



70 years. **One focus.**

 **HENRY SCHEIN®**

2001 Annual Report

ABOUT HENRY SCHEIN

Henry Schein, Inc. is the largest distributor of healthcare products and services to office-based practitioners in the combined North American and European markets. Customers include dental practices and laboratories, physician practices and veterinary clinics, as well as government and other institutions.

Widely recognized for superior service, low prices, and innovative value-added solutions, the Company is dedicated to helping its customers practice high-quality healthcare and improve their profitability.

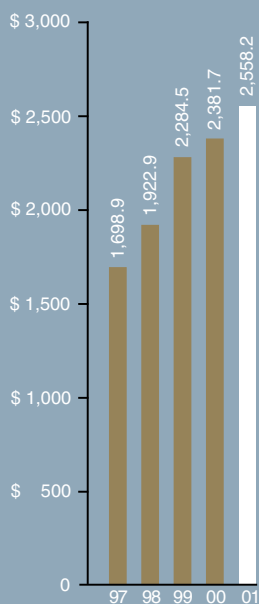
Henry Schein operates its five business groups – Dental, Medical, Veterinary, International, and Technology – through a centralized and automated distribution network, which provides more than 400,000 customers in 125 countries with a comprehensive selection of over 80,000 national and private brand products. The Company reaches its customers through an integrated sales and marketing approach, combining a network of over 1,250 field sales consultants with extensive direct marketing programs, electronic ordering options, and over 700 telesales representatives. During 2001, Henry Schein distributed more than 19 million pieces of direct marketing materials to approximately 650,000 office-based practitioners.

FINANCIAL HIGHLIGHTS

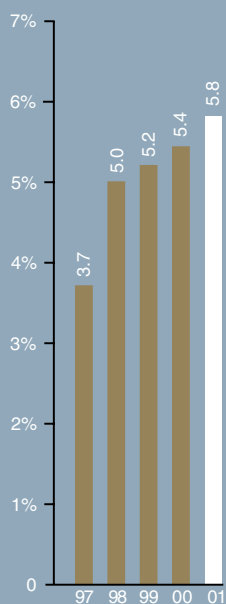
(In thousands, except per share and operating data)

	2001	2000	1999	1998	1997
OPERATING RESULTS					
Net Sales	\$2,558,243	\$2,381,721	\$2,284,544	\$1,922,851	\$1,698,862
Operating Income	\$ 147,750	\$ 127,613	\$ 119,232	\$ 96,196	\$ 62,609
Operating Margin	5.8%	5.4%	5.2%	5.0%	3.7%
Return on Committed Capital	27.2%	23.5%	22.0%	20.3%	17.3%
Net Income	\$ 87,373	\$ 70,147	\$ 59,796	\$ 57,823	\$ 41,746
Diluted Earnings Per Share	\$ 2.01	\$ 1.67	\$ 1.44	\$ 1.39	\$ 1.14
Diluted Average Shares Outstanding	43,545	42,007	41,438	41,549	36,690
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
FINANCIAL POSITION AND CASH FLOW					
Total Assets	\$1,385,428	\$1,231,068	\$1,204,102	\$ 962,040	\$ 803,946
Stockholders' Equity	\$ 680,457	\$ 579,060	\$ 517,867	\$ 463,034	\$ 424,223
Net Cash from Operating Activities	\$ 190,911	\$ 152,994	\$ 56,493	\$ 2,693	\$ (41,687)

NET SALES
(\$ in millions)



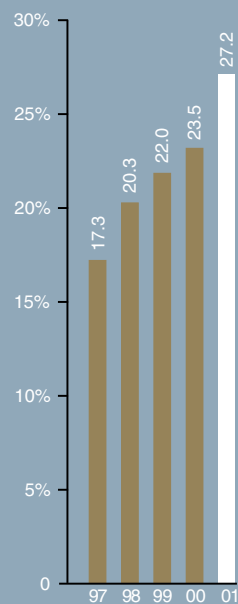
OPERATING MARGIN



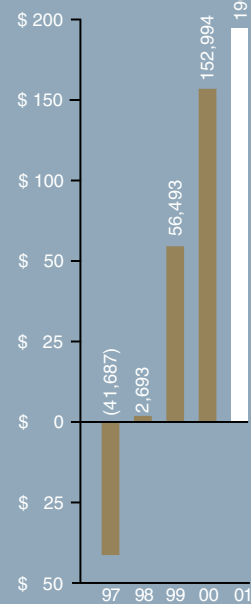
EARNINGS PER SHARE
(in dollars)



RETURN ON COMMITTED CAPITAL



NET CASH FROM OPERATING ACTIVITIES
(\$ in thousands)



NOTE: Financial Highlights are presented as originally reported, and have been restated to reflect various new accounting pronouncements and exclude merger and integration costs, and restructuring costs, net of taxes; as well as losses on the disposal of certain non-core business units.

70 YEARS. ONE FOCUS.

Henry Schein, Inc. began as a retail pharmacy in Queens, New York in 1932. Today, seven decades later, we are the largest distributor of healthcare products and services to office-based practitioners in the combined North American and European markets. Ours is an impressive story of success that is due to the fact that for 70 years, we have had just one focus – helping our customers to succeed.

During that time, everything around us has changed; the number of our customers and their needs, our locations and offerings, and the speed of business and technology used. We have changed to meet these demands, increasing our size, our markets, our products and services, and the ways our customers can do business with us.

Today, over 6,500 Team Schein Members share the same uncompromising commitment to customer service that Henry and Esther Schein instilled in their company. Our dedication to this ideal is why Henry Schein continues to be an industry leader.

For 70 years, we have focused on our customers – a focus we will continue for years to come. It is the best way we know to ensure another seven decades of remarkable success.



Top photo: Henry Schein in his pharmacy circa 1932. Bottom photo: Standing from left to right, Dr. Thomas Schwieterman, Dr. Donald Schwieterman, Marilyn Willke Schwieterman, seated is Dr. Jim Schwieterman. Henry Schein's origin as a family business is important to Dr. Thomas Schwieterman, the fourth generation of his family to run the 109-year-old Schwieterman Family Practice in Ohio. "Through the years, Henry Schein has always provided us with the highest quality customer service," he says. "When we call Henry Schein, people talk to us as though we are their neighbor."

