

Henry Schein Reports Second Quarter Diluted EPS up 18% To \$0.74

August 5, 2003

Net sales increase 16% to \$776.2 million Company raises 2003 EPS guidance

MELVILLE, N.Y.--(BUSINESS WIRE)--Aug. 5, 2003-- Henry Schein, Inc. (Nasdaq NM: HSIC), the largest provider of healthcare products and services to office-based practitioners in the combined North American and European markets, today reported record second quarter financial results.

Net sales for the second quarter ended June 28, 2003 were \$776.2 million, an increase of 15.6% from the second quarter of 2002 (15.3% on a comparable basis - See Exhibit A for details of comparable basis sales growth comparisons in all categories). In local currencies, net sales increased 11.8%. Acquisitions contributed approximately 1.4% to net sales growth.

Dental sales increased 8.4%, or 7.7% in local currencies. Dental acquisition growth was approximately 1.5%. In local currencies Dental consumable merchandise sales increased 5.3% and Dental equipment sales were up 18.1%.

Medical sales increased 17.2%, Technology and Value-Added Services sales grew 19.5%, and International sales improved 32.2% (10.2% in local currencies). Medical and Technology sales growth was all internally generated, while approximately one-half of local currency International sales growth was due to an acquisition. European Dental sales increased 12.4% in local currencies (5.4% internal).

Net income for the second quarter of 2003 was \$32.9 million, or \$0.74 per diluted share, representing increases of 17.1% and 17.5%, respectively, compared with the second quarter of 2002. Operating cash flow for the quarter was \$55.1 million.

"We posted strong sales growth during the second quarter, and believe we gained market share in each of our four business Groups," said Stanley M. Bergman, Chairman, Chief Executive Officer and President of Henry Schein. "Continued growth in sales across our diversified customer base coupled with an expanding operating margin resulted in another quarter of outstanding bottom-line results."

"The success of our multi-faceted strategy to augment internal growth through strategic acquisitions was evident during the second quarter," he added. "We announced and closed the acquisitions of Hager Dental and Colonial Surgical, thereby strengthening our European and North American dental businesses, respectively. We also expanded our drug distribution offering by signing a distribution agreement for Remicade(R), a treatment for rheumatoid arthritis and Crohn's disease. Remicade is manufactured by Centocor, Inc., a subsidiary of Johnson & Johnson. And, we extended our distribution agreement with Broadlane Inc. for five years and now serve its Surgery Center members, as well as its physician membership." Broadlane is a leading group purchasing organization and provider of total cost management services to the healthcare industry.

For the first half of 2003, net sales were \$1.51 billion, an increase of 14.8% from the first half of 2002 (11.3% in local currencies). Acquisitions contributed approximately 0.7% to first-half 2003 net sales growth. On a year-to-date basis, net income of \$57.6 million represents a 20.6% increase over the prior year, while earnings per diluted share of \$1.29 were also up 20.6% from the prior year.

The Company reported that, under a stock repurchase program of up to two million shares of common stock announced on March 12, 2003, during the second quarter 919,000 shares were repurchased at an average price of \$43.17 per share. The positive impact of this share repurchase on second quarter diluted EPS was approximately \$0.01.

2003 EPS Guidance

Reflecting second quarter financial results, the impact of the Hager Dental and Colonial Surgical acquisitions and the repurchase of stock completed through the end of the second quarter, the Company now expects full-year 2003 earnings per diluted share to be \$3.06 to \$3.09. This represents a growth rate of 18% to 19% compared with 2002 results. This growth rate excludes a \$0.01 one-time gain during the first quarter of 2003 and \$0.04 in one-time gains during 2002. The Company noted that this 2003 EPS guidance is for current operations and completed acquisitions, and does not include the impact of potential future acquisitions.

Second Quarter Conference Call Webcast

The Company will hold a conference call to discuss second quarter financial results today, beginning at 10 a.m. Eastern Time. Individual investors are invited to listen to the conference call over the Internet through Henry Schein's Website at www.henryschein.com. In addition, a replay will be available 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 four business groups - Dental, Medical, International and Technology - through a centralized and automated distribution network, which provides customers in more than 125 countries with a comprehensive selection of over 90,000 national and Henry Schein private-brand products. Henry Schein also offers a wide range of innovative value-added practice solutions, including such leading practice management software systems as DENTRIX(R) and Easy Dental(R) for dental practices, and AVImark(R) for veterinary clinics, which are installed in over 50,000 practices; and ArubA(R), Henry Schein's electronic catalog and ordering system. Headquartered in Melville, New York, Henry Schein employs over 7,000 people in 16 countries. The Company's 2002 sales reached a record \$2.8 billion. For more information, visit the Henry Schein Website at 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.

