

PROSPECTUS

5,700,000

[LOGO] HENRY SCHEIN(R)

COMMON STOCK

Of the 5,700,000 shares of Common Stock offered hereby, 2,880,500 shares are being sold by Henry Schein, Inc. (the "Company") and 2,819,500 shares are being sold by the Selling Stockholders. See "Principal and Selling Stockholders." The Company will not receive any proceeds from the sale of shares by the Selling Stockholders.

The Common Stock offered hereby is quoted on the Nasdaq National Market under the symbol "HSIC." On June 20, 1996, the last reported sale price of the Common Stock was \$35.25 per share. See "Price Range of Common Stock."

SEE "RISK FACTORS" BEGINNING ON PAGE 7 FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY PROSPECTIVE PURCHASERS OF THE SHARES OF COMMON STOCK OFFERED HEREBY.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

[CAPTION]

	PRICE TO PUBLIC	UNDERWRITING DISCOUNT(1)	PROCEEDS TO COMPANY(2)	PROCEEDS TO SELLING STOCKHOLDERS
Per Share.....	\$35.00	\$1.365	\$33.635	\$33.635
Total(3).....	\$199,500,000	\$7,780,500	\$96,885,618	\$94,833,882

(1) The Company and the Selling Stockholders have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriting."

(2) Before deducting estimated expenses of \$1,000,000 payable by the Company.

(3) The Company has granted to the Underwriters a 30-day option to purchase up to an additional 855,000 shares of Common Stock, solely to cover over-allotments, if any. See "Underwriting." If all such shares are purchased, the total Price to Public, Underwriting Discount, Proceeds to Company and Proceeds to Selling Stockholders will be \$229,425,000, \$8,947,575, \$125,643,543 and \$94,833,882, respectively.

The shares of Common Stock are offered by the several Underwriters when, as and if delivered to and accepted by them and subject to their right to reject orders in whole or in part. It is expected that delivery of the certificates for the shares of Common Stock will be made on or about June 26, 1996.

WILLIAM BLAIR & COMPANY

ALEX, BROWN & SONS
INCORPORATED

MONTGOMERY SECURITIES

SMITH BARNEY INC.

The date of this Prospectus is June 21, 1996

[Pictures]

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON STOCK OF THE COMPANY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NASDAQ NATIONAL MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

IN CONNECTION WITH THIS OFFERING, CERTAIN UNDERWRITERS AND SELLING GROUP MEMBERS (IF ANY) MAY ENGAGE IN PASSIVE MARKET MAKING TRANSACTIONS IN THE COMMON STOCK ON THE NASDAQ NATIONAL MARKET IN ACCORDANCE WITH RULE 10B-6A UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SEE "UNDERWRITING."

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial statements, including the notes thereto, appearing elsewhere in this Prospectus. The Company operates on a 52-53 week fiscal year that ends on the last Saturday in December; all references to the Company's operations for a particular year refer to the year ending on the last Saturday in December. Unless otherwise indicated, all information in this Prospectus assumes the Underwriters' over-allotment option is not exercised. See "Underwriting."

THE COMPANY

The Company is the largest direct marketer of healthcare products and services to office-based healthcare practitioners in the combined North American and European markets. The Company sells products and services to approximately 230,000 customers in markets that the Company estimates exceeded \$9.0 billion in sales in 1995. The Company's customers are primarily dental practices and dental laboratories, as well as physician practices, veterinary clinics and institutions. In 1995, the Company sold products to over 65% of the estimated 100,000 dental practices in the United States. The Company believes that there is strong awareness of the "Henry Schein" name among office-based healthcare practitioners due to its more than 60 years of experience in distributing healthcare products. Through its comprehensive catalogs and other direct sales and marketing programs, the Company offers its customers a broad product selection of both branded and private brand products which include approximately 50,000 stock keeping units ("SKUs") in North America and approximately 35,000 SKUs in Europe at published prices that the Company believes are below those of many of its competitors. The Company also offers various value-added products and services, such as practice management software. As of March 30, 1996, the Company had sold over 16,000 dental practice management software systems, more than any of its competitors. The Company's activities are conducted by the Company; by its subsidiaries, including Henry Schein UK Holdings Limited in the United Kingdom, Schein Dental Equipment Corp. ("Schein Dental Equipment") and S&S Dental Supply, Inc., each of which distributes dental products, and Zahn Holdings, Inc., which distributes dental laboratory products, as well as their respective subsidiaries; and by 50%-or-less owned entities, including HS Pharmaceutical, Inc. ("HS Pharmaceutical") and its subsidiaries, which are engaged in the manufacture and distribution of certain generic pharmaceutical products.

During 1995, the Company distributed over 8.5 million pieces of direct marketing materials (such as catalogs, flyers and order stuffers) to approximately 600,000 office-based healthcare practitioners. The Company supports its direct marketing efforts with approximately 400 telesales representatives who facilitate order processing and generate sales through direct and frequent contact with customers and with approximately 250 field sales consultants. The Company utilizes database segmentation techniques to more effectively market its products and services to customers. In recent years, the Company has continued to expand its management information systems and has established strategically located distribution centers in the United States and Europe to enable it to better serve its customers and increase its operating efficiency. The Company believes that these investments, coupled with its broad product offerings, enable the Company to provide its customers with a single source of supply for substantially all their healthcare product needs and provide them with convenient ordering and rapid, accurate and complete order fulfillment. The Company estimates that approximately 99% of all items ordered in the United States and Canada are shipped without back ordering, and that approximately 99% of all orders in the United States and Canada received before 6:00 p.m. are shipped on the same day the order is received. In addition, the Company estimates that over 90% of orders are received by its customers within two days of placing the order.

The Company intends to increase its sales to existing dental customers by intensifying its direct marketing efforts, by offering additional products and services, and by augmenting its direct marketing and telesales efforts with additional field sales consultants. The Company, which had traditionally focused primarily on the dental market, is currently utilizing these strategies and its cost-effective infrastructure to further expand into the medical and veterinary markets. Net sales to these markets

increased from \$59.9 million in 1991 to \$164.7 million in 1995, which represented 26.7% of the Company's net sales in 1995. In 1990, the Company established marketing and distribution capabilities in Europe. Net sales in international markets have increased from \$23.6 million in 1991 to \$107.7 million in 1995, which represented 17.5% of the Company's net sales in 1995.

The Company believes that there has been consolidation among healthcare products distributors serving office-based healthcare practitioners and that this consolidation will continue to create opportunities for the Company to expand through acquisitions and joint ventures. In recent years, the Company has acquired or entered into joint ventures with a number of companies engaged in businesses that are complementary to those of the Company.

In November 1995, the Company completed an initial public offering of 7,089,750 shares of its Common Stock. In the offering, the Company sold 5,090,000 shares of Common Stock at an initial public offering price of \$16.00 per share, and used the net proceeds primarily to repay amounts outstanding under the Company's revolving credit agreement. Since the initial public offering, the Company has completed five acquisitions and has entered into agreements to acquire an additional five companies. Together, these companies generated approximately \$80.0 million in sales in 1995, and collectively serve office-based healthcare practitioners in the dental, dental laboratory and medical markets. These acquisitions further the Company's acquisition growth strategies of leveraging its existing infrastructure, acquiring regional distributors with networks of field sales consultants and expanding the Company's network of equipment sales and service centers. As a result of the acquisitions that have been completed as well as additional hirings, the Company has increased its domestic field sales consultants from approximately 200 at the time of the initial public offering to approximately 250 at May 31, 1996. In addition, in December 1995, the Company introduced a new Windows(R) version of its dental practice management software and has sold over 2,700 such units through the first quarter of 1996. The Company has also recently introduced ArubA(R), an enhanced Windows(R) version of its computerized order entry system, which also contains an electronic catalog.

Prior to December 1992, the Company's business was conducted by Schein Holdings, Inc. ("Holdings"), whose subsidiary, Schein Pharmaceutical, Inc. ("Schein Pharmaceutical"), was engaged in the manufacture and distribution of multi-source pharmaceuticals. In December 1992, the Company was incorporated in Delaware and Holdings transferred to the Company all the assets and liabilities of its healthcare distribution business. Holdings retained Schein Pharmaceutical's business of manufacturing and distributing generic pharmaceuticals, and the Company did not assume any other liabilities of Holdings, including the liabilities associated with Schein Pharmaceutical's business. At the time of the transfer, the Company's and Schein Pharmaceutical's businesses were being conducted on a stand-alone basis. As part of the transfer of assets from Holdings to the Company, the Company received Holdings' 50% interest in HS Pharmaceutical. HS Pharmaceutical's business is conducted independently from that of Schein Pharmaceutical and was transferred to the Company because of its historical connection to the Company. Other than certain common stockholders, there is no affiliation between the Company and Schein Pharmaceutical, and all transactions between the Company and Schein Pharmaceutical are on an arms-length basis.

THE OFFERING

Shares Offered by the Company.....	2,880,500
Shares Offered by the Selling Stockholders.....	2,819,500
Shares Outstanding Immediately After the Offering....	21,187,494(1)
Use of Proceeds to the Company.....	Repayment of indebtedness and general corporate purposes, including financing possible
acquisitions. See "Use of Proceeds."	
Nasdaq National Market Symbol.....	HSIC

(1) Excludes an aggregate of 678,797 shares reserved for issuance upon the exercise of outstanding options granted under the Company's 1994 Stock Option Plan and 1996 Non-Employee Director Stock Option Plan and 49,838 shares reserved for issuance under the plans for options not yet granted. See "Management--Stock Option Plan" and "--Directors Stock Option Plan."

SUMMARY CONSOLIDATED FINANCIAL INFORMATION AND OPERATING DATA
(IN THOUSANDS, EXCEPT PER SHARE AND SELECTED OPERATING DATA)

	YEARS ENDED,					THREE MONTHS ENDED,			
	DECEMBER 28, 1991	DECEMBER 26, 1992	DECEMBER 25, 1993	DECEMBER 31, 1994	DECEMBER 30, 1995	PRO FORMA, AS ADJUSTED(1) DECEMBER 30, 1995	APRIL 1, 1995	MARCH 30, 1996	PRO FORMA, AS ADJUSTED(1) MARCH 30, 1996
STATEMENT OF OPERATIONS DATA:									
Net sales.....	\$282,110	\$ 362,925	\$ 415,710	\$ 486,610	\$ 616,209	\$671,448	\$136,040	\$185,359	\$194,101
Gross profit...	82,273	105,699	121,017	142,688	190,584	205,289	40,315	54,949	57,315
Selling, general & admin. expenses.....	79,775	96,287	109,574	128,560	170,823	184,509	37,329	50,245	52,311
Special charges(2).....	613	7,510	6,057	23,603	20,797	--	--	--	--
Operating income (loss).....	1,885	1,902	5,386	(9,475)	(1,036)	20,780	2,986	4,704	5,004
Net income (loss).....	\$ 986	\$ 555	\$ 3,910	\$ (10,876)	\$ (10,216)	\$ 11,323	\$ 936	\$ 2,464	\$ 2,782
Net income per common share..						\$.63	\$.08	\$.13	\$.14
Average shares outstanding...						18,017	12,184	18,670	19,785
PRO FORMA INCOME DATA(3):									
Pro forma operating income.....				\$ 14,128	\$ 19,761				
Pro forma net income.....				\$ 6,978	\$ 9,407				
Pro forma net income per common share..				\$.58	\$.70				
Pro forma average shares outstanding...				12,127	13,447				
SELECTED OPERATING DATA:									
Number of orders shipped.....		1,824,000	2,044,000	2,274,000	2,629,000		627,932	749,724	
Average order size.....		\$ 199	\$ 203	\$ 214	\$ 234		\$ 216	\$ 247	

MARCH 30, 1996	
ACTUAL	PRO FORMA, AS ADJUSTED(1)

BALANCE SHEET DATA:		
Working capital.....	\$124,055	\$183,371
Total assets.....	303,733	374,113
Total debt.....	63,647	35,265
Minority interest.....	4,361	4,361
Stockholders' equity.....	144,940	242,194

(1) Gives effect to (a) the Acquisitions that are described in Pro Forma Condensed Consolidated Financial Information and the borrowings under the Company's revolving credit facility to finance the Acquisitions, as if these transactions had occurred on January 1, 1995 for the purpose of the Statement of Operations Data and as if those transactions pending at March 30, 1996 had occurred at that date with respect to the Balance Sheet Data, (b) the sale of 5,090 shares of Common Stock at \$16.00 per share in connection with the Company's 1995 initial public offering and the application of the net proceeds therefrom to repay debt (including debt to finance the Acquisitions) as if the initial public offering had occurred on January 1, 1995 with respect to the Statement of Operations Data, and (c) the sale of a sufficient number of shares of Common Stock by the Company in this Offering at \$35.00 per share to repay debt (including debt to finance the Acquisitions) as if this Offering had occurred on November 3, 1995 for the purpose of the Statement of Operations Data and on March 30, 1996 with respect to the Balance Sheet Data. See "Pro Forma Condensed Consolidated Financial Information" and Notes 1 and 2 to the Company's Consolidated Financial Statements.

(2) Includes: (a) for 1991, special professional fees of \$0.6 million; (b) for 1992, cash payments of \$5.3 million for income taxes resulting from stock grants made to an executive officer of the Company and special professional fees of \$2.2 million; (c) for 1993, non-cash special management compensation charges of \$0.6 million in amortization of deferred compensation arising from

(Footnotes continued on following page)

(Footnotes continued from preceding page)

the 1992 stock grants, special professional fees of \$2.3 million, \$0.7 million paid in connection with an acquisition and \$2.5 million resulting from the buyout of employees' rights to future income contained in their employment agreements; (d) for 1994, non-cash special management compensation arising from accelerated amortization of deferred compensation arising from the 1992 stock grants to an executive officer of the Company of \$17.3 million, which included a 1994 mark-to-market adjustment (because of certain repurchase features) of \$9.1 million, due to the resolution, with the closing of the Reorganization, of certain contingencies surrounding the issuance of the stock grants, non-cash special management compensation charges of \$1.6 million (net of prior accruals of approximately \$1.9 million under an executive incentive plan) arising from stock issuances to certain other senior management of the Company, valued at \$3.5 million, cash payments for income taxes of approximately \$2.4 million resulting from these stock issuances, \$0.3 million for additional income taxes resulting from the 1992 stock grants and special professional fees of \$2.0 million; and (e) for 1995, non-cash special management compensation charges of \$17.5 million arising from final mark-to-market adjustments (reflecting an increase in estimated market value from 1994 to the initial public offering price of \$16.00 per share) for stock grants made to an executive officer of the Company in 1992 and other stock issuances made to certain other senior management of the Company (because of certain repurchase features which expired with the initial public offering), an approximate \$2.8 million non-cash special management compensation charge (also based on the initial public offering price of \$16.00 per share) relating to compensatory options granted in 1995 and a cash payment of \$0.5 million for additional income taxes resulting from stock issuances. Special charges have been eliminated in the pro forma, as adjusted columns. See "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Reorganization" and "Management--Stock Option Plan."

(3) Reflects the pro forma elimination of special charges incurred in 1994 and 1995 for special management compensation of \$21.6 million and \$20.8 million, respectively, and special professional fees incurred in 1994 of \$2.0 million arising from the Reorganization, and the related tax effects of \$5.8 million and \$1.2 million for 1994 and 1995, respectively. See "Reorganization."

The Company's principal executive offices are located at 135 Duryea Road, Melville, New York 11747, and its telephone number is 516-843-5500.

As used in this Prospectus, the term the "Company" refers to Henry Schein, Inc., a Delaware corporation, and its subsidiaries, 50% owned companies and predecessor, unless otherwise stated.

RISK FACTORS

In addition to the other information in this Prospectus, the following factors should be considered carefully in evaluating an investment in the shares of Common Stock offered hereby.

Control by Insiders. After the completion of this Offering, Stanley M. Bergman, Chairman of the Board, Chief Executive Officer and President of the Company, will own approximately, directly or indirectly, 6.8% of the outstanding Common Stock and by virtue of a Voting Trust Agreement (which expires December 31, 1998 unless terminated earlier) with certain of the Company's current principal stockholders, will have the right to vote up to an aggregate of approximately 39.7% of the outstanding shares of Common Stock. In addition, until December 31, 1998, under certain circumstances, Mr. Bergman has the right to direct the nomination of a majority of the nominees to the Company's Board of Directors and, from January 1, 1999 until December 31, 2003, Mr. Bergman has the right to direct the nomination of all, or, under certain circumstances, four (out of nine), of the nominees to the Company's Board of Directors, and in all such events certain of the current principal stockholders are required to vote for such nominees. Because of these voting arrangements, Mr. Bergman has significant influence over matters requiring the approval of the Board of Directors or stockholders of the Company. Under certain circumstances, these voting arrangements may terminate prior to December 31, 1998. In that event, certain of the Company's current principal stockholders may be able to significantly influence all matters requiring stockholder approval, including the election of directors. The foregoing, together with certain provisions in the Company's Amended and Restated Certificate of Incorporation, including a provision thereof requiring the approval of holders of 60% of the outstanding stock of the Company entitled to vote prior to consummation of a merger or sale of substantially all the assets of the Company, may make it more difficult for a third party to acquire, or may discourage acquisition bids for the Company and could limit the price that certain investors might be willing to pay in the future for shares of Common Stock. See "Reorganization," "Principal and Selling Stockholders" and "Description of Capital Stock."

Competition. The distribution of healthcare products to office-based healthcare practitioners is intensely competitive. The Company competes with numerous other companies, including several major manufacturers and distributors. Some of the Company's competitors have greater financial and other resources than the Company. Most of the Company's products are available from several sources, and the Company's customers tend to have relationships with several distributors. In addition, competitors of the Company could obtain rights to market particular products to the exclusion of the Company. Manufacturers also could increase their efforts to sell directly to end-users, thereby by-passing distributors such as the Company. Consolidation among healthcare products distributors serving office-based healthcare practitioners could result in existing competitors increasing their market position through acquisitions or joint ventures, which may materially adversely affect operating results. In addition, new competitors may emerge which could materially adversely affect the Company's operating results. There can be no assurance the Company will not face increased competition in the future. See "Business--Competition."

Expansion through Acquisitions and Joint Ventures. The Company intends to expand in its domestic and international markets, in part, through acquisitions and joint ventures. However, the Company's ability to successfully expand through acquisitions and joint ventures will depend upon the availability of suitable acquisition or joint venture candidates at prices acceptable to the Company, the Company's ability to consummate such transactions and the availability of financing on terms acceptable to the Company. There can be no assurance that the Company will be effective in making acquisitions or joint ventures. Such transactions involve numerous risks, including possible adverse short-term effects on the Company's operating results or the market price of the Company's Common Stock. Certain of the Company's acquisitions and future acquisitions may also give rise to an obligation by the Company to make contingent payments or to satisfy certain repurchase obligations, which payments could have an adverse financial effect on the Company. In addition, integrating acquired

businesses and joint ventures may result in a loss of customers or product lines of the acquired businesses or joint ventures, and also requires significant management attention and may place significant demands on the Company's operations, information systems and financial resources. In 1996, the Company completed five acquisitions and entered into agreements to acquire five other companies. Five of these completed or pending acquisitions are reflected in the Pro Forma Condensed Consolidated Statements of Operations and account for 4.5% and 6.0% of pro forma net sales and operating income, respectively, for the three months ended March 30, 1996. The failure to effectively integrate acquired businesses and joint ventures with the Company's operations could adversely affect the Company. See "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business--Growth Strategy," "--Sales and Marketing" and "--Employees."

Fluctuations in Quarterly Earnings. The Company's business has been subject to seasonal and other quarterly influences. Net sales and operating profits have been generally higher in the fourth quarter due to the timing of sales of software, year-end promotions, and purchasing patterns of office-based healthcare practitioners and have been generally lower in the first quarter due primarily to increased purchases in the prior quarter. Quarterly results may also be adversely affected by a variety of other factors, including the timing of acquisitions and related costs, the release of software enhancements, promotions, adverse weather, and fluctuations in exchange rates associated with international operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Practice Management Software. During 1995, approximately \$17.2 million, or 2.8%, and \$15.7 million, or 8.3%, of the Company's net sales and gross profit, respectively, were derived from sales of the Company's Easy Dental(R) Plus and AVImark(R) practice management software to United States dental and veterinary office-based healthcare practitioners, respectively. Competition among companies supplying practice management software is intense and increasing. The Company's future sales of practice management software will depend, among other factors, upon the effectiveness of the Company's sales and marketing programs, the Company's ability to enhance its products and the ability to provide ongoing technical support. There can be no assurance that the Company will be successful in introducing and marketing software enhancements or new software, or that such software will be released on time or accepted by the market. The Company's software products, like software products generally, may contain undetected errors or bugs when introduced or as new versions are released. While the Company's current products have not experienced significant post-release software errors or bugs to date, there can be no assurance that problems will not occur in the future. Any such defective software may result in increased expenses related to the software and could adversely affect the Company's relationship with the customers using such software. The Company does not have any patents on its software and relies upon copyright, trademark and trade secret laws; there can be no assurance that such legal protections will be available or enforceable to protect its software products. The Company's software products are generally distributed under "shrink-wrap" licenses that are not signed by the customer and therefore may be unenforceable in certain jurisdictions. See "Business-- Growth Strategy" and "--Products."

Foreign Operations. During 1995, approximately 17.5% and 17.3% of the Company's net sales and gross profit, respectively, were derived from sales to customers located outside the United States and Canada. The Company's international businesses are subject to a number of inherent risks, including difficulties in opening and managing foreign offices and distribution centers; establishing channels of distribution; fluctuations in the value of foreign currencies; import/export duties and quotas; and unexpected regulatory, economic and political changes in foreign markets. There can be no assurance that these factors will not adversely affect the Company's operating results. See "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business--Growth Strategy" and "--Distribution."

Dependence on Senior Management. The Company's future performance will depend, in part, upon the efforts and abilities of certain members of senior management, particularly Stanley M. Bergman, Chairman, Chief Executive Officer and President, James P. Breslawski, Executive Vice President, and Steven Paladino, Senior Vice President and Chief Financial Officer. The loss of service of one or more of these persons could have an adverse effect on the Company's business. As of January 1992, the Company entered into an employment agreement with Mr. Bergman for a term of eight years. The success of certain acquisitions and joint ventures effected by the Company may depend, in part, on the Company's ability to retain key management of the acquired business or joint venture. See "Management--Employment and Other Agreements."

Changes in Healthcare Industry. In recent years, the healthcare industry has undergone significant change driven by various efforts to reduce costs, including potential national healthcare reform, trends toward managed care, cuts in Medicare, consolidation of healthcare distribution companies and collective purchasing arrangements by office-based healthcare practitioners. The Company's inability to react effectively to these and other changes in the healthcare industry could adversely affect its operating results. The Company cannot predict whether any healthcare reform efforts will be enacted and what effect any such reforms may have on the Company or its customers and suppliers. See "Business--Industry."

Government Regulation. The Company and its customers and suppliers are subject to extensive Federal and state regulation in the United States, as well as regulation by foreign governments, and the Company cannot predict the extent to which future legislative and regulatory developments concerning their practices and products or the healthcare industry may affect the Company. In addition, the Company, as a marketer, distributor and manufacturer of healthcare products (including its 50%-owned company, HS Pharmaceutical, which distributes and manufactures generic pharmaceuticals), is required to obtain the approval of Federal and foreign governmental agencies, including the Food and Drug Administration, prior to marketing, distributing and manufacturing certain of those products, and it is possible that the Company may be prevented from selling new manufactured products should a competitor receive prior approval. Further, the Company's plants and operations are subject to review and inspection by local, state, Federal and foreign governmental entities. The Company's suppliers are also subject to similar governmental requirements. See "Business--Government Regulation."

Risk of Product Liability Claims and Insurance. The sale, manufacture and distribution of healthcare products involves a risk of product liability claims and adverse publicity. Although the Company has not been subject to a significant number of such claims or incurred significant liabilities due to such claims, there can be no assurance that this will continue to be the case. In addition, the Company maintains product liability insurance coverage and has certain rights to indemnification from third parties, but there can be no assurance that claims outside of or exceeding such coverage will not be made, that the Company will be able to continue to obtain insurance coverage or that the Company will be successful in obtaining indemnification from such third parties. The Company also may not be able to maintain existing coverage or obtain, if it determined to do so, insurance providing additional coverage at reasonable rates. As of May 31, 1996, the Company was named a defendant in 12 product liability cases. The Company believes that none of the currently pending cases will have a material adverse effect on the Company. See "Business--Legal Matters."

Cost of Shipping. Shipping is a significant expense in the operation of the Company's business. The Company ships its products to customers generally by United Parcel Service and other delivery services, and typically bears the cost of shipment. Accordingly, any significant increase in shipping rates could have an adverse effect on the Company's operating results. Similarly, strikes or other service interruptions by such shippers could adversely affect the Company's ability to deliver products on a timely basis. See "Business--Distribution."

Reliance on Telephone and Computer Systems. Because the Company believes that its success depends, in part, upon its telesales and direct marketing efforts and its ability to provide prompt, accurate and complete service to its customers on a price-competitive basis, any continuing disruption in either its computer system or its telephone system could adversely affect its ability to receive and process customer orders and ship products on a timely basis, and could adversely affect the Company's relations with its customers. See "Business--Customer Service."

State Sales Tax Collection. As of May 31, 1996, the Company collected sales tax or other similar tax only on sales of products to residents of 15 states. Various other states have sought to impose on direct marketers the burden of collecting state sales taxes on the sale of products shipped to those states' residents. A successful assertion by a state or states that the Company should have collected or be collecting state sales taxes on the sale of products shipped to that state's residents could have an adverse effect on the Company. See "Business--Distribution."

Potential Volatility of Stock Price. The market price of the Company's Common Stock may be subject to fluctuations in response to quarter-to-quarter variations in operating results, changes in earnings estimates by investment analysts or changes in business or regulatory conditions affecting the Company, its customers, its suppliers or its competitors. The stock market historically has experienced volatility which has particularly affected the market prices of securities of many companies in the healthcare industry and which sometimes has been unrelated to the operating performances of such companies. These market fluctuations may adversely affect the market price of the Common Stock.

Anti-takeover Provisions; Possible Issuance of Preferred Stock. Certain provisions of the Company's Amended and Restated Certificate of Incorporation and Amended and Restated By-Laws may make it more difficult for a third party to acquire, or may discourage acquisition bids for, the Company and could limit the price that certain investors might be willing to pay in the future for shares of the Company's Common Stock. These provisions, among other things, (i) require the affirmative vote of the holders of at least 60% of the shares entitled to vote to approve a sale, lease, transfer or exchange of all or substantially all of the assets of the Company, (ii) require the affirmative vote of the holders of at least 66 2/3% of the shares entitled to vote to remove a director or to fill a vacancy on the Board of Directors, (iii) require the affirmative vote of the holders of at least 80% of the shares entitled to vote to amend or repeal certain provisions of the Amended and Restated Certificate of Incorporation and (iv) require the affirmative vote of at least 66 2/3% of the Board of Directors to amend or repeal the Amended and Restated By-Laws of the Company. In addition, the rights of holders of Common Stock will be subject to, and may be adversely affected by, the rights of any holders of Preferred Stock that may be issued in the future and that may be senior to the rights of the holders of Common Stock. Under certain conditions, Section 203 of the Delaware General Corporation Law would prohibit the Company from engaging in a "business combination" with an "interested stockholder" (in general, a stockholder owning 15% or more of the Company's outstanding voting stock) for a period of three years. In addition, the Company's 1994 Stock Option Plan and 1996 Non-Employee Director Stock Option Plan provide for accelerated vesting of stock options upon a change in control of the Company, and in certain instances, agreements between the Company and its executive officers provide for increased severance payments if such executive officers are terminated without cause within two years after a change in control of the Company. See "Description of Capital Stock," "Management--Employment and Other Agreements," "--Stock Option Plan" and "--Directors Stock Option Plan."

Shares Eligible for Future Sale. Future sales of substantial amounts of Common Stock (including shares issued upon the exercise of stock options) by the Company's current stockholders (including certain executive officers, employees and affiliates of the Company) after this Offering, or the perception that such sales could occur, could adversely affect the market price for the Common Stock. The Company and its directors, executive officers and certain stockholders have agreed, subject to certain exceptions described in "Underwriting," not to offer, sell or otherwise dispose of any shares of Common Stock or any securities convertible into Common Stock or register for sale under the Securities Act of

1933, as amended (the "Securities Act"), any Common Stock for a period of 120 days after the date of this Prospectus (the "Lock-Up Period"), without the prior written consent of the Representatives of the Underwriters. After the termination of the Lock-Up Period, 8,003,679 shares of Common Stock that will be owned by certain of the Company's current stockholders, constituting approximately 37.8% of the Company's then outstanding shares of Common Stock, may be eligible for immediate resale in the public market pursuant to Rule 144 under the Securities Act. In connection with the Reorganization, the Company entered into a Registration Rights Agreement with certain of the current stockholders. The Company has granted certain registration rights in connection with one of the Acquisitions, and may grant additional registration rights in connection with future acquisitions. See "Reorganization," "Principal and Selling Stockholders" and "Underwriting."

Reorganization. In connection with the reorganization of the Company's ownership and the various agreements entered into in connection therewith between 1992 and 1994, certain stockholders of the Company made customary representations, warranties and covenants and provided for indemnification with respect to the structure of the transaction and for breaches of such representations, warranties and covenants. No claims for such indemnification have arisen to date. Applicable accounting rules provide that certain amounts paid or assumed by such stockholders on behalf of the Company in satisfaction of indemnity obligations may be required to be recorded by the Company for financial reporting purposes as an expense. Accordingly, although any such payment or assumption may not materially impact the Company's cash flow, the Company's results of operations would be negatively impacted in the period incurred. In addition, there can be no assurance that such stockholders will have the resources in the future to meet their respective indemnification obligations, if any, under such agreements. Also, in connection with the Reorganization, the Company, Holdings and Marvin H. Schein, a director and principal stockholder of the Company, agreed to terminate a lifetime consulting agreement entered into in 1982 between the Company's predecessor and Mr. Schein, and the Company and Mr. Schein agreed to continue the consulting arrangement on the terms set forth in a new lifetime consulting agreement (the "Consulting Agreement"). The current Consulting Agreement modified certain of the terms of the 1982 agreement, including the elimination of a provision limiting Mr. Schein's compensation to \$100,000 per annum if the Company's pre-tax income were less than \$3.5 million for two consecutive years. The Consulting Agreement currently provides for initial compensation of \$258,000 per year, increasing \$25,000 every fifth year beginning in 1997. The Consulting Agreement also provides that Mr. Schein will participate in all benefit, compensation, welfare and perquisite plans, policies and programs generally available to either the Company's employees or the Company's senior executive officers, excluding the Company's Stock Option Plan, that Mr. Schein's spouse, and his children until they attain the age of 21, will be covered by the Company's health plan, and that the Company will provide Mr. Schein with the use of an automobile and expenses related thereto. The Consulting Agreement was originally entered into as part of a recapitalization of the Company's predecessor in 1982 among Mr. Schein and its other stockholders, and to secure for the Company the consulting services of Mr. Schein, who had served the Company in various executive capacities for more than the prior twenty years. See "Reorganization."

Forward-Looking Statements. The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. This prospectus contains forward-looking statements based on current expectations that could be affected by the risks and uncertainties involved in the Company's business, including the risks and uncertainties set forth above. Subsequent written or oral statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements in this prospectus and those in the Company's reports filed with the Securities and Exchange Commission (the "Commission").

USE OF PROCEEDS

The net proceeds to be received by the Company from this Offering, after deducting the underwriting discount and estimated expenses of the Offering payable by the Company, are \$95.9 million. The Company intends to use the net proceeds of the Offering (i) to repay a portion of the amount outstanding under the Company's revolving credit agreement (under which approximately \$53.2 million principal amount was outstanding as of May 31, 1996), (ii) to repay a \$2.4 million note payable, incurred in connection with a 1995 acquisition (with interest at prime minus 1%, maturing October 2000), and (iii) for general corporate purposes, including financing possible acquisitions. In addition, depending upon their respective closing dates, certain of the proceeds may be used to fund one or more of the Company's pending acquisitions. The Company's revolving credit agreement, which terminates July 1, 1999, provides for interest to be paid at varying rates, depending on certain financial covenants, ranging from LIBOR plus 0.63% to prime plus 1.0% per annum. See "Pro Forma Condensed Consolidated Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The Company will not receive any proceeds from the sale of Common Stock by the Selling Stockholders.

DIVIDEND POLICY

Except for a dividend paid in 1992 at the time of the separation of the Company from Holdings, the Company has never paid a cash dividend on its Common Stock. 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 revolving credit agreement and the note issued in connection with the acquisition of Beheermaatschappij Van den Braak en De Vos B.V. ("Van den Braak") limit the distribution of dividends without the prior written consent of the lenders. See "Reorganization."

PRICE RANGE OF COMMON STOCK

The Company's Common Stock is quoted on the Nasdaq National Market under the symbol "HSIC." The following table sets forth, for the fiscal periods indicated, the high and low sale prices of the Common Stock as reported by Nasdaq.

