

## Henry Schein Reports Second Quarter Results; EPS Increases 17% to \$0.48, Operating Cash Flow Exceeds \$41 Million; Company Reaffirms 2001 EPS Guidance

August 7, 2001

MELVILLE, N.Y., Aug 7, 2001 (BUSINESS WIRE) -- Henry Schein, Inc. (Nasdaq: HSIC), the largest provider of healthcare supplies to office-based practitioners in the combined North American and European markets, today announced financial results for the second quarter of 2001.

For the three months ended June 30, 2001, net sales increased 6.6% to \$606.3 million, from \$568.6 million in the second quarter of last year. In local currencies, net sales increased 8%. Net income for the second quarter of 2001 was \$20.9 million, or \$0.48 per diluted share, compared with adjusted net income of \$17.0 million, or \$0.41 per diluted share, in the second quarter of 2000. Second quarter 2001 net income increased 23%, and earnings per diluted share were up 17.1%, both compared to the adjusted figures from the second quarter of 2000.

For the first half of 2001, net sales increased 6.9% to \$1.20 billion, from \$1.12 billion for the first half of 2000. In local currencies, first-half net sales increased by approximately 8.4%. Year-to-date net income was \$35.0 million, or \$0.81 per diluted share, compared with adjusted net income of \$28.4 million, or \$0.69 per diluted share, in the prior year. First-half 2001 net income increased 24%, and year-to-date earnings per diluted share increased 17.4%, both compared to adjusted figures from the comparable prior-year period.

"Our financial performance continues to strengthen, highlighted by strong growth in net sales, net income and EPS," said Stanley M. Bergman, Chairman, Chief Executive Officer and President of Henry Schein. "Net sales growth of 8% in local currencies remains 2%- 3% ahead of what we believe to be the consolidated growth rate of the markets we serve. These markets continue to do well, and remain resistant to periodic negative swings in overall economic conditions."

Mr. Bergman continued, "In addition, I am pleased to report that we continue to generate strong cash flow from operations, with more than \$41 million generated during the second quarter 2001."

The Company reported second quarter Dental sales of \$276.5 million, an increase of 4.3% compared with the comparable prior-year period. Both Dental merchandise sales and Dental equipment sales and service revenues were each up 4.3% for the second quarter of 2001, compared with the second quarter of 2000.

Led by sales to the Company's core physician office and alternate-care markets, Henry Schein's Medical Group posted sales of \$202.4 million for the second quarter of 2001, a 16.1% increase over the prior year's second quarter. The Medical Group continues to be a major force in the industry, growing sales at a rate four times higher than the Company's estimated industry growth rate.

International sales growth in local currencies increased 5.3% for the second quarter 2001, while in U.S. dollars, International sales declined 1.8% to \$95.7 million. Veterinary sales declined 6.2% to \$13.4 million for the same period. Despite the decline in Veterinary sales, the Group's profitability continued to improve in the second quarter 2001, compared to the prior year.

Sales of Technology and Value-Added Services were \$18.3 million for the second quarter 2001, a 4.5% increase over last year.

"More than 40,000 of our practice management software systems are now in use by practitioners who demand the latest in technological advancements and streamlined office operations," said Mr. Bergman. "Among other growth initiatives, we expect to further leverage Henry Schein's presence on the practitioner's desktop by cross-selling many of our other value-added products and services designed to help our customers operate a more efficient and profitable business."

Looking at the balance of 2001, Mr. Bergman commented, "We look forward to Henry Schein's continued success and have confidence in achieving EPS growth in the mid teens for the second half of the year."

Live Webcast

The Company will hold a conference call to discuss these results today, beginning at 10:00 a.m. Eastern Time. Individual investors are invited to listen to the conference call over the Internet through Henry Schein's Web site at [www.henryschein.com](http://www.henryschein.com). In addition, a replay will be available for 30 days beginning shortly after the call has ended.

Henry Schein, Inc. is the largest distributor of healthcare products and services to office-based healthcare practitioners in the combined North American and European markets. Recognized for its excellent customer service and low prices, the Company serves more than 400,000 customers worldwide, including dental practices and laboratories, physician practices and veterinary clinics, as well as government and other institutions.

The Company operates its five business groups - Dental, Medical, Veterinary, International and Technology - through a centralized and automated distribution network, which provides customers in more than 125 countries with a comprehensive selection of over 80,000 national and Henry Schein private-brand products. Henry Schein also offers a wide range of innovative value-added practice solutions, such as its leading dental practice management software systems DENTRIX(R) and Easy Dental(R), which are installed in over 37,000 practices; and ArubA(R), Henry Schein's electronic catalog and ordering system. Headquartered in Melville, New York, Henry Schein employs over 6,500 people in 16 countries. The Company's 2000 sales reached a record \$2.4 billion. For more information, visit the Henry Schein Web site at [www.henryschein.com](http://www.henryschein.com).

Certain information contained herein includes information that is forward-looking. The matters referred to in forward-looking statements may be affected by the risks and uncertainties involved in the Company's business. These forward-looking statements are qualified in their entirety by the cautionary statements contained in the Company's Securities and Exchange Commission filings.

