

Henry Schein Third Quarter Net Sales Top \$1 Billion, up 16%; Company Introduces 2005 Diluted EPS Guidance

October 26, 2004

MELVILLE, N.Y.--(BUSINESS WIRE)--Oct. 26, 2004--Henry Schein, Inc. (Nasdaq NM: H SIC), the largest provider of healthcare products and services to office-based practitioners in the combined North American and European markets, today reported financial results for the quarter ended September 25, 2004.

Net sales for the third quarter of 2004 were a record \$1.03 billion, an increase of 15.8% from the third quarter of 2003 (See Exhibit A for details of sales growth). "We are proud to report our first \$1 billion quarter, marking a major financial milestone in our company's history," said Stanley M. Bergman, Chairman, Chief Executive Officer and President of Henry Schein. This increase includes 14.2% local currency growth (0.6% internally generated and 13.6% from acquisitions net of a divestiture) and 1.6% related to foreign currency exchange. Third quarter net income was \$31.5 million, and earnings per diluted share was \$0.71. Third quarter financial results were adversely impacted by the absence of Fluvirin(R) influenza vaccine, as previously announced on October 5, 2004. On that date, Chiron Corporation (Nasdaq: CHIR) announced that it would not supply Fluvirin(R) influenza vaccine for the current influenza season. Henry Schein is the primary distributor of Fluvirin to the U.S. market.

Dental sales increased by 17.7%, including 17.3% growth in local currencies (16.6% internally generated and 0.7% from acquisitions) and 0.4% related to foreign currency exchange. Of the 17.3% local currency growth, Dental consumable merchandise sales increased 15.5% (all internally generated) and Dental equipment sales and service revenues were up 24.8% (21.3% internal growth).

"Our Dental Group's impressive internal growth rate was approximately three times our estimate for market growth, and continues to be enhanced by the successful introduction of the Colgate and Pentron product lines which accounted for 7.5% of the local Dental consumable merchandise growth," explained Mr. Bergman. "Our continued success in growing Dental sales reflects the ongoing successful execution of our dental growth strategy."

"We are also optimistic about our prospects in the large, fast growing and highly profitable market for dental implants. Earlier this month we officially launched the Camlog product line in the U.S., thereby bringing a leading product offering to our customers and furthering our corporate goal to offer our customers an increasing number of value-added products and services," noted Mr. Bergman.

Medical sales declined 8.3% during the third quarter, reflecting the absence of Fluvirin sales. Excluding \$94.5 million in Fluvirin sales from the third quarter of last year, third quarter 2004 Medical sales growth was 20.4% (11.3% internal and 9.1% from acquisitions - See Exhibit B for details). "Our Medical Group distributes more than 30,000 SKUs, including medical/surgical products, equipment, specialty pharmaceuticals, and injectables and vaccines. Market share growth in the Group's core operations during the third quarter was excellent, as evidenced by double digit percentage growth without the Fluvirin impact," commented Mr. Bergman.

Technology and Value-Added Services sales grew 13.1%, (all internally generated) and International sales improved 80.5%, including 71.1% in local currencies (5.0% internally generated and 66.1% from acquisitions net of a divestiture) and 9.4% due to foreign currency exchange. "Third quarter Technology and Value-Added Services sales gains were highlighted by strong performance across the board in our software and electronic services businesses. International Group internal sales gains in local currencies exceeded our estimate for market growth, while total International Group sales growth was significantly bolstered by the acquisition of the Demedis full-service businesses in Germany and the Benelux countries, and the KRUGG direct-marketing dental business in Italy. We look forward to further international success, particularly in Europe, as we complete the integration of the acquired businesses into Henry Schein," Mr. Bergman added.

The third quarter operating margin decline primarily is a reflection of the absence of Fluvirin sales. Cash flow from operations for the third quarter of 2004 was negative \$3.2 million, compared with a negative \$22.9 million for the third quarter of 2003.

Stock Repurchase Plan

The Company announced in June 2004 a share repurchase program of up to \$100 million worth of common stock, under which 455,000 shares were repurchased during the third quarter at an average price of \$62.27 per share. The impact of the repurchase of shares under this program on third quarter diluted EPS was not significant.