	HIGH -----	LOW -----
1995		
Fourth Quarter (from November 3, 1995).....	\$29 1/2	\$20 3/8
1996		
First Quarter.....	\$30 3/4	\$23 1/2
Second Quarter (through June 20, 1996).....	\$43 1/2	\$27 1/2

On June 20, 1996, there were approximately 130 holders of record of the Company's Common Stock. The last reported sale price per share of the Common Stock on June 20, 1996 on the Nasdaq National Market was \$35.25.

CAPITALIZATION

The following table sets forth the consolidated capitalization of the Company at March 30, 1996, on (i) a historical basis and (ii) a pro forma basis, as adjusted, as if the Other Recent and Pending Acquisitions had occurred on March 30, 1996 with adjustment to give effect to (a) the issuance of 45,900 shares of Common Stock in connection with one of the Acquisitions, (b) the borrowings to fund certain of the Acquisitions and (c) the sale by the Company of shares of Common Stock offered hereby at \$35.00 per share and the application of a portion of the estimated net proceeds of such sale to repay debt (including debt incurred to finance certain of the Acquisitions). This table should be read in conjunction with the Company's consolidated financial statements and the notes thereto appearing elsewhere in this Prospectus. See "Use of Proceeds" and "Pro Forma Condensed Consolidated Financial Information."

	MARCH 30, 1996	
	ACTUAL	PRO FORMA, AS ADJUSTED
(IN THOUSANDS)		
Short-term debt:		
Bank credit lines.....	\$ 8,085	\$ 8,085
Current maturities of long-term debt.....	3,861	3,879
Total short-term debt.....	\$ 11,946	\$ 11,964
Long-term debt, less current maturities:		
Revolving credit agreement.....	\$ 39,000	\$ 13,000
Other.....	12,701	10,301
Total long-term debt.....	51,701	23,301
Minority interest.....	4,361	4,361
Stockholders' equity:		
Common stock, \$.01 par value; 60,000,000 shares authorized; 18,358,673 shares issued, actual; 21,285,073 shares issued, pro forma, as adjusted(1).....	183	213
Additional paid-in capital.....	123,866	221,090
Retained earnings.....	22,210	22,210
Treasury stock, at cost, 51,679 shares.....	(769)	(769)
Foreign currency translation adjustment.....	(550)	(550)
Total stockholders' equity.....	144,940	242,194
Total capitalization.....	\$201,002	\$ 269,856

(1) Excludes (a) 221,397 shares of Common Stock reserved for issuance upon the exercise of outstanding options at an exercise price of \$4.21 per share, 402,400 shares reserved for issuance at an exercise price of \$16.00 per share, 35,000 shares reserved for issuance at an exercise price of \$29.00 per share and 10,000 shares reserved for issuance at an exercise price of \$31.00 per share granted under the Company's 1994 Stock Option Plan, and an additional 9,838 shares reserved for issuance under such Plan as of May 31, 1996, which additional shares may be issued at an exercise price equal to not less than the fair market value at the time of grant; and (b) 10,000 shares of Common Stock reserved for issuance upon the exercise of outstanding options at an exercise price of \$29.00 per share (the fair market value of the Common Stock on the date of grant) granted under the 1996 Non-Employee Directors Stock Option Plan, and an additional 40,000 shares reserved for issuance under such Plan as of May 31, 1996, which additional shares may be issued at an exercise price equal to not less than the fair market value at the time of grant. See "Management--Stock Option Plan" and "--Directors Stock Option Plan."

SELECTED CONSOLIDATED FINANCIAL INFORMATION AND OPERATING DATA

The following selected consolidated financial information with respect to the Company's financial position as of December 31, 1994 and December 30, 1995, and its results of operations for the years ended December 25, 1993, December 31, 1994 and December 30, 1995, has been derived from the audited consolidated financial statements of the Company appearing elsewhere in this Prospectus. The selected consolidated financial information with respect to the Company's results of operations for the years ended December 28, 1991 and December 26, 1992 and with respect to the Company's financial position as of December 28, 1991, December 26, 1992 and December 25, 1993 has been derived from audited financial statements of the Company that are not included in this Prospectus. The selected consolidated financial information for the three months ended April 1, 1995 and March 30, 1996 has been derived from the unaudited consolidated financial statements of the Company, which, in the opinion of management, include all adjustments (consisting only of normal recurring accruals) necessary to present fairly the information set forth therein. The results for the three months ended March 30, 1996 are not necessarily indicative of the results that may be expected for the full year. The selected financial data presented below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this Prospectus. The Selected Operating Data, Net Sales by Market Data and Balance Sheet Data presented below have not been audited.

	YEARS ENDED,					THREE MONTHS ENDED,		
	DECEMBER 28, 1991	DECEMBER 26, 1992	DECEMBER 25, 1993	DECEMBER 31, 1994	DECEMBER 30, 1995	PRO FORMA, AS ADJUSTED(1) DECEMBER 30, 1995	APRIL 1, 1995	MARCH 30, 1996
(IN THOUSANDS, EXCEPT PER SHARE AND SELECTED OPERATING DATA)								
STATEMENT OF OPERATIONS DATA:								
Net sales.....	\$282,110	\$ 362,925	\$ 415,710	\$ 486,610	\$ 616,209	\$671,448	\$136,040	\$ 185,359
Cost of sales.....	199,837	257,226	294,693	343,922	425,625	466,159	95,725	130,410
Gross profit.....	82,273	105,699	121,017	142,688	190,584	205,289	40,315	54,949
Selling, general and administrative expenses.....	79,775	96,287	109,574	128,560	170,823	184,509	37,329	50,245
Special management compensation(2).....	--	5,283	617	21,596	20,797	--	--	--
Special contingent consideration(3).....	--	--	3,216	--	--	--	--	--
Special professional fees(4).....	613	2,227	2,224	2,007	--	--	--	--
Operating income(loss).....	1,885	1,902	5,386	(9,475)	(1,036)	20,780	2,986	4,704
Interest income.....	1,374	1,210	856	251	475	475	69	395
Interest expense.....	(2,196)	(2,953)	(3,216)	(3,756)	(5,833)	(3,344)	(1,288)	(961)
Other income (expense)--net.....	312	255	(634)	541	276	321	97	(97)
Income (loss) before taxes on income (recovery), minority interest and equity in earnings of affiliates.....	1,375	414	2,392	(12,439)	(6,118)	18,232	1,864	4,041
Taxes on income.....	827	622	1,351	(1,630)	5,126	7,810	781	1,783
Minority interest in net income (loss) of subsidiaries.....	(325)	(249)	318	561	509	524	172	(70)
Equity in earnings of affiliates.....	113	514	1,296	494	1,537	1,425	25	136
Income (loss) before cumulative effect of accounting change.....	986	555	2,019	(10,876)	(10,216)	11,323	936	2,464
Cumulative effect of accounting change.....	--	--	1,891	--	--	--	--	--
Net income (loss).....	\$ 986	\$ 555	\$ 3,910	(\$ 10,876)	(\$ 10,216)	\$ 11,323	\$ 936	\$ 2,464
Net income per common share.....						\$.63	\$.08	\$.13
Average shares outstanding.....						18,017	12,184	18,670
PRO FORMA INCOME DATA(5):								
Pro forma operating income.....				\$ 14,128	\$ 19,761			
Pro forma net income....				\$ 6,978	\$ 9,407			
Pro forma net income per common share.....				\$.58	\$.70			
Pro forma average shares outstanding.....				12,127	13,447			

PRO FORMA,

AS
ADJUSTED(1)

MARCH 30,
1996

STATEMENT OF OPERATIONS

DATA:	
Net sales.....	\$ 194,101
Cost of sales.....	136,786

Gross profit.....	57,315
Selling, general and administrative expenses.....	52,311
Special management compensation(2).....	--
Special contingent consideration(3).....	--
Special professional fees(4).....	--

Operating income(loss).....	5,004
Interest income.....	395
Interest expense.....	(682)
Other income (expense)--net.....	(64)

Income (loss) before taxes on income (recovery), minority interest and equity in earnings of affiliates.....	4,653
Taxes on income.....	2,044
Minority interest in net income (loss) of subsidiaries.....	(37)
Equity in earnings of affiliates.....	136

Income (loss) before cumulative effect of accounting change.....	2,782
Cumulative effect of accounting change.....	--

Net income (loss).....	\$ 2,782

Net income per common share.....	\$.14
Average shares outstanding.....	19,785
PRO FORMA INCOME	
DATA(5):	
Pro forma operating income.....	
Pro forma net income....	
Pro forma net income per common share.....	
Pro forma average shares outstanding.....	

YEARS ENDED,						THREE MONTHS ENDED,	
DECEMBER 28, 1991	DECEMBER 26, 1992	DECEMBER 25, 1993	DECEMBER 31, 1994	DECEMBER 30, 1995	PRO FORMA, AS ADJUSTED(1) DECEMBER 30, 1995	APRIL 1, 1995	MARCH 30, 1996

(IN THOUSANDS, EXCEPT PER SHARE AND SELECTED OPERATING DATA)

SELECTED OPERATING DATA:

Number of orders shipped.....	1,824,000	2,044,000	2,274,000	2,629,000		627,932	749,724
Average order size.....	\$ 199	\$ 203	\$ 214	\$ 234		\$ 216	\$ 247

NET SALES BY MARKET

DATA:							
Dental(6).....	\$195,047	\$ 228,264	\$ 245,616	\$ 266,212	\$ 317,933	\$ 71,828	\$ 94,536
Medical.....	43,975	58,314	78,628	97,914	134,979	26,962	40,127
Veterinary.....	15,974	19,481	24,312	27,872	29,680	6,650	8,458
Technology(7).....	3,470	5,825	7,738	10,685	25,914	5,631	5,965
International(8).....	23,644	51,041	59,416	83,927	107,703	24,969	\$ 36,273
	\$282,110	\$ 362,925	\$ 415,710	\$ 486,610	\$ 616,209	\$136,040	\$ 185,359

BALANCE SHEET DATA (AT

PERIOD END):							
Working capital.....	\$ 28,999	\$ 28,276	\$ 74,125	\$ 76,392	\$ 103,899	\$ 82,341	\$ 124,055
Total assets.....	114,453	137,957	160,793	190,020	296,867	193,496	303,733
Total debt.....	24,835	41,373	56,567	61,138	43,049	66,959	63,647
Minority interest.....	338	411	1,051	1,823	4,547	2,097	4,361
Stockholders' equity....	39,143	40,117	43,897	39,567	142,851	41,818	144,940

PRO FORMA,
AS
ADJUSTED(1)

MARCH 30,
1996

SELECTED OPERATING DATA:

Number of orders shipped.....	
Average order size.....	

NET SALES BY MARKET

DATA:	
Dental(6).....	
Medical.....	
Veterinary.....	
Technology(7).....	
International(8).....	

BALANCE SHEET DATA (AT

PERIOD END):	
Working capital.....	\$ 183,371
Total assets.....	374,113
Total debt.....	35,265
Minority interest.....	4,361
Stockholders' equity....	242,194

(1) Gives effect to (a) the Acquisitions that are described in Pro Forma Condensed Consolidated Financial Information and the borrowings under the Company's revolving credit facility to finance the Acquisitions, as if these transactions had occurred on January 1, 1995 for the purpose of the Statement of Operations Data and as if those transactions pending at March 30, 1996 had occurred at that date with respect to the Balance Sheet Data, (b) the sale of 5,090 shares of Common Stock at \$16.00 per share in connection with the Company's 1995 initial public offering and the application of the net proceeds therefrom to repay debt (including debt to finance the Acquisitions) as if the initial public offering had occurred on January 1, 1995 with respect to the Statement of Operations Data, and (c) the sale of a sufficient number of shares of Common Stock by the Company in this Offering at \$35.00 per share to repay debt (including debt to finance the Acquisitions) as if this Offering had occurred on November 3, 1995 for the purpose of the Statement of Operations Data and on March 30, 1996 with respect to the Balance Sheet Data. See "Pro Forma Condensed Consolidated Financial Information" and Notes 1 and 2 to the Company's Consolidated Financial Statements.

(2) Includes: (a) for 1992, cash payments of \$5.3 million for income taxes resulting from stock grants made to an executive officer of the Company; (b) for 1993, non-cash special management compensation charges of \$0.6 million in amortization of deferred compensation arising from the 1992 stock grants; (c) for 1994, non-cash special management compensation arising from accelerated amortization of deferred compensation arising from the 1992 stock grants to an executive officer of the Company of \$17.3 million, which included a 1994 mark-to-market adjustment (because of certain repurchase

features) of \$9.1 million, due to the resolution, with the closing of the Reorganization, of certain contingencies surrounding the issuance of the stock grants, non-cash special management compensation charges of \$1.6 million (net of prior accruals of approximately \$1.9 million under an executive incentive plan) arising from stock issuances to certain other senior management of the Company, valued at \$3.5 million, cash payments for income taxes of approximately \$2.4 million resulting from these stock issuances and \$0.3 million for additional income taxes resulting from the 1992 stock grants; and (d) for 1995, non-cash special management compensation charges of \$17.5 million arising from final mark-to-market adjustments (reflecting an increase in estimated market value from 1994 to the initial public offering price of \$16.00 per share) for stock grants made to an executive officer of the Company in 1992 and other stock issuances made to certain other senior management of the Company (because of certain repurchase features which expired with the initial public offering), an approximate \$2.8 million non-cash special management compensation charge (also based on the initial public offering price of \$16.00 per share) relating to compensatory options granted in 1995 and a cash payment of \$0.5 million for additional income taxes resulting from such stock issuances. Special management compensation has been eliminated in the pro forma, as adjusted columns. See "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Reorganization" and "Management--Stock Option Plan."

- (3) Includes \$0.7 million paid in connection with an acquisition and \$2.5 million resulting from the buyout of employees' rights to future income contained in their employment agreements. Special contingent consideration has been eliminated in the pro forma, as adjusted columns. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."
- (4) Includes special professional fees incurred by the Company in connection with the Reorganization. Special professional fees have been eliminated in the pro forma, as adjusted columns. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Reorganization."
- (5) Reflects the pro forma elimination of special charges incurred in 1994 and 1995 for special management compensation of \$21.6 million and \$20.8 million, respectively, and special professional fees incurred in 1994 of \$2.0 million arising from the Reorganization, and the related tax effect of \$5.8 million and \$1.2 million for 1994 and 1995, respectively. See "Reorganization."
- (6) Dental consists of the Company's dental sales in the United States and Canada.
- (7) Technology consists of the Company's practice management software sales and sales of certain other value-added products and services.
- (8) International consists of sales (substantially all dental) to customers outside the United States and Canada, primarily in Europe.

PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION
(UNAUDITED)

The Pro Forma Condensed Consolidated Financial Information reflects (1) financial information with respect to (i) the Company's 1995 acquisition of Veratex (for the period set forth below), (ii) the Company's acquisition of, or agreement to acquire, five other businesses in 1996 consisting of a 100% interest in three companies which had net sales of approximately \$31.4 million in 1995 and an 80% interest in one company which had net sales of \$4.0 million in 1995 and (iii) the acquisition by one of the Company's 50% owned companies of a 100% interest in a company which had net sales of approximately \$2.9 million in 1995 (collectively, the acquisitions in (ii) and (iii) are referred to as the "Other Recent and Pending Acquisitions" and together with Veratex, such acquisitions are referred to as the "Acquisitions"), and (2) the sale of 5,090,000 shares of Common Stock at \$16.00 per share in the Company's 1995 initial public offering and the application of the net proceeds therefrom to reduce debt, including debt to finance the Acquisitions (for the period set forth below). Two of the companies included in the Other Recent and Pending Acquisitions distribute dental supplies and equipment, one distributes dental laboratory equipment and supplies, one manufactures and distributes dental products and one distributes medical supplies. Since December 30, 1995, the Company also acquired or entered into agreements to acquire five other companies, the financial information for which is not reflected in the Pro Forma Condensed Consolidated Financial Information and is not material either individually or in the aggregate. The aggregate cash purchase price for the Acquisitions is expected to be approximately \$30.9 million, payable \$22.8 million in cash and \$8.1 million in notes. In addition, the Company will issue approximately 45,900 shares of Common Stock in connection with one of the Acquisitions. The Acquisitions will be accounted for under the purchase method of accounting, except for the acquisition by one of the Company's 50% owned companies, which will be accounted for under the equity method. There can be no assurance that any of the pending acquisitions will be consummated.

The Pro Forma Condensed Consolidated Financial Information gives effect to the adjustments described in the notes attached thereto. The financial information of Veratex at March 30, 1996 and for the three months then ended and for the period from July 7, 1995 to December 31, 1995 are included in the consolidated financial information of the Company for such periods. The accompanying pro forma condensed consolidated balance sheet combines the historical consolidated balance sheet of the Company and the balance sheets of the Other Recent and Pending Acquisitions as if such acquisitions had occurred on March 30, 1996. The accompanying pro forma condensed consolidated statement of operations for the year ended December 30, 1995 (1) combines the historical consolidated statements of operations of the Company and the Acquisitions and (2) reflects the sale of shares in the Company's 1995 initial public offering and the application of the net proceeds therefrom to reduce debt, as if all the Acquisitions and the initial public offering had occurred at January 1, 1995. The accompanying pro forma condensed consolidated statement of operations for the three months ended March 30, 1996 combines the historical consolidated financial statements of operations of the Company (which includes Veratex) and the Other Recent and Pending Acquisitions as if all such acquisitions had occurred at December 31, 1995. The Pro Forma Condensed Consolidated Financial Information, as adjusted, also gives effect to the completion of this Offering and the use of a portion of the proceeds therefrom to reduce debt. See "Use of Proceeds."

The Pro Forma Condensed Consolidated Financial Information is based on an allocation of the expected purchase prices for the Other Recent and Pending Acquisitions. Furthermore, such information does not purport to represent what the Company's actual results of operations would have been had the Acquisitions, the initial public offering or the Offering occurred on the dates indicated or for any future period or date. The pro forma adjustments give effect to available information and assumptions that the Company believes are reasonable. The Pro Forma Condensed Consolidated Financial Information should be read in conjunction with the Company's historical consolidated financial statements and the notes thereto and the financial statements of Veratex and the notes thereto appearing elsewhere in this Prospectus. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

HENRY SCHEIN, INC.
PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
MARCH 30, 1996
(IN THOUSANDS, EXCEPT SHARE DATA)
(UNAUDITED)

	HENRY SCHEIN, INC.	OTHER RECENT AND PENDING ACQUISITIONS	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED(1)	PRO FORMA AS ADJUSTED(2)
ASSETS					
Current:					
Cash and cash equivalents.....	\$ 7,500	\$ 341	\$ (59)(3)	\$ 7,782	\$ 59,715
Accounts receivable, net.....	104,859	4,347	(10)(3)	109,196	109,196
Inventories.....	87,897	3,386	(56)(3)	91,227	91,227
Deferred income taxes.....	6,715	333	--	7,048	7,048
Other.....	18,579	259	(12)(3)	18,826	18,826
Total current assets.....	225,550	8,666	(137)	234,079	286,012
Property and equipment, net.....	30,816	171	(32)(3)	30,955	30,955
Goodwill and other intangibles, net.....	26,186	--	9,779(4)	35,965	35,965
Investments and other.....	21,181	--	--	21,181	21,181
	\$303,733	\$ 8,837	\$ 9,610	\$ 322,180	\$374,113
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable and accrued expenses.....	\$ 89,549	\$ 3,176	\$(2,048)(5)	\$ 90,677	\$ 90,677
Bank credit lines.....	8,085	360	(360)(3)	8,085	8,085
Current maturities of long-term debt.....	3,861	18	--	3,879	3,879
Total current liabilities.....	101,495	3,554	(2,408)	102,641	102,641
Long-term debt.....	51,701	--	15,567(6)	67,268	23,301
Due to stockholder.....	--	2,249	(2,249)(7)	--	--
Other liabilities.....	1,236	380	--	1,616	1,616
Minority interest.....	4,361	--	--	4,361	4,361
Common stock and paid-in capital.....	124,049	--	1,354(8)	125,403	221,303
Retained earnings.....	22,210	--	--	22,210	22,210
Treasury stock.....	(769)	--	--	(769)	(769)
Foreign currency translation adjustment.....	(550)	--	--	(550)	(550)
Net assets of Other Recent and Pending Acquisitions.....	--	2,654	(2,654)(9)	--	--
Total stockholders' equity.....	144,940	2,654	(1,300)	146,294	242,194
	\$303,733	\$ 8,837	\$ 9,610	\$ 322,180	\$374,113

- (1) Gives effect to the Other Recent and Pending Acquisitions.
- (2) Adjusted to give effect to the application of the estimated net proceeds to the Company from this Offering to repay debt and to provide cash for the balance of the proceeds.
- (3) To eliminate certain assets and liabilities which were not acquired by the Company in connection with one of the Other Recent and Pending Acquisitions.
- (4) To record (i) goodwill of \$9.0 million relating to the Other Recent and Pending Acquisitions and (ii) other intangibles of \$0.8 million relating to non-compete agreements in connection with three Other Recent and Pending Acquisitions.
- (5) To (i) eliminate \$0.5 million of liabilities which were not assumed by the Company in connection with one of the Other Recent and Pending Acquisitions and (ii) record payment of certain accrued liabilities of approximately \$1.5 million with proceeds from borrowings from the Company's revolving credit facility in connection with one Other Recent and Pending Acquisition.
- (6) To reflect additional borrowings under the Company's revolving credit facility to finance the Other Recent and Pending Acquisitions.
- (7) To eliminate \$0.4 million due the stockholder of one of the Other Recent and Pending Acquisitions which is not being assumed by the Company and repay approximately \$1.8 million of stockholder debt in connection with one Other Recent and Pending Acquisition which is to be financed by borrowings under the Company's revolving credit facility.
- (8) To reflect approximately 45,900 shares of Common Stock to be issued in connection with one of the Other Recent and Pending Acquisitions.
- (9) To eliminate the net assets acquired of the Other Recent and Pending Acquisitions.

HENRY SCHEIN, INC.
PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
THREE MONTHS ENDED MARCH 30, 1996
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	HENRY SCHEIN, INC.	OTHER RECENT AND PENDING ACQUISITIONS	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED(1)	PRO FORMA AS ADJUSTED(2)
Net sales.....	\$185,359	\$ 8,742	\$--	\$ 194,101	\$194,101
Cost of sales.....	130,410	6,376	--	136,786	136,786
Gross profit.....	54,949	2,366	--	57,315	57,315
Selling, general and administrative expenses.....	50,245	2,036	30(3)	52,311	52,311
Operating income.....	4,704	330	(30)	5,004	5,004
Interest income (expense)--net.....	(566)	(41)	(257)(4)	(864)	(287)
Other--net.....	(97)	33	--	(64)	(64)
Income before taxes on income, minority interest and equity in earnings of affiliates.....	4,041	322	(287)	4,076	4,653
Taxes on income.....	1,783	51	(19)(5)	1,815	2,044
Minority interest in net loss of subsidiaries.....	(70)	--	33(6)	(37)	(37)
Equity in earnings of affiliates.....	136	--	--	136	136
Net income.....	\$ 2,464	\$ 271	\$ (301)	\$ 2,434	\$ 2,782
Pro forma net income per common share.....				\$ 0.13	\$ 0.14
Pro forma weighted average common and common equivalent shares outstanding.....				18,716	19,785

- (1) Gives effect to the Other Recent and Pending Acquisitions and 45.9 shares of Common Stock to be issued in connection therewith.
- (2) Adjusted to give effect to (i) the interest savings, net of taxes, from the application of the net proceeds from this Offering to repay debt and (ii) the sale of sufficient shares of Common Stock at \$35.00 per share to fund such repayment.
- (3) To adjust selling, general and administrative expenses for amortization of goodwill and non-compete agreements of \$105 arising from the Other Recent and Pending Acquisitions and to eliminate non-recurring shareholder compensation of approximately \$75 in connection with one of the Other Recent and Pending Acquisitions. Goodwill is amortized on a straight-line basis over 30 years based on the expected benefit period. The non-compete agreements are amortized on a straight-line basis over lives ranging from 5 to 7 years.
- (4) To reflect an increase in interest expense due to additional borrowings under the Company's revolving credit facility and other debt incurred to finance the Other Recent and Pending Acquisitions calculated based on an average interest rate of 6.4% which approximates the incremental borrowing rate in effect for the respective period. If interest rates were to vary 1/4% from the assumed rates, the effect on pro forma net income would be \$7, and there would not be any effect on pro forma net income per common share.
- (5) To eliminate the income tax effect of the pro forma adjustments in (3) and (4) above and the adjustment of income taxes on certain of the Acquisitions to an estimated combined rate of 40%.
- (6) To record the minority interests in the income of one of the Other Recent and Pending Acquisitions.

HENRY SCHEIN, INC.
PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 30, 1995
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	HENRY SCHEIN, INC.	VERATEX	OTHER RECENT AND PENDING ACQUISITIONS	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED (1)	PRO FORMA, AS ADJUSTED (2)
Net sales.....	\$616,209	\$19,853	\$ 35,386	\$ --	\$671,448	\$ 671,448
Cost of sales.....	425,625	14,079	26,455	--	466,159	466,159
Gross profit.....	190,584	5,774	8,931	--	205,289	205,289
Selling, general and administrative expenses.....	170,823	5,015	8,159	512(3)	184,509	184,509
Special charges.....	20,797	--	--	(20,797)(4)	--	--
Operating income (loss).....	(1,036)	759	772	20,285	20,780	20,780
Interest income (expense) - net...	(5,358)	--	(181)	1,986(5)	(3,553)	(2,869)
Other - net.....	276	--	45	--	321	321
Income (loss) before taxes on income, minority interest and equity in earnings of affiliates.....	(6,118)	759	636	22,271	17,548	18,232
Taxes on income.....	5,126	296	166	1,951(6)	7,539	7,810
Minority interest in net income of subsidiaries.....	509	--	--	15(7)	524	524
Equity in earnings of affiliates.....	1,537	--	--	(112)(8)	1,425	1,425
Net income (loss).....	\$(10,216)	\$ 463	\$ 470	\$ 20,193	\$ 10,910	\$ 11,323
Pro forma net income per common share.....					\$ 0.61	\$ 0.63
Pro forma weighted average common and common stock equivalent shares outstanding.....					17,772	18,017

- (1) Gives effect to (i) the Acquisitions and 45.9 shares of Common Stock to be issued in connection therewith and (ii) the sale of 5,090 shares in the Company's initial public offering and the application of the net proceeds therefrom to reduce debt.
- (2) Adjusted to give effect to the interest savings, net of taxes, from the application of net proceeds from this Offering to repay debt and issuance of shares of Common Stock at \$35.00 per share sufficient to fund such repayment.
- (3) To adjust selling, general and administrative expenses for (i) \$375 of increased general and administrative expenses incurred by the Company in connection with one of the Acquisitions, (ii) amortization of goodwill and non-compete agreements of \$637 arising from the Acquisitions, and (iii) the elimination of non-recurring shareholder compensation incurred in connection with one of the Acquisitions of \$500. Goodwill is amortized on a straight-line basis over 30 years based on the expected benefit period. The non-compete agreements are amortized on a straight-line basis over lives ranging from 5 to 7 years.
- (4) To eliminate non-recurring special management compensation.
- (5) To reflect (i) an increase of \$2,117 in interest expense due to additional borrowings under the Company's revolving credit facility and other debt incurred to finance the Acquisitions, calculated based on an average interest rate of 8.3% which approximates the incremental borrowing rate in effect for the respective periods, and (ii) reflect a reduction in interest expense resulting from assumed repayment of debt from proceeds of the initial public offering. If interest rates were to vary +/- 4% from the assumed rates, the effect on pro forma net income would be approximately \$45.0, and there would not be any effect on pro forma net income per common share.
- (6) To eliminate the income tax effect of the pro forma adjustments in (3) through (5) above and the adjustment of income taxes on certain of the Acquisitions to an estimated combined rate of 40%.
- (7) To record the minority interests in the income of certain of the Acquisitions.
- (8) To record equity in net income of one of the Acquisitions.

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 notes thereto included elsewhere in this Prospectus.

OVERVIEW

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 national healthcare reform, trends toward managed care, cuts in Medicare, consolidation of healthcare distribution companies and collective purchasing arrangements. The Company's results of operations in recent years have also been impacted by the Reorganization. See "Reorganization."

The Company's net sales have grown at a compounded annual rate of approximately 21.6%, from \$282.1 million in 1991 to \$616.2 million in 1995. This growth reflects increased direct marketing activities by the Company in serving its dental customers and the utilization by the Company of its sales and marketing strategies and cost effective infrastructure to expand the Company's presence in the medical and veterinary markets. During this same period, the Company established distribution capabilities in Europe, introduced practice management software products and consummated 29 acquisitions and joint ventures.

Since 1991, the Company has expanded its field sales force to include approximately 50 field sales consultants who focus exclusively on the medical market. The Company has also expanded the number of SKUs offered to each of the medical and veterinary markets to over 15,000 at March 30, 1996. In addition, the Company has increased the number of direct mailings to physicians and veterinarians and its outbound telesales contacts to these professionals. During this period of increased focus on the medical and veterinary markets, the Company's net sales to these markets increased from \$59.9 million in 1991 to \$164.7 million in 1995, representing a compounded annual growth rate of approximately 28.6%. For the three months ended March 30, 1996, net sales to the medical and veterinary markets represented 26.2% of the Company's total net sales.

Commencing in 1990, the Company began to pursue opportunities in international markets. The Company established local distribution centers, hired telesales personnel and field sales consultants, entered into joint ventures with companies serving international customers and acquired local distributors. The Company's net sales to such markets increased from \$23.6 million in 1991 to \$107.7 million in 1995. At March 30, 1996, the Company operated subsidiaries or joint ventures in the United Kingdom, The Netherlands, Belgium, Germany, France, Spain and Ireland which generated approximately 19.6% of the Company's net sales for the three months ended March 30, 1996.

From 1993 through 1995, the Company entered into joint ventures with or acquired three medical distributors and 21 dental distributors, the most significant of which were Van den Braak and Veratex, which were acquired in November 1993 and July 1995, respectively. Van den Braak had net sales of approximately \$10.6 million in the fiscal year ended December 25, 1993, while Veratex had net sales of approximately \$39.5 million in the fiscal year ended December 31, 1994. Since December 31, 1995, the Company has acquired or entered into acquisition agreements with ten additional businesses.

From 1992 through 1994, the Company was a party to a series of transactions leading to the Reorganization that resulted in, among other things, the Company being separated from Holdings and the distribution of shares of the Common Stock of the Company to its then current stockholders. In December 1992, an executive officer of the Company received certain stock grants in the Company and Schein Pharmaceutical valued at approximately \$6.2 million and \$2.6 million, respectively, and cash of approximately \$5.3 million to pay income taxes on the stock grants received. These stock grants were

subject to the occurrence of certain future events, including the fulfillment of the employment term by the executive officer. Accordingly, these stock grants, totaling \$8.8 million, were treated as deferred compensation while the cash payments were charged to earnings as special management compensation in the year ended December 26, 1992. During 1993, the Company amortized the deferred compensation relating to stock grants by the Company to the executive officer resulting in a charge to earnings of \$0.6 million. In 1994, the contingencies relating to the stock granted to the executive officer were eliminated, such that these shares became fully vested. Accordingly, deferred compensation of \$8.8 million, less the 1993 amortization of \$0.6 million, plus a mark-to-market adjustment (because of certain repurchase features) of approximately \$9.1 million, along with a \$0.3 million cash payment for income taxes relating to the 1992 stock grants, was expensed in 1994 as special management compensation.

In addition, in connection with the Reorganization, certain senior management of the Company were issued shares of Common Stock of the Company in 1994 and 1995 to extinguish an obligation under a pre-existing long-term incentive plan and to provide them with an ownership interest in the Company. In connection with the issuance of the shares, a cash payment for income taxes relating to such stock issuances of approximately \$2.4 million was paid. This cash bonus, plus \$3.5 million, the fair value of the related stock issued, net of amounts accrued under the long-term incentive plan of approximately \$1.9 million, resulted in an additional special management compensation charge to the Company of approximately \$4.0 million in 1994. Charges to earnings for the year ended 1995 related to a mark-to-market adjustment (because of certain repurchase features) for stock grants made to an executive officer of the Company and the stock issuances of the other senior management of approximately \$15.5 million and cash payments of \$0.5 million for income taxes related to the stock issuances. Due to the elimination of repurchase features on the stock issued to the executive officers of the Company and other senior management upon closing of the initial public offering in the fourth quarter of 1995, the Company incurred special management compensation charges of approximately \$2.0 million for an additional mark-to-market adjustment to reflect the difference between the actual initial public offering price of \$16.00 per share and the prior estimated initial public offering price of \$15.00 per share.

Additionally, the Company has granted certain employees options for shares of the Company's Common Stock which became exercisable upon the Company's initial public offering on November 3, 1995, at which time substantially all such options vested. Non-recurring special compensation charges for the options issued to employees recorded in the fourth quarter of 1995 amounted to approximately \$2.8 million. In addition, the Company recorded an approximate \$1.1 million related tax benefit.

