UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

/X/ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the period ended June 24, 2000

OR

/ / 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	11-3136595
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

135 Duryea Road
Melville, New York
(Address of principal executive offices)

11747
(Zip Code)

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

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

As of August 3, 2000 there were 41,286,794 shares of the Registrant's Common Stock outstanding.

HENRY SCHEIN, INC. AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS

PART 1. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

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

	June 24, 2000 (unaudited)	December 25, 1999 (audited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 45,900	$ 26,019
Accounts receivable, less reserves of $21,685 and $20,391, respectively	357,215	388,063
Inventories	274,668	285,590
Deferred income taxes	18,435	15,520
Prepaid expenses and other	62,109	63,617
Total current assets	758,327	778,809
Property and equipment, net of accumulated depreciation and amortization of $67,196 and $60,702, respectively	87,489	86,627
Goodwill and other intangibles, net of accumulated amortization of $37,937 and $31,356, respectively	283,389	295,113
Investments and other	41,702	43,553
	$ 1,170,907	$ 1,204,102
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 183,586	$ 198,983
Bank credit lines	37,730	41,527
Accruals:		
Salaries and related expenses	32,650	31,188
Merger and integration costs	6,729	10,093
Other	64,136	64,710
Current maturities of long-term debt	5,484	3,879
Total current liabilities	330,315	350,380
Long-term debt	280,128	318,218
Other liabilities	11,855	9,782
Total liabilities	622,298	678,380
Minority interest	8,324	7,855
Stockholders' equity:		
Common stock, $.01 par value, authorized 120,000,000, issued: 41,276,794 and 40,768,306, respectively	413	407
Additional paid-in capital	362,529	361,757
Retained earnings	196,060	167,809
Treasury stock, at cost, 62,479 shares	(1,156)	(1,156)
Accumulated comprehensive loss	(17,032)	(10,359)
Deferred compensation	(529)	(591)
Total stockholders' equity	540,285	517,867
	$ 1,170,907	$ 1,204,102

See accompanying notes to consolidated financial statements.

HENRY SCHEIN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

	Three Months Ended		Six Months Ended	
	June 24, 2000	June 26, 1999	June 24, 2000	June 26, 1999
Net sales	$ 568,174	$ 559,310	$ 1,121,984	$ 1,095,645
Cost of sales	385,443	385,260	770,049	758,178
Gross profit	182,731	174,050	351,935	337,467
Operating expenses:				
Selling, general and administrative	151,164	142,001	296,891	281,770
Merger and integration costs	585	5,271	585	7,474
Operating income	30,982	26,778	54,459	48,223
Other income (expense):				
Interest income	924	1,488	2,020	3,821
Interest expense	(4,847)	(5,316)	(10,699)	(11,040)
Other - net	(495)	297	(646)	108
Income before taxes on income, minority interest and equity in earnings (losses) of affiliates	26,564	23,247	45,134	41,112
Taxes on income	9,774	8,958	16,552	16,085
Minority interest in net income of subsidiaries	549	322	1,037	919
Equity in earnings (losses) of affiliates	140	(630)	234	(858)
Net income	$ 16,381	$ 13,337	$ 27,779	$ 23,250
Net income per common share:				
Basic	$ 0.40	$ 0.33	$ 0.68	$ 0.57
Diluted	$ 0.39	$ 0.32	$ 0.67	$ 0.56
Weighted average common shares outstanding:				
Basic	41,204	40,491	40,959	40,456
Diluted	41,702	41,547	41,401	41,621

See accompanying notes to consolidated financial statements.

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

	Six Months Ended June 24, 2000	Six Months Ended June 26, 1999
Cash flows from operating activities:		
Net income	$ 27,779	$ 23,250
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	15,950	14,729
Provision (benefit) for losses and allowances on accounts receivable	1,294	(530)
(Benefit) provision for deferred income taxes	(654)	949
Undistributed (earnings) losses of affiliates	(234)	858
Minority interest in net income of subsidiaries	1,037	919
Other	--	(144)
Changes in operating assets and liabilities (net of acquisitions):		
Decrease in accounts receivable	26,190	2,910
Decrease in inventories	7,331	19,200
Decrease in other current assets	815	10,071
Decrease in accounts payable and accruals	(14,163)	(66,953)
Net cash provided by operating activities	65,345	5,259
Cash flows from investing activities:		
Capital expenditures	(11,573)	(11,731)
Business acquisitions, net of cash acquired	(1,171)	(127,319)
Proceeds from sale of fixed assets	--	6,402
Other	1,135	2,183
Net cash used in investing activities	(11,609)	(130,465)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	--	491
Principal payments on long-term debt	(2,762)	(10,680)
Proceeds from common stock options exercised by employees under stock option plans	545	5,062
Proceeds from borrowings from banks	5,661	135,508
Payments on borrowings from banks	(39,982)	(2,211)
Other	960	(6,111)
Net cash (used in) provided by financing activities	(35,578)	122,059
Net increase (decrease) in cash and cash equivalents	18,158	(3,147)
Effect of exchange rate changes on cash and cash equivalents	1,723	--
Cash and cash equivalents, beginning of period	26,019	28,222
Cash and cash equivalents, end of period	$ 45,900	$ 25,075