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

	Three Months Ended		Six Months Ended	
	June 30, 2001	June 24, 2000	June 30, 2001	June 24, 2000
	(reclassified)		(reclassified)	
Net sales	\$ 606,285	\$ 568,631	\$ 1,200,180	\$ 1,122,770
Cost of sales	439,393	409,816	873,931	814,839
Gross profit	166,892	158,815	326,249	307,931
Operating expenses:				
Selling, general and administrative	131,620	127,248	263,394	252,887
Merger and integration costs	0	585	0	585
Operating income	35,272	30,982	62,855	54,459
Other income (expense):				
Interest income	3,177	924	4,418	2,020
Interest expense	(4,896)	(4,847)	(10,264)	(10,699)
Other - net	651	(495)	297	(646)
Income before taxes on income, minority interest and equity in earnings of affiliates	34,204	26,564	57,306	45,134
Taxes on income	12,656	9,774	21,204	16,552
Minority interest in net income of subsidiaries	794	549	1,325	1,037
Equity in earnings of affiliates	156	140	265	234
Net income	\$ 20,910	\$ 16,381	\$ 35,042	\$ 27,779
Adjusted net income:				
Net income	\$ 20,910	\$ 16,381	\$ 35,042	\$ 27,779
Adjustments:				
Merger and integration costs	0	585	0	585
Adjusted net income	\$ 20,910	\$ 16,966	\$ 35,042	\$ 28,364
Adjusted net income per common share:				
Basic	\$ 0.49	\$ 0.41	\$ 0.83	\$ 0.69
Diluted	\$ 0.48	\$ 0.41	\$ 0.81	\$ 0.69
Weighted average shares:				
Basic	42,363	41,204	42,168	40,959
Diluted	43,543	41,702	43,125	41,401

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

June 30,                      December 30,  
2001                                      2000

	----- (unaudited)	----- (audited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 75,847	\$ 58,362
Accounts receivable, less reserves of \$28,506 and \$27,556, respectively	366,316	371,668
Inventories	258,662	276,473
Deferred income taxes	21,842	21,001
Prepaid expenses and other	46,169	60,900
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Total current assets	768,836	788,404
Property and equipment, net of accumulated depreciation and amortization of \$83,061 and \$73,134, respectively	96,650	94,663
Goodwill and other intangibles, net of accumulated amortization of \$49,739 and \$44,419, respectively	278,768	292,018
Investments and other	57,533	55,983
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	\$ 1,201,787	\$ 1,231,068
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LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 169,629	\$ 216,535
Bank credit lines	9,117	4,390
Accruals:		
Salaries and related expenses	38,671	39,830
Merger, integration and restructuring costs	8,506	13,735
Other	80,453	84,288
Current maturities of long-term debt	4,596	6,079
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Total current liabilities	310,972	364,857
Long-term debt	250,799	266,224
Other liabilities	13,449	12,931
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Total liabilities	575,220	644,012
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Minority interest	6,954	7,996
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Stockholders' equity:		
Common stock, \$.01 par value, authorized 120,000,000; issued and outstanding 42,521,192 and 41,946,284, respectively	425	419
Additional paid-in capital	386,276	373,413
Retained earnings	260,071	225,029
Treasury stock, at cost (62,479 shares)	(1,156)	(1,156)
Accumulated comprehensive		

income	(25,599)	(18,179)
Deferred compensation	(404)	(466)
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Total stockholders' equity	619,613	579,060
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	\$ 1,201,787	\$ 1,231,068
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HENRY SCHEIN, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(in thousands)  
(unaudited)  
Three Months Ended

	June 30, 2001	June 24, 2000
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Cash flows from operating activities:		
Net income	\$ 20,910	\$ 16,381
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,590	8,024
Provision for losses and allowances on accounts receivable	400	623
Benefit for deferred income taxes	(916)	(170)
Undistributed earnings of affiliates	(156)	(140)
Minority interest in net income of subsidiaries	794	549
Other	35	(93)
Changes in assets and liabilities (net of purchase acquisitions):		
Increase in accounts receivable	(9,117)	(867)
Decrease in inventories	13,363	16,618
Decrease in other current assets	6,584	4,218
Increase in accounts payable and accruals	1,883	11,347
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Net cash provided by operating activities	41,370	56,490
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Cash flows from investing activities:		
Capital expenditures	(6,829)	(5,532)
Business acquisitions, net of cash acquired	0	(701)
Other	(9)	1,592
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Net cash used in investing activities	(6,838)	(4,641)
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Cash flows from financing activities:		
Principal payments on long-term debt	(2,001)	(445)
Proceeds from issuance of stock upon exercise of stock options by employees	3,539	110
Proceeds from (repayments on) borrowings from banks	1,337	(24,584)
Other	158	902
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Net cash provided by (used in) financing activities	3,033	(24,017)
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Net increase in cash and cash equivalents	37,565	27,832
Effect of exchange rate changes on cash	170	663
Cash and cash equivalents, beginning of period	38,112	17,405
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Cash and cash equivalents, end of period	\$ 75,847	\$ 45,900
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