Special charges for special management compensation and special professional fees incurred in connection with the Reorganization aggregated \$0.6 million, \$7.5 million, \$2.8 million, \$23.6 million and \$20.8 million for 1991, 1992, 1993, 1994 and 1995, respectively. There were no special management compensation charges incurred in each of the three month periods ended April 1, 1995 and March 30, 1996.

In addition, in 1993 the Company incurred special contingent consideration charges of \$0.7 million and \$2.5 million in connection with an acquisition and the buyout of employees' rights to future income contained in their employment agreements, respectively.

In November 1995, the Company completed an initial public offering of 7,089,750 shares of its Common Stock. In the offering, the Company sold 5,090,000 shares of Common Stock at an initial public offering price of \$16.00 per share, and used the net proceeds primarily to repay amounts outstanding under the Company's revolving credit agreement. Since the initial public offering, the Company has completed five acquisitions and has entered into agreements to acquire an additional five companies. Together, these companies generated approximately \$80.0 million in sales in 1995, and collectively serve office-based healthcare practitioners in the dental, dental laboratory and medical markets. These acquisitions further the Company's acquisition growth strategies of leveraging its existing infrastructure, acquiring regional distributors with networks of field sales consultants and

expanding the Company's network of equipment sales and service centers. Through the acquisitions that have been completed as well as additional hirings, the Company has increased its domestic field sales consultants from approximately 200 at the time of the initial public offering to approximately 250 at May 31, 1996. In addition, in December 1995, the Company introduced a new Windows(R) version of its dental practice management software and has sold over 2,700 such units through the first quarter of 1996. The Company has also recently introduced Aruba(R), an enhanced Windows(R) version of its computerized order entry system, which also contains an electronic catalog.

RESULTS OF OPERATIONS

The following table sets forth for the periods indicated the net sales by market of the Company and the percentage change in such items for the years ended 1993, 1994 and 1995 and for the three months ended April 1, 1995 compared to the three months ended March 30, 1996.

	PERCENTAGE OF NET SALES					PERCENTAGE INCREASE		
	YEARS ENDED,			THREE MONTHS ENDED,		1993 TO 1994	1994 TO 1995	THREE MONTHS ENDED APRIL 1, 1995 TO THREE MONTHS ENDED MARCH 30, 1996
	DECEMBER 25, 1993	DECEMBER 31, 1994	DECEMBER 30, 1995	APRIL 1, 1995	MARCH 30, 1996			
NET SALES BY MARKET:								
Dental(1).....	59.1%	54.7%	51.6%	52.8%	51.0%	8.4%	19.4%	31.6%
Medical.....	18.9	20.1	21.9	19.8	21.6	24.5	37.9	49.1
Veterinary.....	5.8	5.7	4.8	4.9	4.6	14.6	6.5	26.9
Technology(2).....	1.9	2.2	4.2	4.1	3.2	38.1	142.1	5.9
International(3)...	14.3	17.3	17.5	18.4	19.6	41.2	28.4	45.2
	-----	-----	-----	-----	-----			
	100.0%	100.0%	100.0%	100.0%	100.0%	17.1	26.6	36.3
	-----	-----	-----	-----	-----			

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

(2) Technology consists of the Company's practice management software sales and sales of certain other value-added products and services.

(3) International consists of sales (substantially all dental) to customers outside the United States and Canada, primarily in Europe.

Three Months Ended March 30, 1996 Compared to Three Months Ended April 1, 1995

Net sales increased \$49.4 million, or 36.3%, to \$185.4 million for the three months ended March 30, 1996 from \$136.0 million for the three months ended April 1, 1995. Of the \$49.4 million increase, approximately \$22.7 million represented a 31.6% increase in the Company's dental business, \$13.2 million represented a 49.1% increase in its medical business, \$11.3 million represented a 45.2% increase in its international business, \$1.8 million represented a 26.9% increase in its veterinary business and \$0.4 million represented a 5.9% increase in the Company's technology business. The dental net sales increase was primarily the result of the Company's increased emphasis on its integrated sales and marketing approach (which coordinates the efforts of its field sales consultants with its direct marketing and telesales personnel), entering the U.S. market for large dental equipment and acquisitions. Of the approximately \$13.2 million increase in medical net sales, approximately \$6.1 million, or 46.2%, represented increased net sales to renal dialysis centers, with the effects of acquisitions and increased outbound telesales activity primarily accounting for the balance of the increase in net sales. In the international market, the increase in net sales was primarily due to acquisitions and increased unit volume growth. In the veterinary market, the increase in net sales was primarily due to increased account penetration.

Gross profit increased by \$14.6 million, or 36.2%, to \$54.9 million for the three months ended March 30, 1996, from \$40.3 million for the three months ended April 1, 1995, while gross profit margin remained consistent at 29.6% for the same period. The \$14.6 million increase in gross profit was primarily due to increased account penetration and the effects of acquisitions.

Selling, general and administrative expenses increased by \$12.9 million, or 34.6%, to \$50.2 million for the three months ended March 30, 1996 from \$37.3 million for the three months ended April 1, 1995. Selling and shipping expenses increased by \$10.5 million, or 44.3%, to \$34.2 million for the three months ended March 30, 1996 from \$23.7 million for the three months ended April 1, 1995. As a percentage of net sales, selling and shipping expenses increased 1.0% to 18.4% for the three months ended March 30, 1996 from 17.4% for the three months ended April 1, 1995. The increase in selling and shipping expenses as a percentage of net sales was primarily due to an increase in the number of field sales consultants. General and administrative expenses increased \$2.4 million, or 17.6%, to \$16.0 million for the three months ended March 30, 1996 from \$13.6 million for the three months ended April 1, 1995, primarily as a result of acquisitions. As a percentage of net sales, general and administrative expenses decreased 1.4% to 8.6% for the three months ended March 30, 1996 from 10.0% for the three months ended April 1, 1995 due primarily to the relatively fixed nature of general and administrative expenses when compared to the 36.3% increase in sales volume for the same period.

Interest expense--net decreased \$0.6 million, or 50.0%, to \$0.6 million for the three months ended March 30, 1996 from \$1.2 million for the three months ended April 1, 1995. This decrease was primarily due to a reduction in interest expense which resulted from a decline in average interest rates to 7.2% for the three months ended March 30, 1996 from 8.0% for the three months ended April 1, 1995 and a \$10.7 million decrease in the Company's average borrowings which primarily resulted from the availability of additional equity capital from the Company's initial public offering in November 1995, reduced by cash used for acquisitions.

Equity in earnings of affiliates increased by \$0.1 million to \$0.1 million for the three months ended March 30, 1996. This increase in equity in earnings of affiliates was primarily due to the acquisition of an unconsolidated affiliate during the fourth quarter of 1995.

For the three months ended March 30, 1996, the Company's provision for taxes was \$1.8 million, while pre-tax income was \$4.0 million, resulting in an effective tax rate of 44.1%. The difference between the effective tax rate and the Federal statutory rate relates primarily to state income taxes and currently non-deductible net operating losses of certain foreign subsidiaries in France, which are not included in the Company's consolidated tax return. For the three months ended April 1, 1995, the Company's provision for taxes was \$0.8 million, while pre-tax income was \$1.9 million. The effective tax rate of 41.9% for the three months ended April 1, 1995 differed from the Federal statutory rate, primarily due to state income taxes.

1995 Compared to 1994

Net sales increased \$129.6 million, or 26.6%, to \$616.2 million in 1995 from \$486.6 million in 1994. Of the \$129.6 million increase, approximately \$51.7 million represented a 19.4% increase in the Company's dental business, \$37.1 million represented a 37.9% increase in its medical business, \$23.8 million represented a 28.4% increase in its international business, \$15.2 million represented a 142.1% increase in its technology business and \$1.8 million represented a 6.5% increase in the Company's veterinary business. The dental net sales increase, after taking into consideration acquisitions, was primarily due to the Company's increase in field sales consultants and telesales personnel, database marketing programs and promotional activities. Of the approximately \$37.1 million increase in medical net sales, approximately \$17.0 million, or 45.8%, represents incremental net sales to renal dialysis centers, with the effects of acquisitions and increased telesales personnel accounting for the other major increase in net sales. In the international market, the increase in net sales was due to the full year benefit of an acquisition made in France in July 1994, acquisitions made in 1995, increased unit volume growth

and favorable exchange rate translation adjustments. The increase in net sales for the Company's technology market was primarily the result of an increase in unit sales due to the release of the new Windows(R) version of Easy Dental(R) Plus software in December 1995 and substantial price increases. The increased pricing on the Easy Dental(R) Plus software product was accompanied by substantial sales promotions and related expense. In the veterinary market, the Company now earns a commission on certain products which the manufacturer now sells direct. Including those sales on a basis similar to 1994, sales to the veterinary market would have increased by approximately 20.0%.

Gross profit increased by \$47.9 million, or 33.6%, to \$190.6 million in 1995, from \$142.7 million in 1994, while gross profit margin increased by 1.6% to 30.9% from 29.3% for the same period. Of the 1.6% increase in gross profit margin, approximately 87.5%, or 1.4%, was primarily attributed to increased sales volume of the Company's Easy Dental(R) Plus software, which carried a higher gross profit margin than other products sold by the Company. The higher net sales volume for the Company's technology business, up 142.1% to \$25.9 million from \$10.7 million for the same period last year, was primarily due to the release of the new Windows(R) version of Easy Dental(R) Plus software, which increased unit sales, coupled with substantial price increases. The increased pricing on the Easy Dental(R) Plus software product was accompanied with substantial sales promotions. The balance of the change in gross profit margin was due to changes in product mix.

Selling, general and administrative expenses increased by \$42.2 million, or 32.8%, to \$170.8 million in 1995 from \$128.6 million in 1994. Selling and shipping expenses increased by \$34.8 million, or 44.8%, to \$112.5 million in 1995 from \$77.7 million in 1994. As a percentage of net sales, selling and shipping expenses increased 2.4% to 18.3% in 1995 from 15.9% in 1994. The increase in selling and shipping expenses as a percentage of net sales was primarily due to substantial sales promotions offered by the Company's technology group in conjunction with the promotion of Easy Dental(R) Plus software and the new Windows(R) version released in December 1995, which accounted for approximately 0.9% of the 2.4% increase in selling and shipping expenses as a percentage of net sales. The balance of the increase was due primarily to various promotional programs and incremental field sales and marketing personnel. General and administrative expenses increased \$7.4 million, or 14.5%, to \$58.3 million in 1995 from \$50.9 million in 1994, primarily as a result of acquisitions. As a percentage of net sales, general and administrative expenses decreased 1.0% to 9.5% in 1995 from 10.5% in 1994 due primarily to the relatively fixed nature of general and administrative expenses when compared to the 26.6% increase in sales volume for the same period.

Special charges decreased by \$2.8 million to \$20.8 million for 1995, from \$23.6 million for 1994. Special charges for 1995 included final, non-cash mark-to-market adjustments of approximately \$17.5 million for stock grants made to an executive officer of the Company and stock issuances to other senior management and approximately \$2.8 million for options granted to certain employees of the Company to acquire shares of the Company's Common Stock, and cash payments of approximately \$0.5 million for income taxes related to the stock issuances to other senior management. In addition, the Company recorded an approximate \$1.1 million related tax benefit.

Interest expense--net increased \$1.9 million, or 54.3%, to \$5.4 million in 1995 from \$3.5 million in 1994. This increase was due to two factors: average interest rates rose to 8.3% in 1995 from 6.4% in 1994, and the Company's average borrowings increased by \$11.3 million in 1995 as compared to 1994 as a result of higher working capital requirements and financing of acquisitions.

Equity in earnings of affiliates increased by \$1.0 million, or 200.0%, to \$1.5 million in 1995 from \$0.5 million in 1994. This increase in equity in earnings of affiliates was primarily due to an increase in earnings of one unconsolidated affiliate which was the result of increased sales volume and the acquisition of another unconsolidated affiliate during the fourth quarter of 1995.

In 1995, the Company's provision for taxes was \$5.1 million, while the pre-tax loss was \$6.1 million. The difference between the tax provision and the amount that would have been recoverable by applying the statutory rate to pre-tax loss was attributable substantially to the non-deductibility for

income tax purposes of the \$17.5 million appreciation in the value of the stock issued to an executive officer and other senior management of the Company. On a pro forma basis, to give effect to special charges, taxes on income for 1995 were \$6.3 million, resulting in an effective tax rate of 42.9%. The difference between the pro forma effective tax rate and the Federal statutory rate relates primarily to state income taxes and currently non-deductible net operating losses of certain foreign subsidiaries, primarily in France, which are not included in the Company's consolidated tax return. In 1994, the income tax recovery was \$1.6 million, while the pre-tax loss was \$12.4 million. The effective tax rate of the Company for 1994 differed from the Federal statutory rate, primarily due to non-deductible special charges of approximately \$9.1 million arising from the appreciation in the value of stock issued to an executive officer of the Company and currently non-deductible net operating losses of certain foreign subsidiaries.

1994 Compared to 1993

Net sales increased \$70.9 million, or 17.1%, to \$486.6 million in 1994 from \$415.7 million in 1993. Of the \$70.9 million increase, \$24.5 million represented a 41.2% increase in the Company's international business, \$20.6 million and \$19.3 million represented an 8.4% and 24.5% increase in the Company's dental and medical businesses, respectively, and \$3.0 million represented a 38.1% increase in net sales of the Company's technology products. The net sales increase for the Company's international business was the result of the full year benefit of certain acquisitions in the United Kingdom and the Netherlands, which took place in July and October, respectively, of 1993 and comprised \$12.1 million and \$5.1 million, respectively, of the 1994 international net sales increase. Dental net sales increases were primarily due to the Company's increase in telesales personnel and field sales consultants, database marketing programs and promotional activities. Medical net sales of products to renal dialysis centers increased \$9.9 million over 1993, while net sales to podiatrists increased \$4.5 million as the result of an acquisition of a medical supply company in August 1994. Additionally, net sales of a medical supply company acquired in November 1992 increased 66.2% over 1993. Net sales of technology products increased primarily due to increased unit net sales and price increases on the Company's Easy Dental(R) Plus software product, which accounted for the 1994 increase.

The Company's gross profit increased by \$21.7 million, or 17.9%, to \$142.7 million in 1994 from \$121.0 million in 1993. Of the \$21.7 million increase, approximately \$8.9 million, or 41.0%, was attributable to the Company's international business, and \$9.0 million, or 41.5%, was attributable to the Company's dental business. The gross profit increase for the Company's international business reflects the full year benefit of certain acquisitions in the United Kingdom and the Netherlands, which took place in July and October, respectively, of 1993 and comprised \$4.4 million and \$2.8 million, respectively, of the 1994 increase. The Company's dental gross profit increase was primarily due to higher unit sales and increased sales of Henry Schein brand products. The overall increase in gross profit margin to 29.3% from 29.1% was primarily due to increased sales of higher margin products and higher margins realized on the Company's Easy Dental(R) Plus products, offset in part by lower gross profit margins on the Company's medical business, which decreased from 26.0% in 1993 to 21.7% in 1994 as a result of increased price competition and increased sales of lower margin products to renal dialysis centers.

Selling, general and administrative expenses increased by \$19.0 million, or 17.3%, to \$128.6 million in 1994 from \$109.6 million in 1993. Selling and shipping expenses increased by \$14.9 million, or 23.7%, to \$77.7 million in 1994 from \$62.8 million in 1993. The increase in selling and shipping expenses was due to increased sales volume, the full year impact of certain acquisitions in the United Kingdom and The Netherlands, an increase in promotional activities relating to the sale of Easy Dental(R) Plus software and the impact of an acquisition. As a percentage of net sales, selling and shipping expenses increased 0.8% to 15.9% in 1994 from 15.1% in 1993. This increase was due to the full year impact of certain acquisitions in The Netherlands and the United Kingdom, and the acquisition of a medical supply company in 1994. General and administrative expenses increased \$4.1

million, or 8.8%, to \$50.9 million in 1994 from \$46.8 million in 1993. As a percentage of net sales, general and administrative expenses decreased 0.8% to 10.5% in 1994 from 11.3% in 1993.

Special charges increased by \$17.5 million to \$23.6 million from \$6.1 million for 1993. Special charges included approximately \$21.3 million in special management compensation expense, an additional cash payment of \$0.3 million for additional income taxes resulting from 1992 stock grants, and approximately \$2.0 million in special professional fees. The significant increase in special management compensation expense was the result of the completion of the Reorganization which caused certain stock grants awarded an executive officer of the Company valued at \$17.3 million to become fully vested, and the issuance of stock valued at \$3.5 million to certain senior management of the Company along with cash payments for income taxes of approximately \$2.4 million, net of prior executive incentive plan accruals of \$1.9 million. Charges to earnings in connection with the stock grants and issuances ceased upon the closing of the initial public offering when the contingent buy-back features relating to these stock grants and issuances terminated.

Interest expense--net increased \$1.1 million, or 48.5%, to \$3.5 million in 1994 from \$2.4 million in 1993. The increase was primarily due to an increase in average debt of \$9.9 million in 1994 offset in part by decreased average interest rates of 6.4% in 1994 from 6.6% in 1993.

Other income (expense)--net increased \$1.1 million to income of \$0.5 million in 1994 from an expense of \$0.6 million in 1993. This increase was primarily attributable to a foreign exchange gain of approximately \$0.5 million.

Equity in earnings of affiliates decreased by \$0.8 million, or 61.9%, to \$0.5 million in 1994 from \$1.3 million in 1993. This decrease in equity in earnings of affiliates was primarily due to decreased sales volume as a result of increased competition for the products sold by an unconsolidated 50%-owned company.

Taxes on income (recovery) decreased \$3.0 million, to a recovery of \$1.6 million in 1994 from an expense of \$1.4 million in 1993 due primarily to the recognition in 1994 of certain Reorganization expenses amounting to \$14.5 million. The effective tax recovery rate for 1994 was lower than the statutory rate due primarily to non-deductible special management compensation charges of approximately \$9.1 million and currently non-deductible net operating losses of certain foreign subsidiaries.

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

Recently issued accounting standards applicable to the Company include Statement of Financial Accounting Standards No. 121 ("SFAS No. 121"), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," which establishes accounting standards for, among other things, the impairment of long-lived assets, and certain identifiable intangibles and goodwill. SFAS No. 121 is effective for financial statements for fiscal years beginning after December 15, 1995 and has not had any effect on the Company's consolidated financial statements. In addition, the Company does not intend to adopt the fair value method of accounting for stock options as permitted by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation."

QUARTERLY RESULTS

The following table sets forth summary quarterly unaudited financial information for 1994 and 1995, and the first quarter of 1996, excluding non-recurring special charges and the related tax effects. In the opinion of management, this quarterly information has been prepared on a basis consistent with the Company's audited consolidated financial statements appearing elsewhere in this Prospectus and reflects all necessary adjustments (consisting only of normal, recurring adjustments) for a fair presentation of such unaudited quarterly results when read in conjunction with the audited financial statements and the notes thereto. The operating results for any quarter are not necessarily indicative of results for any future period and there can be no assurance that any trends reflected in such results will continue in the future.

	1994 QUARTERS ENDED				1995 QUARTERS ENDED				1996 QUARTER ENDED
	MARCH 26, 1994	JUNE 25, 1994	SEPT. 24, 1994	DEC. 31, 1994	APRIL 1, 1995	JULY 1, 1995	SEPT. 30, 1995	DEC. 30, 1995	MARCH 30, 1996
	(IN THOUSANDS, EXCEPT PER SHARE DATA)								
Net sales.....	\$ 108,356	\$115,793	\$ 122,695	\$139,766	\$136,040	\$139,753	\$ 156,667	\$183,749	\$ 185,359
Gross profit.....	31,695	33,708	34,998	42,287	40,315	42,107	48,090	60,072	54,949
Operating									
income.....	1,876	3,347	4,516	4,389	2,986	4,689	5,188	6,898	4,704
Net income.....	881	1,520	1,577	3,000	936	2,066	2,093	4,312	2,464
Earnings per									
share.....	.07	.13	.13	.25	.08	.17	.17	.26	.13

The Company's business has been subject to seasonal and other quarterly influences. Net sales and operating profits have been generally higher in the fourth quarter due to the timing of sales of software, year-end promotions and purchasing patterns of office-based healthcare practitioners and have been 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, the release of software enhancements, timing of purchases, special promotional campaigns, fluctuations in exchange rates associated with international operations and adverse weather conditions.

RISK MANAGEMENT

The Company has operations in the United States, Canada, the United Kingdom, The Netherlands, Belgium, Germany, France, the Republic of Ireland and Spain. Each of the Company's operations endeavors to protect its margins by using foreign currency forward contracts to hedge the estimated foreign currency payments to foreign vendors. The total U.S. dollar equivalent of all foreign currency forward contracts hedging vendor payments was \$4.8 million as of the end of the first quarter in 1996. The gain (or loss) on the income statement due to foreign currency fluctuations, net of a one-time gain of approximately \$0.5 million in 1994 resulting from hedging the Van den Braak acquisition loan described below, was \$0.2 for 1995 and \$0.6 million for the three months ended March 30, 1996.

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 experienced a positive translation adjustment of \$0.3 million in 1995, and a negative translation adjustment of \$0.4 million for the three months ended March 30, 1996, which were reflected in the balance sheet as an adjustment to stockholders' equity. The cumulative translation adjustment at the end of the first quarter of 1996 showed a net negative translation adjustment of \$0.6 million.

The Company issues a Canadian catalog once a year with prices stated in Canadian dollars; however, orders are shipped from the Company's United States warehouses resulting in U.S. dollar costs for Canadian dollar sales. To minimize the exposure to fluctuations in foreign currency exchange rates, the Company enters into foreign currency forward contracts with major international banks and

an unconsolidated 50%-owned company to convert estimated monthly Canadian dollar receipts into U.S. dollars. The Company usually enters into these forward contracts prior to the issuance of its Canadian catalog and for the expected life of the catalog. As of March 30, 1996, the Company had 19 forward contracts outstanding for the forward sale of 5.7 million Canadian dollars. The last of the contracts expire on December 27, 1996; however, the Company anticipates entering into new contracts in the normal course of its business.

The Company borrowed money in U.S. dollars under a term loan related to the Van den Braak acquisition. The Company loaned the proceeds to Henry Schein B.V. in Netherland Guilders ("NLG") with principal and interest payable in NLGs. To minimize the resultant exposure to fluctuations in foreign currency exchange rates, the Company entered into a series of foreign currency forward contracts to sell NLGs for U.S. dollars. As of March 30, 1996, the Company had 10 contracts outstanding for the forward sale of NLG 8.2 million. The last contract expires on October 31, 1997.

The Company entered into two interest rate swaps with major financial institutions to exchange variable rate interest for fixed rate interest. The net result was to substitute a weighted average fixed interest rate of 7.81% for the variable LIBOR rate on \$13.0 million of the Company's debt. The interest rate swaps expire in October and November of 2001.

The Company from time to time makes loans to its international subsidiaries. These loans are generally in the local currency of the subsidiary. The Company generally uses forward contracts to fully hedge the foreign currency exposure on these loans. As of March 30, 1996, the United States dollar value equivalent of the Company's three foreign currency forward contracts was \$0.8 million.

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal capital requirements have been to fund (a) working capital needs resulting from increased sales, extended payment terms on various products and special inventory buying opportunities, (b) capital expenditures and (c) acquisitions. Since sales have been strongest during the fourth quarter and special inventory buying 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 currently finances its business primarily through a revolving credit facility.

Net cash provided by (used in) operating activities for 1993, 1994, 1995, the three months ended April 1, 1995 and the three months ended March 30, 1996, was (\$3.3 million), \$6.3 million, (\$10.8 million), (\$2.6 million) and (\$16.0 million), respectively. Cash used in operating activities decreased from 1992 to 1993 primarily due to higher net income, as well as greater net cash due to the net effects of certain non-cash charges in excess of non-cash benefits and a reduction in current assets, were in part offset by reductions in trade payables and accrued expenses. The increase in cash provided by operating activities from 1993 to 1994 was primarily due to increases in trade payables and the net effects of certain non-cash charges in excess of non-cash benefits were in part offset by increases in trade receivables and a net loss. The increase in cash used in operating activities from 1994 to 1995 was primarily due to a net loss, as well as increases in trade receivables and the net effects of certain non-cash charges in excess of non-cash benefits, were in part offset by increases in trade payables. The increase in cash used in operating activities for the three months ended April 1, 1995 and the three months ended March 30, 1996 was primarily due to increases in trade receivables and decreases in trade payables, were in part offset by decreases in inventories and net income.

Net cash used in investing activities increased \$1.6 million in 1993 to \$4.9 million; \$3.0 million in 1994 to \$7.9 million; \$21.6 million to \$29.5 million in 1995 and \$1.3 million for the three months ended March 30, 1996 to \$3.7 million from \$2.4 million for the three months ended April 1, 1995. Cash used in investing activities has primarily been attributable to business acquisitions in 1995 and capital

expenditures with respect to the opening of a distribution facility in 1993, a new corporate headquarters in 1994 and the opening of new facilities in Europe and the United States in 1995.

Net cash provided by financing activities was \$6.2 million, \$3.7 million, \$43.4 million, \$6.7 million and \$19.7 million for 1993, 1994, 1995, the three months ended April 1, 1995 and the three months ended March 30, 1996, respectively. Net cash provided by financing activities decreased in 1994 as cash flow from operating activities increased by \$9.6 million. Net cash provided by financing activities increased in 1995 due primarily to proceeds from the Company's initial public offering, which financed, among other things, capital expenditures, additional working capital requirements and business acquisitions. Net cash provided by financing activities increased in the three months ended March 30, 1996 due primarily to additional long-term borrowings to finance additional working capital requirements and business acquisitions.

The Company entered into a \$45.0 million revolving credit facility on September 30, 1993 that was amended and restated on July 5, 1995 to increase the facility to \$65.0 million. Borrowings under the facility were \$35.8 million, \$17.0 million and \$39.0 million at the end of 1994, at the end of 1995 and at March 30, 1996, respectively. At March 30, 1996, the Company's main revolving credit facility was unsecured. In addition, the Company's subsidiaries have revolving credit facilities that total approximately \$13.9 million.

On May 5, 1995 the Company entered into a 12-year straight amortization term loan for \$1.2 million. In addition, the Company has borrowed funds in connection with its operations in Europe. See "Risk Management."

The aggregate purchase price for the acquisitions completed during fiscal 1995 and through May 31, 1996 was approximately \$26.0 million and \$8.0 million, respectively, payable \$16.4 million and \$8.0 million in cash and \$9.6 million and \$0 million in notes, respectively. The cash portion of the purchase price was primarily funded by the Company's revolving credit facility. The use of proceeds from the initial public offering, completed in November 1995, included a pay-down of the Company's revolving credit facility and the pay-off of certain 1995 acquisition notes, as well as other existing debt. Certain of the acquisitions call for contingent payments if certain financial targets are met. In addition, with respect to certain acquisitions and ventures, minority shareholders have the right at certain times to require the Company to acquire their shares at either fair market value or a formula price based on earnings of the entity.

The Company believes that its anticipated cash flow from operations, as well as the availability of funds under its existing credit agreements and the net proceeds of this offering, will provide it with liquidity sufficient to meet its currently foreseeable capital needs.

GENERAL

The Company is the largest direct marketer of healthcare products and services to office-based healthcare practitioners in the combined North American and European markets. The Company sells products and services to approximately 230,000 customers in markets the Company estimates exceeded \$9.0 billion in sales in 1995. The Company's customers are primarily dental practices and dental laboratories, as well as physician practices, veterinary clinics and institutions. In 1995, the Company sold products to over 65% of the estimated 100,000 dental practices in the United States. The Company believes that there is strong awareness of the "Henry Schein" name among office-based healthcare practitioners due to its more than 60 years of experience in distributing healthcare products. Through its comprehensive catalogs and other direct sales and marketing programs, the Company offers its customers a broad product selection of both branded and private brand products which include approximately 50,000 SKUs in North America and approximately 35,000 SKUs in Europe at published prices that the Company believes are below those of many of its competitors. The Company also offers various value-added products and services, such as practice management software. As of March 30, 1996, the Company had sold over 16,000 dental practice management software systems, more than any of its competitors. The Company's activities are conducted by the Company; by its subsidiaries, including Henry Schein UK Holdings Limited in the United Kingdom Schein Dental Equipment and S&S Dental Supply, Inc., each of which distributes dental products, and Zahn Holdings, Inc., which distributes dental laboratory products, as well as their respective subsidiaries; and by 50%-or-less owned entities, including HS Pharmaceutical and its subsidiaries, which are engaged in the manufacture and distribution of certain generic pharmaceutical products.

The Company intends to increase its sales to existing dental customers by intensifying its direct marketing efforts, by offering additional products and services, and by augmenting its direct marketing and telesales efforts with additional field sales consultants. The Company, which had traditionally focused primarily on the dental market, is currently utilizing these strategies and its cost-effective infrastructure to further expand into the medical and veterinary markets. Net sales to these markets increased from \$59.9 million in 1991 to \$164.7 million in 1995, which represented 26.7% of the Company's net sales in 1995. In 1990, the Company established marketing and distribution capabilities in Europe. Net sales in international markets have increased from \$23.6 million in 1991 to \$107.7 million in 1995, which represented 17.5% of the Company's net sales in 1995.

The Company was formed on December 23, 1992 as a wholly-owned subsidiary of Holdings. At that time, Holdings conducted the business in which the Company is now engaged and, in addition, owned 100% of the outstanding capital stock of Schein Pharmaceutical, a company engaged in the manufacture and distribution of multi-source pharmaceutical products. In December 1992, Holdings separated the Company's business from Schein Pharmaceutical by transferring to the Company all of the assets (including Holdings' 50% interest in HS Pharmaceutical) and liabilities of the healthcare distribution business now conducted by the Company. The Company did not assume any other liabilities of Holdings, including the liabilities associated with Schein Pharmaceutical's business. In February 1994, the Company, Holdings and their stockholders entered into a number of reorganization agreements, and in September 1994, pursuant to such agreements, all of the Common Stock held by Holdings was distributed to certain of the current stockholders of the Company. For a more complete description of these transactions, see "Reorganization."

INDUSTRY OVERVIEW

The Company distributes its products, supplies and equipment primarily to office-based healthcare practitioners in the dental, medical and veterinary markets.

Dental. According to industry estimates, United States sales of dental supplies and equipment have increased from \$1.9 billion in 1992 to more than \$2.2 billion in 1995. In addition, according to industry estimates, in 1995 there were approximately 130,000 active dentists serving the United States marketplace in about 100,000 dental practices. Based upon such information, the Company believes that the average annual purchase of dental supplies and equipment in 1995 was approximately \$17,000 per dentist. The Company estimates that the European market for dental supplies and equipment was more than \$2.3 billion in 1995.

Medical. According to industry estimates, United States sales of medical supplies and equipment to office-based physicians were more than \$4.0 billion in 1995. In addition, according to industry estimates, in 1995 there were approximately 390,000 office-based physicians serving the United States marketplace, and based upon such information, the Company believes that the average annual purchase of medical supplies and equipment in 1995 was approximately \$10,000 per office-based physician.

Veterinary. According to industry estimates, United States sales of supplies and equipment to veterinarians whose practices are directed primarily to small animals were approximately \$500 million in 1995 (excluding sales of food products, which the Company does not distribute). In addition, according to industry estimates, in 1995 there were approximately 35,000 veterinarians whose practices were directed primarily to small animals, practicing in approximately 21,000 small animal veterinary clinics in the United States. Based upon such information, the Company believes that the average annual purchase of supplies and equipment in 1995 was approximately \$14,000 per veterinarian.

The office-based healthcare practitioner industry in the United States is highly fragmented and geographically diverse. The industry ranges from sole practitioners working out of relatively small offices to group practices or service corporations comprised of a few to a large number of practitioners who have combined or otherwise associated their practices. Due in part to the inability of office-based practitioners to store and manage large quantities of supplies in their offices, the distribution of healthcare supplies and small equipment to office-based practitioners has traditionally been characterized by frequent, small quantity orders, and a need for rapid, reliable and substantially complete order fulfillment. The purchasing decision within an office-based healthcare practice is typically made by the practitioner or by an administrative assistant, and supplies and small equipment are generally purchased from more than one healthcare product distributor. As a result, distributors serving office-based healthcare practitioners generally offer a wide selection of products at competitive prices. Most of the Company's large competitors rely on an extensive field sales force to generate sales leads and to take and service orders. Other distributors utilize a direct response marketing approach, relying primarily on the use of direct mail catalogs and related marketing materials and in-house telesales representatives to generate orders. Certain direct marketers, including the Company, also utilize field sales personnel to enhance their relationships with their direct mail customers and to service and support the distribution of certain products and equipment that generally require a greater level of customer support.

In recent years, the healthcare industry has increasingly focused on cost containment. This trend has benefitted distributors capable of providing a broad array of products and services at low prices. This trend has also accelerated the growth of HMOs, group practices, other managed care accounts and collective buying groups who, in addition to their emphasis on obtaining products at low prices, tend to favor distributors capable of producing specialized management information support. The Company believes that the trend towards cost containment has the potential to favorably impact demand for practice management systems and software that can enhance the efficiency and facilitate the management of the practitioner's specific practice.