See accompanying notes to consolidated financial statements.

HENRY SCHEIN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except employee and share data)
(unaudited)

Note 1. Basis of Presentation

The consolidated financial statements include the accounts of Henry Schein, Inc. and its wholly-owned and majority-owned subsidiaries (collectively, the "Company").

In the opinion of the Company's management, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the information set forth therein. These consolidated financial statements are condensed and therefore do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The consolidated financial statements should be read in conjunction with the Company's consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 25, 1999. The Company follows the same accounting policies in preparation of interim reports. The results of operations for the six months ended June 24, 2000 are not necessarily indicative of the results to be expected for the fiscal year ending December 30, 2000, or any other period.

Note 2. Business Acquisitions

During the six months ended June 24, 2000, the Company completed three acquisitions. None of the acquisitions completed in 2000 were material. 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 has been included in the consolidated financial statements from the beginning of the second quarter of 2000.

During the six months ended June 26, 1999 the Company completed eight acquisitions. The 1999 completed acquisitions included General Injectables and Vaccines, Inc. ("GIV"), through the purchase of all of the outstanding common stock of Biological and Popular Culture, Inc., a leading independent direct marketer of vaccines and other injectables to office-based practitioners throughout the United States; and the Heiland Group GmbH ("Heiland"), the largest direct marketer of healthcare supplies to medical, dental and veterinary office-based practitioners, in Germany. Of the eight completed acquisitions, seven 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 transaction was not material and has been included in the consolidated financial statements from the beginning of the first quarter of 1999. Due to the closing dates of the GIV and Heiland acquisitions, which occurred on December 30, 1998 and December 27, 1998, respectively, there were no material differences between actual and pro forma results of operations.

(in thousands, except employee and share data)

Note 2. Business Acquisitions - (Continued)

In connection with the 2000, 1999 and 1998 acquisitions accounted for under the pooling of interests method, the Company incurred certain merger and integration costs during the three and six months ended June 24, 2000 and June 26, 1999 of approximately $585 and $585, and $5,271 and $7,474, respectively. These costs consist primarily of compensation and rent as well as other integration costs associated with these mergers. Net of taxes, for the three and six months ended June 24, 2000 and June 26, 1999, merger and integration costs were approximately $0.02 and $0.02 per share, and $0.07 and $0.11 per share, respectively, on a diluted basis.

The following table shows amounts expensed, paid and charged against the merger and integration accrual during the six months ended June 24, 2000:

	Balance at December 25, 1999	Provision	Payments	Balance at June 24, 2000
Severance and other direct costs..............	$ 1,694	$ --	$ 748	$ 946
Direct transaction and other integration costs	8,399	585	3,201	5,783
	$ 10,093	$ 585	$ 3,949	$ 6,729

For the six months ended June 24, 2000, 39 employees received severance and 17 were owed severance at June 24, 2000.

Note 3. Comprehensive Income

Net comprehensive income for the three and six months ended June 24, 2000 and June 26, 1999 is as follows:

	Three Months Ended		Six Months Ended	
	June 24, 2000	June 26, 1999	June 24, 2000	June 26, 1999
Net income	$ 16,381	$ 13,337	$ 27,779	$ 23,250
Foreign currency translation adjustments ...	(3,259)	(2,792)	(6,673)	(6,476)
Net comprehensive income	$ 13,122	$ 10,545	$ 21,106	$ 16,774

(in thousands, except employee and share data)

Note 4. Segment 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, European and the Pacific Rim markets. 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'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 tables present information about the Company's business segments:

	Three Months Ended		Six Months Ended	
	June 24, 2000	June 26, 1999	June 24, 2000	June 26, 1999
Net Sales:				
Healthcare distribution (1):				
Dental	$ 265,408	$ 260,632	$ 520,196	$ 513,885
Medical	173,454	162,530	342,329	320,605
Veterinary	14,305	13,508	27,762	26,197
International (2)	97,455	104,113	197,410	202,431
Total healthcare distribution	550,622	540,783	1,087,697	1,063,118
Technology (3)	17,552	18,527	34,287	32,527
	$ 568,174	$ 559,310	$ 1,121,984	$ 1,095,645

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(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 groups in European and Pacific Rim markets.