LETTER FROM STANLEY BERGMAN

*To Our Shareholders,
This year, Henry Schein celebrates its
70th anniversary. Through the past seven
decades, the world has changed greatly,
but there has been one constant at our
company since 1932 – our focus on helping
our customers to succeed.*

Since we were founded, we've seen some dramatic changes:

- Our Company's size – Henry Schein began as a retail pharmacy in Queens, New York. Today we are the largest distributor of healthcare products and services to office-based practitioners in the combined North American and European markets.
- The speed of our business – We now ship over 8 million orders each year.
- Our customer base – We now serve more than 400,000 healthcare practitioners in 125 countries around the world.
- Our offering of products and services – Today, no other company offers as wide a variety of products – over 80,000 SKUs in North America and more than 63,000 SKUs in Europe.
- The technology we use – The healthcare technology used by our customers and the technology that drives our business advances each year. Essential tools, such as the Internet and CD-ROM catalogs, were unimaginable just 20 years ago.

Through all of these changes, we have consistently and predictably grown because we have never lost sight of our founding principles – a commitment to deliver the best customer service possible. This commitment, which is embraced by each of our over 6,500 Team Schein Members, is as important now as it was 70 years ago.

Our Financial Results

The success of focusing on customer service is clearly seen in our recent growth and our financial results for 2001. In the past seven years, we've completed approximately 70 acquisitions and successfully integrated them into our organization. As a result of acquisition and our organic growth, we are the leading participant in healthy yet highly fragmented markets, and we face significant growth opportunities. We have an estimated 15% share of the consolidated markets we serve, which total an estimated \$15.5 billion, and are growing at approximately 5% to 7% each year.

At the beginning of 2001 and following a company-wide restructuring in the previous year, we began implementing an updated three-year strategic plan. Our goal is to leverage our unrivaled assets and unique position as a multinational, diversified healthcare products and services company to the benefit of our customers and our stockholders. Our plan is specifically designed to continue sales growth, improve operating margins, and generate strong cash flow.

As evidence of our success, in 2001 we posted record financial results in five key areas:

- **Net sales**
7.4% growth (9.4% in local currencies and adjusted for a comparable number of selling days) – \$2.6 billion, up from \$2.4 billion in 2000



- **Operating income**
15.8% growth – \$147.8 million, up from \$127.6 million, adjusted to exclude one-time items in 2000
- **Net income**
24.6% growth – \$87.4 million, up from \$70.1 million, adjusted to exclude one-time items in 2000
- **Earnings per share**
20.4% growth – \$2.01, up from \$1.67, adjusted to exclude one-time items in 2000
- **Cash flow from operations**
24.8% growth – \$190.9 million, up from \$153.0 million in 2000
- **Return on committed capital**
27.2% for 2001, up from 23.5%, adjusted to exclude one-time items in 2000

Our Five Operating Groups

A focus on excellence in customer service is a constant across our five operating groups, although that excellence may take different forms.

In our Dental Group, we recognize that the role of the oral health provider is becoming increasingly crucial, as more and more research points to the correlation between oral health and an individual's overall well being. Many severe chronic medical conditions are discovered only at a late stage of the disease when signs and symptoms compel the affected person to seek medical care. Research suggests that dentists can help in the early detection of such illnesses as cardiovascular disease, asthma, and oral cancer. To help detect oral cancer, which claims the lives of over 8,000 people annually in the U.S., dentists look to Henry Schein for OralCDx®, the brush biopsy product that we distribute exclusively. The new ADA-accepted test, which is the first advance in oral cancer testing, does not require anesthesia, and causes minimal bleeding or discomfort. In addition to OralCDx®, we exclusively distribute several other products, such as X-Rite's ShadeVision™ dental vision system, a significant technological advance in restorative tooth shading.

Stanley M. Bergman is pictured above at the Melville, New York headquarters. To his left is a portrait of Henry and Esther Schein, the founders of the Company.

As the role of the dentist evolves there is a growing importance of the value-added services that can help practitioners provide a high level of quality patient care, and at the same time operate a more efficient and profitable business. To this end, we are a leading provider of practice-management software, electronic claims processing, financial services, and continuing education. We also offer a wide range of ordering options for dental professionals, including field sales representatives, telephone, Internet, and CD-ROM. As a result of our customer service focus, we remain a leading distributor of dental supplies, equipment, and services in the U.S., serving more than 75% of the 110,000 U.S. dental practices, 15,000 U.S. dental labs, as well as most dental schools and government institutions.

Our Medical Group is a constant reliable source for the healthcare practitioner. We are the fastest growing distributor among the major competitors in the physician and alternate-care market, with 17% year-over-year growth. In addition to offering a wide array of medical products, we provide a full range of vaccines, injectables, and other pharmaceutical products. New commitments with our manufacturers of influenza, tetanus diphtheria toxoids, and pneumococcal vaccines will help ensure we meet our customers' needs for years to come. We also have in place a number of attractive formulary pricing plans for groups including the American Medical Association, the American Society of Plastic Surgeons, the American Academy of Dermatology, and U.S. Oncology, to name a few.

Our commitment to our Veterinary Group customers can be seen in the breadth of our product offering. We serve 70% of the 22,000 U.S. Companion Animal Veterinary Clinics, offering them a selection of more than 23,000 items. The Group, which shares the Dental/Medical Group infrastructure, has a catalog that is supported by more than 50 telesales professionals.

To ensure excellent service for our European customers, our International Group is replicating our successful U.S. model in Europe, and has assembled a seasoned senior management team. This commitment strengthens our position as the only Pan-European healthcare supplier to office-based dental, medical and veterinary practices in over 125 countries worldwide, and more than 150,000 active customers in Western Europe alone.

Practice efficiency will become increasingly critical as individual practitioners see an increasing number of patients, and advances spearheaded by our Technology Group allow us to increase the efficiency of our customers' practices. Through our practice management software, we are connected to more than 44,000 practices, with another 20,000 customers placing their orders through our electronic catalog. We generate more than \$250 million in electronic orders annually. In 2001, we processed over 21 million electronic dental claims, and launched an exciting new initiative – the Digital Dental Office (DDO), which uses a suite of technologically advanced products to deliver true seamless integration of imaging, clinical, and financial applications in the dentist's office.