The supply industry serving office-based healthcare practitioners is highly fragmented, with numerous national distributors and approximately 900 regional distributors in North America and Europe serving the office-based practitioner market. The Company believes that consolidation within the supply industry serving office-based healthcare practitioners will result in a number of distributors,

particularly companies with limited financial and marketing resources, seeking to combine with larger companies that can provide expansion opportunities. This consolidation may also result in distributors seeking to acquire companies that can enhance their current product offerings, expand the services they can offer or provide opportunities for the distributor to serve a broader customer base.

BUSINESS STRENGTHS

The Company believes the following factors have been of principal importance in its ability to achieve its present position in the dental, medical and veterinary markets.

Direct Sales and Marketing Expertise. The Company believes that its more than 60 years of experience in distributing products to healthcare practitioners and more than 30 years of direct marketing experience has resulted in strong awareness of the "Henry Schein" name among healthcare practitioners. The Company supports its direct marketing effort with approximately 400 telesales representatives who facilitate order processing and generate sales through direct and frequent contact with its customers. The Company maintains an in-house advertising department that produced more than 8.5 million pieces of direct marketing material during 1995, such as general and specialty catalogs, flyers and order stuffers, customized by market and country. The Company's database of approximately 600,000 office-based healthcare practitioners allows it to utilize customer segmentation techniques to more effectively market its products and services.

Broad Product Offerings at Low Prices. The Company believes that it has one of the most extensive product offerings in each of the markets it serves. The Company presently offers approximately 50,000 SKUs to its North American customers and approximately 35,000 SKUs to its European customers. Over 80% of the Company's products in dollar volume are offered under national name brands, and the remainder are offered under the "Henry Schein" private brand. The Company believes its cost effective infrastructure enables it to offer products at prices below those of many of its competitors. In addition, the Company's pricing policy in the United States and Canada is to match its competitors' lowest advertised price. See "Competition." Through the breadth of its product offerings and its competitive prices, the Company strives to be a single source of supply to a wide variety of healthcare practitioners.

Commitment to Superior Customer Service. As part of the Company's commitment to providing superior customer service, the Company offers its customers ease of order placement and rapid, accurate and complete order fulfillment, and the ability to order products 24-hours a day. Products can be ordered by mail, fax, telephone (either automated or by speaking to a telesales representative), or via a computerized order entry system. The Company estimates that approximately 99% of all items ordered in the United States and Canada are shipped without back ordering, and that approximately 99% of all orders in the United States and Canada received before 6:00 p.m. are shipped on the same day the order is received. In addition, the Company estimates that over 90% of orders are received by its customers within two days of placing the order.

Cost-Effective Infrastructure. The Company's capital expenditures of approximately \$18.0 million over the last three fiscal years have enabled it to operate more cost-effectively and achieve greater service efficiency at higher sales volumes. The Company believes that these enhancements, as well as its strategically located distribution centers in the United States and Europe, enable it to provide its customers with broad geographic coverage on a cost-effective basis. In addition, the Company believes that this infrastructure provides opportunities for the Company to service and support increased net sales without the need for commensurate increases in expenses.

GROWTH STRATEGY

The Company believes that the continuing application of its business strengths, coupled with a focus on the following growth strategies, will enhance its ability to increase sales to existing dental customers, increase its medical customer base and increase sales to its veterinary customers.

Increased Penetration of Existing Dental Customer Base. Over 65% of the estimated 100,000 dental practices in the United States are customers of the Company. The Company estimates that it had sales in 1995 of more than \$10,000 to less than 10% of its dental customers in the United States, and therefore believes that it has an opportunity to increase its sales to a substantial number of its existing dental customers. The Company intends to accomplish this objective by (i) utilizing its current customer database to better focus its marketing efforts, (ii) increasing the number of field sales consultants, (iii) expanding its dental product and service offerings and (iv) increasing its focus on large corporate accounts.

Increased Penetration of Medical Market. In 1985, the Company began to increase its focus on the medical market. The Company believes this market possesses many of the same characteristics as the dental market, and therefore, opportunities exist to increase its customer base by utilizing its core infrastructure and strength in direct marketing. The Company's net sales of medical products have grown from \$44.0 million in 1991 to \$135.0 million in 1995. The Company has approximately 50 field sales consultants exclusively dedicated to the medical market. The Company intends to expand its medical customer base by increasing the number of field sales consultants in selected markets, expanding its product offerings and increasing its focus on large corporate accounts.

Increased Penetration of Existing Veterinary Customer Base. In 1985, the Company began to increase its focus on the veterinary market. The Company's net sales of veterinary products have grown from \$16.0 million in 1991 to \$29.7 million in 1995. In 1995, the Company sold products to more than 65% of the estimated 21,000 veterinary clinics in the United States. The Company estimates that it is the primary supplier of veterinary supplies to less than 5% of its veterinary customers in the United States, and therefore believes that it has an opportunity to increase its sales to a substantial number of its existing veterinary customers. The Company intends to increase its sales to its existing customers by utilizing its current customer database to better focus its marketing efforts.

Acquisitions and Joint Ventures. The Company believes that consolidation within the supply industry serving office-based healthcare practitioners is continuing to create opportunities for the Company to acquire businesses or enter into joint ventures that can complement the Company's current business. During 1993 through 1995, the Company entered into joint ventures with, or acquired, an additional 21 businesses. From January 1, 1996 to May 31, 1996, the Company completed five acquisitions and has entered into agreements to acquire five other companies. The Other Recent and Pending Acquisitions which were reflected in the Pro Forma Condensed Consolidated Statement of Operations accounted for 4.5% and 6.0% of the Company's pro forma net sales and operating income, respectively, for the three months ended March 30, 1996. See "Risk Factors."

Value-Added Products and Services. The Company offers its customers practice management software, assistance with arranging electronic claims processing and financing sources for patient billings and equipment, and large equipment installation and repair services. The Company intends to continue to market and expand these products and services. The Company believes that offering these products and services enhances its relationships with its customers, promotes customer loyalty and should increase sales of consumable supply products.

International Expansion. Sales by the Company to customers located outside the United States and Canada have increased from approximately \$23.6 million in 1991 to \$107.7 million in 1995. Since 1990, the Company has established operating subsidiaries and joint ventures in the United Kingdom, The Netherlands, Belgium, Germany, France, Republic of Ireland and Spain. The Company believes it is a leading distributor of healthcare products to dental practitioners in the United Kingdom and The

Netherlands. The Company intends to facilitate its expansion into new territories principally by entering into joint ventures and acquisitions with established local distributors.

CUSTOMERS

The Company serves approximately 230,000 customers worldwide in the dental, medical and veterinary markets. The Company's dental customers include office-based dental practices, dental laboratories, universities, institutions, governmental agencies and large group and corporate accounts; medical customers include office-based physician practices, podiatrists, renal dialysis centers, surgery centers, institutions and governmental agencies; and the Company's veterinary products are sold primarily to office-based veterinarians serving primarily small animals.

Approximately 105,000, or 44.1%, of the Company's customers in 1995 were dental practices and laboratories in the United States and Canada. The Company's average annual sales to these customers was approximately \$3,000 per customer in 1995. Medical and veterinary customers accounted for approximately 75,000 and 16,000, respectively, of the Company's total customers in 1995, or 31.5% and 6.7%, respectively. The average annual sales to its medical and veterinary customers in 1995 was approximately \$1,800 and \$1,900 per customer, respectively. International customers, which are predominantly dental practices and laboratories in Europe, totalled approximately 42,000, and accounted for 17.7% of the Company's total customers in 1995. The Company's average annual sales to these customers were approximately \$2,600 per customer in 1995.

The Company believes that its customers generally order from two or more suppliers for their healthcare product needs, and often use one supplier as their primary resource. The Company believes that its customers generally have larger order sizes and order more frequently from their primary suppliers. The Company estimates that it serves as a primary supplier to less than 10% of its total customer base, and believes it has an opportunity to increase sales by increasing its level of business with those customers for which it serves as a secondary supplier.

Over the past several years the Company has expanded its customer base to include larger purchasing organizations, including certain dental laboratories, institutions, government agencies, renal dialysis centers and surgery centers. More recently, as cost-containment pressures have resulted in increased demand for low-cost products and value-added services, the Company has targeted specific groups of practices under common ownership, institutions and professional groups. For example, the Company has an exclusive direct marketing agreement with an American Medical Association ("AMA") sponsored service and a veterinarian-sponsored service, pursuant to which member practitioners have access to the services' lower priced products. In 1995, the AMA-sponsored service and the veterinarian-sponsored purchasing service accounted for net sales of over \$16.7 million. These services, government institutions and agencies, and other large or collective purchasers, require low-cost pricing and detailed product and usage information and reporting. The Company believes it is well situated to meet the needs of these customers, given its broad, low-cost product offerings, and its management information systems. No single customer accounted for more than 4.0% of net sales in 1995.

SALES AND MARKETING

The Company's sales and marketing efforts, which are designed to establish and solidify customer relationships through frequent direct marketing contact, emphasize the Company's broad product lines, competitive prices and ease of order placement. In addition, the Company's marketing efforts involve personal interaction with field sales consultants in certain locations. The key elements of the Company's program in the United States are:

. Direct Marketing. During 1995, the Company distributed over 8.5 million pieces of direct marketing material, including catalogs, flyers, order stuffers and other promotional materials to approximately 600,000 office-based healthcare practitioners. The Company's principal U.S. dental catalog, which is issued semi-annually, contains an average of over 300 pages and includes

approximately 18,000 SKUs. The number of catalogs and other material received by each customer depends upon the market they serve as well as their purchasing history. The Company's catalogs include detailed descriptions and specifications of both branded and private brand products and are utilized by healthcare practitioners as a reference source. By evaluating its customers' purchasing patterns, area of specialty, past product selections and other criteria, the Company identifies customers who may respond better to specific promotions or products. To facilitate its direct marketing activities, the Company maintains an in-house advertising department which performs many creative services, which the Company believes streamlines the production process, provides greater flexibility and creativity in catalog production, and results in cost savings.

. Telesales. The Company supports its direct marketing with approximately 400 inbound and outbound telesales representatives who facilitate order processing and generate new sales through direct and frequent contact with customers. Inbound telesales representatives are responsible for assisting customers in purchasing decisions as well as answering product pricing and availability questions. In addition to assisting customers, inbound telesales representatives also market complementary or promotional products. The Company's telesales representatives utilize on-line computer terminals to enter customer orders and to access information about products, product availability, pricing, promotions and customer buying history.

The Company utilizes outbound telesales representatives and programs to better market its services to those customer accounts identified by the Company as either being high volume or high order frequency accounts. The Company's U.S. dental outbound telesales representatives, accounted for \$78.6 million of the Company's net sales in 1995. The Company has approximately 85 medical and veterinary telesales representatives who make outbound calls in addition to handling inbound telesales. Outbound telesales representatives strive to manage long-term relationships with these customers through frequent and/or regularly scheduled phone contact and personalized service.

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

. Field Sales Consultants. In 1992, the Company initiated its field sales consultant program and now has approximately 250 field sales consultants covering certain of its major North American and European markets. The field sales consultants concentrate on attracting new customers and increasing sales to customers who do not currently order a high percentage of their total product needs from the Company. This strategy is designed to complement the Company's direct marketing and telesales strategies and to enable the Company to better market, service and support the sale of more sophisticated products and equipment. Once a field sales consultant has established a relationship with a customer, the representative encourages the customer to use the Company's automated ordering process or its telesales representatives for its day-to-day needs. This simplifies the ordering process for the customer and increases the effectiveness of the field sales consultant.

CUSTOMER SERVICE

A principal element of the Company's customer service approach is to offer an order entry process that is convenient, easy and flexible. Customers typically place orders with one of the Company's experienced telesales representatives. Orders may also be placed 24-hours a day by fax, mail, PROTONE(R) (the Company's 24-hour automated phone service) or its computerized order entry system. The Company has developed an enhanced Windows(R)-based version of its computerized order entry system, known as ArubA(R), which was introduced at the end of 1995.

The Company focuses on providing rapid and accurate order fulfillment and high fill rates. The Company estimates that approximately 99% of all items ordered in the United States and Canada are shipped without back ordering, and that approximately 99% of all orders in the United States and Canada received before 6:00 p.m. are shipped on the same day the order is received. In addition, because the Company seeks to service a customer's entire order from the distribution center nearest the customer's facility, the Company estimates that over 90% of orders are received by its customers within two days of placing the order. The Company continually monitors its customer service through customer surveys, focus groups and daily statistical reports. The Company maintains a liberal return policy to better assure customer satisfaction with its products.

PRODUCTS

The following chart sets forth the principal categories of products offered by the Company (and in the case of the dental laboratory products, its wholly-owned subsidiary, Zahn Holdings, Inc., and its subsidiaries) and certain top selling types of products in each category, with the percentage of 1995 net sales in parenthesis:

DENTAL PRODUCTS (67.3%)		
CONSUMABLE DENTAL PRODUCTS AND SMALL EQUIPMENT (59.3%)	DENTAL LABORATORY PRODUCTS (5.8%)	LARGE DENTAL EQUIPMENT (2.2%)
X-Ray Products; Infection Control; Handpieces; Preventatives; Impression Materials; Composites; and Anesthetics	Teeth; Composites; Gypsum; Acrylics; Articulators; and Abrasives	Dental Chairs, Units and Lights; X-Rays; and Equipment Repair
MEDICAL PRODUCTS (23.5%)	VETERINARY PRODUCTS (4.9%)	VALUE-ADDED PRODUCTS AND SERVICES (4.3%)
Branded and Generic Pharmaceuticals; Surgical Products; Diagnostic Tests; Infection Control; and Vitamins	Branded and Generic Pharmaceuticals; Surgical Products; and Dental Products	Software and Related Products; and Financial Products

The percentages of 1993 and 1994 net sales were as follows: consumable dental products and small equipment, 63.3% and 61.8%, respectively; dental laboratory products, 6.1% and 6.6%, respectively; large dental equipment, 4.2% and 3.6%, respectively; medical products, 18.6% and 20.1%, respectively; veterinary products, 5.9% and 5.7%, respectively; and value-added products and services, 1.9% and 2.2%, respectively.

Consumable Supplies and Equipment

The Company offers approximately 50,000 SKUs to its customers in North America, of which approximately 40,000 SKUs are offered to its dental customers, approximately 11,000 are offered to its medical customers and approximately 15,000 are offered to its veterinary customers. Over 20% of the Company's products are offered to all three types of the Company's customers in North America. The Company offers approximately 35,000 SKUs to its customers in Europe. Approximately 4,000 of the Company's SKUs accounted for 80% of the Company's sales in the United States in 1995. Approximately 17% of the Company's net sales in 1995 were from sales of products offered under the Henry Schein private brand (i.e., products manufactured by various third parties and HS Pharmaceutical for distribution by the Company under the Henry Schein(R) brand). The Company believes that the Henry Schein private brand line of over 5,000 SKUs offered in the United States and Canada is one of the most extensive in the industry. The Company also distributes certain generic pharmaceuticals manufactured by HS Pharmaceutical, a 50%-owned company, and has recently begun to manufacture and distribute certain large dental equipment as a result of its acquisition of Schein Dental Equipment, a

distributor and manufacturer of large dental equipment which, prior to its acquisition, was owned 73.7% by Marvin H. Schein, a director and principal stockholder of the Company. The Company updates its product offerings regularly to meet its customers' changing needs.

Value-Added Products and Services

In an effort to promote customer loyalty, the Company offers certain value-added products and services. These products and services include the following:

. Practice Management Software. The Company sells practice management software systems to its dental and veterinary customers. The Company has sold over 16,000 of its Easy Dental(R) Plus software systems as of the end of fiscal 1995, and over 2,000 of its AVImark(R) veterinary software systems. In December 1995, the Company released its new Windows(R) version of Easy Dental(R) Plus and sold over 2,700 such units through the first quarter of 1996. The Company's practice management software provides practitioners with patient treatment history, billing and accounts receivable analysis and management, an appointment calendar, electronic claims processing and word processing programs, and the Company provides technical support and conversion services from other software. In addition, the Easy Dental(R) Plus software will allow the customer to connect with the Company's order entry management systems.

. Financial Services. The Company has begun to offer its customers assistance in managing their practices by providing access to a number of financial services and products at rates which the Company believes are lower than what they would be able to secure independently. The patient financing program provides the Company's customers a method for reducing receivables and improving cash flow by providing patients access to financing. The Company facilitates the processing of credit applications, payments to its customers and electronic bankcard processing through a third-party provider for a transaction fee. The Company does not assume any financial obligation to its customers or their patients in these programs.

. Equipment Repair and Installation. The Company offers a repair service, ProRepair(R), which provides one-to-two-day turnaround for handpieces and certain small equipment. The Company also provides in-office installation and repair services for large equipment in certain markets in North America and Europe. The Company intends to expand its repair service business and sales of large dental equipment in connection with its acquisition of Schein Dental Equipment and the opening of equipment sales and service centers. The Company opened two new dental equipment sales and service centers in North America in 1996, and as of May 31, 1996 had a total of 18 centers in North America and Europe. See "Certain Transactions."

INFORMATION SYSTEMS

The Company's management information systems generally allow for centralized management of key functions, including inventory and accounts receivable management, purchasing, sales and distribution. A key attribute of the Company's management information systems is the daily operating control reports which allow managers throughout the Company to share information and monitor daily progress relating to sales activity, gross profit, credits and returns, inventory levels, stock balancing, unshipped orders, order fulfillment and other operational statistics. The Company is in the process of expanding and upgrading its order processing and accounts receivable information system in the United States.

DISTRIBUTION

The Company distributes its products in the United States and Canada primarily from its strategically located distribution centers in the Eastern, Central and Western United States. The Company maintains significant inventory levels of certain products in order to satisfy customer demand for prompt delivery and complete order fulfillment of their product needs. These inventory levels are managed on a daily basis with the aid of the Company's sophisticated purchasing and stock status

management information systems. The Company's European distribution centers include locations in the United Kingdom, France, The Netherlands, Germany and Spain. Once a customer's order is entered, it is electronically transmitted to the distribution center nearest the customer's location and a packing slip for the entire order is printed for order fulfillment. The Company's automated freight manifesting and laser bar code scanning facilitates the speed of the order fulfillment. The Company currently ships most of its orders in the United States by United Parcel Service. In certain areas of the United States, the Company delivers its orders via contract carriers.

PURCHASING

The Company believes that effective purchasing is a key element to maintaining and enhancing its position as a low-cost provider of healthcare products. The Company frequently evaluates its purchase requirements and suppliers' offerings and prices in order to obtain products at the best possible cost. The Company believes that its ability to make high volume purchases has enabled it to obtain favorable pricing and terms from its suppliers. The Company obtains its products for its North American distribution centers from over 1,200 suppliers of name brand products; in addition, the Company has established relationships with numerous local vendors to obtain products for its European distribution centers. In 1995, the Company's top 10 vendors and the Company's single largest vendor, accounted for approximately 28.5% and 10.4%, respectively, of the Company's aggregate purchases.

COMPETITION

The distribution and manufacture of healthcare supplies and equipment is intensely competitive. Many of the products the Company sells are available to the Company's customers from a number of suppliers. In addition, competitors of the Company could obtain exclusive rights from manufacturers to market particular products. Manufacturers could also seek to sell directly to end-users, and thereby eliminate the role of distributors, such as the Company. Significant price reductions by the Company's competitors could result in a similar reduction in the Company's prices as a consequence of its policy of matching its competitors' lowest advertised prices. Any of these competitive pressures may materially adversely affect operating results.

In the United States, the Company competes with other distributors, as well as several major manufacturers of dental, medical and veterinary products, primarily on the basis of price, breadth of product line, customer service and value-added services and products. In the sale of its dental products, the Company's two principal national competitors are Patterson Dental Co. and Sullivan Dental Products, Inc. In addition, the Company competes against a large number of other distributors that operate on a national, regional and local level. The Company's largest competitors in the sale of medical products are General Medical Corp. and Physician's Sales and Service, Inc., which are national distributors. In the veterinary product market, the Company's two principal national competitors include The Butler Company and Burns Veterinary Supply. The Company also competes against a large number of small local and regional veterinary distributors, as well as a number of manufacturers that sell direct to veterinarians whose practices are directed primarily to small animals. With regard to the Company's practice management software, the Company competes against a fragmented group of competitors, none of which currently have a significant share of the market. The Company believes that it competes in Canada substantially on the same basis as in the United States.

The Company also faces intense competition in its international markets, where the Company competes on the basis of price and customer service against a large number of dental product distributors and manufacturers in the United Kingdom, The Netherlands, Belgium, Germany, France, the Republic of Ireland and Spain. The Company has several large competitors in these markets, including ORBIS and the GACD Group.

GOVERNMENTAL REGULATION

The Company's business is subject to requirements under various local, state, Federal and foreign governmental laws and regulations applicable to the manufacture and distribution of pharmaceuticals and medical devices. Among the Federal laws with which the Company must comply are the Federal Food, Drug, and Cosmetic Act, the Prescription Drug Marketing Act of 1987, and the Controlled Substances Act. It is possible that the Company may be prevented from selling manufactured products if the Company (including its 50%-owned company, HS Pharmaceutical, which distributes and manufactures generic pharmaceuticals) were to receive an adverse report following an inspection by the Food and Drug Administration (the "FDA") or the Drug Enforcement Administration, or if a competitor were to receive prior approval of new products from the FDA. A violation of a law by HS Pharmaceutical could cause its operations to be suspended. A suspension could have an adverse effect on the Company's equity in earnings of affiliates and could cause the Company to seek alternative sources of products manufactured by HS Pharmaceutical, possibly at higher prices than currently paid by the Company.

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

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

PROPRIETARY RIGHTS

The Company holds trademarks relating to the "Henry Schein" name and logo, as well as certain other trademarks. Pursuant to certain agreements executed in connection with the reorganization of the Company, both the Company and Schein Pharmaceutical are entitled to use the "Schein" name in connection with their respective businesses, but Schein Pharmaceutical is not entitled to use the name "Henry Schein." The Company intends to protect its trademarks to the fullest extent practicable. See "Reorganization."

EMPLOYEES

As of April 30, 1996, the Company had more than 2,700 full-time employees in the United States and Europe, including approximately 400 telesales representatives, 250 field sales consultants, 900 warehouse employees, 70 computer programmers and technicians, 250 management employees and 800 office, clerical and administrative employees. None of the Company's employees are represented by a collective bargaining agreement. The Company believes that its relations with its employees are excellent.

FACILITIES

The Company owns or leases the following properties:

PROPERTY	LOCATION	OWN OR LEASE	APPROXIMATE SQUARE FOOTAGE	LEASE EXPIRATION DATE
Distribution Center.....	Eastern United States	Own	173,000	N/A
Distribution Center.....	Central United States	Lease	225,000	December 1999
Distribution Center.....	Western United States	Lease	71,500	June 2002
Distribution Center.....	United Kingdom	Lease	85,000	December 2004
Corporate Headquarters.....	Eastern United States	Lease	100,000	December 2005
Other Facilities.....	Western United States	Own	75,000	N/A

The Company also leases space in other locations in the United States, Canada, France, Germany, the Republic of Ireland, The Netherlands, Spain, and the United Kingdom. Two 50% owned companies also lease space in the United States and Canada.

The Company believes that its properties are generally in good condition, are well maintained, and are generally suitable and adequate to carry on the Company's business.

The Company has additional operating capacity at its listed facilities.

LEGAL MATTERS

The manufacture or distribution of certain products by the Company involves a risk of product liability claims, and from time to time the Company is named as a defendant in products liability cases as a result of its distribution of pharmaceutical and other healthcare products. As of May 31, 1996, the Company was named a defendant in 12 such cases. The Company believes it is adequately covered by insurance in all these cases, subject to certain self retention limits, and that none of the currently pending cases will have a material adverse effect on the Company. In addition, the Company was a defendant in several cases involving the distribution of the drug L-Tryptophan, all of which have been resolved at no cost to the Company. With respect to possible future claims, if any, the manufacturer of L-Tryptophan has agreed to defend and indemnify the Company for the period in which the Company served as a distributor of this product. The Company believes that this agreement provides adequate protection for future claims.

The Company has various insurance policies, including product liability insurance covering risks and in amounts it considers adequate. In many cases the Company is covered by indemnification from the manufacturer of the product. There can be no assurance that the coverage maintained by the Company is sufficient to cover all future claims or will be available in adequate amounts or at a reasonable cost, or that indemnification agreements will provide adequate protection for the Company.

As part of the Company's effort to expand its field sales force, the Company frequently hires field sales consultants with experience in the office-based healthcare practitioner industry. The Company's hiring practices have from time to time resulted in litigation instituted by former employers of the field sales consultants hired by the Company. On October 19, 1995, an action was filed against the Company by H. Meer Dental Supply Co., Inc. ("Meer"), in the United States District Court for the Eastern District of Michigan, Southern Division. The complaint alleges unfair competition, predatory pricing or anti-competitive conduct and, through the hiring of Meer sales representatives, improper interference with Meer's relationships with its employees and customers and misappropriation of trade secrets. There are two additional litigations that similarly allege improper interference with employee and customer relationships. The plaintiffs in these actions seek unspecified damages, and Meer and one of the other plaintiffs also seek an injunction against the Company. Meer had sought a temporary restraining order in a similar action brought in September 1995 in the United States District Court, Southern District of Ohio, Eastern Division, which order was denied on the basis of the court concluding that it could not make a finding at that time that there was a likelihood that Meer would prevail on the merits. The Company intends to vigorously defend these litigations. The Company believes that none of these three actions will have a material adverse effect on the Company.

REORGANIZATION

GENERAL

The Company was formed on December 23, 1992 as a wholly-owned subsidiary of Holdings. At that time, Holdings conducted the business in which the Company is now engaged and, in addition, owned 100% of the outstanding capital stock of Schein Pharmaceutical, a company engaged in the manufacture and distribution of multi-source pharmaceutical products.

In December 1992, Holdings separated the Company's business from Schein Pharmaceutical by transferring to the Company all of the assets and liabilities of the healthcare distribution business now conducted by the Company, which assets included Holdings' 50% interest in HS Pharmaceutical. No other assets or liabilities, including the assets and liabilities associated with Schein Pharmaceutical's business, were transferred to the Company. In connection with that transaction, the Company agreed to indemnify Holdings for all of the liabilities assumed by the Company, and Holdings agreed to indemnify the Company for the liabilities associated with Schein Pharmaceutical's business of manufacturing and distributing generic pharmaceuticals. Other than certain common stockholders, there is no affiliation between the Company and Schein Pharmaceutical, and all transactions between the Company and Schein Pharmaceutical are on an arms-length basis.

In February 1994 the Company, Holdings, Stanley M. Bergman, Marvin H. Schein, Pamela Joseph, Pamela Schein, Steven Paladino, James P. Breslawski, Martin Sperber (the Chief Executive Officer of Schein Pharmaceutical) and certain other parties entered into a number of reorganization agreements. In September 1994, pursuant to the reorganization agreements, all of the Common Stock held by Holdings was distributed to certain of the current stockholders of the Company. Marvin H. Schein, Pamela Schein and Pamela Joseph have agreed to severally indemnify the Company against certain potential costs and claims, if any, which might be incurred by the Company in the future from the transactions related to the Reorganization. The Company and Schein Pharmaceutical also agreed that after September 1994 the Company would be entitled to use the "Henry Schein" name in activities involving non-pharmaceutical products and pharmaceuticals for dental and veterinary purposes, which activities may include marketing, distributing, labelling, packaging, manufacturing (such as HS Pharmaceutical's manufacturing of generic pharmaceuticals and Schein Dental Equipment's manufacturing of large dental equipment, which are the principal manufacturing activities currently conducted by the Company, its subsidiaries and 50%-or-less owned entities--see "Certain Transactions--Acquisition of The Schein Dental Equipment Corp.") and selling such products. The Company and Schein Pharmaceutical also agreed that after September 1994, Schein Pharmaceutical would be entitled to use the "Schein Pharmaceutical" name in similar activities involving pharmaceuticals for non-dental human treatment. Schein Pharmaceutical is not permitted to use the name "Henry Schein."

REORGANIZATION AGREEMENTS

Agreements Relating to Control of the Company

One of the Reorganization agreements, a Voting Trust Agreement (the "Voting Trust"), gives Stanley M. Bergman (or his successor trustee) the right to vote all of the shares of Common Stock owned by certain stockholders of the Company, which will be approximately 39.7% of the outstanding shares of Common Stock immediately after the completion of this Offering. Another of the Reorganization agreements, the Amended and Restated HSI Agreement (the "Global Agreement"), provides that the Board of Directors of the Company may consist of up to 11 members, and that until the earlier of January 1, 1999 or the termination of the Voting Trust, Mr. Bergman (or his successor trustee) has the right to nominate all but three of the nominees to the Board of Directors. Marvin H. Schein, Pamela Joseph and Pamela Schein have the right to serve as or nominate the remaining three directors. In general, from the earlier of January 1, 1999 or the termination of the Voting Trust until the earlier of January 1, 2004 or the first date on which Marvin H. Schein and his family group no longer beneficially

own at least 25% of the outstanding Common Stock that they owned immediately after the Reorganization, or the date of certain changes in the Company's management, Mr. Bergman (or his successor trustee) has the right to nominate all of the nominees to the Board of Directors, provided, that if Marvin H. Schein does not approve such nominations, Mr. Bergman (or his successor trustee) and Mr. Schein will each nominate four nominees (of which one will be an independent nominee) and the ninth nominee will be selected by the two independent nominees. As a result of the foregoing, until December 31, 1998, Mr. Bergman, as a practical matter, will be able to significantly influence all matters requiring stockholder approval, including the election of directors, and until January 1, 2004, Mr. Bergman will have the ability to significantly influence the election of all or a substantial number of the directors of the Company.

The Global Agreement also requires the parties to the Voting Trust and Marvin H. Schein to vote in favor of the individuals so nominated until the earlier of January 1, 1999 or the termination of the Voting Trust, and to vote their shares in favor of the nominees of Stanley M. Bergman until January 1, 2004. The Voting Trust terminates on December 31, 1998, but is subject to earlier termination if, among other things, Stanley M. Bergman ceases to be employed by or serve as a director of the Company (unless certain other members of current management are serving as senior executives of the Company) or the Company consummates a business combination which results in Marvin H. Schein (including his family members) owning less than 5% of the voting securities of the surviving corporation.

The Global Agreement affords Marvin H. Schein or his designee the right to serve on each committee of the Board of Directors to which the Board of Directors has delegated decision-making authority and the right to call a special meeting of the Board of Directors. The Global Agreement also limits the Company's ability to adopt a shareholder rights plan or "fair price amendment," if such plan or amendment would affect Marvin H. Schein or Pamela Schein (including their respective family members), as long as Marvin H. Schein or Pamela Schein own certain specified percentages of the outstanding Common Stock. The Global Agreement also limits the ability of Marvin H. Schein, Pamela Schein and Pamela Joseph to participate in any solicitation of proxies or any election contest.

Restrictions on Transfers

The Global Agreement places certain restrictions on the ability of the parties thereto to transfer any of the shares of Common Stock owned by them and further provides that the Company may not, prior to the earlier of December 31, 2003 or the first date on which neither Marvin H. Schein nor Pamela Schein (including their respective family members) own at least 5% of the outstanding shares of Common Stock, (i) issue in one or more private transactions securities having more than 20% of the total votes that can be cast in any election of directors of the Company without first offering Marvin H. Schein and Pamela Schein (including their respective family members) the right to purchase such securities; (ii) issue securities in connection with a business combination having more than 20%, or resulting in a person owning more than 20%, of the total votes that can be cast in any election of directors without the consent of Marvin H. Schein; or (iii) issue preferred stock having the right to cast more than 20% of the total votes that can be cast in any election of directors of the Company. In addition, certain members of management have agreed not to transfer their shares until November 3, 1998, subject to acceleration in Mr. Bergman's discretion. Restrictions on the ability of stockholders to transfer their stock may make it more difficult for a third party to acquire, or may discourage acquisition bids for, the Company, and could limit the price that certain investors might be willing to pay in the future for shares of Common Stock.

The Global Agreement provides that the Company will indemnify each of the other parties to the Reorganization agreements, and their family groups, from damages resulting from (i) claims asserted by third parties relating to the Reorganization agreements and (ii) any material breach of a representation, warranty or covenant made by the Company in any of the Reorganization agreements. Marvin H. Schein has agreed to consult with Pamela Schein prior to the exercise of certain of his rights of approval and consent under the Reorganization agreements.

MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS

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

NAME	AGE	POSITION
CORPORATE		
Stanley M. Bergman.....	46	Chairman, Chief Executive Officer, President and Director
James P. Breslawski.....	42	Executive Vice President and Director
Gerald A. Benjamin.....	44	Senior Vice President--Administration and Customer Satisfaction and Director
Leonard A. David.....	48	Vice President--Human Resources, Special Counsel and Director
Diane Forrest.....	48	Senior Vice President--Information Services and Chief Information Officer
Stephen R. LaHood.....	48	Senior Vice President--Distribution Services
Mark E. Mlotek.....	40	Vice President, General Counsel, Secretary and Director
Steven Paladino.....	39	Senior Vice President, Chief Financial Officer and Director
BUSINESS UNITS		
Jeffrey P. Gasparini.....	40	Senior Vice President, Medical Group
Ian G. Rosmarin.....	45	President--Professional Services Group
James W. Stahly.....	47	President--North American Dental Group
Michael Zack.....	43	Senior Vice President--International Group
OTHER DIRECTORS		
Barry J. Alperin.....	55	Director
Pamela Joseph.....	53	Director
Donald J. Kabat.....	60	Director
Marvin H. Schein.....	54	President, Schein Dental Equipment, and Director
Irving Shafran.....	52	Director

BACKGROUND OF DIRECTORS AND EXECUTIVE OFFICERS

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

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

GERALD A. BENJAMIN has been Senior Vice President of Administration and Customer Satisfaction since 1993, including responsibility for the worldwide human resource function, and has been a director of the Company since September 1994. Prior to holding his current position, Mr. Benjamin was Vice President of Distribution Operations of the Company from 1990 to 1992 and Director of Materials Management of the Company from 1988 to 1990. Before joining the Company, Mr. Benjamin was

employed for 13 years in various management positions at Estee Lauder, where his last position was Director of Materials Planning and Control.

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

DIANE FORREST joined the Company in 1994 as Senior Vice President of Information Services and Chief Information Officer. Prior to joining the Company, Ms. Forrest was employed by Tambrands Inc. as Vice President of Information Services from 1987 to 1994, KPMG Peat Marwick as Senior Manager in the management consulting division from 1982 to 1987 and Nabisco Brands, Inc. as Corporate Manager of Manufacturing Systems from 1978 to 1982.

STEPHEN R. LAHOOD joined the Company in 1992 as Senior Vice President of Distribution Services. Prior to joining the Company, Mr. LaHood was employed by Lex/Schweber Electronics Inc. as Vice President of Operations and Quality from 1988 to 1991. Mr. LaHood also spent ten years at Johnson & Johnson Products, Inc., where his last position was Manager of Corporate Business Planning and thereafter, seven years at Schering-Plough Corporation where his last position was Senior Director of Manufacturing Operations.

MARK E. MLOTEK joined the Company in December 1994 as Vice President, General Counsel and Secretary, and became a director of the Company in September 1995. Prior to joining the Company, Mr. Mlotek was a partner in the law firm of Proskauer Rose Goetz & Mendelsohn LLP, counsel to the Company, specializing in mergers and acquisitions, corporate reorganizations and tax law from 1989 to 1994.

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

JEFFREY P. GASPARINI joined the Company in February 1996 as Senior Vice President of the Medical Group. Prior to joining the Company, Mr. Gasparini was employed by General Medical Corp. since 1982, where his last position was Corporate Vice President of Operations and member of the Executive Board.

IAN G. ROSMARIN joined the Company in 1992 as General Manager of the Canadian Division and in 1993 was named to his current position of President of the Professional Service Group of the Company. Prior to joining the Company, Mr. Rosmarin was President of Rosmarin Management and Investment Corporation for 13 years. Mr. Rosmarin is a Canadian Chartered Accountant.

JAMES W. STAHLY joined the Company in 1994 as President of the North American Dental Group of the Company. Before joining the Company, Mr. Stahly was employed by Fox Meyer Corporation for seven years, where his last position was Senior Vice President--Hospital and Alternate Care Sales. Prior to his employment with Fox Meyer, Mr. Stahly spent 16 years at McKesson Drug Company.

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

BARRY J. ALPERIN has been a director of the Company since May 1996. Mr. Alperin has also been a private consultant since August 1995. Mr. Alperin served as a director of Hasbro, Inc. from 1986 through May 1996 and as Vice Chairman of Hasbro, Inc. from 1990 through July 1995. Mr. Alperin served as Co-Chief Operating Officer of Hasbro, Inc. from 1989 through 1990 and as its Senior Vice President and Executive Vice President from 1985 through 1989. Mr. Alperin recently served as Chairman of the Board for Toy Manufacturers of America, an industry trade association. Mr. Alperin currently serves as a director for Seaman Furniture Co., Inc. and K'nex Industries, Inc.

PAMELA JOSEPH has been a director of the Company since September 1994. For the past five years Ms. Joseph has been a self-employed artist, and is president of MA Nose Studios, Inc. Ms. Joseph is also a trustee of Alfred University.

DONALD J. KABAT has been a director of the Company since May 1996. From 1992 until the present, Mr. Kabat has served as President of D.K. Consulting Services, Inc. and Chief Financial Officer of Central Park Skaters, Inc. From 1970 to 1992, Mr. Kabat was a partner in Andersen Consulting, an affiliate of Arthur Andersen, LLP.

MARVIN H. SCHEIN has been a director of the Company since September 1994 and has provided consulting services to the Company since 1982. Mr. Schein founded Schein Dental Equipment and had been its President for more than 15 years. Prior to founding Schein Dental Equipment, Mr. Schein held various management and executive positions with the Company.

IRVING SHAFRAN has been a director of the Company since September 1994 and was nominated by Pamela Schein as her designee for director of the Company. Mr. Shafran has been an attorney in private practice for more than twenty-five years. From 1991 through mid-1995, Mr. Shafran was a partner in the law firm of Anderson Kill Olick and Oshinsky, PC.

The Company's Board of Directors is currently composed of eleven directors, six of whom are employees of the Company. Directors serve until the next annual stockholders' meeting or until their successors have been duly elected and qualified.

COMMITTEES OF THE BOARD OF DIRECTORS

During fiscal 1995, the Board of Directors held six meetings.

The Board of Directors established an Audit Committee of independent directors in January 1996. The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors. In fulfilling its responsibility, since January 1996, the Audit Committee recommended to the Board of Directors, subject to stockholder approval, the selection of the Company's independent public accountants. The Audit Committee also discussed the Company's consolidated financial statements and the adequacy of the Company's internal controls. The Audit Committee met with the independent public accountants to discuss the results of their audit of the Company, their evaluation of the Company's internal controls and the overall quality of the Company's financial reporting. In May 1996, Messrs. Alperin and Kabat became the members of the Audit Committee.

The Board of Directors established a Compensation Committee in January 1996 which is currently comprised of Messrs. Bergman, Alperin and Kabat. The Compensation Committee will make recommendations regarding the compensation and benefit policies and procedures of the Company.

The Board of Directors has a Stock Option Committee which currently consists of Messrs. Bergman, Breslawski and Schein. The Stock Option Committee determines grants under the Company's 1994 Stock Option Plan. The Stock Option Committee held no meetings during fiscal 1995.

LIMITATIONS ON LIABILITY

The Company's Amended and Restated Certificate of Incorporation provides that no director of the Company shall be personally liable to the Company or its stockholders for monetary damages for breach of fiduciary duty by such director as a director, except for liability: (i) for any breach of the director's duty of loyalty to the Company or its stockholders, (ii) for acts or omissions of the director not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) in respect of certain unlawful dividend payments or stock redemptions or purchases, or (iv) for any transaction from which the director derived an improper personal benefit. The effect of these provisions is to eliminate the rights of the Company and its stockholders (through stockholders' derivative suits on behalf of the Company) to recover monetary damages against a director for breach of fiduciary duty as a director (including breaches resulting from grossly negligent behavior), except in the situations described above. These provisions will not limit the liability of directors under federal securities laws and will not affect the availability of equitable remedies such as an injunction or rescission based upon a director's breach of his or her duty of care. In addition, the Company intends to enter into agreements with each of its directors and certain of its officers providing for indemnification of those individuals under certain circumstances. The Company has obtained director and officer liability insurance that insures the Company's directors and officers against certain liabilities.

COMPENSATION OF DIRECTORS

No directors received compensation in fiscal 1995, other than reimbursement of expenses, for their services as directors. Messrs. Alperin and Kabat each receive a \$20,000 annual retainer. Messrs. Alperin and Kabat also receive \$500 per board meeting and \$250 per committee meeting attended. Each director will be reimbursed for their out-of-pocket expenses in attending board and committee meetings. In addition, Messrs. Alperin and Kabat have been granted options to purchase 5,000 shares of the Company's Common Stock under the Company's 1996 Non-Employee Director Stock Option Plan.

See "Certain Transactions" for a description of Marvin H. Schein's Consulting Agreement, including amounts paid in compensation to Mr. Schein.

EXECUTIVE COMPENSATION

The following table sets forth information concerning compensation of the Company's Chief Executive Officer and the four most highly paid executive officers (collectively, the "Named Executive Officers") of the Company whose salary and bonus exceeded \$100,000 for the fiscal years ended December 31, 1994 and December 30, 1995.

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION			LONG TERM COMPENSATION			OTHER COMPENSATION (\$)(4)
		SALARY (\$)	BONUS (\$)	OTHER ANNUAL COMPENSATION (\$)(1)	RESTRICTED STOCK AWARDS(\$)(2)	STOCK OPTIONS	LTIP PAYOUTS(\$)(3)	
Stanley M. Bergman.....	1995	479,050	307,034	19,343	--	--	--	36,144
Chairman, Chief Executive Officer and President	1994	469,050	260,496	258,259	--	--	17,303,475	24,988
James P. Breslawski.....	1995	270,782	66,000	13,500	--	--	--	21,458
Executive Vice President	1994	257,782	60,000	1,000,364	1,171,788	--	382,618	19,184
Gerald A. Benjamin.....	1995	205,000	52,500	13,500	--	47,200	--	15,064
Senior Vice President of Administration and Customer Satisfaction	1994	185,000	42,500	189,174	220,761	--	243,825	13,722
Steven Paladino.....	1995	205,000	52,500	13,500	--	54,700	--	14,812
Senior Vice President and Chief Financial Officer	1994	185,000	42,500	189,174	220,761	--	243,825	13,496
Randolph W. Jones(5).....	1995	283,445	--	13,500	--	--	--	21,640
President of the Diversified Healthcare Group	1994	275,945	35,000	100,697	98,117	24,800	264,732	21,266

(1) The 1994 amounts shown in this column include amounts recorded for each of Messrs. Breslawski, Benjamin, Paladino and Jones of \$986,864, \$175,674, \$175,674 and \$87,197, respectively, to pay income taxes attributable to the stock issuances made to each of them in 1994 and auto allowances of \$13,500 for each executive, excluding Mr. Bergman. Mr. Bergman was given a cash bonus of \$258,259 in 1994 to pay certain additional income taxes attributable to the stock issuances described below in footnote 3. The 1995 amounts include auto allowances of \$13,500 for each executive, excluding Mr. Bergman, and \$19,343 of compensation to Mr. Bergman for the use of a car and related expenses.

(2) Mr. Breslawski was issued 165,528 shares of Common Stock with an aggregate value of approximately \$1.2 million on December 31, 1994. Messrs. Benjamin and Paladino were each issued 31,185 shares of Common Stock with an aggregate value of approximately \$220,761 on December 31, 1994. Mr. Jones was issued 13,860 shares of Common Stock with an aggregate value of \$98,117 on December 31, 1994.

(3) Mr. Bergman was issued 1,466,685 shares of Common Stock and was issued shares of common stock of Schein Pharmaceutical on December 24, 1992. The value of these shares on September 30, 1994 was \$17.3 million in the aggregate. These shares when issued had a value of \$6.2 million and \$2.6 million, respectively, the entire amount of which was charged as deferred compensation. The issuances to Mr. Bergman are being included herein at their fair market value on September 30, 1994 because, on that date, certain contingencies relating to the stock were eliminated and the shares became fully vested. Accordingly, the deferred compensation which was charged in 1992 and a mark-to-market adjustment to fair market value on such date was recorded in 1994. Mr. Breslawski received \$382,618 in 1994 in satisfaction of his Executive Incentive Plan balance, payable with 30,294 shares of Common Stock with an aggregate value of \$214,454 on December 31, 1994 and a \$168,164 cash payment. Each of Messrs. Benjamin and Paladino received \$243,825 in 1994 in satisfaction of their Executive Incentive Plan balance, payable with 19,305 shares of Common Stock with an aggregate value of \$136,662 on December 31, 1994 and \$107,163 in cash. Mr. Jones received \$264,732 in 1994 in satisfaction of his Executive Incentive Plan balance, payable with 19,800 shares of Common Stock with an aggregate value of \$140,166 on December 31, 1994 and \$124,566 in cash.

(4) The 1994 amounts shown in this column represent (i) profit sharing contributions made by the Company on behalf of Mr. Bergman, Mr. Breslawski and Mr. Jones of \$9,434, on behalf of Mr. Benjamin of \$7,519 and on behalf of Mr. Paladino of \$7,524, (ii) contributions under the Company's Employee Stock Ownership Plan ("ESOP") made by the Company on each executives' behalf of \$4,500 and (iii) excess life insurance and Supplemental Executive Retirement Plan ("SERP") contributions of \$1,186 and \$9,868 for Mr. Bergman, \$950 and \$4,300 for Mr. Breslawski, \$653 and \$1,050 for Mr. Benjamin, \$422 and \$1,050 for Mr. Paladino, and \$1,747 and \$5,585 for Mr. Jones, respectively. The 1995 amounts shown in this column represent (i) profit sharing contributions made by the Company on behalf of each executive of \$6,000, (ii) ESOP contributions made by the Company on each executives' behalf of \$4,500, (iii) excess life insurance and SERP contributions of \$2,610 and \$23,034 for Mr. Bergman, \$1,003 and \$8,455 for Mr. Breslawski, \$714 and \$3,850 for Mr. Benjamin, \$462 and \$3,850 for Mr. Paladino, and \$1,799 and \$9,341 for Mr. Jones, respectively, and (iv) an anniversary bonus to Mr. Breslawski of \$1,500.

(5) As of February 9, 1996, Mr. Jones was no longer an executive officer of the Company.

The following table summarizes the number of shares and the terms and conditions of stock options granted to the Named Executive Officers in fiscal 1995.

OPTION GRANTS IN FISCAL 1995

NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL 1995(1)	EXERCISE PRICE PER SHARE (\$/SH)	MARKET PRICE PER SHARE ON DATE OF GRANT (\$/SH)	EXPIRATION DATE	POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM		
						0% (\$)	5% (\$)	10% (\$)
Stanley M. Bergman.....	--	--	--	--	--	--	--	--
James P. Breslawski.....	--	--	--	--	--	--	--	--
Gerald A. Benjamin.....	17,500(2)	2.7%	16.00	16.00	11/3/2005	0	176,050	446,250
	29,700(3)	4.6%	4.21	7.08	5/1/2005	85,239	217,480	420,365
Steven Paladino.....	25,000(2)	3.8%	16.00	16.00	11/3/2005	0	251,500	637,500
	29,700(3)	4.6%	4.21	7.08	5/1/2005	85,239	217,480	420,365
Randolph W. Jones.....	5,000(2)	0.8%	16.00	16.00	11/3/2005	0	50,300	127,500
	19,800(4)	3.0%	4.21	7.08	5/1/2005	56,826	144,936	280,243

(1) In fiscal 1995, the Company granted options to purchase 651,297 shares of Common Stock, consisting of 237,897 Class A options and 413,400 Class B options.

(2) Options are exercisable in three annual installments. The first installment was exercisable on November 3, 1995. As of March 1996, Mr. Jones' options were cancelled.

(3) Options are currently exercisable.

(4) Options are exercisable in six annual installments. The first installment was exercisable on December 31, 1995. As of March 1996, 16,500 of Mr. Jones' options were cancelled.

The following table summarizes the number of all unexercised options held by the Named Executive Officers at the end of fiscal 1995, and their value at that date if they were in-the-money. No stock options were exercised in fiscal 1995.

AGGREGATE FISCAL 1995 YEAR-END OPTION VALUES

NAME	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT 12/31/95		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT 12/31/95			
	EXERCISABLE (#)	UNEXERCISABLE (#)	EXERCISABLE		UNEXERCISABLE	
			SHARES (#)	TOTAL \$	SHARES (#)	TOTAL \$
Stanley M. Bergman.....	--	--	--	--	--	--
James P. Breslawski.....	--	--	--	--	--	--
Gerald A. Benjamin.....	29,700	17,500	29,700	751,113	17,500	236,250
Steven Paladino.....	29,700	25,000	29,700	751,113	25,000	337,500
Randolph W. Jones(1).....	3,300	21,500	3,300	83,457	21,500	484,785

(1) As of March 1996, Mr. Jones' unexercisable options were cancelled.

EMPLOYMENT AND OTHER AGREEMENTS

The Company and Mr. Stanley M. Bergman entered into an employment agreement dated as of January 1, 1992, providing for his continued employment as Chairman of the Board, President and Chief Executive Officer until December 31, 1999. The employment agreement provides Mr. Bergman with a base salary of \$504,050 for 1996, \$519,050 for 1997, \$544,050 for 1998, and \$559,050 for 1999. In addition, the employment agreement provides for incentive compensation to be determined by the Compensation Committee of the Board of Directors (or, if there is no Compensation Committee, the

Board of Directors). Based on the range of incentive compensation provided for in the employment agreement, it is anticipated that incentive compensation for 1996 will be in the range of \$70,000 to \$425,000. The range of incentive compensation increases to \$75,000 to \$445,000 in 1997, \$80,000 to \$465,000 in 1998, and \$85,000 to \$485,000 in 1999. The employment agreement also provides that Mr. Bergman will continue to participate in all benefit, welfare and perquisite plans, policies and programs generally available to either the Company's employees or the Company's senior executive officers. The Company provides Mr. Bergman with the use of an automobile and expenses related thereto, and other miscellaneous benefits. If Mr. Bergman's employment with the Company is terminated without cause or terminated by Mr. Bergman following a material breach by the Company of the employment agreement which is not cured during the requisite period for cure of such breach, Mr. Bergman will receive all amounts then owed to him as salary and deferred compensation and any benefits accrued and owed to him or his beneficiaries under the then applicable benefit plans, programs and policies of the Company. In addition, Mr. Bergman will receive as severance pay, 100% of his then annual base salary and a payment equal to the account balance or accrued benefit Mr. Bergman would have been credited with under each pension plan maintained by the Company, assuming the Company would have continued contributions until the natural expiration of the employment agreement, less Mr. Bergman's vested account balance or accrued benefits under each pension plan. Unless the employment agreement is terminated for cause or pursuant to Mr. Bergman's voluntary resignation, the Company will continue the participation of Mr. Bergman and his family in the health and medical plans, policies and programs in effect with respect to senior executive officers of the Company and their families. Coverage for Mr. Bergman and his spouse will continue from the end of Mr. Bergman's employment until their respective deaths, and coverage for his children will continue until their attainment of the age of twenty-one.

The Company has entered into agreements with the Named Executive Officers and certain other senior managers to provide that if an executive's employment is terminated by the executive or by the Company without cause or for good reason and not within two years after a change in control of the Company, the Company will pay to the executive severance pay equal to one month's base salary for each month the executive has been employed by the Company, with a minimum of six months and a maximum of twelve months, subject to offset for remuneration for subsequent employment. If the executive is terminated within two years following a change in control of the Company which has not been approved by a supermajority of the Board of Directors, the executive's severance pay will equal three times the severance pay the executive would have received had no change of control occurred, plus three times the amount of executive's incentive bonus for the year preceding the year of termination.

See "Certain Transactions" for a description of Marvin H. Schein's Consulting Agreement.

STOCK OPTION PLAN

The Company maintains the Henry Schein, Inc. 1994 Stock Option Plan ("Stock Option Plan") for the benefit of certain employees of the Company and its designated subsidiaries. The purpose of the Stock Option Plan is to enable the Company and its designated subsidiaries to attract, retain and motivate key employees who are important to the success and growth of the Company and to create a mutuality of interest between the key employees and the stockholders of the Company by granting the key employees options to purchase Common Stock. Under the Stock Option Plan, 678,635 shares of Common Stock may be issued. The Stock Option Plan provides for two classes of options: Class A Options, which shall have an exercise price of \$4.21 per share, and Class B Options, which have an exercise price of not less than the fair market value of the Common Stock at the time of grant. Class A Options to purchase an aggregate of 221,397 shares of Common Stock are presently outstanding, and Class B Options to purchase an aggregate of 447,400 shares of Common Stock are presently outstanding. The maximum number of Class A Options have been issued. If options are canceled, expire or terminate unexercised, the shares of Common Stock shall again be available for the grant of options, provided that the number of shares covered by Class A Options shall be reduced by the number of Class

A Options that are canceled, expire or are terminated. Both incentive stock options and non-qualified stock options may be issued under the Stock Option Plan.

The maximum number of shares of Common Stock with respect to which options may be granted under the Stock Option Plan to each participant could not exceed 100,000 shares in 1995, and shall not exceed 50,000 in each year thereafter. To the extent that shares for which options are permitted to be granted to a participant during a year are not covered by a grant of an option in such year, such shares shall automatically increase the number of shares of Common Stock available for grant of options to the participant in the subsequent year.

The Stock Option Plan is administered by a committee appointed by the Company's Board of Directors, consisting of two or more directors, each of whom qualifies as a disinterested person (within the meaning of Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). The committee has the full authority and discretion, subject to the terms of the Stock Option Plan, to determine those individuals who are eligible to be granted options and the amount and type of options. Terms and conditions of options are set forth in written option agreements, consistent with the terms of the Stock Option Plan. No option shall be granted under the Stock Option Plan on or after the tenth anniversary of September 30, 1994 (the effective date of the Stock Option Plan), but options granted prior to such date may extend beyond that date.

The Stock Option Plan provides that it may be amended by the Company's Board of Directors or the committee, except that no amendment may, without the approval of stockholders of the Company, (i) increase the total number of shares of Common Stock which may be acquired upon exercise of options granted under the Stock Option Plan, (ii) change the types of employees eligible to participate in the Stock Option Plan, (iii) effect any change that would require stockholder approval under securities laws, (iv) effect any change that would require stockholder approval under Section 162(m) of the Code or (v) reduce the purchase price of an outstanding option below the fair market value of a share of Common Stock on the date of such amendment. The Company's Board of Directors or the stockholders may, however, make or authorize any appropriate adjustments to the number of shares of Common Stock available, and the terms of outstanding options, under the Stock Option Plan to reflect a recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation, any issue of bonds, debentures, preferred or preference stocks, the dissolution or liquidation of the Company or any of its subsidiaries, or any sale or transfer of the assets of the Company's business or any other corporate event.

The options entitle the holder to purchase a specified number of shares of Common Stock, subject to vesting provisions, at a price set by the committee at the time of grant, subject to certain limitations. The term of each option will be specified by the committee upon grant, but may not exceed ten years from the date of grant (five years in the case of owners of 10% or more of the Company's outstanding voting stock). The committee will determine the time or times at which each option may be exercised. Options may be exercisable in installments, and the exercisability of options may be accelerated in some cases, including upon a change of control of the Company (as defined in the Stock Option Plan).

Under the Stock Option Plan, the committee may grant incentive stock options that qualify under Section 422 of the Code or non-qualified stock options. The incentive stock options are subject to additional requirements under the Stock Option Plan, as well as under the Code.

A participant may elect to exercise one or more of his options by giving written notice to the committee of such election at any time after the closing of this Offering. The participant shall specify the number of options to be exercised and provide payment in full of the aggregate purchase price for the shares of Common Stock for which options are being exercised. Payment may be made (i) in cash or by check, bank draft or money order, (ii) if so permitted by the committee, through delivery of unencumbered shares of Common Stock, a promissory note or a combination of cash and either of the foregoing, or (iii) on such other terms and conditions as may be acceptable to the committee.

There were no options granted to the Named Executive Officers under the Stock Option Plan in 1994 or prior to 1994. In 1995, Class A Options to acquire 237,897 common shares were issued to certain executive management, including Class A Options exercisable into 29,700 shares of Common Stock to Messrs. Benjamin and Paladino and 19,800 shares of Common Stock to Mr. Jones, all of which are outstanding (except for 16,500 Class A Options granted to Mr. Jones which were cancelled in March 1996), at an exercise price of \$4.21 per share, substantially all of which became exercisable upon the closing of the initial public offering, at which time the \$2,805,000 excess of the initial public offering price of \$16.00 over the exercise price was charged to special management compensation expense.

On November 3, 1995, the Company issued Class B Options to acquire 413,400 shares of common stock to certain employees, including Class B Options to acquire 17,500, 25,000 and 5,000 shares of Common Stock to Messrs. Benjamin, Paladino and Jones, respectively, substantially all of which are outstanding, at an exercise price of \$16.00 per share, substantially all of which become exercisable ratably over three years from the date of issuance.

The Class A Options and Class B Options granted to the Named Executive Officers are exercisable up to the tenth anniversary of the date of issuance, subject to acceleration upon termination of employment. As of December 30, 1995, none of such options were exercised.

DIRECTORS STOCK OPTION PLAN

The Company maintains The Henry Schein, Inc. 1996 Non-Employee Director Stock Option Plan (the "Director Plan"). The purposes of the Director Plan are to enable the Company to attract, retain and motivate directors of the Company who are not employees of the Company or its subsidiaries and who are important to the success of the Company and to create a mutuality of interest between the non-employee directors and the stockholders of the Company by granting such directors options to purchase Common Stock of the Company. Under the Director Plan, each director who is not also an officer or employee of the Company is eligible to receive options to purchase shares of the Company's Common Stock. An aggregate of 50,000 shares are available for purchase pursuant to the exercise of options granted under the Director Plan. If options are cancelled, expire or terminate unexercised, the shares of Common Stock shall again be available for the grant of options under the Director Plan.

The Director Plan is administered by a committee comprised of two or more directors appointed by the Board of Directors, each of whom qualifies as a "disinterested person" within the meaning of Rule 16b-3 promulgated under the Exchange Act. The committee has the full authority and discretion to determine those individuals who are to be granted options and the amount of options. Terms and conditions of options will be set forth in written option agreements consistent with the terms of the Director Plan. No options shall be granted under the Director Plan on or after March 22, 2006, but options granted prior to such date may extend beyond that date.

The Director Plan may be terminated at any time by the Board of Directors or the committee (subject to the continued effectiveness of outstanding options). The Board of Directors or the committee may also amend the Director Plan, except that no amendment may, without the approval of stockholders of the Company, (i) increase the total number of shares of Common Stock which may be acquired upon exercise of options granted under the Director Plan, (ii) change the requirements for eligibility for participation in the Director Plan or (iii) effect any change that would require stockholder approval under Rule 16b-3 (or any successor provision) promulgated under the Exchange Act.

The term of each option will be specified by the committee upon grant, but may not exceed ten years from the date of grant. The exercise price of each option granted under the Director Plan and the terms upon which each option granted under the Director Plan will be exercisable will be determined by the committee. Under the Director Plan, the exercisability of options may be accelerated in certain events, including upon a change of control (as defined in the Director Plan). Subject to certain rights to exercise after the death, disability, retirement or termination of services (other than for cause) of the

optionee or after a change of control, options granted under the Director Plan may be exercised only if the optionee is eligible to participate in the Director Plan on the date of exercise.

Upon the exercise of an option, the option holder must make payment of the full exercise price, either in cash or, if permitted by the committee, in shares of the Company's Common Stock, by delivery of the optionee's promissory note, in a combination of cash, shares of the Company's Common Stock or the optionee's promissory note, or on such other terms and conditions as may be acceptable to the committee.

On March 22, 1996, each of Messrs. Alperin and Kabat were granted options to purchase 5,000 shares of the Company's Common Stock at an exercise price of \$29.00 per share (which was the fair market value on the date of grant).

EMPLOYEE STOCK OWNERSHIP PLAN

The Company adopted the Henry Schein, Inc. Employee Stock Ownership Plan effective as of January 1, 1994 to enable participants to have an interest in the Common Stock of the Company and to provide participants an opportunity to share in the growth and prosperity of the Company. The ESOP is intended to be a tax-qualified plan under Section 401(a) of the Code and is intended to qualify as an employee stock ownership plan under Section 4975(e)(7) of the Code.

Employees of the Company are eligible to participate in the ESOP after six months of service for the Company or a participating affiliate, and receive participation credit if they complete 1,000 hours of service in a twelve consecutive month period.

With respect to each plan year, the Company and its participating affiliates intend to make discretionary contributions, in cash or in Common Stock, to the ESOP. Subject to legal limitations, contributions to the ESOP will only be allocated to the accounts of participants who either (i) are employed by the Company or a participating affiliate on the last day of the plan year and completed 1,000 hours of service in such plan year, or (ii) retired after attaining age 65, died or incurred a disability during the plan year. Contributions are allocated based on a participant's compensation. The Company and its participating affiliates made contributions of 128,257 shares of Common Stock to the ESOP for the 1994 plan year equal to approximately \$900,000 in the aggregate, and intend to make contributions of shares of Common Stock having a value equal to 3% of participants' aggregate compensation for the 1995 plan year equal to approximately \$1.0 million in the aggregate.

The ESOP may borrow money and purchase Common Stock by means of an acquisition loan. Any Common Stock which is acquired with the proceeds of an acquisition loan will be held in a suspense account and will not be allocated or released until a contribution is made to the ESOP (which is used to repay the acquisition loan).

Participants in the ESOP become vested in their accounts based on a graded seven year vesting schedule (or upon a participant's retirement after attaining age 65, death or disability, if earlier). In general, participants are entitled to receive the vested amounts in their accounts in the ESOP on death, disability, retirement or five years after termination of employment in either (i) a single lump-sum payment, or (ii) installment payments over a period not to exceed five years (subject to extension in certain cases).

PROFIT SHARING/401(K) PLAN

The Company maintains the Henry Schein, Inc. Profit Sharing/401(k) Savings Plan (the "Profit Sharing/401(k) Plan") to provide retirement and other benefits to employees of the Company and certain participating affiliates and to permit employees a means to save for their retirement. Certain plans previously maintained by the Company or its affiliates ("Prior Plans") were merged into this

Profit Sharing/401(k) Plan. The Profit Sharing/401(k) Plan is intended to be a tax-qualified plan under Section 401(a) of the Code, and contains a Code Section 401(k) feature.

Eligible employees of the Company and its participating affiliates who work for a specified period (as described below) are eligible to participate in the Profit Sharing/401(k) Plan. Part-time employees are eligible to make profit sharing contributions as of the January 1 of the twelve consecutive month period during which they are first credited with 1,000 hours of service. Full-time employees become eligible to have profit sharing contributions made on their behalf after they work for six consecutive months during which they complete at least 1,000 hours of service. All employees are eligible to make 401(k) contributions (in accordance with administrative practices) following completion of three consecutive months during which they complete at least 250 hours of service.

Subject to legal limitations, participants may elect, by salary reduction, to have 401(k) contributions of 1% to 10% of their compensation made to their accounts under the Profit Sharing/401(k) Plan. Under the Profit Sharing/401(k) Plan, the Company and its participating affiliates may make discretionary profit sharing contributions on behalf of participants who have completed 1,000 hours of service during the plan year and are employed on the last day of the plan year (or have retired after attaining age 65, died or incurred a disability in a plan year), based on compensation. The Company and its participating affiliates intend to make profit sharing contributions for the 1995 plan year equal to 4% (or, in the case of certain divisions or subsidiaries, 3.5%) of eligible compensation or approximately \$1.3 million in the aggregate.

Participants in the Profit Sharing/401(k) Plan always have a 100% vested and nonforfeitable interest in the value of their 401(k) contributions. Participants become vested in the Company's or participating affiliate's profit sharing contributions based on a graded seven year vesting schedule (or upon a participant's retirement after attaining age 65, death or disability, if earlier). Participants are entitled to receive the vested amounts in their accounts in a single lump-sum payment on death, disability, retirement or termination of employment. The portion of a participant's account attributable to a Prior Plan may be eligible for payment in a different form based on the provisions of the Prior Plan. In certain circumstances, participants may receive loans and hardship withdrawals from their accounts in the Profit Sharing/401(k) Plan.

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

The Company established the Henry Schein, Inc. Supplemental Executive Retirement Plan effective as of January 1, 1994 in order to provide deferred compensation to a select group of management and highly compensated employees of the Company and its affiliates. The SERP is a non-qualified, unfunded deferred compensation plan. The benefits under the SERP are intended to supplement the benefits payable under the Profit Sharing/401(k) Plan and the ESOP by providing benefits in excess of the limitation imposed by Section 401(a)(17) of the Code. Code Section 401(a)(17) limits the amount of compensation that may be taken into consideration under a tax-qualified benefit plan to \$150,000, as adjusted for cost of living increase set by the Secretary of Treasury.

An employee of the Company (or one of its affiliates which participate in either the Profit Sharing/401(k) Plan or the ESOP) must be designated by the administrative committee of the SERP in order to participate in the SERP.