(3) Consists of practice management software and other value-added products and services.

(in thousands, except employee and share data)

Note 4. Segment Data -- (Continued)

	Three Months Ended		Six Months Ended	
	June 24, 2000	June 26, 1999	June 24, 2000	June 26, 1999
Operating income:				
Healthcare distribution (includes merger and integration costs of $0 and $5,271, and $0 and $7,474, respectively)	$ 25,082	$ 19,038	$ 42,391	$ 35,994
Technology (includes merger and integration costs of $585 and $0, and $585 and $0, respectively)	5,900	7,740	12,068	12,229
Total	$ 30,982	$ 26,778	$ 54,459	$ 48,223

	Six Months Ended	
	June 24, 2000	June 26, 1999
Total assets:		
Healthcare distribution	$ 1,137,551	$ 1,125,163
Technology	83,689	51,014
Total assets for reportable segments	1,221,240	1,176,177
Receivables due from healthcare distribution segment	(44,752)	(27,601)
Receivables due from technology segment	(5,581)	(2,867)
Consolidated total assets	$ 1,170,907	$ 1,145,709

Note 5. Earnings per Share

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

	Three Months Ended		Six Months Ended	
	June 24, 2000	June 26, 1999	June 24, 2000	June 26, 1999
Basic	41,204	40,491	40,959	40,456
Effect of assumed conversion of employee stock options	498	1,056	442	1,165
Diluted	41,702	41,547	41,401	41,621

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Three Months Ended June 24, 2000 compared to Three Months Ended June 26, 1999

Net sales increased $8.9 million, or 1.6%, to $568.2 million for the three months ended June 24, 2000 from $559.3 million for the three months ended June 26, 1999. Net sales of the Company's healthcare distribution business increased approximately $9.8 million, or 1.8%. As part of this increase approximately $10.9 million represented a 6.7% increase in the Company's medical business, $4.8 million represented a 1.8% increase in its dental business, $0.8 million represented a 5.9% increase in its veterinary business, and $(6.7) million represented a 6.4% decrease in its international business. The increase in medical net sales is primarily attributable to telesales and marketing activities, partially offset by a decrease in sales to hospitals. The increase in dental net sales was primarily due to improved dental consumable merchandise sales. 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 foreign exchange rates offset partially by increased account penetration in France, Germany and Spain. Unfavorable exchange rate translation adjustments decreased net sales in the international market by $9.4 million. Had net sales for the international market been translated at the same rates in effect during the second quarter of 1999, international net sales would have increased by 2.6%. The technology business decreased $0.9 million, or 4.8%, to $17.6 million for the three months ended June 24, 2000, from $18.5 million for the three months ended June 26, 1999. The decrease in technology and value-added product net sales was primarily due to lower sales of non-software related value-added services. Excluding value-added services, net sales were up 7.0% in the Company's practice management software and related technologies business when compared to the second quarter of 1999.

Gross profit increased by $8.6 million, or 4.9%, to $182.7 million for the three months ended June 24, 2000 from $174.1 million for the three months ended June 26, 1999. Gross profit margin increased 1.1% to 32.2% from 31.1% for the same period last year. Healthcare distribution gross profit increased $9.1 million, or 5.6%, to $170.9 million for the three months ended June 24, 2000 from $161.8 million for the three months ended June 26, 1999. Healthcare distribution gross profit margin increased by 1.1% to 31.0% for the three months ended June 24, 2000 from 29.9% for the three months ended June 26, 1999, primarily due to sales mix. Technology gross profit decreased by $0.5 million or 4.1% to $11.8 million for the three months ended June 24, 2000 from $12.3 million for the three months ended June 26, 1999 primarily due to sales volume. Technology gross profit margins increased by 0.6% to 67.1% for three months ended June 24, 2000 from 66.5% for the three months ended June 26, 1999, primarily due to changes in sales mix.