Delivering Customer Service in Four Ways

We deliver excellent customer service in four ways.

- Through customer partnerships – We have increased the number and productivity of our field sales consultants, and pride ourselves on having the industry's best-trained field sales force, telesales representatives, equipment and office design specialists, and technical service representatives.
- Through value-added services – We have a broad line of products offered at low prices, as well as financial services, repair services, continuing education programs, and customer loyalty programs.
- Through technology – Our innovations, ranging from DDO technology to our recently redesigned Web site, help our customers operate more efficient and profitable businesses.

- Through our infrastructure – In the U.S. and Canada, 99% of all items are shipped complete, 99% of all orders are shipped the same day they are received, and 99% of all orders are delivered within two days of placement.

Team Schein Members worldwide embrace these competencies as being the core of customer service. In addition, we are committed to being good corporate citizens, as exemplified through our Henry Schein Cares™ program. This global corporate donations program supports underserved communities suffering from a disparity in healthcare services, both in the U.S. and abroad. Medical and dental supplies, including pharmaceuticals and other injectables, donated through the program are given to clinics treating the underserved throughout the United States, Central America, Africa, and eastern Europe. In this way, we continue to dedicate ourselves to helping close the gap in the delivery of healthcare throughout these areas of the world.

Looking Ahead to Our 70th Year

We look forward to building on our success of 2001, and are optimistic about our future for a number of reasons.



- We are in attractive markets. The 50% growth in the 45-65 age group between 1995 and 2000 is expected to double by 2020, and the aging U.S. population is increasingly utilizing healthcare services. Other trends include an increased number of dental procedures and increased dental insurance coverage, a migration of procedures from acute-care settings to physician-offices, and continuing growth in the use of vaccines, injectables and other pharmaceuticals in alternate-care settings.
- We have important competitive advantages. In addition to our direct sales and marketing expertise, we have a broad product offering at low prices and a large installed user base of dental and veterinary practice-management software upon which to build.
- We have clear growth strategies. We will increase the penetration of our existing customer base, the number of customers we serve, and our cross-selling efforts with key product lines. We also will pursue strategic acquisitions.
- We have one focus – customer service. Through our customer service programs, field sales training, finely tuned infrastructure, and the latest technology, we will stay true to our guiding philosophy.

I remain confident in the direction in which Henry Schein is heading and have great expectations for our 70th year. Sales of our Medical consumable products should outpace market growth, having increased at more than twice the market rate for several quarters. Our Dental sales should continue to grow as we reap the benefits of key initiatives implemented during the year. Our operating margins should continue to increase, driving bottom-line growth in the mid-teens, and a greater percentage of our operating income should come from value-added services.

As we enter our eighth decade of business, we recognize the tremendous contributions of each Team Schein Member and the continued support of our customers, supply partners, and shareholders. We remain as focused on delivering premier customer service as was our founder when he opened his pharmacy in 1932. This singular focus will help us achieve continued profitable growth for years to come.

Sincerely,

Stanley M. Bergman
Chairman, Chief Executive Officer and President
May 2002



DAILY OPERATION

ALIASO

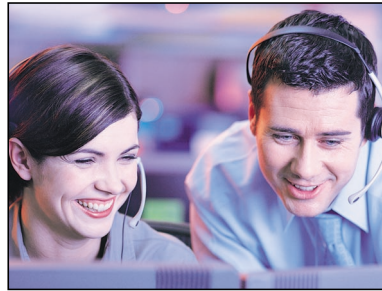
HEMATOLOGY

PENTRA 120

100

100

**CUSTOMER
SERVICE
THROUGH
PARTNERSHIP**



Partnership – by the numbers

- 1,250 field sales consultants
- 700 telesales representatives

Our goal is to be a true business partner with our customers – to be one source upon which they can rely. Our customers know they can turn to us at the time and in the way that best suits their needs. With highly trained Team Schein Members providing all the tools our customers need to operate efficient and profitable practices, Henry Schein is always open for business.

Henry Schein is one of the most recognized and trusted names in the Dental, Medical, and Veterinary industries for a very good reason – we strive to be our customers’ partner in everything we do.

We are an integral link in the healthcare chain, and it is a responsibility we do not take lightly. Patients around the world depend on their healthcare providers. In turn, those providers – our customers – rely on Henry Schein to have the products and services they need to help them treat their patients.

Our commitment to partnership has included increasing the number of highly trained field sales consultants we have representing Henry Schein around the globe. We now have over 1,250 field sales consultants covering North America and Western Europe, including our equipment sales specialists. In addition, the Company has over 700 telesales representatives in regular contact with customers.

We are also committed to increasing the productivity of our sales consultants through tools that utilize the latest technology and ongoing training. During 2001, this included a significant investment in our proprietary Customer Analysis Tool (CAT) system, an electronic call planning system that displays the order patterns of customers. By focusing on listening to our customers’ needs and helping them succeed through our broad offering of products and services, our training programs ensure that our customers’ contact with Team Schein Members will be productive and beneficial.

Complementing the work of our sales force, our Equipment Sales Specialists provide expert counsel in equipment selection, while our Office Design group develops plans that use space most efficiently to provide for growth. Finally, our highly trained Service Technicians keep our customers’ equipment running at its best with tools such as FieldCom, which contains a complete equipment and parts listing, documents and catalogs customer repair data/history, and facilitates ordering and billing for parts.

FieldCom eliminates paper work orders, generates receipts, and helps technicians quickly determine pricing and availability of parts – improving our customers’ profits by decreasing equipment downtime.

Like any valuable partner, we seek new ways to ensure our reliability to our customers, as in the case of vaccines. The Henry Schein Medical Group is a leading distributor of vaccines to office-based practitioners in the U.S., and we expect more vaccines to come to market in the coming years. Because influenza vaccine is in high demand annually, we entered into a new, expanded multiyear commitment with our primary flu vaccine manufacturer in 2001. Similarly, because the tetanus and diphtheria toxoid vaccine has been in extremely short supply, we signed an agreement to distribute over 8 million doses of the vaccine to our customers over three years. We also signed a new contract to ensure a supply of pneumococcal vaccine to our customers. These important new agreements will help us continue to meet our customers’ vaccine needs for years to come.

