

## Henry Schein Reports Record First Quarter Results; Net sales increase 24%; diluted EPS up 19%

May 3, 2005

MELVILLE, N.Y.--(BUSINESS WIRE)--May 3, 2005--Henry Schein, Inc. (Nasdaq NM: HSI), 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 March 26, 2005.

Net sales for the first quarter of 2005 were \$1.1 billion, an increase of 24.2% from the first quarter of 2004 (See Exhibit A for details of sales growth). This increase includes 23.1% local currency growth (7.5% internally generated and 15.6% from acquisitions) and 1.1% related to foreign currency exchange. Operating margin for the first quarter of 2005 was 5.2%, consistent with the prior-year quarter. First quarter net income was \$33.2 million, an increase of 17.0% compared with the first quarter of 2004. Earnings per diluted share of \$0.37 represents an increase of 19.4% compared with the prior-year quarter.

"Our financial results for the first quarter of 2005 were strong, featuring first quarter records for sales, net income, and earnings per share," said Stanley M. Bergman, Chairman, Chief Executive Officer and President of Henry Schein. "Internal growth in local currencies once again exceeded our estimate for market growth and reflected particular strength from our Dental Group."

For the quarter, Dental sales increased by 21.9%, including 21.4% growth in local currencies (14.2% internally generated and 7.2% from acquisitions) and 0.5% related to foreign currency exchange. Of the 21.4% local currency growth, Dental consumable merchandise sales increased 18.9% (12.6% internal growth, 6.3% acquisition growth) and Dental equipment sales and service revenues were up 32.1% (21.2% internal growth, 10.9% acquisition growth). Sales of the Colgate and Pentron product lines introduced in 2004 accounted for about 5.2% of the local internal Dental consumable merchandise growth.

"The first quarter marks the seventh consecutive quarter of double-digit sales growth in our Dental Group as we continue to gain market share. The investments we have made in training for our field sales force, the Privileges customer loyalty program, and new product introductions were the key drivers of our impressive Dental sales performance," explained Mr. Bergman.

"Integration of the Ash Temple Limited acquisition with our existing Canadian operations is underway and proceeding according to plan. We have now significantly strengthened our position in Canada, doubling our field sales force, enhancing our Dental equipment business and gaining a strong presence in the Dental laboratory market," he added.

Medical sales increased 3.6% during the first quarter (all internal), reflecting the impact of shedding a number of lower margin and nominally profitable pharmaceutical and veterinary customers. Despite this impact, the core physician and alternate-care business, which represents more than 80% of Medical sales, grew by 6.7% and continues to exceed the Company's estimate for market growth.

"Medical Group sales growth during the quarter reflects the implementation of strategic decisions made in support of the Company's operating margin expansion goals," commented Mr. Bergman.

International sales increased 72.3%, including 67.5% in local currencies (0.9% internally generated and 66.6% from acquisitions) and 4.8% due to foreign currency exchange. Technology and Value-Added Services sales grew 8.1% (all internal), or 7.8% in local currencies during the quarter.

"International Group internal sales growth in local currencies reflects continued government reimbursement issues in Germany. We also believe that manufacturer incentives, related to the IDS Dental trade show in Cologne, may have delayed dental equipment purchases to the second quarter. 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. The integration of those businesses is continuing in a highly effective manner, and we remain confident in our estimate of \$2-\$3 million of pre-tax cost savings due to synergies in 2005. Growth in Technology and Value-Added Services revenues was fueled by particularly strong performance in the electronic services business," Mr. Bergman added.

### Stock Repurchase Plan

In June 2004, the Company announced a share repurchase program of up to \$100 million worth of common stock, under which 445,500 shares were repurchased during the first quarter at an average price of \$36.61 per share. The impact of the repurchase of shares under this program on first quarter diluted EPS was not meaningful. To date under this program, 1,614,310 shares have been repurchased at an average price of \$32.56 per share.

### 2005 EPS Guidance

On April 27, 2005, in conjunction with issuing its first quarter 2005 financial results, Chiron Corporation (Nasdaq NM: CHIR) reported a projected capacity to produce 25 to 30 million doses of Fluvirin(R) for the 2005 influenza season. Although Chiron stated that there can be no assurances that they will successfully complete their remediation efforts in time to re-enter the market this season, Henry Schein believes this to be a positive development with respect to its ability to receive Fluvirin in 2005. At this time, there is uncertainty about the number of doses of influenza vaccine that Chiron will produce, how many will be available in the United States, or the amount Henry Schein will receive, if any, for 2005. In addition, although end user pricing for influenza vaccine is expected to increase this year, there remains uncertainty regarding specific pricing at this time, and Henry Schein has not yet announced influenza vaccine pricing to its customers for 2005. Since we do not have reasonable certainty with respect to these matters, we are not providing specific guidance at this time should Chiron re-enter the influenza vaccine market in 2005.

However, Henry Schein affirms that it expects 2005 diluted EPS in the range of \$1.73 to \$1.77 if Chiron is unable to re-enter the influenza vaccine market this year. This represents mid-teens percentage diluted EPS growth over 2004, excluding the \$0.10 one-time charge related to the Fluvirin contract. This guidance assumes no significant increase in sales of influenza vaccine products from other manufacturers over 2004 levels. Henry Schein affirms its expectation of low-single-digit diluted EPS growth in the second quarter of 2005 due to expenses associated with relocation to a new

corporate headquarters building, seasonality changes and integration costs, among other items, with growth accelerating during the second half of the year. This guidance does not include the impact of expensing of stock options (per Financial Accounting Standards No. 123(R)), which has been delayed until 2006. The Company notes that all 2005 guidance is for current operations including completed acquisitions, and does not include the impact of potential future acquisitions.