2004 and 2005 EPS Guidance

Based on third quarter 2004 financial performance, Henry Schein narrowed its guidance for 2004 earnings per diluted share to \$3.03 to \$3.07, compared with prior Company guidance of \$3.01 to \$3.07. Henry Schein also introduced 2005 earnings per diluted share guidance. For 2005 the Company expects diluted earnings per share in the range of \$4.00 - \$4.08. This represents growth of 31% to 34% over the midpoint of the 2004 annual guidance. This guidance reflects mid-teens diluted EPS growth over 2004 plus the annualized impact of the Demedis Group acquisition as well as related synergies. This also assumes (although there can be no assurance) a resumption of the availability of Fluvirin product for 2005. Should Fluvirin not be available in 2005, in addition to lost earnings, Henry Schein will record a pre-tax one-time charge of approximately \$13 million related to the Fluvirin contract. The Company noted that this 2004 and 2005 EPS guidance is for current operations including completed acquisitions, and does not include the impact of potential future acquisitions.

Third Quarter Conference Call Webcast

The Company will hold a conference call to discuss third 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 Web site at www.henryschein.com. In addition, a replay will be available beginning shortly after the call has ended.

About Henry Schein

Henry Schein, a Fortune 500(R) company, is recognized for its excellent customer service and highly competitive prices. The Company's four business groups - Dental, Medical, International and Technology - serve more than 450,000 customers worldwide, including dental practices and laboratories, physician practices and veterinary clinics, as well as government and other institutions. The Company's sales reached a record \$3.4 billion in 2003. The Company operates 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, N.Y., Henry Schein employs more than 9,000 people and has operations in 17 countries. For more information, visit the Henry Schein Web site at www.henryschein.com.

In accordance with the "Safe Harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Company provides the following cautionary remarks regarding important factors which, among others, could cause future results to differ materially from the forward-looking statements, expectations and assumptions expressed or implied herein. All forward-looking statements made by us are subject to risks and uncertainties and are not guarantees of future performance. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Company's actual results, performance and achievements, or industry results to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. These statements are identified by the use of such terms as "may," "could," "expect," "intend," "believe," "plan," "estimate," "forecast," "project," "anticipate," or other comparable terms. A full discussion of the Company's operations and financial condition, including factors that may affect its business and future prospects, is contained in documents the Company has filed with the SEC and will be contained in all subsequent periodic filings made with the SEC. These documents identify, in detail, important risk factors that could cause the Company's actual performance to differ materially from current expectations.

Risk factors and uncertainties which could cause actual results to differ materially from current and historical results include, but are not limited to: competitive factors; changes in the healthcare industry; changes in government regulations that affect the Company; financial risks associated with the Company's international operations; fluctuations in quarterly earnings; transitional challenges associated with acquisitions; regulatory and litigation risks; the dependence on the Company's continued product development, technical support and successful marketing in the technology segment; the Company's dependence upon sales personnel and key customers; the Company's dependence on its senior management; the Company's dependence on third parties for the manufacture and supply of its products; possible increases in the cost of shipping the Company's products or other service trouble with the Company's third-party shippers; risks from rapid technological change; and risks from potential increases in variable interest rates.

The order in which these factors appear should not be construed to indicate their relative importance or priority. The Company cautions that these factors may not be exhaustive and that many of these factors are beyond the Company's ability to control or predict. Accordingly, forward-looking statements should not be relied upon as a prediction of actual results. The Company undertakes no duty and has no obligation to update forward-looking statements.

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

	Three Months Ended		Nine Months Ended	
	September 25, 2004	September 27, 2003	September 25, 2004	September 27, 2003
Net sales	\$1,033,625	\$892,718	\$2,865,946	\$2,406,881
Cost of sales	759,597	641,218	2,109,376	1,733,435
Gross profit	274,028	251,500	756,570	673,446
Operating expenses:				
Selling, general and administrative	220,873	175,100	593,530	498,811
Operating income	53,155	76,400	163,040	174,635
Other income (expense):				
Interest income	1,684	2,197	6,351	6,510
Interest expense	(6,251)	(4,812)	(12,367)	(14,140)
Other, net	120	328	451	1,255
Income before taxes, minority interest, equity in earnings of affiliates and loss on sale of discontinued operation	48,708	74,113	157,475	168,260

Taxes on income from continuing operations	(18,022)	(27,569)	(58,466)	(62,982)
Minority interest in net loss (income) of subsidiaries	72	(363)	(1,707)	(1,974)
Equity in earnings of affiliates	746	178	1,331	676

Net income from continuing operations	31,504	46,359	98,633	103,980
Loss on sale of discontinued operation, net of tax	-	(2,012)	-	(2,012)