Our reliability was one reason that the U.S. government selected Henry Schein to be a partner in their emergency disaster relief team. We were called upon to deliver emergency medical supplies to New York area trauma hospitals and Ground Zero following the tragic attacks of September 11. Within 90 minutes of receiving the call, we coordinated with police in New Jersey and New York City, and were one of the first to arrive on the scene, delivering prepackaged trauma kits. As rescue efforts continued, these deliveries expanded to include veterinary supplies for the rescue dogs combing through the wreckage. Previously, we were part of the response efforts for the 1993 bombing of the World Trade Center and the 1996 crash of TWA Flight 800. In these emergency situations, when our customers were ready to treat victims, we were there for them – like any true partner.

Dr. David B. Case M.D., MACP (left) and Ed Bradey, Henry Schein Medical Group Lab Specialist at New York Physicians, LLP. To our customers, Henry Schein is more than a product and services distributor – we are a business partner. Our field sales consultants and telesales representatives around the globe work with customers to understand and meet their needs, offering them products and services to build successful and efficient practices.



ROULEAUX DE COTON DENTAIRE • No Esteril • Mediano
WATTERROLLEN • Nicht Steril • Mittelgroß

2000

Pinnacle
Pinnacle

Dispos-a-Trap

Dispos-a-

Pinnacle
Thank you for choosing Pinnacle.

MADE IN THE USA



ACCLEAN Prophylaxis Paste
Perfecta 11% Dental Whitening System
Perfecta 16% Dental Whitening System
Perfecta 21% Dental Whitening System

LIDOCAINE HCl 2% and EPINEPHRINE 1:100,000
Ketac-Bond

HENRY SCHEIN
AIR/WATER SYRINGE COVER

ACCLEAN Disposable Prophylaxis Angles with Soft Cup

EXAMIX NDS
INJECTION TYPE
HEAVY BODY



SPONGES
Powder-Free Latex Examination Gloves

Small
Medium
NITRILE EXAMINATION GLOVES

ACCLEAN Disposable Prophylaxis Angles with Soft Cup

3M ESPE Protemp 3 Garant
CHAMBER PRITE
AUTOClave CLEANER

Septocaine
Antibiotic Hydrochloride Epi with Epinephrine 1:100,000 Injection

Triple Tray
POSTERIOR
#1006203 Box of 48

Jeltrate Plus
Antimicrobial Fastest Impression Material

Septocaine
Antibiotic Hydrochloride Epi with Epinephrine 1:100,000 Injection

Septocaine
Antibiotic Hydrochloride Epi with Epinephrine 1:100,000 Injection

Triple Tray
POSTERIOR
#1006203 Box of 48



ENSURE DOOR TIGHTNESS

tuttnauer 2340E



**CUSTOMER
FOCUS
THROUGH
VALUE-ADDED
SERVICES**



Adding value – by the numbers

- 21 million electronic claims processed
- 80,000 SKUs in North America
- 63,000 SKUs in Europe
- 7,500 Henry Schein brand SKUs

At Henry Schein, we recognize that our customers expect, and deserve, services that add value to their practices. In addition to the convenience of one-stop shopping, we offer our customers an impressive array of value-added services including financing, continuing education, office design, repair services, and customer loyalty programs, among others. Through this broad offering we help improve all facets of our customers' practices and strengthen our customer relationships.

Since 1932, Henry Schein has constantly searched for new ways to add value to the high-quality products we provide our customers. We do this by continually evaluating and expanding our product offering. Today, with the broadest range of competitively priced products in our history, we are a single source for virtually all of our customers' product needs. Our comprehensive catalogs now include over 80,000 SKUs in North America and approximately 63,000 SKUs in Europe, and feature products from the industry's premier manufacturers at prices typically below those of our major competitors. Our catalogs also include an extensive Henry Schein private brand offering of quality healthcare products, consisting of over 7,500 SKUs.

Often the products we exclusively offer to our customers can help them ensure the health of their patients while building their practices. This is the case with OralCDx®, a computer-assisted brush biopsy test for the small, white or red areas that dentists see in patients' mouths almost every day. OralCDx® enables dentists to test these areas painlessly and easily for oral cancer, which claims the lives of 8,000 people annually in the U.S. The new ADA-accepted test, which is the first advance in oral cancer testing, does not require anesthesia, and causes minimal bleeding or discomfort. Another product that Henry Schein distributes exclusively is X-Rite's ShadeVision™ dental vision system, a significant technological advance in restorative tooth shading. The ShadeVision™ System enables dentists to easily capture the precise color image and accurate colormetric data of the patient's teeth and communicate it to the dental laboratory to make a matching prosthesis.

We also provide an increasing number of value-added services to help practitioners provide a high level of quality patient care while operating more efficient and profitable businesses. In addition to our extensive practice-management software user base, we are the industry's largest processor of dental electronic claims, with more than 21 million processed in 2001.

Through Henry Schein Financial Services, we offer competitive rates for equipment leasing and financing, patient financing options, electronic credit card processing and lines of credit, as well as financial planning services.

ProRepair® provides a fast, quality repair service for dental handpieces and small equipment repairs at very competitive prices. Our manufacturer-trained technicians have experience with all types of equipment, a full stock of factory parts, and precision instruments. In addition to handpiece and small equipment service, ProRepair provides sterilizer service, instrument sharpening, lab handpiece repairs and ultrasonic inserts. Our value-added services extend to Henry's Schein's Continuing Education for Healthcare Professionals (CEHP) program, through which participants can access fully accredited courses on the latest healthcare technology in person, in print, or online.

Privileges™, our innovative customer loyalty program, is an example of adding value with the goal of attracting, rewarding, and retaining customers for life. Privileges™ includes personalized, priority professional service, priority attention on all service calls, guaranteed emergency response time, free extended warranties, and preferred rate pricing. Through Privileges™, our customers can earn gift certificates toward office-design services, in-office labor, repairs, preventive maintenance and a host of technology offerings and service programs. Privileges™ customers who place orders through our ARUBA® PC-based electronic catalog and ordering system also can earn ARUBA® premium reward points, redeemable for leisure merchandise, sporting goods, travel, jewelry, specialty foods, dental equipment, and much more.