Selling, general and administrative expenses increased by $9.2 million, or 6.5%, to $151.2 million for the three months ended June 24, 2000 from $142.0 million for the three months ended June 26, 1999. Selling and shipping expenses increased by $4.6 million, or 4.8%, to $100.4 million for the three months ended June 24, 2000 from $95.8 million for the three months ended June 26, 1999. As a percentage of net sales, selling and shipping expenses increased 0.6% to 17.7% for the three months ended June 24, 2000 from 17.1% for the three months ended June 26, 1999. General and administrative expenses increased $4.6 million, or 10.0%, to $50.8 million for the three months ended June 24, 2000 from $46.2 million for the three months ended June 26, 1999. As a percentage of net sales, general and administrative expenses increased 0.6% to 8.9% for the three months ended June 24, 2000 from 8.3% for the three months ended June 26, 1999.

Other income (expense) - net changed by $0.9 million, to $(4.4) million for the three months ended June 24, 2000, compared to $(3.5) million for the three months ended June 26, 1999, due primarily to foreign currency losses and lower finance charge income on receivables, offset by lower interest expense, as a result of reduced debt levels.

Equity in earnings (losses) of affiliates increased $0.7 million to $0.1 million for the three months ended June 24, 2000 from $(0.6) million for the three months ended June 26, 1999. The increase is due to a reduced loss in 2000 from HS Pharmaceutical, an affiliated company, which is accounted for under the equity method. In 1998, HS Pharmaceutical suspended manufacturing of certain anesthetic products. On September 23, 1999, the United States Food and Drug Administration ("FDA") issued clearance for HS Pharmaceutical to resume production of its anesthetic products for shipment into the United States. HS Pharmaceutical resumed limited production and shipment of its products in the fourth quarter of 1999.

For the three months ended June 24, 2000 the Company's effective tax rate was 36.8%. For the three months ended June 26, 1999, the Company's effective tax rate was 38.5%. Excluding merger and integration costs, net of applicable taxes, the Company's effective tax rate for the three months ended June 24, 2000 and June 26, 1999 would have been 36.0% and 39.0%, respectively. The difference between the Company's effective tax rate, excluding certain non-deductible merger and integration costs, and the Federal statutory rate relates primarily to state income taxes.

Six Months Ended June 24, 2000 compared to Six Months Ended June 26, 1999

Net sales increased $26.4 million, or 2.4%, to $1,122.0 million for the six months ended June 24, 2000 from $1,095.6 million for the six months ended June 26, 1999. Of the $26.4 million increase, approximately $24.6 million, or 93.2%, represented a 2.3% increase in the Company's healthcare distribution business. As part of this increase approximately $21.7 million represented a 6.8% increase in the Company's medical business, $6.3 million represented a 1.2% increase in its dental business, $1.6 million represented a 6.0% increase in its veterinary business and $(5.0) million represented a 2.5% decrease in its international business. The increase in medical net sales is primarily attributable to telesales and marketing activities, partially offset by a decrease in sales to hospitals. The increase in dental net sales was primarily due to improved dental consumable merchandise sales. 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 foreign exchange rates, partially offset by increased account penetration in Germany, France and Spain. Unfavorable exchange rate translation adjustments decreased net sales in the international market by $18.0 million. Had net sales for the international market been translated at the same rates in effect during the first six months of 1999, international net sales would have increased by 6.4%. The remaining increase in 2000 net sales was due to the technology business, which increased $1.8 million, or 5.5%, to $34.3 million for the six months ended June 24, 2000, from $32.5 million for the six months ended June 26, 1999. The increase in technology and value-added product net sales was primarily due to increased practice management software and related technology sales.

Gross profit increased by $14.4 million, or 4.3%, to $351.9 million for the six months ended June 24, 2000 from $337.5 million for the six months ended June 26, 1999. Gross profit margin increased 0.6% to 31.4% from 30.8% for the same period last year. Healthcare distribution gross profit increased $12.9 million, or 4.1%, to $328.7 million for the six months ended June 24, 2000 from $315.8 million for the six months ended June 26, 1999. Healthcare distribution gross profit margin increased by 0.5% to

30.2% for the six months ended June 24, 2000 from 29.7% for the six months ended June 26, 1999, primarily due to sales mix. Technology gross profit increased by $1.5 million or 6.9% to $23.2 million for the six months ended June 24, 2000 from $21.7 million for the six months ended June 26, 1999. Technology gross profit margins increased by 1.1% to 67.8% for six months ended June 24, 2000 from 66.7% for the six months ended June 26, 1999, primarily due to changes in sales mix.