(TABLES TO FOLLOW)

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

	Three Months Ended		Six Months Ended	
	June 28, 2003	June 29, 2002	June 28, 2003	June 29, 2002
Net sales	\$776,166	\$671,432	\$1,514,163	\$1,318,525
Cost of sales	555,637	479,036	1,092,217	947,739
Gross profit	220,529	192,396	421,946	370,786
Operating expenses:				
Selling, general and administrative	164,499	145,407	323,711	288,599
Operating income	56,030	46,989	98,235	82,187
Other income (expense):				
Interest income	1,921	2,481	4,313	4,920
Interest expense	(4,595)	(4,367)	(9,328)	(9,195)
Other - net	242	706	927	140
Income before taxes on income, minority interest and equity in earnings of affiliates	53,598	45,809	94,147	78,052
Taxes on income	20,207	16,996	35,413	29,060
Minority interest in net income of subsidiaries	874	932	1,611	1,501
Equity in earnings of affiliates	338	185	498	305
Net income	\$ 32,855	\$ 28,066	\$ 57,621	\$ 47,796
Net income per common share:				
Basic	\$ 0.76	\$ 0.65	\$ 1.32	\$ 1.11

Diluted	\$ 0.74	\$ 0.63	\$ 1.29	\$ 1.07
	=====	=====	=====	=====
Weighted average common shares outstanding:				
Basic	43,500	43,389	43,754	43,090
	=====	=====	=====	=====
Diluted	44,549	44,747	44,780	44,559
	=====	=====	=====	=====

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

	June 28, 2003	December 28, 2002
	----- (unaudited)	----- (audited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 121,161	\$ 200,651
Marketable securities	16,151	31,209
Accounts receivable, less reserves of \$40,789 and \$36,200, respectively	418,470	368,263
Inventories	343,745	323,080
Deferred income taxes	27,936	29,919
Prepaid expenses and other	73,216	74,407
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Total current assets	1,000,679	1,027,529
Property and equipment, net of accumulated depreciation and amortization of \$114,098 and \$101,519, respectively	150,437	142,532
Goodwill	353,746	302,687
Other intangibles, net of accumulated amortization of \$6,537 and \$4,151, respectively	23,748	7,661
Investments and other	85,186	77,643
	-----	-----
	\$ 1,613,796	\$1,558,052
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 228,467	\$ 243,166
Bank credit lines	4,764	4,790
Accruals:		
Salaries and related expenses	54,949	53,954
Merger and integration, and restructuring costs	2,568	3,044
Acquisition earnout payments	0	1,460
Taxes and other expenses	128,233	114,254
Current maturities of long-term debt	4,816	2,662
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Total current liabilities	423,797	423,330
Long-term debt	247,179	242,561
Other liabilities	26,339	24,196
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Total liabilities	697,315	690,087
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Minority interest	9,466	6,748
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Stockholders' equity:		

Preferred stock, \$.01 par value, authorized 1,000,000, issued and outstanding: 0 and 0, respectively	0	0
Common stock, \$.01 par value, authorized 120,000,000, issued: 43,470,989 and 44,041,591, respectively	435	440
Additional paid-in capital	431,117	436,554
Retained earnings	463,519	430,389
Treasury stock, at cost, 0 and 62,479 shares, respectively	0	(1,156)
Accumulated comprehensive income (loss)	12,098	(4,794)
Deferred compensation	(154)	(216)
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Total stockholders' equity	907,015	861,217
	-----	-----
	\$ 1,613,796	\$1,558,052
	=====	=====

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

	Three Months Ended		Six Months Ended	
	-----		-----	
	June 28, 2003	June 29, 2002	June 28, 2003	June 29, 2002
	-----	-----	-----	-----
Cash flows from operating activities:				
Net income	\$ 32,855	\$ 28,066	\$ 57,621	\$ 47,796
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	8,571	7,211	17,115	13,009
Other	5,155	2,002	9,250	1,999
Changes in operating assets and liabilities (net of purchase acquisitions):				
(Increase) decrease in accounts receivable	(21,711)	(542)	(34,248)	4,071
Decrease (increase) in inventories	13,305	(13,964)	4,481	(17,760)
Decrease (increase) in other current assets	1,690	(4,512)	12,527	(4,707)
Increase (decrease) in accounts payable and accruals	15,251	33,906	(25,715)	(31,027)
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Net cash provided by operating activities	55,116	52,167	41,031	13,381
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Cash flows from investing activities:				
Capital expenditures	(7,813)	(10,530)	(21,321)	(28,120)
Business acquisitions, net of cash acquired	(64,473)	(6,737)	(66,754)	(34,887)
Purchase of marketable securities with maturities of more than				