Through premium programs, continuing education, essential practice services, and the products themselves, Henry Schein continues to be a leader in customer service by delivering added value to healthcare practitioners.

Henry Schein's broad range of products and services provide a single source for virtually all our customer needs. With more than 80,000 national and private brand products, we have the most extensive product offering in our history.





Technology – by the numbers

- 44,000 installed practice-management systems
- 20,000 electronic catalog customers
- \$250 million in electronic orders annually
- 68% increase in Internet sales

Few developments have changed the face of business as have advances in technology. Henry Schein is committed to remaining at the forefront of innovation, both in the technologically advanced tools we provide to our customers for their practices, and in the technology we use to make their contact with us as convenient and productive as possible.

Innovation has been part of Henry Schein’s heritage for decades. In the past, the Company broke new ground within the industry in a number of areas, most notably with the publication of the Henry Schein catalog in the 1960s, which is still considered the definitive industry resource.

Today, our innovations are being driven largely by technology, which has transformed even the mainstay of our business – the Henry Schein catalog. In addition to our printed catalog, the resource also lives in electronic form on our recently redesigned Web sites – henryschein.com, and sullivanschein.com – and on CD-ROM. Over 20,000 customers place their orders electronically, generating more than \$250 million in orders annually, and we saw a 68% increase in Internet sales during 2001. The ability to order products by mail, fax, telephone, CD-ROM, and the Web, gives our customers the flexibility to reach us around the clock.

Technology also is spurring innovation in many of our most popular products and services. One of the most exciting new applications is our Digital Dental Office (DDO) technology. Through three revolutionary products – the DENTRIX® ImageRAY™, the DENTRIX® ImageCAM™, and DENTRIX® practice-management software – dentists can enjoy true seamless integration of imaging, clinical, and financial applications. DENTRIX® ImageRAY™ delivers incredible clarity and high resolution digital x-rays, while DENTRIX® ImageCAM™ enables dentists to show patients their dental problems on screen, requiring less time for explanation and more time for treatment. Images captured through these two tools can be stored with DENTRIX® practice-management software, along with front-desk scheduling, billing, ordering, and record-keeping information.

Another technology-driven innovation is our Web-enabled feature, which offers our customers their own free Web site as an integral part of their practice-management system and technical-support program. With this product, practitioners can easily upload patient information directly to their Web site. Their patients can then log on to the doctor’s Web site and easily view their account and

appointment information from their home or office computer. Dentists using DENTRIX® and Easy Dental® also can access Sullivan-Schein Dental’s online ordering site. This innovative, value-added product helps healthcare professionals to run more efficient practices, and strengthens our link to our customers.

We have nearly 40,000 installed DENTRIX® and Easy Dental® practice-management systems, upon which dentists rely to increase the efficiency and profitability of their practices. In the veterinary market, our AVImark® practice-management system, which we have sold to more than 5,400 veterinarians, has been rated the highest among all competing systems in a survey conducted by the American Animal Hospital Association. In that survey, 97% of those questioned said they would recommend AVImark® to a colleague.

This huge, installed user base provides us with important cross-selling opportunities to provide our customers with related products and services that can further enhance their practices. In this way, not only is technology enhancing our customers’ practices and our business, but also the very relationships that link Henry Schein with its customers.

Dr. Eric Gott, D.M.D. from Silverman & Gott, LLP & Associates (right), a full-service family dentistry practice and Sullivan-Schein Dental Field Sales Consultant Carlos Marin. Today, the innovations we offer our customers are driven largely by technology. One of our most exciting applications, the Digital Dental Office (DDO), offers dentists state-of-the-art, high-resolution imaging and practice-management software. Through DDO, dentists finally have seamless integration of imaging, clinical, and financial applications.



CUSTOMER
FOCUS
THROUGH
INFRASTRUCTURE



Infrastructure – by the numbers

- 99% of all U.S. and Canadian orders shipped complete
- 99% of all U.S. and Canadian orders shipped the same day they are received
- 99% of all orders delivered within two days of placement
- 19 million direct marketing materials

Our customers depend on Henry Schein to have what they need, when they need it. It's a responsibility we take seriously and the reason we have developed a state-of-the-art infrastructure that is the envy of the industry.

We are our customers' storeroom, their inventory-management system, and their doorway to what's new and innovative. Practitioners rely on Henry Schein to promptly deliver whatever they need to run their practices efficiently and profitably, and we do not disappoint them.

Over the years, we have developed an infrastructure that is second to none. The effectiveness of our distribution system is seen in a few vital statistics. In the U.S. and Canada, 99% of all items are shipped complete, 99% of all orders are shipped on the same day they are received, and 99% are delivered within two days of order placement. These are impressive numbers, and ones we are determined to uphold. Knowing our crucial role in the healthcare distribution chain, we are constantly looking for ways to increase the efficiency of our business operations.

As we expand our presence internationally to better serve our clients around the world, we are using our proven U.S. distribution model as the basis for building a leading edge Pan-European infrastructure.

Access to the Henry Schein offering of products and services is another model of efficiency, with customers placing orders online, by telephone, and in person with our field sales consultants. We are in touch with thousands of customers, and through the use of unique assets – such as our extensive database of approximately 650,000 office-based healthcare practitioners – we ensure that contact with our customers is as beneficial to them as possible. We know what they want, we know what the industry is producing, and we utilize our unique positioning to match the two in order to help our customers succeed.

Outreach also is accomplished through our targeted direct marketing programs, an area in which the Company has been an industry leader since the introduction of the groundbreaking Henry Schein catalog in the 1960s. Today, over 19 million catalogs, flyers, newsletters, and other direct marketing materials are delivered to our customers each year.

Over the years, Henry Schein has developed an infrastructure that is second to none. That's why our customers can rely on us to give them the products and services they need, when they need them. In the United States and Canada, 99% of all orders are shipped the same day they are received, and delivered within two days of order placement.



HENRY SCHEIN INC.