Selling, general and administrative expenses increased by $15.1 million, or 5.4%, to $296.9 million for the six months ended June 24, 2000 from $281.8 million for the six months ended June 26, 1999. Selling and shipping expenses increased by $5.5 million, or 2.9%, to $196.0 million for the six months ended June 24, 2000 from $190.5 million for the six months ended June 26, 1999. As a percentage of net sales, selling and shipping expenses increased 0.1% to 17.5% for the six months ended June 24, 2000 from 17.4% for the six months ended June 26, 1999. General and administrative expenses increased $9.6 million, or 10.5%, to $100.9 million for the six months ended June 24, 2000 from $91.3 million for the six months ended June 26, 1999. As a percentage of net sales, general and administrative expenses increased 0.7% to 9.0% for the six months ended June 24, 2000 from 8.3% for the six months ended June 26, 1999.

Other income (expense) - net changed by $2.2 million, to $(9.3) million for the six months ended June 24, 2000, compared to $(7.1) million for the six months ended June 26, 1999, due primarily to lower finance charge income on receivables and foreign currency losses, offset by lower interest expense, as a result of reduced debt levels.

Equity in earnings (losses) of affiliates increased $1.1 million to $0.2 million for the six months ended June 24, 2000 from $(0.9) million for the six months ended June 26, 1999. The increase is due to a reduced loss in 2000 from HS Pharmaceutical, an affiliated company, which is accounted for under the equity method. In 1998, HS Pharmaceutical suspended manufacturing of certain anesthetic products. On September 23, 1999, the FDA issued clearance for HS Pharmaceutical to resume production of its anesthetic products for shipment into the United States. HS Pharmaceutical resumed limited production and shipment of its products in the fourth quarter of 1999.

For the six months ended June 24, 2000 the Company's effective tax rate was 36.7%. For the six months ended June 26, 1999, the Company's effective tax rate was 39.1%. Excluding merger and integration costs net of applicable taxes the Company's effective tax rate for the six months ended June 24, 2000 and June 26, 1999 would have been 36.2% and 39.3%, respectively. The difference between the Company's effective tax rate, excluding certain non-deductible merger and integration costs, and the Federal statutory rate relates primarily to state income taxes.

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 Company's infrastructure. This worldwide initiative includes the elimination of approximately 300 positions, or about 5% of the total workforce, throughout the organization and at all levels.

It is expected that the restructuring plan will be implemented over the balance of 2000 and will be completed by December 30, 2000. The Company expects to record a one-time restructuring charge of approximately $14.0 million pre-tax ($8.4 million after tax), or $0.20 per diluted share, during the second half of 2000.

This restructuring charge will primarily be composed of severance pay, facility closing costs, and outside professional and consulting fees directly related to the restructuring plan.

Euro Conversion

Effective January 1, 1999, 11 of the 15 member countries of the European Union have 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 Euro now trades on currency exchanges and is available for non-cash transactions. The participating countries now issue sovereign debt exclusively in Euros, 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.

The Company has established an Euro Task Force to address its information system, product and customer concerns. The Company expects 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 Company does not anticipate that the costs of the overall effort will have a material adverse impact on future results.

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.

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal capital requirements have been to fund (a) repayments on bank borrowings, (b) capital expenditures, (c) acquisitions, and (d) working capital needs resulting from increased sales and special inventory forward buy-in opportunities. Since sales have been 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 revolving credit facilities, private placement loans, and stock issuances.

Net cash provided by operating activities for the six months ended June 24, 2000 of $65.3 million resulted primarily from net income of $27.8 million, an increase in components of working capital of $20.2 million and non-cash charges of $17.3 million. The increase in components of working capital was primarily due to a decrease in accounts receivable of $26.2 million, a decrease in inventory of $7.3 million, and a decrease in accounts payable and accruals of $14.2 million. The Company anticipates future increases in working capital requirements as a result of sales growth and special inventory forward buy-in opportunities.

Net cash used in investing activities for the six months ended June 24, 2000 of $11.6 million resulted primarily from cash used for capital expenditures. The Company expects that it will invest more than $25.0 million during the year ending December 30, 2000, in capital projects to modernize and expand its facilities and infrastructure systems and integrate operations.

Net cash used in financing activities for the six months ended June 24, 2000 of $35.6 million resulted primarily from repayments on the Company's revolving credit facility and other long-term debt, offset by proceeds from new borrowings and issuances of stock resulting from option conversions.

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

The Company's cash and cash equivalents as of June 24, 2000 of $45.9 million consist of bank balances, money market funds and other short-term investments.