A participant's benefits under the SERP becomes vested based on a graded seven year vesting schedule. However, if a participant retires after attaining age 65, dies or incurs a disability, or if there is a change in control of the Company (as defined in the SERP), the participant will become fully vested in his account under the SERP. Participants are entitled to receive their vested benefits upon the occurrence of a change of control of the Company or upon termination of employment for any reason including death, disability or retirement in a single lump-sum payment.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Stanley M. Bergman, James P. Breslawski, Gerald A. Benjamin, Leonard A. David, Mark E. Mlotek and Steven Paladino are executive officers of the Company and members of the Board of Directors which approved incentive compensation for the Named Executive Officers for fiscal 1995 based upon the recommendations of the Compensation Committee. Mr. Bergman is also a member of the Compensation Committee. Mr. Bergman did not participate in any deliberations of the Compensation Committee or the Board of Directors with respect to his own compensation for fiscal 1995, and none of the Named Executive Officers participated in any deliberations of the Board of Directors with respect to their own compensation for fiscal 1995.

CERTAIN TRANSACTIONS

REORGANIZATION

Certain of the directors, officers and stockholders of the Company entered into a series of transactions with the Company, as described under "Reorganization." The Company paid (i) certain of the legal and other professional fees incurred by the executors of the Estate of Jacob M. Schein, including Stanley M. Bergman and Pamela Joseph, in connection with such transactions, in the amounts of approximately \$552,000, \$295,000 and \$216,000 during 1994, 1993 and 1992, respectively, and (ii) the income taxes of \$5.6 million incurred by Mr. Bergman in connection with the Company's issuance to him of shares of Common Stock, and shares of common stock of Schein Pharmaceutical. The Company also paid legal fees incurred by Marvin H. Schein in connection with such transactions, in the amount of \$75,000. The Company also paid a dividend in 1993 on behalf of the Estate of Esther Schein in the amount of \$275,000. See "Reorganization" and "Management--Executive Compensation."

In December 1992, Mr. Bergman was issued shares of Schein Pharmaceutical, and on September 30, 1994, Mr. Bergman's shares in Schein Pharmaceutical and its subsidiaries were exchanged for shares of common stock of Holdings, some of which were sold by Mr. Bergman.

From time to time the Company has made loans to Stanley M. Bergman (for income taxes payable by him in connection with Common Stock issued to Mr. Bergman as part of the Reorganization), Pamela Joseph and Pamela Schein for personal expenses. Interest on such loans accrued at the prime rate. The largest aggregate principal amount of loans outstanding during 1994, 1993 and 1992 was approximately \$151,000, \$143,000 and \$0, respectively, for Stanley M. Bergman; approximately \$1.1 million, \$929,000 and \$668,000, respectively, for Pamela Joseph; and approximately \$187,000, \$365,000 and \$310,000, respectively, for Pamela Schein. Mr. Bergman's, Ms. Joseph's and Ms. Schein's loans and all interest accrued thereon were repaid on September 30, 1994. No loans have been made to any of Mr. Bergman, Ms. Joseph or Ms. Schein since that date.

In connection with the Reorganization, the Company, Holdings and Marvin H. Schein, a director and principal stockholder of the Company, agreed to terminate a lifetime consulting agreement entered into in 1982 between the Company's predecessor and Mr. Schein, and the Company and Mr. Schein agreed to continue the consulting arrangement on the terms set forth in a new lifetime consulting agreement (the "Consulting Agreement"). The current Consulting Agreement modified certain of the terms of the 1982 agreement, including the elimination of a provision limiting Mr. Schein's compensation to \$100,000 per annum if the Company's pre-tax income were less than \$3.5 million for two consecutive years. The 1982 agreement provided, and the current Consulting Agreement provides for Mr. Schein's consulting services to the Company with respect to the marketing of dental supplies and equipment, from time to time. The Consulting Agreement currently provides for initial compensation of \$258,000 per year, increasing \$25,000 every fifth year beginning in 1997. The Consulting Agreement also provides that Mr. Schein will participate in all benefit, compensation, welfare and perquisite plans, policies and programs generally available to either the Company's employees or the Company's senior

executive officers, excluding the Company's Stock Option Plan, that Mr. Schein's spouse, and his children until they attain the age of 21, will be covered by the Company's health plan, and that the Company will provide Mr. Schein with the use of an automobile and expenses related thereto. The Consulting Agreement was originally entered into as part of a recapitalization of the Company's predecessor in 1982 among Mr. Schein and its other shareholders, and to secure for the Company the consulting services of Mr. Schein, who had served the Company in various executive capacities for more than the prior twenty years. From time to time Mr. Schein and his affiliates have purchased products from the Company, in an aggregate amount of approximately \$100,000 during 1993, 1994 and 1995.

ACQUISITION OF THE SCHEIN DENTAL EQUIPMENT CORP.

On September 1, 1995, the Company acquired Schein Dental Equipment, a distributor and manufacturer of large dental equipment, which was owned 73.7% by Marvin H. Schein. The purchase price for the acquisition as approved by the Board of Directors of the Company (other than Marvin H. Schein), was paid primarily by the issuance of 1,260,416 shares of Common Stock, including 928,727 shares of Common Stock issued to Marvin H. Schein, and the balance in cash. In addition, Schein Dental Equipment repaid approximately \$1.7 million in loans to Marvin H. Schein with funds provided by the Company. Marvin H. Schein acquired 24.6% of Schein Dental Equipment in January 1995 for \$1.5 million. During 1993, 1994 and 1995, the Company sold products to Schein Dental Equipment, in the amount of approximately \$34,000, \$33,000 and \$30,000, respectively, and the Company purchased products from Schein Dental Equipment, in the amounts of approximately \$1.2 million, \$1.7 million and \$1.8 million, respectively.

TRANSACTIONS WITH DIRECTORS, OFFICERS AND STOCKHOLDERS

During fiscal 1995, in accordance with the Global Agreement, the Company paid legal and advisory fees for certain of its stockholders in connection with the initial public offering aggregating approximately \$310,000.

During 1994 and 1993, the Company paid Pamela Joseph approximately \$82,000 and \$14,000, respectively, for design and artistic services rendered to the Company.

Prior to September 30, 1994, the Company paid for certain benefits for Marvin H. Schein, Pamela Joseph and Pamela Schein, such as health insurance and lease payments for automobiles, including automobile allowances. For 1994, 1993 and 1992, such amounts were approximately \$19,000, \$19,000 and \$18,000, respectively, for Marvin H. Schein; approximately \$6,000, \$11,000 and \$10,000, respectively, for Pamela Joseph; and approximately \$2,000, \$3,000 and \$3,000, respectively, for Pamela Schein. The Company continues to pay for certain benefits for Marvin H. Schein, his spouse and his children pursuant to the Consulting Agreement.

TRANSACTIONS WITH THIRD PARTIES

In the ordinary course of its business the Company buys products from and sells products to Schein Pharmaceutical in arms' length transactions. Certain of the Company's stockholders and directors, including Stanley M. Bergman, Marvin H. Schein, Pamela Schein and Pamela Joseph, and persons related thereto, own approximately 70% of the outstanding shares of Schein Pharmaceutical. In 1995, 1994 and 1993, the Company's purchases from Schein Pharmaceutical amounted to \$4.5 million, \$5.9 million and \$6.2 million, respectively.

PRINCIPAL AND SELLING STOCKHOLDERS

The following table presents certain information regarding beneficial ownership of the Company's Common Stock as of May 1, 1996, by (i) each person known to the Company to be the beneficial owner of more than 5% of the outstanding shares of Common Stock, (ii) each director of the Company, (iii) each executive officer named in the Summary Compensation Table, (iv) all directors and executive officers as a group, and (v) each selling Stockholder. Unless otherwise indicated, each person in the table has sole voting and investment power as to the shares shown.

NAME AND ADDRESS (1)	SHARES BENEFICIALLY OWNED PRIOR TO OFFERING (2)		SHARES OF COMMON STOCK TO BE OFFERED	SHARES BENEFICIALLY OWNED AFTER THE OFFERING	
	NUMBER	PERCENT		NUMBER	PERCENT
Stanley M. Bergman (3).....	11,263,972	60.9%	2,792,000	8,471,972	39.7%
Marvin H. Schein, Individually and as Trustee (4).....	5,817,006	31.5%	1,900,000	3,917,006	18.3%
Leslie J. Levine, as Trustee (5).....	3,680,647	19.9%	712,300	2,968,347	13.9%
Pamela Schein (6).....	2,357,504	12.8%	715,000	1,642,504	7.8%
Irving Shafran and Judith Shafran, as Trustees (7).....	2,357,504	12.8%	715,000	1,642,504	7.8%
Marion Bergman and Leslie Bergman, as Trustees (8).....	1,274,707	6.9%	--	1,274,707	6.0%
Barry J. Alperin.....	1,000	*	--	1,000	*
Gerald A. Benjamin (9).....	81,190	*	--	81,190	*
James P. Breslawski (10).....	195,822	1.1%	--	195,822	*
Leonard A. David (11).....	30,913	*	--	30,913	*
Pamela Joseph, as Trustee (12).....	531,020	2.9%	140,000	391,020	1.8%
Donald J. Kabat.....	200	*	--	200	*
Mark E. Mlotek (13).....	41,450	*	--	41,450	*
Steven Paladino (14).....	83,690	*	--	83,690	*
Ellen Sperber, as Trustee (15).....	147,312	*	37,000	110,312	*
Randy Jones (16).....	37,360	*	--	37,360	*
Community Funds Inc. (17).....	27,500	*	27,500	--	--
Directors and Executive Officers as a Group (17 persons) (18).....	11,279,468	61.0	2,792,000	8,487,468	39.7%

* Represents less than 1%.

(1) Unless otherwise indicated, the address for each person is c/o Henry Schein, Inc., 135 Duryea Road, Melville, New York 11747.

(2) The 18,483,115 shares of Common Stock deemed outstanding prior to this offering includes 18,306,994 shares of Common Stock outstanding on May 1, 1995 and 176,121 shares of Common Stock issuable pursuant to options held by management which may be exercised within 60 days after the date of the offering. The number of shares of Common Stock deemed outstanding after this offering include an additional 2,880,500 shares of Common Stock being offered for sale by the Company in this offering.

(3) Prior to this offering, includes (a) 164,758 shares which Mr. Bergman owns directly and which he has the power to vote and the power to dispose of in accordance with the Global Agreement, (b) 3,828,160 shares which Mr. Bergman shares the power to vote pursuant to voting trust agreements, (c) options to purchase 176,121 shares of Common Stock exercisable within 60 days by certain executives which will be subject to the Voting Trust upon exercise and which Mr. Bergman will share the power to vote and (d) an additional 7,094,933 shares held by certain stockholders of the Company which must be voted for the eight nominees for director selected by Mr. Bergman in

(Footnotes continued on following page)

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- accordance with the Global Agreement. Excludes 27,500 shares transferred by Mr. Bergman to Community Funds Inc., a public charity, in June 1996. The shares described in (a) through (c) must also be voted for the nominees for director selected in accordance with the Global Agreement. After the offering, reflects the sale of 2,792,000 shares to be sold by the selling stockholders pursuant to this offering. See "Reorganization--Reorganization Agreements."
- (4) Includes (a) 2,136,359 shares which Mr. Schein owns directly and (b) 3,680,647 shares owned in trusts for the benefit of Mr. Schein and his family members and/or trusts for charities of which Mr. Schein and Leslie J. Levine are co-trustees, all of which shares Mr. Schein has the power to vote and the power to dispose of in accordance with the Global Agreement. Mr. Schein has the right to nominate one director to the Board of Directors in accordance with the Global Agreement. Certain stockholders of the Company (including Mr. Schein) are required to vote for the nominees for director selected in accordance with the Global Agreement. Shares of Common Stock to be offered include 1,187,700 shares owned directly by Mr. Schein, 670,800 shares owned in trust for the benefit of Mr. Schein and his family members and 41,500 shares owned in a trust for the benefit of charities. See "Reorganization--Reorganization Agreements."
- (5) Mr. Levine holds such shares as co-trustee of trusts for the benefit of Marvin H. Schein and his family members and/or trusts for charities. All of such shares must be voted for the nominees for directors selected in accordance with the Global Agreement. Mr. Levine has the power to dispose of such shares in accordance with the Global Agreement. Shares of Common Stock to be offered include 670,800 shares owned in trust for the benefit of Marvin H. Schein and his family members and 41,500 shares owned in a trust for the benefit of charities. See "Reorganization--Reorganization Agreements."
- (6) The shares are owned by a revocable trust established by Ms. Schein of which Irving and Judith Shafran are trustees. Ms. Schein has the power to dispose of such shares if she revokes the trust, subject to the Global Agreement. All of such shares are subject to the Voting Trust. Ms. Schein has the right to nominate one director to the Board of Directors in accordance with the Global Agreement. Certain stockholders of the Company (including the trustees of the revocable trust) are required to vote for the nominees for director selected in accordance with the Global Agreement. See "Reorganization--Reorganization Agreements."
- (7) Mr. Shafran and Ms. Shafran hold such shares as trustees of a revocable trust established by Pamela Schein. Mr. Shafran and Ms. Shafran share the power to dispose of such shares in accordance with the Global Agreement. All of such shares are subject to the Voting Trust and must be voted for the nominees for director selected in accordance with the Global Agreement. See "Reorganization--Reorganization Agreements."
- (8) Leslie Bergman and Marion Bergman hold such shares as co-trustees of trusts established by Stanley M. Bergman for the benefit of Stanley M. Bergman and his family members. Leslie Bergman and Marion Bergman share the power to vote such shares and the power to dispose of such shares in accordance with the Global Agreement; provided that the shares must be voted for the nominees for director selected in accordance with the Global Agreement. See "Reorganization--Reorganization Agreements."
- (9) Includes (a) 1,000 shares owned directly, (b) 50,490 shares subject to the Voting Trust and (c) options to purchase 29,700 shares of Common Stock exercisable within 60 days which will be subject to the Voting Trust upon exercise. See "Reorganization--Reorganization Agreements."
- (10) Mr. Breslawski has the power to dispose of such shares in accordance with the Global Agreement. The shares are subject to the Voting Trust and must be voted for the nominees for the director selected in accordance with the Global Agreement. See "Reorganization--Reorganization Agreements."
- (11) Includes (a) 2,500 shares owned directly, (b) 14,850 shares subject to the Voting Trust and (c) options to purchase 13,563 shares of Common Stock exercisable within 60 days which will be subject to the Voting Trust upon exercise. See "Reorganization--Reorganization Agreements."

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- (12) Ms. Joseph holds such shares as co-trustee of a trust established by Ms. Joseph. Prior to the offering, it is anticipated that the trust will distribute all its holdings of Common Stock to Ms. Joseph individually and will be terminated. The shares to be offered would then be offered by Ms. Joseph individually. Ms. Joseph shares the power to dispose of such shares in accordance with the Global Agreement. All of such shares are subject to the Voting Trust. Ms. Joseph has the right to nominate one director to the Board of Directors. Certain stockholders of the Company (including Ms. Joseph) are required to vote for the nominees for director selected in accordance with the Global Agreement. See "Reorganization--Reorganization Agreements."
- (13) Includes (a) 2,000 shares owned directly, (b) 14,850 shares subject to the Voting Trust, (c) options to purchase 19,800 shares of Common Stock exercisable within 60 days which will be subject to the Voting Trust upon exercise and (d) 4,800 shares which Mr. Mlotek has the power to vote as trustee of trusts for certain third parties. See "Reorganization--Reorganization Agreements."
- (14) Includes (a) 3,500 shares owned directly, (b) 50,490 shares subject to the Voting Trust and (c) options to purchase 29,700 shares of Common Stock exercisable within 60 days which will be subject to the Voting Trust upon exercise. All 83,690 shares must be voted for the nominees for director selected in accordance with the Global Agreement. Mr. Paladino has the power to dispose of such shares in accordance with the Global Agreement. See "Reorganization--Reorganization Agreements."
- (15) Ms. Sperber holds such shares as trustee of a trust for the benefit of Mr. Sperber and his family group members. All of such shares must be voted for the nominees for director selected in accordance with the Global Agreement. Ms. Sperber has the power to dispose of such shares in accordance with the Global Agreement. See "Reorganization--Reorganization Agreements."
- (16) Includes (a) 400 shares owned directly, (b) 33,660 shares subject to the Voting Trust and (c) options to purchase 3,300 shares of Common Stock exercisable within 60 days which will be subject to the Voting Trust upon exercise. See "Reorganization--Reorganization Agreements."
- (17) These shares were transferred by Stanley M. Bergman to Community Funds Inc., a public charity, in June 1996.
- (18) Includes (a) all shares described in the preceding notes (2) through (15), 16(b) and 16(c), and (b) 4,000 shares held by other executive officers which are not subject to the Voting Trust and 1,200 shares held by other directors. See "Reorganization--Reorganization Agreements."

DESCRIPTION OF CAPITAL STOCK

The following summary does not purport to be complete and is subject to, and qualified in its entirety by, the Amended and Restated Certificate of Incorporation (the "Restated Charter") and Amended and Restated Bylaws (the "Restated By-laws") of the Company which are included as exhibits to the registration statement, and by the provisions of applicable law.

The authorized capital stock of the Company consists of 60,000,000 shares of Common Stock having a par value of \$.01 per share and 1,000,000 shares of Preferred Stock having a par value of \$.01 per share.

COMMON STOCK

As of March 30, 1996, there were 18,306,994 shares of Common Stock outstanding, held by stockholders of record (including various trusts) and 51,679 shares of Common Stock held by the Company in treasury. An aggregate of 728,635 shares of Common Stock are reserved for issuance under the Company's 1994 Stock Option Plan and 1996 Non-Employee Director Stock Option Plan.

All outstanding shares of Common Stock are, and the shares offered hereby will be, fully paid and nonassessable. The holders of Common Stock are entitled to one vote for each share held of record on all matters voted upon by stockholders and may not cumulate votes. Thus, the owners of a majority of the Common Stock outstanding may elect all of the directors if they choose to do so, and the owners of the balance of such shares would not be able to elect any directors. Subject to the rights of holders of any future series of undesignated Preferred Stock which may be designated, each share of outstanding Common Stock is entitled to participate equally in any distribution of net assets made to the stockholders in liquidation, dissolution or winding up of the Company and is entitled to participate equally in dividends as and when declared by the Board of Directors. There are no redemption, sinking fund, conversion or preemptive rights with respect to the shares of Common Stock. All shares of Common Stock have equal rights and preferences.

PREFERRED STOCK

The Board of Directors is authorized, subject to certain limitations prescribed by law, without further stockholder approval, to issue from time to time up to an aggregate of 1,000,000 shares of Preferred Stock in one or more series with such designations and such powers, preferences and rights, and such qualifications, limitations or restrictions (which may differ with respect to each series) as the Board may fix by resolution. Unless otherwise provided by board resolution, the consent of the holders of any class or series of Preferred Stock shall not be required for the issuance by the Board of Directors of any other series of Preferred Stock. No dividend may be declared on any series of Preferred Stock unless a dividend is declared on all shares of Preferred Stock of each other series entitled to cumulative dividends, then outstanding, which rank senior to or equally as to dividends with the series in question.

The rights, preferences and privileges of holders of Common Stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of Preferred Stock which the Company may designate and issue in the future. The Company has no present plans to issue any shares of Preferred Stock.

At present, no shares of Preferred Stock are issued or have been authorized by the Board of Directors for issuance. Under the Restated Charter, no action by the Company's stockholders is necessary, and only action of the Board of Directors is required, to authorize the issuance of any of the shares of additional authorized Preferred Stock. The Board of Directors is empowered to establish, and to designate the name of, each class or series of the shares of Preferred Stock and to set the terms of

such shares (including terms with respect to redemption, sinking fund, dividend, liquidation, preemptive, conversion and voting rights and preferences). Accordingly, the Board of Directors, without stockholder approval, may issue shares of Preferred Stock with terms (including terms with respect to redemption, sinking fund, dividend, liquidation, preemptive, conversion and voting rights and preferences) that could adversely affect the voting power and other rights of holders of the Common Stock.

The undesignated Preferred Stock may have the effect of discouraging an attempt, through the acquisition of a substantial number of shares of Common Stock, to acquire control of the Company with a view to effecting a merger, sale or exchange of assets or a similar transaction. For example, the Board of Directors could issue such shares as a dividend to holders of Common Stock or place such shares privately with purchasers who may side with the Board of Directors in opposing a takeover bid. The anti-takeover effects of the undesignated Preferred Stock may deny stockholders the receipt of a premium on their Common Stock and may also have a depressive effect on the market price of the Common Stock.

CERTAIN PROVISIONS OF DELAWARE LAW

The Company is subject to the provisions of Section 203 of the Delaware General Corporation Law (the "DGCL"). Subject to certain exceptions, Section 203 prohibits a publicly-held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the interested stockholder attained such status with the approval of the Board of Directors or unless the business combination is approved in a prescribed manner. A "business combination" includes mergers, asset sales and other transactions resulting in a financial benefit to the interested stockholder. Subject to certain exceptions, an "interested stockholder" is a person who, together with affiliates and associates, owns, or within three years did own, 15% or more of the corporation's voting stock.

ANTI-TAKEOVER EFFECT OF PROVISIONS OF THE RESTATED CHARTER AND RESTATED BY-LAWS

Certain provisions of the Restated Charter and Restated By-Laws could discourage potential acquisition proposals and could delay or prevent a change in control of the Company. These provisions are intended to enhance the likelihood of continuity and stability in the composition of the Board of Directors and in the policies formulated by the Board of Directors and to discourage certain types of transactions that may involve an actual or threatened change of control of the Company, such as an unsolicited acquisition proposal. Because these provisions could have the effect of discouraging a third party from acquiring control of the Company, they may inhibit fluctuations in the market price of shares of Common Stock that could otherwise result from actual or rumored takeover attempts and, therefore could deprive stockholders of an opportunity to realize a takeover premium. These provisions also may have the effect of limiting the price that certain investors might be willing to pay in the future for shares of the Company's Common Stock and of preventing changes in the management of the Company.

The Company's Restated Charter provides that if stockholder approval is required for the adoption of any agreement for the merger or consolidation of the Company with another corporation or for the sale, lease, transfer or exchange of all or substantially all of the assets of the Company, then the affirmative vote of holders of 60% of the outstanding stock entitled to vote shall be required to approve such action.

The Restated Charter and Restated By-Laws provide that the number of directors will be fixed from time to time at no less than five and no more than eleven through December 31, 1998. Thereafter, the number of directors shall be nine. Any director may be removed with or without cause at any time by the affirmative vote of at least 66 2/3% of the shares entitled to vote at a special meeting of the stockholders called for that purpose and the vacancies thus created may be filled at that same meeting

by the affirmative vote of at least 66 2/3% of the shares entitled to vote at such meeting. Ordinary vacancies in the Board of Directors shall also be filled by the affirmative vote of stockholders holding at least 66 2/3% of the outstanding share entitled to vote.

The DGCL provides generally that the affirmative vote of a majority of the shares entitled to vote on any matter is required to amend a corporation's certificate of incorporation or by-laws, unless a corporation's certificate of incorporation or by-laws, as the case may be, requires a greater percentage. The Company's Restated Charter requires the affirmative vote of at least 80% of the outstanding stock to amend or repeal certain of its provisions. A two-thirds vote is required to amend or repeal the Company's Restated By-Laws. The Restated By-Laws may also be amended or repealed by a two-thirds vote of the Board of Directors. Such stockholder vote would be in addition to any separate class vote that might in the future be required pursuant to the terms of any Preferred Stock that might be outstanding at the time any such amendments are submitted to stockholders.

AGREEMENTS RELATING TO CONTROL OF THE COMPANY

The Voting Trust gives Stanley M. Bergman (or his successor trustee) the right to vote all of the shares of Common Stock owned by certain stockholders of the Company. In addition, the Global Agreement provides that the Board of Directors of the Company may consist of up to 11 members, and that until the earlier of January 1, 1999 or the termination of the Voting Trust, Mr. Bergman (or his successor trustee) has the right to nominate all but three of the nominees to the Board of Directors. Marvin H. Schein, Pamela Joseph and Pamela Schein have the right to serve as or nominate the remaining three directors. In general, from the earlier of January 1, 1999 or the termination of the Voting Trust until the earlier of January 1, 2004 or the first date on which Marvin H. Schein and his family group no longer beneficially own at least 25% of the outstanding Common Stock that they owned immediately after the Reorganization, or the date of certain changes in the Company's management, Mr. Bergman (or his successor trustee) has the right to nominate all of the nominees to the Board of Directors, provided, that if Marvin H. Schein does not approve such nominations, Mr. Bergman (or his successor trustee) and Mr. Schein will each nominate four nominees (of which one will be an independent nominee) and the ninth nominee will be selected by the two independent nominees. The Global Agreement also requires the parties to the Voting Trust and Marvin H. Schein to vote in favor of the individuals so nominated until the earlier of January 1, 1999 or the termination of the Voting Trust, and to vote their shares in favor of the nominees of Stanley M. Bergman until January 1, 2004. As a result of the foregoing, until December 31, 1998, Mr. Bergman, as a practical matter, will be able to significantly influence all matters requiring stockholder approval, including the election of directors, and until January 1, 2004, Mr. Bergman will have the ability to significantly influence the election of all or a substantial number of the directors of the Company.

The Global Agreement also affords Marvin H. Schein or his designee the right to serve on each committee of the Board of Directors to which the Board of Directors has delegated decision-making authority and the right to call a special meeting of the Board of Directors. The Global Agreement also limits the Company's ability to adopt a shareholder rights plan or "fair price amendment," if such plan or amendment would affect Marvin H. Schein or Pamela Schein (including their respective family members), as long as Marvin H. Schein or Pamela Schein own certain specified percentages of the outstanding Common Stock. See "Reorganization."

RESTRICTIONS ON TRANSFERS

The Global Agreement places certain restrictions on the ability of the parties thereto to transfer any of the shares of Common Stock owned by them and further provides that the Company may not, prior to the earlier of December 31, 2003 or the first date on which neither Marvin H. Schein nor Pamela Schein (including their respective family members) own at least 5% of the outstanding shares of Common Stock, (i) issue in one or more private transactions securities having more than 20% of the

total votes that can be cast in any election of directors of the Company without first offering Marvin H. Schein and Pamela Schein (including their respective family members) the right to purchase such securities; (ii) issue securities in connection with a business combination having more than 20%, or resulting in a person owning more than 20%, of the total votes that can be cast in any election of directors without the consent of Marvin H. Schein; or (iii) issue preferred stock having the right to cast more than 20% of the total votes that can be cast in any election of directors of the Company. In addition, certain members of management have agreed not to transfer their shares until November 3, 1998, subject to acceleration in Mr. Bergman's discretion. Restrictions on the ability of stockholders to transfer their stock may make it more difficult for a third party to acquire, or may discourage acquisition bids for, the Company, and could limit the price that certain investors might be willing to pay in the future for shares of Common Stock. See "Reorganization."

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Stock is the Trust Company of New Jersey, Jersey City, New Jersey.

UNDERWRITING

The Underwriters named below (the "Underwriters"), for which William Blair & Company, L.L.C., Alex. Brown & Sons Incorporated, Montgomery Securities and Smith Barney Inc. are acting as representatives (the "Representatives") have severally agreed, subject to the terms and conditions set forth in the Underwriting Agreement by and among the Company, the Selling Stockholders and the Underwriters, to purchase from the Company and the Selling Stockholders, and the Company and the Selling Stockholders have agreed to sell to the Underwriters, the respective number of shares of Common Stock set forth opposite each Underwriter's name below:

UNDERWRITERS	NUMBER OF SHARES
William Blair & Company, L.L.C.....	1,000,000
Alex. Brown & Sons Incorporated.....	1,000,000
Montgomery Securities.....	1,000,000
Smith Barney Inc.....	1,000,000
Bear, Stearns & Co. Inc.....	140,000
Dean Witter Reynolds Inc.....	140,000
Donaldson, Lufkin & Jenrette Securities Corporation.....	140,000
A.G. Edwards & Sons, Inc.....	140,000
Goldman, Sachs & Co.....	140,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated.....	140,000
PaineWebber Incorporated.....	140,000
Robert W. Baird & Co. Incorporated.....	60,000
Cleary Gull Reiland & McDevitt Inc.....	60,000
Everen Securities, Inc.....	60,000
Jefferies & Company.....	60,000
McDonald & Company Securities, Inc.....	60,000
Needham & Company, Inc.....	60,000
Piper Jaffray Inc.....	60,000
Principal Financial Securities, Inc.....	60,000
Roney & Co.....	60,000
Volpe, Welty & Company.....	60,000
Wessels, Arnold & Henderson, L.L.C.....	60,000
Wheat First Butcher Singer.....	60,000
Total.....	5,700,000

The nature of the Underwriters' obligations under the Underwriting Agreement is such that all shares of the Common Stock offered hereby, excluding shares covered by the over-allotment option granted to the Underwriters, must be purchased if any are purchased.

The Representatives have advised the Company and the Selling Stockholders that the Underwriters propose to offer the Common Stock to the public initially at the public offering price set forth on the cover page of this Prospectus and to select dealers at such price less a concession of not more than \$.75 per share. The Underwriters may allow, and such dealers may reallow, a concession not in excess of \$.10 per share to certain other dealers. The Underwriters may also offer shares to employees of the Company at the public offering price set forth on the cover page of this Prospectus. After the public offering contemplated hereby, the public offering and other selling terms may be changed by the Representatives.

The Company has granted to the Underwriters an option exercisable within 30 days after the date of this Prospectus, to purchase up to an additional 855,000 shares of Common Stock to cover over-

allotments, at the same price per share to be paid by the Underwriters for the other shares offered hereby. If the Underwriters purchase any such additional shares pursuant to this option, each Underwriter will be committed to purchase such additional shares in approximately the same proportion as set forth in the table above. The Underwriters may exercise the option only for the purpose of covering over-allotments, if any, made in connection with the distribution of shares of Common Stock offered hereby.

The Company and its directors, executive officers and certain stockholders have agreed not to offer, sell or otherwise dispose of any Common Stock or any securities convertible into Common Stock or register for sale under the Securities Act any Common Stock for a period of 120 days after the date of this Prospectus without the prior written consent of the Representatives.

The rules of the Commission generally prohibit the Underwriters and other members of the selling group, if any, from making a market in the Common Stock during a "cooling-off" period immediately preceding the commencement of sales in the offering. The Commission has, however, adopted exemptions from these rules that permit passive market making under certain conditions. These rules permit an Underwriter or other members of the selling group, if any, to continue to make a market in the Common Stock subject to the condition, among others, that its bid not exceed the highest bid by a market maker not connected with the offering and that its net purchases on any one trading day not exceed prescribed limits. Pursuant to these exemptions, certain Underwriters and other members of the selling group, if any, may engage in passive market making in the Common Stock during the cooling-off period.

The Company and the Selling Stockholders have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Underwriters may be required to make in respect thereof.

LEGAL MATTERS

The validity of the shares of Common Stock being offered hereby will be passed upon for the Company and the Selling Stockholders by Proskauer Rose Goetz & Mendelsohn LLP, New York, New York. Certain legal matters in connection with this Offering will be passed upon for the Underwriters by Sidley & Austin, Chicago, Illinois.

EXPERTS

The consolidated financial statements and schedule of Henry Schein, Inc. and Subsidiaries, the financial statements of Veratex (a division of The Veratex Corporation) and the consolidated financial statements of HS Pharmaceutical, Inc. and Subsidiaries included in this Prospectus and in the Registration Statement have been audited by BDO Seidman, LLP, independent certified public accountants, to the extent and for the periods set forth in their reports appearing elsewhere in this Prospectus and in the Registration Statement, and are included in reliance upon such reports given upon the authority of such firm as experts in auditing and accounting.

ADDITIONAL INFORMATION

The Company has filed with the Commission a Registration Statement under the Securities Act with respect to the Common Stock offered by this Prospectus. This Prospectus does not contain all the information set forth in the Registration Statement. For further information with respect to the Company and the Common Stock, reference is made to the Registration Statement and the exhibits and schedules filed therewith. Statements contained in this Prospectus regarding the contents of any

agreement or other document filed as an exhibit to the Registration Statement are not necessarily complete, and in each instance reference is made to the copy of such agreement filed as an exhibit to the Registration Statement, each such statement being qualified in all respects by such reference. In addition, the Company is subject to the informational requirements of the Exchange Act, and in accordance therewith files reports and other information with the Commission. The Registration Statement, including the exhibits and schedules thereto, as well as the Company's periodic reports, proxy statements and other information, may be inspected at the public reference facilities maintained by the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W. Washington, D.C. 20549; Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60621; and Seven World Trade Center, New York, New York 10048; and copies of all or any part thereof may be obtained from such office upon payment of the prescribed fees. The Company's Common Stock is traded on the Nasdaq National Market and such reports, proxy statements and other information may be inspected at the offices of Nasdaq Operations, 1735 K Street, N.W., Washington, D.C. 20006

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Henry Schein, Inc.
Melville, New York

We have audited the accompanying consolidated balance sheets of Henry Schein, Inc. and Subsidiaries as of December 31, 1994 and December 30, 1995 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 30, 1995. 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 generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Henry Schein, Inc. and Subsidiaries at December 31, 1994 and December 30, 1995 and the results of their operations and their cash flows for each of the three years in the period ended December 30, 1995, in conformity with generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for income taxes in 1993.