HENRY SCHEIN®

www.henryschein.com



**TEAM SCHEIN:
6,500 PEOPLE,
ONE FOCUS**



Team Schein – by the numbers

- 6,500 Team Schein Members
- Serving customers in 125 countries around the world

Without question, our greatest asset is our people, the over 6,500 Team Schein Members who deliver excellence in customer service every day of the year. Whether our customers meet with a field sales consultant, talk with a telesales representative, or are visited by an equipment sales and service representative, they know that each Team Schein Member has the knowledge, the tools, and the desire to meet their needs.

Without question, our greatest asset is our people, the over 6,500 Team Schein Members who deliver excellence in customer service every day of the year. Whether our customers meet with a field sales consultant, talk with a telesales representative, or are visited by an equipment sales and service representative, they know that each Team Schein Member has the knowledge, the tools and the desire to meet their needs.

Behind every one of our customers are highly motivated, multicultural Team Schein Members who share a singular focus on customer service. This focus begins with each individual's clear understanding of his or her responsibilities, a commitment to succeed, and the knowledge that Team Schein Members are rewarded for success through our incentive-based compensation and Employee Stock Ownership Program.

At Henry Schein, we are goal-oriented, and look to Team Schein for coaches, facilitators, and mentors who can help us achieve our goals. We encourage our Team Schein Members to cut through bureaucracy and drive multifunctional teams. This entrepreneurial environment flourishes in an atmosphere of mutual respect based on the Team Schein "Wheel of Success" – a belief that each Team Schein Member is a spoke in the wheel and each member is as important as the next in achieving ultimate success.

Training is an integral part of the continuing career development of Team Schein Members. For example, an intensive week-long training program, including sessions on sales skills, product demonstrations, and technology training on several of our new proprietary computerized sales tools, equips our field sales force with the knowledge they need to succeed. Through this program and ongoing sessions, we are dedicated to developing the best and most productive sales force in the industry – one that is thoroughly trained and equipped to meet our customers' needs.

We also recognize that service extends beyond the workplace to our home communities. Team Schein Members are involved in numerous and diverse volunteer activities. This spirit of corporate citizenship is also exemplified through our Henry Schein Cares program, which donates medical and dental supplies to clinics treating under-served communities in the United States, Central America, and eastern Europe.

Everything we do is focused on service and our customers. Through Team Schein's efforts, we are reaching our goal of being a true business partner, offering our customers the tools and expertise to run their practices in the most efficient and profitable ways possible.

Shown at left: Team Schein Members from Henry Schein's Melville, New York headquarters. Our greatest asset is our people. Behind every one of our customers are 6,500 highly motivated Team Schein Members who share a singular focus on customer service.



Our Place in a Large and Growing Market:

- *Estimated market size for 2001 – \$15.5 billion*
- *Estimated market share for 2001 – 15%*
- *Estimated annual market growth – 5–7%*

Our Groups' Contributions to Sales Revenues:

<i>Dental</i>	43%
<i>Medical</i>	36%
<i>International</i>	16%
<i>Technology</i>	3%
<i>Veterinary</i>	2%

Dental Overview

In 2001, Henry Schein's Dental Group commanded an estimated 28% of the \$4 billion U.S. and Canadian dental market, and served more than 75% of the 110,000 U.S. dental practices and 15,000 dental labs. With a network of 80 equipment sales and service centers, the Group also is a major supplier to government, schools, and other institutions serving, for example, as a prime vendor for U.S. Army bases and clinics located in the United States and Europe. Through Sullivan-Schein Dental® in the U.S., Henry Schein Arcona in Canada, and the Zahn Dental laboratory supply business, the Group's 800 field sales consultants and over 200 telesales representatives offer a broad array of more than 60,000 SKUs to dental customers.

2001 Sales: \$1.1 billion

Growth Opportunities

The 45-to-65 age group is expected to double over the next 20 years. With this increase in the age of the U.S. population, we expect to see more dental procedures supported by increases in dental coverage. Just over 56% of the U.S. population now has some form of dental coverage, up from 44% in 1994. In the coming years, there should be increased expenditures on retaining teeth, as well as increased awareness among consumers of the importance of oral health and its relationship to overall well-being. Cosmetic dentistry is a growing aspect of dental practices, as well. Henry Schein's Dental Group is well positioned to take advantage of these trends.

Medical Overview

With 14% of the estimated \$5–7 billion office-based physician supply market, Henry Schein's Medical Group serves 35% of the 230,000 U.S. medical practices, as well as surgical centers and other alternate-care settings. Through its extensive national direct marketing and telesales operation and its field sales presence in the eastern, southern, and central U.S., the Group offers more than 28,000 SKUs, including generic and branded pharmaceuticals, vaccines, medical and surgical supplies, diagnostic kits, and major equipment. The Group is a major supplier to organizations that bundle member purchasing power such as the American Society of Plastic Surgeons, the American Academy of Dermatology, and U.S. Oncology, Inc. One of these formulary plans, the AMA PurchaseLink® Program with the American Medical Association, is now in its seventh year.

2001 Sales: \$930 million

Growth Opportunities

The medical market presents tremendous opportunities for Henry Schein. As the U.S. population ages, there will be an attendant rise in U.S. healthcare services and a trend toward procedures being increasingly done in physicians' offices. As the fastest growing distributor among the major competitors in this market, our industry-leading growth rates will be driven by cross-selling our key product lines, increasing our number of customer accounts, and utilizing our extensive database, with a significant focus on our telesales and field sales consultants. Growth should also come from vaccines, of which we are a leading U.S. distributor. To ensure our position as a reliable supplier to our customers, Henry Schein signed new, expanded commitments with our primary influenza, tetanus/diphtheria toxoid, and pneumococcal vaccine manufacturers.



International Overview

With operations in 15 countries outside of the U.S., Henry Schein's International Group distributes dental products across the United Kingdom, the European continent, the Middle East, Australia, New Zealand, Africa and Latin America, and continues to expand in the medical and veterinary fields. As the only pan-European healthcare supplier serving office-based dental, medical and veterinary practices, its customers include 150,000 practices primarily in Western Europe, where it had 8% of the estimated \$3 billion dental market and 5% of the estimated \$2 billion medical/veterinary market in 2001. The Group offers approximately 63,000 SKUs, and with Schein Direct™, it provides rapid door-to-door air package delivery to practitioners in 125 countries around the world.