#### First Quarter Conference Call Webcast

The Company will hold a conference call to discuss first 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](http://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 475,000 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 \$4.1 billion in 2004. The Company operates through a centralized and automated distribution network, which provides customers in more than 125 countries with a comprehensive selection of over 160,000 national and Henry Schein private-brand products.

Henry Schein also offers a wide range of innovative value-added practice solutions for healthcare professionals, such as Aruba(R), the Company's electronic catalog and ordering system. Our leading practice-management software solutions have been installed in more than 50,000 practices -- DENTRIX(R) and Easy Dental(R) for dental practices, and AVImark(R) for veterinary clinics.

Headquartered in Melville, N.Y., Henry Schein employs more than 10,000 people and has operations in 19 countries. For more information, visit the Henry Schein Web site at [www.henryschein.com](http://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 that 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 that 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	
	March 26, 2005	March 27, 2004
Net sales	\$1,101,410	\$886,631
Cost of sales	795,223	655,804
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Gross profit	306,187	230,827
Operating expenses:		
Selling, general and administrative	248,982	184,527

Operating income	57,205	46,300
Other income (expense):		
Interest income	2,028	2,216
Interest expense	(6,371)	(3,002)
Other, net	(341)	151
Income before taxes, minority interest and equity in earnings of affiliates	52,521	45,665
Taxes on income	(19,432)	(17,032)
Minority interest in net income of subsidiaries	(51)	(525)
Equity in earnings of affiliates	187	285
Net income	\$ 33,225	\$ 28,393
Earnings per share:		
Basic	\$ 0.38	\$ 0.32
Diluted	\$ 0.37	\$ 0.31
Weighted-average common shares outstanding:		
Basic	86,679	87,572
Diluted	88,800	90,219

HENRY SCHEIN, INC.  
CONSOLIDATED BALANCE SHEETS  
(in thousands, except share and per share data)

	March 26, 2005	December 25, 2004
	(unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 114,741	\$ 186,621
Accounts receivable, net of reserves of \$43,261 and \$44,852	550,262	554,666
Inventories	495,574	486,494
Deferred income taxes	30,901	28,795
Prepaid expenses and other	137,169	174,167
Total current assets	1,328,647	1,430,743
Property and equipment, net	175,315	176,103
Goodwill	633,965	627,215
Other intangibles, net	133,307	129,285
Investments and other	68,908	70,324
Total assets	\$ 2,340,142	\$2,433,670
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 304,487	\$ 367,213

Bank credit lines	6,066	5,969
Current maturities of long-term debt	3,786	3,906
Accrued expenses:		
Payroll and related	70,131	89,431
Taxes	57,764	70,970
Other	129,832	156,410
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Total current liabilities	572,066	693,899
Long-term debt	517,093	525,682
Deferred income taxes	69,899	66,599
Other liabilities	39,595	28,999
Minority interest	13,037	12,438
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 par value, 1,000,000 shares authorized, none outstanding	-	-
Common stock, \$.01 par value, 120,000,000 shares authorized, 86,773,322 and 86,650,428 outstanding	868	867
Additional paid-in capital	454,359	445,573
Retained earnings	639,016	615,265
Accumulated other comprehensive income	34,622	44,785
Deferred compensation	(413)	(437)
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Total stockholders' equity	1,128,452	1,106,053
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Total liabilities and stockholders' equity	\$ 2,340,142	\$2,433,670
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HENRY SCHEIN, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(in thousands)  
(unaudited)

	Three Months Ended	
	March 26, 2005	March 27, 2004
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Cash flows from operating activities:		
Net income	\$ 33,225	\$ 28,393
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	13,237	9,642
Provision for (recovery of) losses on trade and other accounts receivable	(208)	409
Deferred income taxes	3,020	565
Undistributed earnings of affiliates	(187)	(285)
Minority interest in net income of subsidiaries	51	525

Other	1,089	144
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	14,434	(6,815)
Inventories	8,610	(23,109)
Other current assets	32,790	22,395
Accounts payable and accrued expenses	(121,356)	(45,305)
Net cash used in operating activities	(15,295)	(13,441)
Cash flows from investing activities:		
Purchases of fixed assets	(8,138)	(5,654)
Payments for business acquisitions, net of cash acquired	(39,046)	(4,401)
Payments related to pending business acquisitions	-	(86,031)
Proceeds from sales of marketable securities	-	14,472
Net payments for foreign exchange forward contract settlements	(4,478)	(4,045)
Other	(2,302)	(8,607)
Net cash used in investing activities	(53,964)	(94,266)
Cash flows from financing activities:		
Net proceeds from bank borrowings	183	24,417
Principal payments on long-term debt	(696)	(262)
Proceeds from issuance of stock upon exercise of stock options	10,944	12,683
Payments for repurchases of common stock	(16,310)	(11,054)
Other	(401)	(346)
Net cash (used in) provided by financing activities	(6,280)	25,438
Net change in cash and cash equivalents	(75,539)	(82,269)
Effect of exchange rate changes on cash and cash equivalents	3,659	(1,996)
Cash and cash equivalents, beginning of period	186,621	157,351
Cash and cash equivalents, end of period	\$ 114,741	\$ 73,086

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

Henry Schein, Inc.  
2005 First Quarter  
Sales Growth Rate Summary  
(unaudited)

Q1 2005 over Q1 2004

	Consolidated	Dental	Medical	International	Technology
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Internal	7.5%	14.2%	3.6%	0.9%	7.8%
Acquisitions	15.6%	7.2%	-	66.6%	-
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Local					
Currency					
Sales Growth	23.1%	21.4%	3.6%	67.5%	7.8%
Foreign Currency					
Exchange	1.1%	0.5%	-	4.8%	0.3%
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Total Sales					
Growth	24.2%	21.9%	3.6%	72.3%	8.1%
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