BDO SEIDMAN, LLP

New York, New York
February 23, 1996

HENRY SCHEIN, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

	DECEMBER 31, 1994	DECEMBER 30, 1995	MARCH 30, 1996
	-----	-----	-----
			(UNAUDITED)
ASSETS			
Current assets:			
Cash and cash equivalents.....	\$ 4,450	\$ 7,603	\$ 7,500
Accounts receivable, less reserves of \$4,319, \$6,335 and \$5,891, respectively.....	57,464	91,248	104,859
Inventories.....	76,933	96,515	87,897
Deferred income taxes.....	5,232	6,896	6,715
Other.....	14,077	19,492	18,579
	-----	-----	-----
Total current assets.....	158,156	221,754	225,550
Property and equipment, net.....	19,908	29,713	30,816
Goodwill and other intangibles, net.....	5,044	24,389	26,186
Investments and other.....	6,912	21,011	21,181
	-----	-----	-----
	\$190,020	\$296,867	\$ 303,733
	-----	-----	-----
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable.....	\$ 45,158	\$ 65,105	\$ 56,184
Bank credit lines.....	6,646	9,325	8,085
Accruals:			
Salaries and related expenses.....	5,002	9,074	9,999
Premium coupon redemptions.....	3,992	4,474	4,354
Other.....	17,995	26,534	19,012
Current maturities of long-term debt.....	2,971	3,343	3,861
	-----	-----	-----
Total current liabilities.....	81,764	117,855	101,495
Long-term debt.....	51,521	30,381	51,701
Other liabilities.....	600	1,233	1,236
	-----	-----	-----
Total liabilities.....	133,885	149,469	154,432
Redeemable stock, 2,084,398 shares.....	14,745	--	--
Minority interest.....	1,823	4,547	4,361
	-----	-----	-----
Commitments and contingencies			
Stockholders' equity:			
Common stock, \$.01 par value, authorized 60,000,000; issued: 9,923,859, 18,358,673 and 18,358,673, respectively.....	99	183	183
Additional paid-in capital.....	9,964	123,866	123,866
Retained earnings.....	29,962	19,746	22,210
Treasury stock, at cost, 51,679 shares in 1995 and 1996.....	--	(769)	(769)
Foreign currency translation adjustment.....	(458)	(175)	(550)
	-----	-----	-----
Total stockholders' equity.....	39,567	142,851	144,940
	-----	-----	-----
	\$190,020	\$296,867	\$ 303,733
	-----	-----	-----

See accompanying notes to consolidated financial statements.

HENRY SCHEIN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	YEAR ENDED			THREE MONTHS ENDED	
	DECEMBER 25, 1993	DECEMBER 31, 1994	DECEMBER 30, 1995	APRIL 1, 1995	MARCH 30, 1996
	(UNAUDITED)				
Net sales.....	\$415,710	\$486,610	\$616,209	\$136,040	\$ 185,359
Cost of sales.....	294,693	343,922	425,625	95,725	130,410
Gross profit.....	121,017	142,688	190,584	40,315	54,949
Operating expenses:					
Selling, general and administrative.....	109,574	128,560	170,823	37,329	50,245
Special management compensation.....	617	21,596	20,797	--	--
Special contingent consideration.....	3,216	--	--	--	--
Special professional fees.....	2,224	2,007	--	--	--
Operating income (loss).....	5,386	(9,475)	(1,036)	2,986	4,704
Other income (expense):					
Interest income.....	856	251	475	69	395
Interest expense.....	(3,216)	(3,756)	(5,833)	(1,288)	(961)
Other-net.....	(634)	541	276	97	(97)
Income (loss) before taxes on income (recovery), minority interest and equity in earnings of affiliates.....	2,392	(12,439)	(6,118)	1,864	4,041
Taxes on income (recovery).....	1,351	(1,630)	5,126	781	1,783
Minority interest in net income (loss) of subsidiaries.....	318	561	509	172	(70)
Equity in earnings of affiliates.....	1,296	494	1,537	25	136
Income (loss) before cumulative effect of accounting change.....	2,019	(10,876)	(10,216)	936	2,464
Cumulative effect of accounting change.....	1,891	--	--	--	--
Net income (loss).....	\$ 3,910	\$(10,876)	\$(10,216)	\$ 936	\$ 2,464
Net income per common share.....				\$.08	\$.13
Weighted average common and common equivalent shares outstanding.....				12,184	18,670
Pro forma:					
Historical net loss.....		\$(10,876)	\$(10,216)		
Pro forma adjustments:					
Special management compensation and professional fees.....		23,603	20,797		
Tax effect of above.....		(5,749)	(1,174)		
Pro forma net income.....		\$ 6,978	\$ 9,407		
Pro forma net income per common share....		\$.58	\$.70		
Pro forma weighted average common and common equivalent shares outstanding....		12,127	13,447		

See accompanying notes to consolidated financial statements.

HENRY SCHEIN, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (INFORMATION RELATED TO THE THREE MONTHS ENDED
 APRIL 1, 1995 AND SUBSEQUENT TO DECEMBER 30, 1995 IS UNAUDITED)
 (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 (the "Company"). Investments in unconsolidated affiliates which are 50% or less owned are accounted for under the equity method. All material 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 on a 52-53 week basis ending on the last Saturday of December. Accordingly, fiscal years ended December 25, 1993 and December 30, 1995 consisted of 52 weeks and the fiscal year ended December 31, 1994 consisted of 53 weeks.

Revenue Recognition

Sales are recorded when products are shipped or services are rendered, except for the portion of revenues from sales of practice management software which is attributable to noncontractual postcontract customer support, which is deferred and recognized ratably over the period in which the support is expected to be provided.

Inventories

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

Property and Equipment and Depreciation and Amortization

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

	YEARS

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

HENRY SCHEIN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)
(INFORMATION RELATED TO THE THREE MONTHS ENDED
APRIL 1, 1995 AND SUBSEQUENT TO DECEMBER 30, 1995 IS UNAUDITED)
(IN THOUSANDS, EXCEPT SHARE DATA)

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

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.

Taxes on Income

The Company filed a consolidated Federal income tax return with Schein Holdings, Inc. for the period ended September 30, 1994 (see Note 2). For the balance of 1994 the Company filed a consolidated Federal income tax return with its 80% or greater owned subsidiaries and expects to continue to do so thereafter. Income taxes for financial statement presentation were calculated through the period ending September 30, 1994 as if the Company filed a separate tax return.

Effective for 1993, the Company adopted Statement of Financial Accounting Standards No. 109 ("SFAS No. 109"), "Accounting for Income Taxes." SFAS No. 109 provides that deferred income taxes are recognized for the tax consequences of temporary differences between the financial reporting bases and the tax bases of the Company's assets and liabilities.

Premium Coupon Program

The Company issues premium coupons to certain customers in conjunction with sales of its products which are redeemable for gifts. Premium coupon redemptions are accrued as issued based upon expected redemption rates.

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. The Company has determined that the effect of foreign exchange rate changes on cash flows is not material.

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 cumulative translation adjustment account in stockholders' equity. Gains and losses resulting from foreign currency transactions are included in earnings, except for certain hedging transactions (see below).

Financial Instruments

The Company uses forward exchange contracts to hedge certain firm commitments denominated in foreign currencies. Gains and losses on these positions are deferred and included in the basis of the transaction when it is completed. In order to manage interest rate exposure, the Company has entered into interest rate swap agreements to exchange variable rate debt based on LIBOR into fixed rate debt

HENRY SCHEIN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)
(INFORMATION RELATED TO THE THREE MONTHS ENDED
APRIL 1, 1995 AND SUBSEQUENT TO DECEMBER 30, 1995 IS UNAUDITED)
(IN THOUSANDS, EXCEPT SHARE DATA)

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

without the exchange of the underlying principal amounts. Net payments or receipts under the agreements are recorded as adjustments to interest expense.

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities 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 the underlying instruments are at variable rates which are repriced frequently.

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 and is amortized on a straight-line basis over periods not exceeding 30 years.

Deferred Catalog Costs

Effective for 1993, the Company adopted AICPA Statement of Position 93-7 ("SOP 93-7"), "Reporting on Advertising Costs." SOP 93-7 establishes accounting standards for reporting the costs of advertising and direct response advertising. The cumulative effect of this change was not material. In accordance with this statement the net costs of direct mail catalogs used to order merchandise are deferred and amortized ratably over the expected benefit period of the specific catalog, which ranges from six to twelve months, and are not material.

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 will be written down to fair value. This policy is in accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," which is effective for fiscal years beginning after December 15, 1995. No impairment losses have been necessary through March 31, 1996.

Unaudited Interim Consolidated Financial Statements

In the opinion of the Company's management, the consolidated balance sheet as of March 30, 1996, the consolidated statements of operations and cash flows for the three months ended April 1, 1995 and March 30, 1996, and the consolidated statement of stockholders' equity for the three months ended March 30, 1996 contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the information set forth therein. The results of operations for the three months ended March 30, 1996 are not necessarily indicative of the results for any other period.

HENRY SCHEIN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)
(INFORMATION RELATED TO THE THREE MONTHS ENDED
APRIL 1, 1995 AND SUBSEQUENT TO DECEMBER 30, 1995 IS UNAUDITED)
(IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 1--SIGNIFICANT ACCOUNTING POLICIES--(CONTINUED)
Stock-Based Compensation

The Company does not presently intend to adopt the fair value method of accounting for stock options as permitted by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation".

Earnings Per Share

(a) Historical Net Income Per Share

Historical net income per share for the three months ended April 1, 1995 and March 30, 1996 is computed using the weighted average number of common and common equivalent shares outstanding, after reflecting a 99-for-1 stock split effected immediately prior to the initial public offering.

The common equivalent shares relating to the stock options issued to executive management in 1995 have been treated as if they were outstanding since the beginning of 1995 and are calculated using the treasury stock method, using the initial public offering price of \$16.00 per share for assumed repurchase for the three months ended April 1, 1995 and the average share price for the three months ended March 30, 1996.

(b) Pro Forma Net Income Per Share

Historical per share information for the years ended December 31, 1994 and December 30, 1995 is not considered relevant as it would differ materially from pro forma per share data, given the significance of the pro forma adjustments. Pro forma net income per share is computed using pro forma net income and the pro forma weighted average number of common and common equivalent shares outstanding, after reflecting a 99-for-1 stock split effected immediately prior to the initial public offering.

The common equivalent shares relating to the stock options issued to executive management in 1995, the shares issued to senior management in 1994 to extinguish a previously accrued liability, and the shares contributed to the ESOP trust in 1994 have been treated as if they were outstanding since the beginning of 1994. Such ESOP shares and common equivalent shares relating to the stock options are calculated using the treasury stock method, using the initial public offering price of \$16.00 per share for assumed repurchase for the period prior to the initial public offering. For the period subsequent to the initial public offering, application of the treasury stock method to the stock options reflects the average share price.

(c) Supplemental Earnings Per Share

As required by APB Opinion No. 15, supplementary pro forma income per share for the year ended December 30, 1995 was \$.67. For this calculation, the weighted average number of common shares includes the shares assumed to provide the proceeds, at the initial public offering price, needed to retire average revolving credit borrowings and debt for the period from the beginning of the year (or the date the debt was incurred) to the respective retirement date, and the pro forma net income was adjusted to exclude the related financing and interest expenses of the debt.

HENRY SCHEIN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)
(INFORMATION RELATED TO THE THREE MONTHS ENDED
APRIL 1, 1995 AND SUBSEQUENT TO DECEMBER 30, 1995 IS UNAUDITED)
(IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 2--REORGANIZATION

On December 26, 1992, Henry Schein, Inc., a New York corporation ("Old HSI"), reorganized its corporate structure to split into separate healthcare distribution and pharmaceutical companies (the "Split"). The Split was accomplished by transferring substantially all of Old HSI's assets and liabilities relating to the distribution business to Henry Schein USA, Inc., a newly formed corporation ("New HSI"). Subsequent to the Split, the name of Old HSI was changed to Schein Holdings, Inc. and the name of New HSI was changed to Henry Schein, Inc. ("HSI"). As a result of the Split, Schein Holdings, Inc. ("Holdings") became the parent of the Company and Schein Pharmaceutical, Inc. (the pharmaceutical company, "SPINC").

The accompanying financial statements give retroactive effect to the Split as described above, and reflect the historical cost bases of the assets and liabilities of the distribution business.

On February 16, 1994, the shareholders of Holdings and HSI and certain HSI management entered into an agreement (the "HSI Agreement") whereby certain voting and non-voting shares of HSI stock were exchanged for new voting stock of HSI, a 100-for-1 stock split was effectuated, and certain additional agreements were entered into between HSI, the shareholders and management. The effect of the stock exchanges was that Holdings distributed all of its shares in HSI to certain shareholders of Holdings in exchange for its stock.

The HSI Agreement was subject to approval by the Westchester County Surrogate Court, which approval was obtained on September 20, 1994. The HSI Agreement was also subject to the closing of a transaction between the shareholders of Holdings and Miles, Inc. ("Miles", an unrelated third party) involving the sale by shareholders of Holdings of 28% of their shares to Miles.

In connection with the reorganization, during 1992 HSI issued 1,466,685 shares of common stock (valued at \$6,173) to one of its executive officers and 147,312 shares of common stock (valued at \$620) to an executive officer of SPINC. In addition, SPINC issued shares to one of its executive officers and an executive officer of HSI. Each company made cash payments to its respective executive officer to cover the income taxes relating to the stock issuances. The HSI shares issued to its executive officer originally were to vest after 10 years of employment. The other stock issuances were forfeitable if certain events did not occur.

The stock issuances to HSI's executive officer were accounted for based on the estimated fair value at the date of issuance, as deferred compensation, which was classified as a reduction of stockholders' equity in the financial statements of the applicable company whose executive officer received the shares. Accordingly, the fair value of the shares of HSI issued to the executive officer of SPINC was recorded as a distribution to Holdings. Conversely, the fair value of the shares issued to HSI's executive officer by SPINC in the amount of \$2,641 was treated as a contribution to HSI's capital. The cash payment to HSI's executive officer in the amount of \$5,283 was charged to operations in 1992 as a special management compensation charge. In 1994, an additional cash payment of \$258 was paid to HSI's executive officer to pay certain additional income taxes attributable to the 1992 stock issuance and was recorded as a special management compensation charge.

As part of the HSI Agreement, the vesting and events of forfeiture were removed and the stock issued in 1992 became fully vested. Accordingly, the estimated fair value of the stock issuances to HSI's executive officer were revalued to reflect the fair values of HSI and SPINC at the time of vesting and

HENRY SCHEIN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)
(INFORMATION RELATED TO THE THREE MONTHS ENDED
APRIL 1, 1995 AND SUBSEQUENT TO DECEMBER 30, 1995 IS UNAUDITED)
(IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 2--REORGANIZATION--(CONTINUED)

the related deferred compensation, net of amortization, of \$17,301 was charged to earnings as special management compensation in 1994.

Additionally, pursuant to previous commitments, certain senior management of HSI were issued 489,456 shares including 91,377 shares issued subsequent to December 31, 1994 and 83,259 shares issued prior to the closing of the initial public offering in part to extinguish a previously accrued liability under a pre-existing long-term incentive plan. In connection with the issuance of these shares, a cash payment of approximately \$2,472 was paid to cover the income taxes relating to this stock issuance and was charged, along with the estimated fair value of the related stock issued of \$3,465, less the related obligations extinguished of approximately \$1,900, as special compensation and is included in special compensation in 1994.

The shares issued to the executive officer and the senior management of HSI were subject to repurchase by HSI at fair market value in the event employment was terminated for any reason or an initial public offering of HSI's stock did not occur by December 31, 1999. The repurchase feature was eliminated upon the closing of the initial public offering. Special management compensation for the year ended December 30, 1995 includes a \$17,484 charge to operations to reflect the appreciation in the fair market value of stock grants and issuances based on the initial public offering price of \$16.00 and a cash payment of approximately \$508 to cover income taxes related to those stock grants and issuances.

In addition, special management compensation for the year ended December 30, 1995 includes a charge of \$2,805 to reflect the excess of the initial public offering price over the exercise price of Class A options issued to certain executive management in May 1995 (see Note 14(a)).

Special charges incurred in connection with this reorganization consist of special management compensation expense of \$617, \$21,596, \$20,797, and special professional fees of \$2,224, \$2,007, \$0, for the years ended 1993, 1994 and 1995, respectively.

During the years ended 1993, 1994 and 1995, the Company incurred special professional fees related to the reorganization in the amounts of \$570, \$552 and \$0, respectively, on behalf of its stockholders. These amounts were deemed to be dividends and deducted from retained earnings.

NOTE 3--OTHER CURRENT ASSETS

Other current assets consist of the following:

	DECEMBER 31, 1994	DECEMBER 30, 1995	MARCH 30, 1996
Prepaid expenses.....	\$ 5,246	\$ 3,941	\$ 4,564
Vendor rebates receivable.....	3,052	5,744	5,948
Amounts due from affiliates.....	1,863	2,084	2,267
Refundable income taxes.....	551	2,645	897
Other.....	3,365	5,078	4,903
	-----	-----	-----
	\$ 14,077	\$ 19,492	\$18,579
	-----	-----	-----
	-----	-----	-----

HENRY SCHEIN, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (INFORMATION RELATED TO THE THREE MONTHS ENDED
 APRIL 1, 1995 AND SUBSEQUENT TO DECEMBER 30, 1995 IS UNAUDITED)
 (IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 4--PROPERTY AND EQUIPMENT--NET

Major classes of property and equipment consist of the following:

	DECEMBER 31, 1994	DECEMBER 30, 1995	MARCH 30, 1996
Land.....	\$ 1,189	\$ 1,718	\$ 1,699
Buildings and leasehold improvements....	18,228	23,288	23,486
Machinery and warehouse equipment.....	5,921	10,509	10,142
Furniture, fixtures and other.....	10,421	12,165	13,379
Computer equipment.....	12,098	15,937	17,230
	47,857	63,617	65,936
Less accumulated depreciation and amortization.....	27,949	33,904	35,120
Net property and equipment.....	\$ 19,908	\$ 29,713	\$30,816

NOTE 5--GOODWILL AND OTHER INTANGIBLES--NET

Goodwill and other intangibles consist of the following:

	DECEMBER 31, 1994	DECEMBER 30, 1995	MARCH 30, 1996
Goodwill.....	\$4,799	\$ 22,267	\$24,861
Other.....	1,333	3,917	3,469
	6,132	26,184	28,330
Less accumulated amortization.....	1,088	1,795	2,144
	\$5,044	\$ 24,389	\$26,186

Goodwill represents the excess of the purchase price of acquisitions over the fair value of net assets acquired. During 1995, three acquisitions (the distribution business of The Veratex Corporation, Schein Dental Equipment Corp. and PRN Medical, Inc.) accounted for \$15,282 of the \$17,468 increase in goodwill. Other intangibles include covenants not to compete, customer lists and deferred acquisition costs. Goodwill and other intangibles are amortized on a straight-line basis over periods not exceeding 30 years.

HENRY SCHEIN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)
(INFORMATION RELATED TO THE THREE MONTHS ENDED
APRIL 1, 1995 AND SUBSEQUENT TO DECEMBER 30, 1995 IS UNAUDITED)
(IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 6--INVESTMENTS AND OTHER

Investments and other consist of:

	DECEMBER 31, 1994	DECEMBER 30, 1995	MARCH 30, 1996
Investments in unconsolidated affiliates.....	\$5,093	\$ 9,865	\$ 9,471
Long-term receivables (see Note 11(b)).....	761	8,399	7,933
Deferred borrowing costs and other, net of accumulated amortization of \$254, \$1,664 and \$1,879, respectively...	1,058	2,747	3,277
	\$6,912	\$ 21,011	\$21,181

The Company's investments are predominately 50% owned unconsolidated affiliates consisting of various companies involved in the healthcare distribution business and HS Pharmaceutical, Inc., which manufactures generic pharmaceuticals. As of December 30, 1995, the Company's investments in unconsolidated affiliates were \$3,507 more than the Company's proportionate share of the underlying equity of these affiliates. This amount, which has been treated as goodwill, is being amortized over 30 years and charged to equity in the operating results of these companies. Combined unaudited financial data for these companies for periods subsequent to their acquisition follows:

	DECEMBER 31, 1994	DECEMBER 30, 1995
Current assets.....	\$ 15,338	\$ 28,904
Total assets.....	20,170	35,220
Liabilities.....	13,463	22,995
Stockholders' equity.....	6,707	12,225

	YEAR ENDED			THREE MONTHS ENDED	
	DECEMBER 25, 1993	DECEMBER 31, 1994	DECEMBER 30, 1995	APRIL 1, 1995	MARCH 30, 1996
Net sales.....	\$ 41,623	\$ 34,003	\$ 55,090	\$ 6,590	\$20,303
Operating income.....	3,997	3,183	5,147	254	832
Net income.....	1,670	1,428	2,920	30	415

NOTE 7--BUSINESS ACQUISITIONS

The Company acquired 24 healthcare distribution businesses between 1993 and March 30, 1996, including, on July 7, 1995, the distribution business of The Veratex Corporation ("Veratex"), a national direct marketer of medical, dental and veterinary products. The total amount of cash paid and promissory notes issued for these acquisitions was approximately \$6,910, \$2,660 and \$22,710 for 1993, 1994 and 1995, respectively. The Company also issued 1,260,416 shares of common stock in connection with the acquisition of Schein Dental Equipment Corp., of which approximately 928,700 shares were issued to a stockholder of the Company. In addition, the Veratex acquisition agreement also provides for contingent payments of up to \$2,000 if certain financial targets are met. Acquisitions completed during

HENRY SCHEIN, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)
 (INFORMATION RELATED TO THE THREE MONTHS ENDED
 APRIL 1, 1995 AND SUBSEQUENT TO DECEMBER 30, 1995 IS UNAUDITED)
 (IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 7--BUSINESS ACQUISITIONS--(CONTINUED)

the three months ended March 30, 1996 were not material. These acquisitions have been accounted for under the purchase method, except for the shares issued to a stockholder as noted above which involves carryover of predecessor basis with respect to the affiliate's proportionate share of net assets. Operations of these businesses have been included in the consolidated financial statements from their acquisition dates.

The summarized unaudited pro forma results of operations set forth below for 1994 and 1995 assume the acquisitions in 1994 and 1995 occurred as of the beginning of each of these periods.

	YEAR ENDED	
	DECEMBER 31, 1994	DECEMBER 30, 1995
Net sales.....	\$493,171	\$669,016
Net loss.....	(11,030)	(11,107)
Pro forma net income, reflecting adjustment for special management compensation and professional fees.....	6,824	8,516
Pro forma net income per common share.....	.56	.60

Pro forma net income per common share, including acquisitions, may not be indicative of actual results, primarily because the pro forma earnings include historical results of operations of acquired entities and do not reflect any cost savings that may result from the Company's integration efforts.

During 1993, the Company incurred a charge of \$2,528 resulting from the buyout of an employee's rights to future income contained in his employment agreement and paid contingent consideration of \$688 to the prior owners of another company acquired in 1993. These payments were charged to operating expenses in 1993.

NOTE 8--BANK CREDIT LINES

At March 30, 1996, certain subsidiaries of the Company had available various bank credit lines totaling approximately \$13,876, expiring through March 1997. Borrowings of \$8,085 under these credit lines at interest rates ranging from 4.0% to 9.5% were collateralized by accounts receivable, inventory and property and equipment of the subsidiaries with an aggregate net book value of \$20,715 at March 30, 1996.

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NOTE 9--LONG-TERM DEBT

Long-term debt consists of:

	DECEMBER 31, 1994	DECEMBER 30, 1995	MARCH 30, 1996
	-----	-----	-----
Borrowings under Revolving Credit Agreement (a).....	\$ 35,800	\$ 17,000	\$39,000
Note payable for business acquisition (b).....	4,836	4,383	4,383
Note payable for business acquisition (c).....	--	2,400	2,400
Notes payable to banks, interest variable (8% at March 30, 1996), payable in quarterly installments ranging from \$15 to \$31 through 2003, secured by inventory and accounts receivable of \$12,089 for 1994, \$15,727 for 1995 and \$16,003 for 1996.....	2,191	2,020	1,921
Note payable in monthly installments of \$8 through July 2007, uncollateralized, interest increases 1% annually to 5% in 2000, 6% from 2001 to 2007.....	--	1,150	1,125
Mortgage payable to bank in quarterly installments of \$14, interest at 7.4% through November 2013, collateralized by a building with a net book value of \$1,697.....	1,103	1,137	1,083
Note payable in semi-annual installments of \$225 through September 1998, uncollateralized, imputed interest at 8%.....	1,422	972	747
Note payable in annual installments of \$136 through March 2001, uncollateralized, interest at prime which approximated 8% at March 30, 1996.....	953	817	681
Term loan payable to bank in quarterly installments of \$63 with a balloon payment of \$2,500 at maturity, interest variable through December 2004, collateralized by a building with a carrying value of \$7,092--repaid in November 1995.....	5,000	--	--
Various notes and loans payable with interest, in varying installments through 1998, uncollateralized.....	3,187	3,845	4,222
	-----	-----	-----
Total.....	54,492	33,724	55,562
Less current maturities.....	2,971	3,343	3,861
	-----	-----	-----
Total long-term debt.....	\$ 51,521	\$ 30,381	\$51,701
	-----	-----	-----

(a) Revolving Credit Agreement

The Company's revolving credit agreement, as amended, provides for maximum borrowings of \$65 million through July 1999. The interest rate on any borrowings under the agreement is based on prime or LIBOR as defined in the agreement, which were 8.25% and 5.31%, respectively, at March 30, 1996. The borrowings outstanding at March 30, 1996 were at interest rates ranging from 5.94% to 8.25%. The agreement provides for a 0.19% fee on any unused portion of the commitment. The agreement also

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

provides, among other things, that HSI 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. As of March 30, 1996, approximately \$5,173 of the Company's retained earnings represented undistributed earnings of affiliates.

(b) Note Payable for Business Acquisition

In November 1993, a subsidiary of the Company entered into a term loan agreement for \$5,290 with a bank. The proceeds of this loan were used to acquire a dental supply distribution company. Principal is payable in semi-annual installments of \$227 through October 1997, with a final balloon payment of \$3,474 on October 31, 1997. Interest is payable quarterly at a rate of 6.7% per year. The agreement also provides for the same financial covenants and restrictions as the revolving credit agreement.

(c) Note Payable for Business Acquisition

In October 1995, the Company entered into a term loan agreement for \$2,400 with a third party. The proceeds of this loan were used to acquire a medical distribution company. Principal is payable in quarterly installments of \$120 through October 2000. Interest is payable quarterly at the prime rate less 1.0% per year.

As of December 30, 1995, the aggregate amounts of long-term debt maturing in each of the next five years are as follows: 1996--\$3,343; 1997--\$5,789; 1998--\$1,750; 1999--\$18,850; 2000--\$1,105.

NOTE 10--TAXES ON INCOME (RECOVERY)

The Company adopted SFAS No. 109 as of the beginning of 1993. The cumulative effect on prior years of this change in accounting principle increased 1993 net income by \$1,891. The difference between calculating the 1993 income tax provision under SFAS No. 109 and APB No. 11 was not material.

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

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

	YEAR ENDED			THREE MONTHS ENDED	
	DECEMBER 25, 1993	DECEMBER 31, 1994	DECEMBER 30, 1995	APRIL 1, 1995	MARCH 1, 1996
Domestic.....	\$1,304	\$(13,978)	\$ (7,435)	\$ 1,417	\$3,710
Foreign.....	1,088	1,539	1,317	447	331
Total income (loss) before taxes on income (recovery), minority interest and equity in earnings of affiliates.....	\$2,392	\$(12,439)	\$ (6,118)	\$ 1,864	\$4,041

The provision for (recovery of) income taxes on income (loss) before the 1993 cumulative effect of accounting change was as follows:

	YEAR ENDED			THREE MONTHS ENDED	
	DECEMBER 25, 1993	DECEMBER 31, 1994	DECEMBER 30, 1995	APRIL 1, 1995	MARCH 30, 1996
Current tax expense (recovery):					
U.S. Federal.....	\$2,304	\$ 1,528	\$ 4,677	\$ 1,148	\$ 1,072
State and local.....	373	459	924	218	345
Foreign.....	225	(64)	616	202	198
Total current.....	2,902	1,923	6,217	1,568	1,615
Deferred tax expense (benefit):					
U.S. Federal.....	(1,521)	(3,563)	(836)	(591)	150
State and local.....	(30)	(155)	(285)	(196)	28
Foreign.....	--	165	30	--	(10)
Total deferred.....	(1,551)	(3,553)	(1,091)	(787)	168
Total provision (recovery).....	\$1,351	\$ (1,630)	\$ 5,126	\$ 781	\$ 1,783

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

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

	DECEMBER 31, 1994	DECEMBER 30, 1995	MARCH 30, 1996
	-----	-----	-----
Current deferred tax assets:			
Inventory, premium coupon redemptions and accounts receivable valuation allowances.....	\$2,914	\$3,592	\$ 3,534
Uniform capitalization adjustments to inventories.....	1,156	1,472	1,407
Accrued special professional fees and other accrued liabilities.....	1,162	1,832	1,774
	-----	-----	-----
Total current deferred tax asset.....	5,232	6,896	6,715
	-----	-----	-----
Non-current deferred tax assets (liabilities):			
Property and equipment.....	(373)	(428)	(425)
Provision for long-term executive incentive compensation and other accrued liabilities.....	348	(110)	(97)
Net operating losses of foreign subsidiaries.....	140	2,403	2,011
	-----	-----	-----
Total non-current deferred tax asset....	115	1,865	1,489
Valuation allowance for non-current deferred tax assets.....	(140)	(2,403)	(2,011)
	-----	-----	-----
Net non-current deferred tax liabilities.....	(25)	(538)	(522)
	-----	-----	-----
Net deferred tax asset.....	\$5,207	\$6,358	\$ 6,193
	-----	-----	-----

The net deferred tax asset is realizable as the Company has sufficient taxable income in prior carryback 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.

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

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

	YEAR ENDED			THREE MONTHS ENDED	
	DECEMBER 25, 1993	DECEMBER 31, 1994	DECEMBER 30, 1995	APRIL 1, 1995	MARCH 30, 1996
Provision (recovery) at Federal statutory rate.....	\$ 837	\$ (4,354)	\$ (2,141)	\$ 652	\$ 1,414
State income taxes, net of Federal income tax effect.....	501	53	582	145	176
Net foreign and domestic losses for which no tax benefits are available.....	186	23	574	125	242
Foreign income taxed at other than the Federal statutory rate.....	221	(214)	(25)	10	2
Non-deductible appreciation in stock issued as special management compensation.....	--	3,318	6,109	--	--
Deduction for charitable contributions.....	--	(180)	--	--	--
Write-off of related party debt deducted for tax purposes only.....	(320)	--	--	--	--
Other.....	(74)	(276)	27	(151)	(51)
Income tax provision (recovery).....	\$1,351	\$ (1,630)	\$ 5,126	\$ 781	\$ 1,783

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 30, 1995, the cumulative amount of reinvested earnings was approximately \$1,560.

NOTE 11--FINANCIAL INSTRUMENTS AND CREDIT RISK CONCENTRATIONS

(a) Financial Instruments

To reduce its exposure to fluctuations in foreign currencies and interest rates, the Company is party to foreign currency forward contracts and interest rate swaps with major financial institutions.

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

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

As of March 30, 1996, the Company has outstanding foreign currency forward contracts aggregating \$13,768 related to debt and the purchase and sale of merchandise. The contracts hedge against currency fluctuations of the Canadian dollar (\$4,195), British Pound (\$756), Swiss Franc (\$554), the Netherlands Guilder (\$6,815), Deutsche Mark (\$648), and the Spanish Peseta (\$800). The contracts expire at various dates through October 1997. At March 30, 1996, the Company had net deferred gains from foreign currency forward contracts of \$15.

As of March 30, 1996, interest rate swaps totaling \$13,000 were outstanding. The swaps are used to convert floating rate debt to fixed rate debt to reduce the Company's exposure to interest rate fluctuations. The net result was to substitute a weighted average fixed interest rate of 7.81% for the variable LIBOR rate on \$13,000 of the Company's debt. The swaps expire in October and November 2001. Under the interest rate environment during the three months ended March 30, 1996, the net fair value of the Company's interest rate swap agreements resulted in a realized loss of \$7.

In October 1994, a subsidiary of the Company recorded a \$509 foreign currency gain relating to an intercompany loan intended to be repaid. This gain is reflected in the Other-net section of the Consolidated Statements of Operations.

(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. Included in Accounts Receivable and Long-Term Receivables (see Note 6) at March 30, 1996 is \$16,096 and \$7,604, respectively, related to Easy Dental(R) Plus software sales with non-interest bearing extended payment terms. Total unamortized discounts at March 30, 1996 amounted to \$1,326 based on an imputed interest rate of 8.5%.

NOTE 12--RELATED PARTY TRANSACTIONS

(a) In the ordinary course of business, the Company purchases pharmaceutical products from certain unconsolidated affiliates. Net purchases from these affiliates amounted to \$9,645, \$12,055 and \$8,730 in 1993, 1994 and 1995, respectively, and \$909 and \$3,179 for the three months ended April 1, 1995 and March 30, 1996, respectively. Included in Accounts Payable at December 31, 1994 and December 30, 1995 were \$2,075 and \$1,591, respectively, and \$488 at March 31, 1996, for amounts due to these affiliates for purchases made from them.