Net income	\$31,504	\$44,347	\$98,633	\$101,968
=====				

Earnings from continuing operations per common share:				
Basic	\$0.72	\$1.06	\$2.26	\$2.38
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Diluted	\$0.71	\$1.03	\$2.20	\$2.32
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Loss on sale of discontinued operation, net of tax per common share:				
Basic	\$-	\$(0.05)	\$-	\$(0.05)
=====				
Diluted	\$-	\$(0.04)	\$-	\$(0.04)
=====				

Earnings per common share:				
Basic	\$0.72	\$1.02	\$2.26	\$2.33
=====				
Diluted	\$0.71	\$0.99	\$2.20	\$2.27
=====				

Weighted-average common shares outstanding:				
Basic	43,520	43,609	43,737	43,706
=====				
Diluted	44,495	44,885	44,884	44,896
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HENRY SCHEIN, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)

	September 25, 2004	December 27, 2003

	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 72,971	\$ 157,351
Accounts receivable, net of reserves of \$41,037 and \$43,203	542,523	467,085
Inventories	449,844	385,846
Deferred income taxes	28,696	30,559
Prepaid expenses and other	166,219	115,643

Total current assets	1,260,253	1,156,484
Property and equipment, net	171,683	154,205
Goodwill	564,236	398,888
Other intangibles, net	134,620	37,551
Investments and other	81,479	72,242
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Total assets	\$2,212,271	\$1,819,370
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable	\$ 262,083	\$ 278,163
Bank credit lines	6,824	6,059
Current maturities of long-term debt	3,896	3,253
Accrued expenses:		
Payroll and related	70,259	68,214
Taxes	57,234	45,969
Other	129,761	117,530
	-----	-----
Total current liabilities	530,057	519,188
Long-term debt	522,767	247,100
Deferred income taxes	66,540	32,938
Other liabilities	22,226	4,494
Minority interest	11,367	11,532
Commitments and contingencies		

Stockholders' equity:

Preferred stock, \$.01 par value, 1,000,000 authorized, none outstanding	-	-
Common stock, \$.01 par value, 120,000,000 authorized, 43,374,760 and 43,761,973 outstanding	434	438
Additional paid-in capital	445,825	445,118
Retained earnings	590,536	533,654
Accumulated other comprehensive income	22,980	24,999
Deferred compensation	(461)	(91)
	-----	-----
Total stockholders' equity	1,059,314	1,004,118
	-----	-----
Total liabilities and stockholders' equity	\$2,212,271	\$1,819,370
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NOTE: Certain prior period amounts have been reclassified to conform with the current period presentation.

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

For the Periods Ended September 25, 2004 and September 27, 2003

	Three Months Ended		Nine Months Ended	
	2004	2003	2004	2003
	-----	-----	-----	-----

Cash flows from operating
activities of continuing
operations:

Net income	\$ 31,504	\$ 44,347	\$ 98,633	\$ 101,968
Loss on sale of				

discontinued operation, net of tax	-	2,012	-	2,012
Net income from continuing operations	31,504	46,359	98,633	103,980
Adjustments to reconcile net income to net cash provided by (used in) operating activities of continuing operations:				
Depreciation and amortization	13,247	8,841	33,231	25,956
Provision for losses on trade and other accounts receivable	636	554	1,789	4,374
Deferred income taxes	(197)	3,069	3,199	6,962
Stock issued to 401(k) plan	2,805	2,300	2,805	2,300
Undistributed earnings of affiliates	(746)	(178)	(1,331)	(676)
Minority interest in net income (loss) of subsidiaries	(72)	363	1,707	1,974
Other	3,945	144	4,033	(102)
Changes in operating assets and liabilities, net of acquisitions:				
Accounts receivable	(18,119)	(82,095)	(33,052)	(115,673)
Inventories	10,874	(31,937)	(10,276)	(27,456)
Other current assets	(5,135)	(7,634)	4,603	4,893
Accounts payable and accrued expenses	(41,906)	37,274	(47,762)	11,559
Net cash provided by (used in) operating activities of continuing operations	(3,164)	(22,940)	57,579	18,091
Cash flows from investing activities:				
Purchases of fixed assets	(10,898)	(7,724)	(24,687)	(29,045)
Payments for business acquisitions, net of cash acquired	26,730 (1)	(1,043)	(152,029)	(67,797)
Payments related to pending business acquisitions	-	-	(13,489)	-
Purchases of marketable securities	-	(17,944)	-	(39,139)
Proceeds from sales of marketable securities	-	20,104	14,472	20,104
Proceeds from maturities of marketable securities	-	9,600	-	38,130
Other, including discontinued operation	3,034	(2,532)	(2,383)	(671)
Net cash provided by (used in) investing activities	18,866	461	(178,116)	(78,418)
Cash flows from financing				

activities:

