legal process.

6. Resolution of Disputes. Any controversy or claim arising out of or relating to this Agreement or any breach or asserted breach hereof shall be resolved by binding arbitration, to be held at an office closest to HSI's principal offices in accordance with the rules and procedures of the American Arbitration Association. Judgment upon the award rendered by the arbitrator(s) may be entered in any court of competent jurisdiction. Pending the resolution of any arbitration or court proceeding, HSI shall continue payment of all amounts and benefits due you hereunder. All reasonable costs and expenses of any arbitration or court proceeding (including fees and disbursements of counsel) shall be promptly paid on your behalf by HSI; provided, however, that no such expense reimbursement shall be made if and to the extent the arbitrator(s) determine(s) that any of your litigation assertions or defenses were in bad faith or frivolous.

7. Effect of Agreement on Other Benefits. Except as specifically provided in this Agreement, the existence of this Agreement shall not be interpreted to prohibit or restrict your participation in any other employee benefit or other plans or programs in which you currently participate.

8. Not an Employment Agreement. This Agreement is not a contract of employment between you and HSI. HSI may terminate you at any time, subject to the terms hereof or any other agreement that might exist between you and HSI.

9. Assignability; Binding Nature. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, heirs (as applies to you) and permitted assigns. HSI agrees that in the event of a sale or transfer of assets, it shall, as a condition of such sale, require such assignee or transferee to expressly assume HSI's liabilities, obligations and duties hereunder.

10. Governing Law/Jurisdiction. This Agreement shall be governed by and construed and interpreted in accordance with the laws of New York without reference to principles of conflict of laws.

Please acknowledge your acceptance of the terms of this Agreement by executing below and returning a copy to HSI.

HENRY SCHEIN, INC.

By: ______________________________
Stanley M. Bergman
Chairman, President and CEO

Accepted:

Consent of Independent Certified Public Accountants

Henry Schein, Inc.
Melville, New York

We hereby consent to the incorporation by reference to the Registration Statements of Henry Schein, Inc. and Subsidiaries (the "Company") on Forms S-3 dated February 28, 2001, August 22, 2000 and October 5, 1999 and Forms S-8 dated April 19, 2000, November 10, 1997, August 8, 1997, and June 7, 1996, filed with the Securities and Exchange Commission, respectively, of our reports dated March 1, 2002 on the consolidated financial statements and schedule of the Company appearing in the Annual Report on Form 10-K as of and for the year ended December 29, 2001.

BDO Seidman, LLP
New York, New York
March 19, 2002