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NOTE 12--RELATED PARTY TRANSACTIONS--(CONTINUED)

(b) The Company also shares certain services with these and other unconsolidated affiliates which are charged to the affiliates at cost. The Company charged these affiliates \$4,089, \$1,691 and \$891 during 1993, 1994 and 1995, respectively, for these services and \$201 and \$193 during the three months ended April 1, 1995 and March 30, 1996, respectively. In addition, sales (at cost) to unconsolidated affiliates were \$3,043, \$3,160 and \$3,784 in 1993, 1994 and 1995, respectively, and \$911 and \$44 for the three months ended April 1, 1995 and March 30, 1996, respectively.

(c) The Company recorded interest income of \$616, \$87, \$88, \$23 and \$30, and interest expense of \$610, \$13, \$26, \$10 and \$24, in 1993, 1994, 1995 and the three months ended April 1, 1995 and March 30, 1996, respectively, attributable to transactions with unconsolidated affiliates. Included in Other Current Assets are amounts due from unconsolidated affiliates of \$1,863, \$2,051 and \$2,267 at December 31, 1994, December 30, 1995 and March 30, 1996, respectively.

(d) A subsidiary of the Company leases its primary operating facility from an officer of the subsidiary. Rent expense attributed to this facility amounted to \$86, \$209 and \$52 for 1994, 1995 and the three months ended March 30, 1996, respectively.

(e) During 1994, a subsidiary of the Company entered into a sales service agreement with an entity ("Salesco") owned by an officer of the subsidiary. Under the terms of this agreement the subsidiary is required to reimburse Salesco for all reasonable expenses incurred in connection with the services it provides to the subsidiary and pay a fee to Salesco based upon a formula applied to its pre-tax profit. Amounts paid during 1994, 1995 and 1996 under this agreement were not material.

(f) The Company purchases products from Schein Dental Equipment Corp. ("SDEC"), formerly owned by a stockholder. In September 1995, the Company acquired SDEC. Net purchases from SDEC prior to the acquisition amounted to \$1,183, \$1,738 and \$1,803, in 1993, 1994 and 1995, respectively, and \$490 for the three months ended April 1, 1995.

NOTE 13--SEGMENT AND GEOGRAPHIC DATA

The Company is engaged principally in one line of business, the distribution of healthcare products to healthcare practitioners and professionals. The following table presents information about the

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NOTE 13--SEGMENT AND GEOGRAPHIC DATA--(CONTINUED)

Company by geographic area. There were no material amounts of sales or transfers among geographic areas and there were no material amounts of United States export sales.

1993	UNITED STATES	EUROPE	CONSOLIDATED
Net sales.....	\$ 361,199	\$54,511	\$415,710
Operating income.....	3,580*	1,806	5,386
Pre-tax income.....	1,304*	1,088	2,392
Identifiable assets.....	130,355	30,438	160,793
Depreciation and amortization.....	2,592	1,389	3,981
Capital expenditures.....	2,122	781	2,903

1994			
Net sales.....	\$ 408,463	\$78,147	\$486,610
Operating income (loss).....	(11,649)*	2,174	(9,475)
Pre-tax income (loss).....	(13,978)*	1,539	(12,439)
Identifiable assets.....	155,772	34,248	190,020
Depreciation and amortization.....	2,524	1,287	3,811
Capital expenditures.....	4,425	1,494	5,919

1995			
Net sales.....	\$ 516,794	\$99,415	\$616,209
Operating income (loss).....	(3,626)*	2,590	(1,036)
Pre-tax income (loss).....	(7,435)*	1,317	(6,118)
Identifiable assets.....	243,677	53,190	296,867
Depreciation and amortization.....	4,704	1,333	6,037
Capital expenditures.....	5,523	3,696	9,219

* Includes special management compensation, special professional fees and special contingent consideration expense of \$6,057, \$23,603 and \$20,797, for 1993, 1994 and 1995, respectively.

NOTE 14--EMPLOYEE BENEFIT PLANS

(a) Stock Options

The Company maintains a 1994 Stock Option Plan for the benefit of certain employees under which 679,635 shares of common stock may be issued. 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 nonqualified 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 initial public offering, at which time the \$2,805 excess of the initial public offering price of \$16.00 over the exercise price was charged to special management compensation expense.

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NOTE 14--EMPLOYEE BENEFIT PLANS--(CONTINUED)

On November 3, 1995, the Company issued Class B options to acquire 413,400 shares of common stock to certain employees at an exercise price of \$16.00 per share, substantially all of which become exercisable ratably over three years from the date of issuance. The Class A and Class B options are exercisable up to the tenth anniversary of the date of issuance, subject to acceleration upon termination of employment. As of March 30, 1996, no options were exercised.

(b) Profit Sharing Plans

The Company has qualified noncontributory profit sharing plans for eligible employees. Contributions to the plans as determined by the Board of Directors and charged to operations during 1993, 1994, 1995 and the three months ended April 1, 1995 and March 30, 1996 amounted to \$1,936, \$1,719, \$2,178, \$620 and \$803, respectively.

(c) 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. Under this plan, the Company issued 128,257 shares of HSI common stock to the trust in 1994 at an estimated fair value of \$900, which was charged to operations. For 1995, the Company will contribute 3% of eligible compensation with shares of the Company's common stock.

(d) Supplemental Executive Retirement Plan

In 1994, the Company instituted a nonqualified supplemental executive retirement plan for eligible employees. Contributions, as determined by the Board of Directors and charged to operations, were \$27 and \$68 for 1994 and 1995, respectively, and \$17 and \$22 for the three months ended April 1, 1995 and March 30, 1996.

NOTE 15--COMMITMENTS AND CONTINGENCIES

(a) Operating Leases

The Company leases facilities and equipment under noncancelable operating leases expiring through 2009. Management expects that in the normal course of business, leases will be renewed or replaced by other leases.

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NOTE 15--COMMITMENTS AND CONTINGENCIES--(CONTINUED)

Future minimum annual rental payments under the noncancelable leases at December 30, 1995 are as follows:

1996.....	\$ 7,696
1997.....	7,304
1998.....	6,308
1999.....	4,751
2000.....	4,028
Thereafter.....	14,309

Total minimum lease payments.....	\$44,396

Total rental expense for 1993, 1994 and 1995 was \$4,878, \$5,874 and \$7,324, respectively and \$1,547 and \$2,216 for the three months ended April 1, 1995, and March 30, 1996, respectively.

(b) Litigation

Various claims, suits and complaints, such as those involving government regulations and product liability, arise in the ordinary course of the Company's business. In the opinion of the Company, all such pending matters are without merit, covered by insurance or are of such kind, or involve such amounts, as would not have a material adverse effect on the financial statements of the Company if disposed of unfavorably.

(c) Employment, Consulting and Noncompete Agreements

The Company has employment, consulting and noncompete agreements expiring through 2000 (except for a lifetime consulting agreement with a principal stockholder which provides for initial compensation of \$258 per year, increasing \$25 every fifth year beginning in 1997). The agreements provide for varying base aggregate annual payments of approximately \$2,996 per year which decrease periodically to approximately \$1,437 per year. In addition, some agreements have provisions for incentive and additional compensation.

NOTE 16--SUPPLEMENTAL CASH FLOW INFORMATION

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

	YEAR ENDED			THREE MONTHS ENDED	
	DECEMBER 25, 1993	DECEMBER 31, 1994	DECEMBER 30, 1995	APRIL 1, 1995	MARCH 30, 1996
Interest.....	\$2,222	\$ 3,132	\$ 6,124	\$ 1,292	\$ 667
Income taxes.....	2,214	2,451	5,540	401	267

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NOTE 16--SUPPLEMENTAL CASH FLOW INFORMATION--(CONTINUED)

In conjunction with business acquisitions, the Company used cash as follows:

	YEAR ENDED			THREE MONTHS ENDED	
	DECEMBER 25, 1993	DECEMBER 31, 1994	DECEMBER 30, 1995	APRIL 1, 1995	MARCH 30, 1996
	-----	-----	-----	-----	-----
Fair value of assets acquired, excluding cash.....	\$ 10,163	\$ 3,525	\$ 59,544	\$ 1,210	\$ 5,819
Less liabilities assumed and created upon acquisition.....	(9,049)	(3,525)	(43,167)	930	3,894
Net cash paid.....	\$ 1,114	\$ --	\$ 16,377	\$ 280	\$ 1,925

In 1995, the Company entered into a note payable of \$2,400 in connection with one of its acquisitions.

In connection with the HSI Agreement, certain expenses incurred on behalf of and advances to stockholders amounting to \$275 are included in deemed dividends for 1993.

NOTE 17--OTHER INCOME (EXPENSE)--NET

Other income (expense)-net consists of the following:

	YEAR ENDED			THREE MONTHS ENDED	
	DECEMBER 25, 1993	DECEMBER 31, 1994	DECEMBER 30, 1995	APRIL 1, 1995	MARCH 30, 1996
	-----	-----	-----	-----	-----
Investment losses.....	\$ (463)	-\$-	-\$-	\$--	\$--
Gain (loss) on sale of assets.....	(70)	100	33	4	--
Net foreign exchange gain (loss)....	(79)	415	43	(57)	(120)
Other non-operating income (expense).....	(22)	26	200	150	23
	\$ (634)	\$541	\$276	\$ 97	\$ (97)

NOTE 18--QUARTERLY INFORMATION (UNAUDITED)

The following table sets forth summary quarterly unaudited financial information for 1994, 1995, and the first quarter of 1996 excluding non-recurring special charges and the related tax effects:

	QUARTER ENDED			
	MARCH 26, 1994	JUNE 25, 1994	SEPTEMBER 24, 1994	DECEMBER 31, 1994
	-----	-----	-----	-----
Net sales.....	\$ 108,356	\$115,793	\$ 122,695	\$139,766
Gross profit.....	31,695	33,708	34,998	42,287
Pro forma operating income.....	1,876	3,347	4,516	4,389
Pro forma net income.....	881	1,520	1,577	3,000
Pro forma earnings per share.....	0.07	0.13	0.13	0.25

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NOTE 18--QUARTERLY INFORMATION (UNAUDITED)--(CONTINUED)

	QUARTER ENDED				
	APRIL 1, 1995	JULY 1, 1995	SEPTEMBER 30, 1995	DECEMBER 30, 1995	MARCH 30, 1996
Net sales.....	\$136,040	\$139,753	\$ 156,667	\$183,749	\$ 185,359
Gross profit.....	40,315	42,107	48,090	60,072	54,949
Pro forma operating income.....	2,986(1)	4,689	5,188	6,898	4,704(1)
Pro forma net income.....	936(1)	2,066	2,093	4,312	2,464(1)
Pro forma earnings per share.....	0.08(1)	0.17	0.17	0.26	0.13(1)

- - - - -

(1) Historical.

The Company's business has been subject to seasonal and other quarterly influences. Net sales and operating profits have been generally higher in the fourth quarter due to timing of sales of software, year-end promotions and purchasing patterns of office-based healthcare practitioners and have been 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, the release of software enhancements, timing of purchases, special promotional campaigns, fluctuations in exchange rates associated with international operations and adverse weather conditions.

Earnings per share calculations for each quarter were based on the weighted average number of shares outstanding for each period, and the sum of the quarters may not necessarily be equal to the full year earnings per share amount.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Stockholders
Henry Schein, Inc.

We have audited the accompanying statement of assets purchased of Veratex (a division of The Veratex Corporation) as of December 31, 1994, and the statement of revenues and direct operating expenses for the year then ended. These financial statements are the responsibility of Veratex's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The accompanying statement of assets purchased and statement of revenues and direct operating expenses were prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission (for inclusion in the registration statement on Form S-1 of Henry Schein, Inc.), and is not intended to be a complete presentation of the Company's financial position or results of operations.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets purchased of Veratex (a division of The Veratex Corporation) at December 31, 1994, and its revenues and direct operating expenses for the year then ended in conformity with generally accepted accounting principles.

BDO Seidman, LLP

New York, New York
July 24, 1995

VERATEX
 (A DIVISION OF THE VERATEX CORPORATION)
 STATEMENTS OF ASSETS PURCHASED

	DECEMBER 31, 1994	JUNE 31, 1995
	-----	-----
ASSETS		(UNAUDITED)
Accounts receivable.....	\$3,100,000	\$ 3,300,000
Inventories.....	5,591,000	4,989,000
Furniture and fixtures.....	75,000	75,000
	-----	-----
Assets purchased.....	\$8,766,000	\$ 8,364,000
	-----	-----

See accompanying notes to financial statements.

VERATEX
(A DIVISION OF THE VERATEX CORPORATION)
STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES

	YEAR ENDED DECEMBER 31, 1994	SIX MONTHS ENDED JUNE 30,	
		1994	1995
		(UNAUDITED)	
Net sales.....	\$ 39,538,000	\$20,161,000	\$19,853,000
Cost of sales.....	26,999,000	13,628,000	14,079,000
Gross profit.....	12,539,000	6,533,000	5,774,000
Direct operating expenses.....	10,369,000	5,084,000	5,015,000
Revenues in excess of direct operating expenses.....	\$ 2,170,000	\$ 1,449,000	\$ 759,000
Pro forma income taxes (unaudited).....	\$ 846,000	\$ 565,000	\$ 296,000

See accompanying notes to financial statements.

VERATEX
(A DIVISION OF THE VERATEX CORPORATION)
NOTES TO FINANCIAL STATEMENTS
(INFORMATION AS OF JUNE 30, 1995 AND FOR THE SIX MONTHS ENDED
JUNE 30, 1994 AND 1995 IS UNAUDITED.)

NOTE 1--BASIS OF PRESENTATION

The statements of assets purchased and statements of revenues and direct operating expenses relate to Veratex (the "Company"), the retail distribution division of The Veratex Corporation. The Company is engaged in the business of distributing a wide range of health care supplies and paper products via mail order. Under an agreement dated June 14, 1995, inventories, certain furniture and fixtures and the business of the division are to be sold to Henry Schein, Inc.

The financial statements have been prepared to substantially comply with rules and regulations of the Securities and Exchange Commission for businesses acquired. Such financial statements, rather than complete financial statements, are presented because the business was acquired from an unaffiliated third party in a negotiated transaction and the seller would not allow management of Henry Schein, Inc. access to records supporting net assets that will not be acquired (such as certain property and equipment, accounts payable, accrued liabilities and debt) and expenses not allocated by the group to the divisions, primarily consisting of corporate compensation, data processing and management fees. Accordingly, the statements present only the assets to be acquired and the revenues and expenses directly attributable to the Company, consisting primarily of selling expenses, freight and advertising. Pro forma income taxes are based on applying the statutory Federal and state income tax rates to revenues in excess of direct operating expenses. The Company's historical costs of finished goods obtained from related entities do not reflect any markups that would otherwise be charged to unrelated third parties by these entities. The accompanying statements of revenues and direct operating expenses include adjustments to cost of sales of \$1,844,000, \$931,000 and \$915,000 for the year ended December 31, 1994 and the six months ended June 30, 1994 and 1995, respectively, for the estimated effect of these markups.

The financial statements presented are not representative of the actual operations of the Company and, accordingly, statements of financial position and cash flows are not applicable.

Interim Financial Information

The statement of assets purchased as of June 30, 1995 and the statements of revenues and direct operating expenses for the six months ended June 30, 1994 and 1995, in the opinion of the Company's management, include all adjustments, consisting of normal, recurring accruals necessary for a fair presentation. The revenues and direct operating expenses for the six months ended June 30, 1995 are not necessarily indicative of the results for any other period.

NOTE 2--REVENUE RECOGNITION

Revenue is recognized when inventory is shipped to the customer.

NOTE 3--INVENTORIES

Inventories consist of merchandise purchased for resale and finished goods acquired from related entities in the group. All inventories are valued at the lower of cost or market. Cost is determined using the replacement cost method, which approximates actual cost on a first-in, first-out basis.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

HS Pharmaceutical, Inc.

We have audited the accompanying consolidated balance sheets of HS Pharmaceutical, Inc. and Subsidiaries as of December 31, 1994 and December 30, 1995 and the related consolidated statements of income and retained earnings and cash flows for each of the three years in the period ended December 30, 1995. 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 generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of HS Pharmaceutical, Inc. and Subsidiaries at December 31, 1994 and December 30, 1995 and the results of their operations and their cash flows for each of the three years in the period ended December 30, 1995, in conformity with generally accepted accounting principles.

BDO Seidman, LLP

New York, New York
February 16, 1996

HS PHARMACEUTICAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	DECEMBER 31, 1994	DECEMBER 30, 1995
	-----	-----
ASSETS		
Current:		
Accounts receivable, less allowance for doubtful accounts of \$105,400 and \$95,703.....	\$ 7,257,514	\$ 7,062,447
Inventories.....	3,059,126	4,258,660
Advances to affiliates.....	1,239,478	543,925
Prepaid expenses and other.....	377,286	565,845
	-----	-----
Total current assets.....	11,933,404	12,430,877
Property and equipment, net.....	3,576,613	3,539,376
Intangibles, less accumulated amortization of \$182,833 and \$201,479.....	184,085	165,439
Deposits and other.....	269,056	5,786
Advances and notes to affiliates.....	--	1,076,723
	-----	-----
	\$ 15,963,158	\$ 17,218,201
	-----	-----
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Bank overdraft.....	\$ 900,722	\$ 324,875
Revolving credit agreement.....	1,000,000	--
Accounts payable and accrued expenses.....	3,845,875	4,266,631
Income taxes payable.....	85,826	480,684
Current portion of long-term debt.....	1,093,268	834,700
	-----	-----
Total current liabilities.....	6,925,691	5,906,890
Long-term debt, less current portion.....	2,770,718	2,195,980
Deferred income taxes.....	71,000	152,000
	-----	-----
Total liabilities.....	9,767,409	8,254,870
	-----	-----
Commitments and contingencies		
Stockholders' equity:		
Common stock--no par value, shares authorized 200; issued and outstanding 20.....	382,845	40,100
Additional paid-in capital.....	--	342,745
Retained earnings.....	5,812,904	8,580,486
	-----	-----
Total stockholders' equity.....	6,195,749	8,963,331
	-----	-----
	\$ 15,963,158	\$ 17,218,201
	-----	-----

See accompanying notes to consolidated financial statements.

HS PHARMACEUTICAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

	YEAR ENDED		
	DECEMBER 25, 1993	DECEMBER 31, 1994	DECEMBER 30, 1995
Net sales.....	\$ 26,424,528	\$ 24,500,962	\$ 28,123,977
Cost of sales.....	16,580,174	15,925,685	17,467,680
Gross profit.....	9,844,354	8,575,277	10,656,297
Operating expenses:			
Selling, general and administrative.....	4,777,310	5,615,183	6,157,515
Operating income.....	5,067,044	2,960,094	4,498,782
Other income (expense):			
Interest expense, net.....	(310,963)	(395,159)	(500,293)
Foreign exchange remeasurement gain.....	1,523	47,543	(10,163)
Contract settlement.....	120,520	--	--
Other.....	--	--	147,387
Income before taxes on income.....	4,878,124	2,612,478	4,135,713
Taxes on income.....	1,875,500	1,004,000	1,368,131
Net income.....	3,002,624	1,608,478	2,767,582
Retained earnings, beginning of year.....	1,201,802	4,204,426	5,812,904
Retained earnings, end of year.....	\$ 4,204,426	\$ 5,812,904	\$ 8,580,486

See accompanying notes to consolidated financial statements.

HS PHARMACEUTICAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED		
	DECEMBER 25, 1993	DECEMBER 31, 1994	DECEMBER 30, 1995
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income.....	\$3,002,624	\$1,608,478	\$2,767,582
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization.....	484,277	469,763	425,861
Provision for losses on accounts receivable.....	203,774	38,843	15,000
Provision for deferred income taxes.....	6,500	16,000	81,000
Other.....	--	25,000	5,000
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable.....	(1,590,054)	(1,821,447)	180,067
(Increase) decrease in inventories.....	232,953	(33,420)	(1,199,165)
(Increase) decrease in advances to affiliates....	(734,339)	156,123	(381,170)
(Increase) decrease in prepaid expenses and other.....	134,956	(212,711)	(138,634)
(Increase) decrease in deposits and other.....	(1,800)	(258,071)	263,270
Increase (decrease) in accounts payable and accrued expenses.....	(2,207,023)	940,230	415,386
Increase (decrease) in income taxes payable.....	1,848,882	(1,763,056)	339,870
Net cash provided by (used in) operating activities....	1,380,750	(834,268)	2,774,067
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures.....	(928,508)	(1,156,332)	(369,978)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase (decrease) in bank overdraft.....	186,211	(309,837)	(575,847)
Credit line borrowings, net.....	--	1,000,000	(1,000,000)
Proceeds from long-term debt.....	--	1,792,020	--
Principal payments on long-term debt.....	(638,453)	(491,583)	(828,242)
Net cash provided by (used in) financing activities....	(452,242)	1,990,600	(2,404,089)
Net increase (decrease) in cash.....	--	--	--
Cash, beginning of year.....	--	--	--
Cash, end of year.....	\$ --	\$ --	\$ --
Supplemental cash flow information:			
Interest paid.....	\$ 297,338	\$ 387,101	\$ 608,216
Taxes paid.....	\$ 20,542	\$2,836,776	\$ 996,520

See accompanying notes to consolidated financial statements.

HS PHARMACEUTICAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1--SUMMARY OF ACCOUNTING POLICIES

Description of Business

HS Pharmaceutical, Inc. and Subsidiaries (the "Company") manufactures and distributes pharmaceutical products and sells other accessory products to dental, medical and veterinary distributors worldwide.

Principles of Consolidation

The consolidated financial statements include the accounts of HS Pharmaceutical, Inc. and all of its wholly-owned subsidiaries. All material 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 on a 52-53 week basis ending on the last Saturday of December. Accordingly, fiscal years ended December 30, 1995 and December 25, 1993 consisted of 52 weeks and the fiscal year ended December 31, 1994 consisted of 53 weeks.

Inventories

Inventories are valued at the lower of cost or market value. Manufactured inventories of raw materials, work-in-progress and finished goods are valued using standard costing methods, which approximate the first-in, first-out (FIFO) method. The cost of inventory purchased for resale is determined by the FIFO method.

Property and Equipment and Depreciation and Amortization

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

	YEARS

Buildings and improvements.....	40
Machinery and warehouse.....	5-10
Computer hardware.....	5
Capital lease equipment.....	5-10

NOTE 1--SUMMARY OF ACCOUNTING POLICIES--(CONTINUED)

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

Intangibles

Intangibles consist of costs incurred in connection with obtaining abbreviated new drug applications, investigational new drug exemptions and licenses, permits and approvals relating to the manufacture and sale of pharmaceutical products. These costs are being amortized using the straight-line method over their estimated useful lives which is expected to be 20 years.

Taxes on Income

Effective for 1993, the Company adopted Statement of Financial Accounting Standards No. 109 ("SFAS No. 109"), "Accounting for Income Taxes." SFAS No. 109 provides that deferred income taxes are recognized for the tax consequences of temporary differences between the financial reporting bases and the tax bases of the Company's assets and liabilities.

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 Remeasurement

Monetary assets and liabilities denominated in foreign currency have been remeasured into the functional currency (the U.S. dollar) at the year-end rate of exchange (U.S. \$1 = Canadian \$1.35, \$1.40 and \$1.31 at December 30, 1995, December 31, 1994 and December 25, 1993, respectively). Non-monetary items are remeasured at historical rates. Revenue and expenses are remeasured based on the average monthly rate. Foreign exchange remeasurement gains and losses are included in the determination of net income for the year.

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 will be written down to fair value. This policy is in accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," which is effective for fiscal years beginning after December 15, 1995. No impairment losses have been necessary through December 30, 1995.

HS PHARMACEUTICAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 2--INVENTORIES

Inventories consist of the following:

	DECEMBER 31, 1994	DECEMBER 30, 1995
	-----	-----
Raw materials.....	\$ 711,394	\$ 962,845
Work-in-progress.....	53,464	136,062
Finished goods.....	468,489	418,780
Parts.....	156,286	148,012
	-----	-----
Total manufactured inventories.....	1,389,633	1,665,699
Inventory purchased for resale.....	1,669,493	2,592,961
	-----	-----
	\$3,059,126	\$4,258,660
	-----	-----

NOTE 3--PROPERTY AND EQUIPMENT, NET

Major classes of property and equipment consist of the following:

	DECEMBER 31, 1994	DECEMBER 30, 1995
	-----	-----
Land.....	\$ 23,474	\$ 23,474
Building.....	1,314,486	1,331,400
Machinery and equipment.....	5,256,967	5,552,819
Computer hardware.....	238,188	281,645
Capital lease equipment.....	359,658	359,658
Leasehold improvements.....	185,765	199,519
	-----	-----
	7,378,538	7,748,515
Less accumulated depreciation and amortization..	3,801,925	4,209,139
Net property and equipment.....	\$3,576,613	\$3,539,376
	-----	-----

NOTE 4--BANK OVERDRAFT

Bank overdraft bears interest at the U.S. and Canadian prime rates, as well as LIBOR plus 3/4%, which were 8.5% and 9.0% for prime, respectively, and 6.63% for LIBOR at the time the Company entered into such overdraft agreement, and is due on demand. The bank overdraft and bank loans payable (see Note 6) are secured by a general assignment of accounts receivable, a general security agreement on all machinery and equipment, and a \$2,500,000 demand debenture on land and building.

HS PHARMACEUTICAL, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 5--REVOLVING CREDIT AGREEMENT

During 1995, the Company entered into a \$2,000,000 revolving credit agreement with its bank, expiring September 30, 1996. Borrowings are due on demand, collateralized by accounts receivable and inventories and bear interest at Canadian prime plus 1/8%.

NOTE 6--LONG-TERM DEBT

Long-term debt consists of the following:

	DECEMBER 31, 1994	DECEMBER 30, 1995
	-----	-----
Term loans payable in monthly installments maturing at varying dates from August 1997 through December 1999, with interest at Canadian prime plus 0.5%.....	\$2,492,643	\$1,877,901
Notes payable bearing interest at prime, payable in annual installments of \$191,885 principal, plus interest, due March 31, 2001.....	1,343,194	1,151,308
Capital lease obligations, payable in monthly installments of \$2,227, including interest, due January 1996.....	28,149	1,471
	-----	-----
	3,863,986	3,030,680
Less: Current portion.....	1,093,268	834,700
	-----	-----
	\$2,770,718	\$2,195,980
	-----	-----

Principal payments on long-term debt mature as follows:

YEAR	AMOUNT

1996.....	\$ 834,700
1997.....	741,656
1998.....	571,246
1999.....	460,062
2000.....	312,411

	\$2,920,075

NOTE 7--RELATED PARTY TRANSACTIONS

(a) Certain services of a 50% shareholder are provided to the Company at the shareholder's cost. Total charges from this shareholder were approximately \$83,000, \$109,000 and \$105,000 for 1995, 1994 and 1993, respectively. In addition, the Company has made advances to this shareholder during 1995, 1994 and 1993. At December 30, 1995 and December 31, 1994, "Advances to affiliates" includes amounts due from this shareholder of approximately \$390,000 and \$256,000, respectively, and "Accounts payable and accrued expenses" includes amounts due to this shareholder of approximately \$927,000 and \$906,000, respectively.

In March 1991, the Company entered into an agreement with this same shareholder to supply products at prices and quantities as defined in the agreement. Sales to this same shareholder (including sales under this agreement) accounted for approximately 22%, 24% and 27% of the Company's sales for 1995, 1994 and 1993, respectively. Included in "Accounts receivable" at December 30, 1995 and December 31, 1994 were approximately \$1,356,000 and \$1,276,000, respectively, for amounts due from this shareholder.

(b) In March 1991, the other 50% shareholder of the Company granted the Company a ten-year license to use certain of their trademarks. Royalties of \$75,000 annually are required under the terms of the agreement and were paid in 1995, 1994 and 1993.

In the ordinary course of business, the Company sells products to this same shareholder. Net sales to this shareholder amounted to approximately \$608,000, \$1,167,000 and \$606,000 for 1995, 1994 and 1993, respectively. Included in "Accounts receivable" at December 30, 1995 and December 31, 1994 were approximately \$88,000 and \$653,000, respectively, for amounts due from this shareholder.

In addition, the Company also purchases pharmaceutical products from this shareholder. Net purchases from this shareholder amounted to approximately \$4,434,000, \$3,773,000 and \$4,775,000 for 1995, 1994 and 1993, respectively. Included in "Accounts payable and accrued expenses" at December 30, 1995 were approximately \$974,000 and \$1,001,000, respectively, for amounts due to this shareholder.

(c) Interest expense related to accounts payable and accrued expenses owing to the above shareholders amounted to approximately \$51,000, \$65,000 and \$77,000 for 1995, 1994 and 1993, respectively.

(d) An affiliated company supplies a new product line to the Company. Included in "Advances to affiliates" are net amounts due from this affiliate of approximately \$974,000 and \$983,000 at December 30, 1995 and December 31, 1994, respectively.

NOTE 8--COMMITMENTS AND CONTINGENCIES

The Company leases facilities and equipment under noncancelable operating leases expiring through 1998. Total rental expense for 1995, 1994 and 1993 was approximately \$163,000, \$153,000 and

HS PHARMACEUTICAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 8--COMMITMENTS AND CONTINGENCIES--(CONTINUED)

\$108,000, respectively. At December 30, 1995, future minimum annual rental payments under these leases are as follows:

YEAR	AMOUNT
1996.....	\$153,000
1997.....	148,000
1998.....	148,000
1999.....	105,000
2000.....	1,000

	\$555,000

NOTE 9--TAXES ON INCOME

The Company adopted SFAS No. 109 as of the beginning of 1993. The cumulative effect of this change was not material.

Taxes on income are as follows:

	YEAR ENDED		
	DECEMBER 25, 1993	DECEMBER 31, 1994	DECEMBER 30, 1995
Domestic.....	\$2,763,533	\$1,193,905	\$2,500,916
Foreign.....	2,114,591	1,418,573	1,634,797
	-----	-----	-----
Total income before taxes on income...	\$4,878,124	\$2,612,478	\$4,135,713
	-----	-----	-----

	YEAR ENDED		
	DECEMBER 25, 1993	DECEMBER 31, 1994	DECEMBER 30, 1995
Current tax expense:			
Current tax expense:			
U.S. Federal.....	\$ 859,000	\$ 382,000	\$ 764,670
State and local.....	265,000	124,000	26,801
Foreign.....	745,000	482,000	495,660
	-----	-----	-----
Total current.....	1,869,000	988,000	1,287,131
Deferred tax expense:			
Foreign.....	6,500	16,000	81,000
	-----	-----	-----
Total provision.....	\$1,875,500	\$1,004,000	\$1,368,131
	-----	-----	-----

The deferred tax liability arises from temporary differences relating to depreciation and amortization.

The Company's effective tax rate approximates the U.S. Federal statutory rate.

NOTE 10--MAJOR CUSTOMERS AND EXPORT SALES

Sales to one unaffiliated customer accounted for approximately 13% of net sales in 1993. Sales to this customer and another unaffiliated customer accounted for approximately 25% of net sales in 1995 and 1994.

The Company had export sales amounting to 14%, 16% and 12% of net sales for 1995, 1994 and 1993, respectively.

NOTE 11--EMPLOYEE BENEFIT PLAN

Effective January 1, 1992, the Company adopted a 401(k) profit sharing plan to provide retirement benefits for eligible employees. Matching contributions by the Company, which were determined by the board of directors, were approximately \$39,000, \$36,000 and \$29,000 for 1995, 1994 and 1993, respectively.

In addition, the Company maintains a defined contribution plan for eligible employees. Contributions to this plan, which were determined by the board of directors, were approximately \$92,000, \$97,000 and \$50,000 for 1995, 1994 and 1993, respectively.

NOTE 12--FINANCIAL INSTRUMENTS AND CREDIT RISK CONCENTRATIONS

Certain financial instruments potentially subject the Company to concentrations of credit risk. These financial instruments consist primarily of trade receivables and temporary cash investments. The carrying value of financial instruments approximated fair value as of December 30, 1995 because of the short maturity of these instruments.

Concentrations of credit risk with respect to trade receivables are limited due to a large customer base and its dispersion across different geographic areas. The Company maintains an allowance for losses based on the expected collectability of all receivables.

NO DEALER, SALESPERSON, OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR THE UNDERWRITER. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF ANY OFFER TO BUY ANY OF THE SECURITIES OFFERED HEREBY TO ANYONE IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS UNLAWFUL. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY OR THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE.

5,700,000
 [LOGO] HENRY SCHEIN(R)
 COMMON STOCK

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PROSPECTUS
 JUNE 21, 1996

WILLIAM BLAIR & COMPANY
 ALEX, BROWN & SONS
 INCORPORATED
 MONTGOMERY SECURITIES
 SMITH BARNEY INC.