Proceeds from issuance of long-term debt	240,000	-	240,000	-
Payments for debt issuance costs	(5,154)	-	(5,154)	-
Net proceeds from (payments on) bank borrowings	(236,776)	1,622	(6,081)	682
Repayment of debt assumed in business acquisitions	(21,939)	-	(135,718)	-
Principal payments on long-term debt	(1,354)	(2,232)	(3,064)	(7,186)
Proceeds from issuance of stock upon exercise of stock options	1,375	7,049	19,253	18,378
Payments for repurchases of common stock	(24,702)	(11,575)	(70,666)	(57,727)
Other	(283)	(25)	(789)	(118)
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Net cash provided by (used in) financing activities	(48,833)	(5,161)	37,781	(45,971)
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Net change in cash and cash equivalents	(33,131)	(27,640)	(82,756)	(106,298)
Effect of exchange rate changes on cash and cash equivalents	(235)	(664)	(1,624)	(1,496)
Cash and cash equivalents, beginning of period	106,337	121,161	157,351	200,651
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Cash and cash equivalents, end of period	\$ 72,971	\$ 92,857	\$ 72,971	\$ 92,857
	=====	=====	=====	=====

(1) Primarily reflects proceeds received from the divestiture of DentalMV GmbH in July 2004, as previously disclosed in our Q2 2004 Form 10-Q, which was treated as a reduction of purchase price of the Demedis Group acquired in June 2004.

NOTE: Certain prior period amounts have been reclassified to conform with the current period presentation.

Exhibit A

Henry Schein, Inc.
2004 Third Quarter and Year to Date
Sales Growth Rate Summary
(unaudited)

Q3 2004 over Q3 2003

	Consolidated	Dental	Medical	International	Technology
	-----	-----	-----	-----	-----
Internal	0.6%	16.6%	-15.2%	5.0%	12.9%
Acquisitions	14.1%	0.7%	6.9%	69.5%	-
Divestiture	-0.5%	-	-	-3.4%	-
	-----	-----	-----	-----	-----

Local Currency

Sales Growth	14.2%	17.3%	-8.3%	71.1%	12.9%
Foreign Currency Exchange	1.6%	0.4%	-	9.4%	0.2%

Total Sales Growth	15.8%	17.7%	-8.3%	80.5%	13.1%
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YTD Q3 2004 over YTD Q3 2003					

	Consolidated	Dental	Medical	International	Technology
	-----	-----	-----	-----	-----
Internal	7.1%	12.7%	1.5%	6.5%	9.2%
Acquisitions	10.6%	3.2%	8.7%	34.2%	2.4%
Divestiture	-0.8%	-	-	-5.1%	-

Local Currency Sales Growth	16.9%	15.9%	10.2%	35.6%	11.6%
Foreign Currency Exchange	2.2%	0.4%	-	11.8%	0.1%

Total Sales Growth	19.1%	16.3%	10.2%	47.4%	11.7%
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Exhibit B

Henry Schein, Inc.
2004 Third Quarter
Medical Sales Growth Comparison
Net Sales by Category
(in thousands)
(unaudited)

	Third Quarter		% Growth		
	2004	2003	Total	Internal	Acquisition
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Medical Net Sales	\$363,660	\$396,464	-8.3%	-15.2%	6.9%
Subtract: Fluvirin Sales (1)		- 94,454			
Medical Net Sales Excluding Fluvirin	\$363,660	\$302,010	20.4%	11.3%	9.1%

(1) Third Quarter financial results were adversely impacted by the absence of Fluvirin influenza vaccine in 2004, as previously announced.

Use of Non-GAAP Measures

The above "Medical Sales Growth Comparison" medical net sales

excluding Fluvirin is a financial measure that is not calculated and presented in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). The above table reconciles medical net sales, the Company's most directly comparable measure calculated and presented in accordance with U.S. GAAP, to medical net sales excluding Fluvirin, as adjusted to eliminate the effect of third quarter 2003 Fluvirin sales.

Management eliminated the effect of third quarter 2003 Fluvirin sales to assist in evaluating the underlying operational performance of the Company's medical business, excluding Fluvirin, over the periods presented. Management believes that this presentation is appropriate and facilitates such an evaluation by management, investors and analysts. This measure should be considered supplemental to, and not a substitute for or superior to, financial measures calculated in accordance with U.S. GAAP.

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