The Company has a $150.0 million revolving credit facility, which has a termination date of August 15, 2002. Borrowings under the credit facility were $21.0 million at June 24, 2000. The Company also has one uncommitted bank line totaling $15.0 million, none of which has been borrowed at June 24, 2000. Certain of the Company's subsidiaries have revolving credit facilities that total approximately $52.1 million at June 24, 2000, under which $37.7 million has been borrowed.

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 the GIV and Heiland acquisitions, 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 in full 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 through 2010. The notes bear interest at a rate of 6.66% per annum. Interest on both notes is payable semi-annually.

The Company believes that its cash and cash equivalents, its anticipated cash flow from operations, its ability to access private and public debt and equity markets, and the availability of funds under its existing credit agreements will provide it with sufficient liquidity to meet its short and long-term capital needs.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There were no material changes to the disclosures made in our report 10-K for the year ended December 25, 1999, on this matter.

Disclosure Regarding Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. Certain information in this Form 10-Q contains 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 health care practitioners, the impact of health care 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 restrictions 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 in this Form 10-Q. 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 described in this Form 10-Q.

PART II. OTHER INFORMATION
ITEM 1. LEGAL PROCEEDINGS

The manufacture or distribution of certain products by the Company involves a risk of product liability claims, and from time to time the Company is named as a defendant in products liability cases as a result of its distribution of pharmaceutical and other healthcare products. As of the end of the Company's second fiscal quarter of 2000, the Company was named a defendant in approximately seventy-two such cases. Of these product liability claims, fifty-eight involve claims made by healthcare workers who claim allergic reaction relating to exposure to latex gloves. In these cases, the Company acted as a distributor of both brand name and/or "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 these 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 the financial viability of the manufacturer and their insurers.

In addition, the Company is subject to other claims, suits and complaints, which arise in the course of the Company's business. 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 name. In October 1999, the Court, on motion, certified both a Windows 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 customers and 15,000 DOS customers could be covered by the judge's ruling. The Company has filed an appeal of the Court's determination, during which time a trial on the merits is stayed. 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 the Company is provided indemnification by the manufacturer of the product. There can be no assurance that the coverage maintained by the Company is sufficient to cover all future claims or will be available in adequate amounts or at a reasonable cost, or that indemnification agreements will provide adequate protection for the Company. The Company intends to vigorously defend all such claims, suits and complaints. In the opinion of the Company, all such pending matters are covered by insurance or are of such kind, or involve such amounts, as would not have a material adverse effect on the financial statements of the Company if disposed of unfavorably.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

In the second fiscal quarter of 2000, the Company issued 465,480 shares of common stock in connection with an acquisition. The offer and sale of such shares were not registered under the Securities Act of 1933 in reliance upon the exemption provided by Section 4(2) of such act.

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

At the Company's Annual Meeting of Stockholders held on May 31, 2000, the stockholders of the Company took the following actions:

(i) Re-elected the following individuals to the Company's Board of Directors:

Stanley M. Bergman	(24,104,201 shares voting for; 80,660 shares withheld)
James P. Breslawski	(24,105,893 shares voting for; 78,968 shares withheld)
Gerald A. Benjamin	(24,104,163 shares voting for; 80,698 shares withheld)
Steven Paladino	(24,105,331 shares voting for; 79,530 shares withheld)
Leonard A. David	(24,074,431 shares voting for; 110,430 shares withheld)
Mark E. Mlotek	(24,105,543 shares voting for; 79,318 shares withheld)
Barry J. Alperin	(24,104,993 shares voting for; 79,868 shares withheld)
Pamela Joseph	(24,108,986 shares voting for; 75,875 shares withheld)
Donald J. Kabat	(24,079,343 shares voting for; 105,518 shares withheld)
Marvin H. Schein	(24,110,243 shares voting for; 74,618 shares withheld)
Irving Shafran	(24,079,074 shares voting for; 105,787 shares withheld)

(ii) Ratified the selection of BDO Seidman, LLP as the Company's independent auditors for the year ended December 30, 2000 (24,138,773 shares voting for; 36,961 shares voting against; 14,127 abstaining).

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

27.1 Financial Data Schedule

(b) Reports on Form 8-K.

None.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

HENRY SCHEIN, INC.
(Registrant)

By: /s/ Steven Paladino

STEVEN PALADINO
Executive Vice President and
Chief Financial Officer and Director
(principal financial officer and
accounting officer)

Dated: August 8, 2000

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The schedule contains summary financial information extracted from the consolidated financial statements and is qualified in its entirety by reference to such financial statements.

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DEC-26-1999
JUN-24-2000
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