2001 Sales: \$398 million

Growth Opportunities

The International Group is uniquely positioned to take a leadership role in the European marketplace by developing an infrastructure based on the state-of-the-art U.S. model. This process is already well underway, with the assembly of a new, experienced senior management team in Europe that recognizes the important country-by-country differences that exist throughout the continent. The Company will continue to grow abroad, as it looks for expansion opportunities in a market ripe for further growth and consolidation. The single-currency Euro will also spur growth, as well as the Group's strategic entry into new markets.

Technology Overview

Henry Schein's Technology Group enhances all other Groups, by offering value-added products and services based on innovative technology. This includes practice-management and clinical software, such as DENTRIX®, Easy Dental®, and LabNet®, which are used in almost 40,000 dental practices, and AVImark®, which is used in more than 5,400 veterinary clinics. The Group also features the ARUBA® PC-based electronic catalog and ordering systems, through which 20,000 customers placed their orders in 2001. Other offerings include credit card and electronic claims processing, practice and patient financing, equipment financing, the Continuing Education for Healthcare Professionals (CEHP) program, and the new Web-enabled features that offer dental practitioners their own Web site as an integral part of their practice-management system.

2001 Sales: \$71 million

Growth Opportunities

There is great opportunity for the Technology Group. With one-third of all U.S. Dental practices using Henry Schein practice-management software, these practices represent a significant opportunity for cross-selling with our distribution capabilities, and represent a sizeable customer base for add-on products and services. Practice-management customers also hold the potential for us to strengthen the customer relationship by providing critical productivity-enhancing tools.

The Technology Group is committed to continue to offer our customers the latest advances in integrated technologies, such as digital x-ray and intraoral photography, which help practitioners increase the efficiency and profitability of their practices.

Veterinary Overview

Henry Schein's Veterinary Group is the largest direct marketer to companion-animal veterinary clinics in the U.S., providing a high level of quality service and more than 23,000 SKUs at low prices. The group serves 70% of the approximately 22,000 U.S. veterinary clinics, commanding 7% of the estimated \$700 million market in 2001. More than 50 telesales professionals support the Group's veterinary catalog, and a variety of promotional materials, such as postcards, inserts, mailers, and other direct marketing materials, are distributed annually. With formulary pricing plans, the Group also enjoys a prime vendor relationship with VCA Antech, the largest provider of clinical pet care in the U.S.

2001 Sales: \$53 million

Growth Opportunities

The Veterinary Group's market position as the low-cost provider is enhanced by the expense efficiencies realized through a core infrastructure shared with Henry Schein's Dental and Medical Groups. This cost-effectiveness positions the Veterinary Group to service large-scale practice-management companies and groups, in addition to individual veterinary clinics.

DIRECTORS AND OFFICERS



Board of Directors

Stanley M. Bergman (4)
Chairman, Chief Executive Officer and President

Barry J. Alperin (1) (2) (3)
Retired Vice Chairman, Hasbro, Inc.

Gerald A. Benjamin (4)
Executive Vice President and Chief Administrative Officer

James P. Breslawski (4)
Executive Vice President and President, Sullivan-Schein Dental

Leonard A. David
Vice President, Human Resources and Special Counsel

Pamela Joseph
Director, MaNose Studios

Donald J. Kabat (1) (2) (3)
Retired Partner, Andersen Consulting

Philip A. Laskawy
Retired Chairman, Ernst & Young

Norman S. Matthews
Former President, Federated Department Stores

Mark E. Mlotek
Senior Vice President, Corporate Business Development

Steven Paladino (4)
Executive Vice President and Chief Financial Officer

Marvin H. Schein (4)
Founder, Schein Dental Equipment Corp.

Irving Shafran, Esq. (1)
Attorney at Law

Executive Officers

Stanley M. Bergman
Chairman, Chief Executive Officer and President

Gerald A. Benjamin
Executive Vice President and Chief Administrative Officer

James P. Breslawski
Executive Vice President and President, Sullivan-Schein Dental

Leonard A. David
Vice President, Human Resources and Special Counsel

Larry Gibson
Executive Vice President and Chief Technology Officer

Mark E. Mlotek
Senior Vice President, Corporate Business Development

Steven Paladino
Executive Vice President and Chief Financial Officer

Michael Racioppi
President, Medical Group

Michael Zack
Senior Vice President, International Group

(1) Member Audit Committee
(2) Member Compensation Committee
(3) Member Stock Option Committee
(4) Member Executive Committee

First row, from left to right: Larry Gibson, James P. Breslawski, Stanley M. Bergman, Michael Zack
Second row, from left to right: Mark E. Mlotek, Steven Paladino, Leonard A. David, Michael Racioppi, Gerald A. Benjamin

FINANCIAL INFORMATION

Table of Contents

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

19 Selected Financial Data

21 Management's Discussion and Analysis of Financial Condition and Results of Operations

Consolidated Financial Statements:

29 Report of Independent Certified Public Accountants

30 Balance Sheets as of December 29, 2001 and December 30, 2000

**31 Statements of Income and Comprehensive Income for the Years Ended
December 29, 2001, December 30, 2000, and December 25, 1999**

**32 Statements of Stockholders' Equity for the Years Ended
December 29, 2001, December 30, 2000, December 25, 1999, and December 26, 1998**

**33 Statements of Cash Flows for the Years Ended
December 29, 2001, December 30, 2000, and December 25, 1999**

34 Notes to Consolidated Financial Statements

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.

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 Annual Report includes 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 Annual Report. 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 Annual Report.

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 Consolidated Financial Statements and related notes thereto herein and "Management's Discussion and Analysis of Financial Condition and Results of Operations" herein. 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
Statements of Operations Data:	(In thousands, except per share and selected operating 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
Pro Forma Data (3):	(In thousands, except per share and selected operating data)				
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" herein and the Consolidated Financial Statements and related notes thereto herein.

(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" herein and the Consolidated Financial Statements and related notes thereto herein.

(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" herein and the Consolidated Financial Statements and related notes herein.

(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.