three months	(17,094)	(10,184)	(21,195)	(20,639)
Maturities of marketable securities with maturities of more than three months	2,100	0	28,530	0
Other	3,348	(272)	1,861	(574)
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Net cash used in investing activities	(83,932)	(27,723)	(78,879)	(84,220)
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Cash flows from financing activities:				
Principal payments on long-term debt	(4,700)	(1,591)	(4,954)	(13,604)
Proceeds from issuance of stock upon exercise of stock options by employees	6,729	19,307	11,329	26,490
Payments for repurchases of common stock	(39,669)	0	(46,152)	0
Net proceeds from (payments on) borrowings from banks	735	(522)	(940)	(435)
Other	(158)	(3)	(93)	(426)
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Net cash (used in) provided by financing activities	(37,063)	17,191	(40,810)	12,025
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Net (decrease) increase in cash and cash equivalents	(65,879)	41,635	(78,658)	(58,814)
Effect of exchange rate changes on cash and cash equivalents	45	(2,548)	(832)	(2,045)
Cash and cash equivalents, beginning of period	186,995	93,421	200,651	193,367
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Cash and cash equivalents, end of period	\$121,161	\$132,508	\$121,161	\$132,508
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Exhibit A

Henry Schein, Inc.
2003 Second Quarter and Year to Date
Details of "Comparable Basis" Growth Comparison
Net Sales by Category
(in thousands)
(unaudited)

	Second Quarter		%	Year to Date		%
	2003	2002	Growth	2003	2002	Growth
Net Sales As Reported						
Dental	331,953	306,287	8.4%	645,909	601,568	7.4%
Medical	284,305	242,683	17.2%	561,445	474,105	18.4%
International	141,170	106,779	32.2%	270,770	212,617	27.4%
Technology	18,738	15,683	19.5%	36,039	30,235	19.2%
Total	776,166	671,432	15.6%	1,514,163	1,318,525	14.8%
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Add: Technology Sales Methodology (1)

Dental	-	823	-	1,449
Medical	-	-	-	-
International	-	-	-	-
Technology	-	1,195	-	2,031
Total	-	2,018	-	3,480

Net Sales Comparable Basis

Dental	331,953	307,110	8.1%	645,909	603,017	7.1%
Medical	284,305	242,683	17.2%	561,445	474,105	18.4%
International	141,170	106,779	32.2%	270,770	212,617	27.4%
Technology	18,738	16,878	11.0%	36,039	32,266	11.7%
Total	776,166	673,450	15.3%	1,514,163	1,322,005	14.5%

(1) As part of the Company's Dental marketing initiative, MarketOne, certain technology and equipment products are now being sold directly to end-user customers rather than through resellers. This had no impact on net income since the increase in net sales was directly offset by an increase in commission expense.

Exhibit B

Henry Schein, Inc.
2003 Second Quarter and Year to Date
Details of "Comparable Basis" Growth Comparison
Income Statement Summary
(in thousands, except per share data)
(unaudited)

	Second Quarter			Year to Date		
	2003	2002	% Growth	2003	2002	% Growth
As Reported	-----					
Net Sales	776,166	671,432	15.6%	1,514,163	1,318,525	14.8%
Operating Income	56,030	46,989	19.2%	98,235	82,187	19.5%
Margin	7.2%	7.0%	22 bp	6.5%	6.2%	25 bp
Net Income	32,855	28,066	17.1%	57,621	47,796	20.6%
EPS	0.74	0.63	17.5%	1.29	1.07	20.6%

Add: Technology Sales
Methodology (1)

Net Sales	-	2,018	-	3,480
Operating Income	-	-	-	-
Net Income	-	-	-	-
EPS	-	-	-	-

Subtract: Gain on Real
Estate Transaction (2)

Net Sales	-	-	-	-
Operating Income	-	-	-	-

Net Income	-	-	(454)	-
EPS	-	-	(0.01)	-

Comparable Basis

Net Sales	776,166	673,450	15.3%	1,514,163	1,322,005	14.5%
Operating Income	56,030	46,989	19.2%	98,235	82,187	19.5%
Margin	7.2%	7.0%	24 bp	6.5%	6.2%	27 bp
Net Income	32,855	28,066	17.1%	57,167	47,796	19.6%
EPS	0.74	0.63	17.5%	1.28	1.07	19.6%

(1) As part of the Company's Dental marketing initiative, MarketOne, certain technology and equipment products are now being sold directly to end-user customers rather than through resellers. This had no impact on net income since the increase in net sales was directly offset by an increase in commission expense.

(2) In the first quarter of 2003, the company recorded a net non-recurring gain related to the sale of a building. The pretax gain was \$726 thousand, and was reflected on the "Other-net" line of the income statement.

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SOURCE: Henry Schein, Inc.