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 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, 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 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 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 its 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 market 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 approximately \$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 an 11.1% increase in its medical business, \$26.6 million represented a 2.5% increase in its dental business, \$4.4 million represented an 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 Web site <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> Web site 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, an \$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 \$50.0 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 semiannually. 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 included herein):

	Total	Payments due by period			
		< 1 year	1 - 3 years	4 - 5 years	> 5 years
Contractual obligations:			(In thousands)		
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.

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.

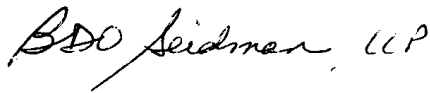
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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
Total assets	\$ 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
Total liabilities and stockholders' equity	\$ 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	Treasury Stock	Accumulated Comprehensive Loss	Deferred Compen- sation	Total Stockholders' Equity
	Shares	Amount						
Balance, December 26, 1998	40,250,936	\$402	\$348,119	\$119,064	\$(1,156)	\$(2,057)	\$(1,338)	\$463,034
Deficit of one company acquired under the pooling of interests method, not deemed material	—	—	—	(1,567)	—	—	—	(1,567)
Net income	—	—	—	50,312	—	—	—	50,312
Shares issued for acquisitions	189,833	2	1,900	—	—	—	—	1,902
Shares issued to ESOP trust	101,233	1	1,766	—	—	—	—	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	226,304	2	9,972	—	—	—	—	9,974
Balance, December 25, 1999	40,768,306	407	361,757	167,809	(1,156)	(10,359)	(591)	517,867
Retained earnings of one company acquired under the pooling of interests method, not deemed material	—	—	—	471	—	—	—	471
Net income	—	—	—	56,749	—	—	—	56,749
Shares issued for acquisitions	465,480	5	423	—	—	—	—	428
Shares issued to ESOP trust	121,253	1	2,192	—	—	—	—	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	591,245	6	9,041	—	—	—	—	9,047
Balance, December 30, 2000	41,946,284	419	373,413	225,029	(1,156)	(18,179)	(466)	579,060
Net income	—	—	—	87,373	—	—	—	87,373
Shares issued to ESOP trust	61,997	1	2,224	—	—	—	—	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	736,923	7	17,410	—	—	—	—	17,417
Balance, December 29, 2001	42,745,204	\$427	\$393,047	\$312,402	\$(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.

HENRY SCHEIN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share data)

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.

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.

HENRY SCHEIN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands, except share data)

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.

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 intercompany debt and certain forecasted transactions with foreign vendors. The Company does not enter such contracts for speculative purposes.

HENRY SCHEIN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands, except share data)

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.

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.

HENRY SCHEIN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands, except share data)

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 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.

HENRY SCHEIN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands, except per share data)

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.

HENRY SCHEIN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands, except share data)

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 market 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.

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.

HENRY SCHEIN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands, except share data)

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.

HENRY SCHEIN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands, except share data)

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:

	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

HENRY SCHEIN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands, except share data)

(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 semiannually.

(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 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

HENRY SCHEIN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands, except share data)

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

	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.

HENRY SCHEIN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands, except share data)

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 intercompany 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.

(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.

HENRY SCHEIN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands, except share data)

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.

HENRY SCHEIN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands, except share data)

	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

HENRY SCHEIN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands, except share data)

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 addition, the Right will not be triggered by the positions of existing shareholders.

HENRY SCHEIN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands, except share data)

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 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

HENRY SCHEIN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands, except share data)

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

	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
Range of Exercise Prices					
\$ 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.

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.

HENRY SCHEIN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands, except share data)

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.

(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

HENRY SCHEIN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands, except share data)

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® 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. 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.

(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

HENRY SCHEIN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(In thousands, except share data)

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.

Corporate Headquarters

Henry Schein, Inc.
135 Duryea Road
Melville, New York 11747
U.S.A.
(631) 843-5500
henryschein.com

Common Stock

Henry Schein common stock trades on The NASDAQ Stock Market® under the symbol HSIC.

Annual Shareholders Meeting

Our Annual Meeting of Shareholders will be held on June 5, 2002 at 11:00 a.m., at the Huntington Hilton, Melville, New York 11747.

Henry Schein on the Internet

For more information about Henry Schein and its products and services, go to henryschein.com. Other Company Web sites include: avimark.com; caligor.com; dentrrix.com; digitaldentalloffice.com; easydental.com; giv.com; ident.com; labnet.net; microbiomedics.com; studentdentist.com; sullivanschein.com; and zahndental.com.

Shareholder Reports and Investor Inquiries

For shareholder inquiries, including requests for quarterly and annual reports, contact our Investor Relations department at (631) 843-5611/5562, or e-mail your request to investor@henryschein.com. Printed materials can also be requested through the Company's Web site.

Form 10-K

A copy of the Company's annual report on Form 10-K for the fiscal year ended December 29, 2001, is available without charge to shareholders upon request to the Company's Investor Relations department. The report is also available on the Company's Web site.

Independent Auditors

BDO Seidman, LLP
330 Madison Avenue
New York, New York 10017

Legal Counsel

Proskauer Rose, LLP
1585 Broadway
New York, New York 10036

Stock Transfer Agent

For address changes, account consolidation, registration changes, and lost stock certificates, please contact:
Continental Stock Transfer & Trust Company
17 Battery Place, 8th Floor
New York, New York 10004
(212) 509-4000

CORPORATE MISSION

To be the worldwide leader in providing the best quality and value in products and services for our healthcare customers.

CORPORATE CHARTER

To Our Customers

We provide the best quality and value in products and services, helping them, as business partners, to:

- *Deliver quality healthcare to their patients;*
- *Efficiently operate and grow their practices; and*
- *Increase their financial return and financial security.*

To Our Shareholders and Venture Partners

We are responsible for achieving continued growth and profitability, resulting in an excellent return on investment.

To Team Schein

We will continue to foster an entrepreneurial environment, while offering exciting opportunities for personal and professional growth, and treating each individual with respect and dignity.

To Our Suppliers

Together, we will strive to create an environment that enables us to grow our respective businesses in the spirit of partnership, each making a fair profit.



Henry Schein, Inc.
135 Duryea Road
Melville, New York 11747
U.S.A.
631-843-5500
www.henryschein.com