

Celebrating
Our History.

Focused
On Our Future.

 HENRY SCHEIN®

75 YEARS OF SUCCESS • ANNUAL REPORT 2006



ABOUT HENRY SCHEIN

Henry Schein, a FORTUNE 500® company, is the largest distributor of healthcare products and services to office-based practitioners in the combined North American and European markets. The Company's sales reached a record \$5.15 billion in 2006.

The Company provides innovative solutions for healthcare professionals and is recognized for its excellent customer service and highly competitive prices. Henry Schein's four business groups—Dental, Medical/Animal Health, International and Technology—serve more than 500,000 customers worldwide, including:

- Approximately 85% of the estimated 135,000 U.S. and Canadian office-based dental practices and 19,000 dental laboratories;
- Approximately 45% of the estimated 250,000 U.S. office-based physician practices, as well as surgical centers and other alternate-care sites;
- Over 75% of the estimated 26,000 veterinary practices in the United States;
- Approximately 240,000 office-based dental, medical and veterinary practices outside North America, primarily in Europe, Australia and New Zealand; and
- Government and other institutions providing healthcare services.

The Company operates through a centralized and automated distribution network, which provides customers in more than 200 countries with a comprehensive selection of more than 70,000 branded and Henry Schein private-brand products in stock, as well as over 100,000 additional products available to our customers as special order items.

Henry Schein also offers a wide range of innovative value-added practice solutions for healthcare professionals, such as ARUBA®, the Company's electronic catalog and ordering system. Its leading software systems—DENTRIX® and Easy Dental® for dental practices; MicroMD® for medical providers in primary care and all specialties; LabNet® for dental laboratories; and AVImark® for veterinary clinics—have been installed in more than 50,000 healthcare practices.

Henry Schein has been included in the FORTUNE list of America's Most Admired Companies for three consecutive years, and each of those years the Company has led its industry in social responsibility.

Headquartered in Melville, N.Y., Henry Schein employs more than 11,000 people and has operations in 19 countries. For more information, visit the Henry Schein Web site at www.henryschein.com.



TO OUR STOCKHOLDERS

Seventy-five years ago, in the middle of the Great Depression, Henry and Esther Schein founded our Company as a small pharmacy in Queens, New York. Their business philosophy, commitment to their customers and employees, and willingness to adapt their business to take advantage of new opportunities drove our Company's early success and laid the foundation for the decades of growth that followed.

However, it is likely that even their optimistic vision for what Henry Schein could become fell short of the reality that we have been able to achieve: a multinational FORTUNE 500® company that is the largest distributor of healthcare products and services to office-based dental, medical, and veterinary practitioners in the combined North American and European markets.

It has been a remarkable journey, and as we reach this milestone 75th anniversary, it is appropriate to reflect on and celebrate our past success. As you will see in this Annual Report, the history of our Company has been marked by innovation that has helped reshape our industry and the

healthcare professions that we serve; reinvention of our Company to take advantage of changing markets and emerging areas of opportunity; sustained growth in every facet of our Company; commitment to meeting our customers' many practice needs; and preservation of our unique values-based culture, a legacy of our founders.

Celebrating Our Success – 2006

Our most recent year was also our most successful. In 2006, we posted record net sales of \$5.15 billion, an increase of 11.2% over the prior year, including 10.6% growth in local currencies. Our operating margin expanded by 24 basis points over 2005, while income



“On a long journey such as ours, a significant milestone such as

from continuing operations increased by 21.3% and earnings per diluted share from continuing operations grew by 19.3%. Each of our four business groups posted market share gains for the year with sales of \$2.14 billion for Dental, \$1.52 billion for Medical (including Animal Health), \$1.4 billion for International, and \$98 million for Technology.

These financial results were supported by many operational achievements throughout the year, with the continued implementation of global corporate programs in human resources, information technology, inventory management, distribution and other key operational areas.

In 2006, our Company continued to grow through several strategic acquisitions: NLS Animal Health, a full-service animal health distribution business, which significantly enhanced our presence in the U.S. veterinary market; Darby Medical Supply, which provides medical supplies and pharmaceuticals to U.S. medical practices; Island Dental, a full-service U.S. distributor of dental merchandise and equipment; Darby Dental Laboratory Supply, a distributor that has been serving the U.S. dental lab community for more than 50 years; and Provet Holding AG, the leading animal health distributor in Switzerland, which greatly expanded our European Animal Health operations.

We added new products to our growing list of exclusive offerings: state-of-the-art dental radiography products from Imaging Sciences International, including the i-CAT™ Cone Beam 3-D Imaging System; the complete line of BIOLASE® dental laser systems, including the Waterlase MD™, the industry’s leading “all-tissue” dental laser system; and the Milestone Single Tooth Anesthesia™ system.

We celebrated several public achievements during the year. Henry Schein climbed to the FORTUNE 500 list and is now number 438. We have been included in the FORTUNE list of America’s Most Admired Companies for three consecutive years, and each



75 years is not a final destination, but simply a chance to reflect..”

of those years the Company has led our industry in social responsibility. In 2006, we were designated as one of only 12 “turbocharged” companies on FORBES Platinum list based on our multi-year double-digit growth in sales and earnings per share. Henry Schein is now included in NASDAQ’s highest listing tier—the NASDAQ Global Select Market. And in 2006, we were pleased to celebrate 15 years of operations in the United Kingdom, Spain and the Netherlands.

The year was marked by further expansion of Henry Schein Cares™, our global social responsibility program that is “helping health happen.” The activities we supported during 2006 helped enhance

healthcare advocacy and education; increase access to care among underserved populations; strengthen community wellness programs; and prepare for and respond to disasters. These initiatives ranged from high-profile access to care programs (such as Give Kids A Smile and Healthy Children, Healthy Lifestyles) to community-based initiatives (such as the Back to School program in the United States and Canada, and Crisis at Christmas in the United Kingdom), and from product support for healthcare missions to Africa to humanitarian relief around the world (through Medshare International, Direct Relief International and the International Medical Corps).

Focused On Our Future

In addition to these many activities, we looked forward during the year as we started our 2007-2009 strategic plan. We reaffirmed our commitment to provide our customers with a consistently superior experience through innovative solutions to practice issues enabling the best quality patient care, and practice efficiency and success. To achieve this, we will share best practices and services across borders and functions; we will remain a technology leader and consistently deliver superior integrated solutions to meet our customers’ practice needs; we will become trusted advisors to the more than 500,000 customers we serve



“We are certain that the road we are on is a positive path forward and confident that our best years lie ahead.”

around the world; we will clearly define and communicate our Henry Schein global brand; and we will ensure that Team Schein—now more than 11,000 members strong—continues to be our greatest asset through recruitment and professional development.

On a long journey such as ours, a significant milestone such as 75 years is not a final destination, but simply a chance to reflect and to look ahead at the road not yet traveled. We are confident that Henry Schein is in the right markets at the right time. We are a well-diversified industry leader in healthy, technology-driven, recession-

resistant markets. Team Schein will continue to grow, and Team Schein Members will remain committed to providing our customers with excellent service. Collectively we will preserve the values-based culture that distinguishes our Company and has been the foundation of our success. We will continue to give back to society through Henry Schein Cares™, expanding this commitment as our Company continues to grow. And we will embrace change, as we have done throughout our Company’s history, strategically reinventing Henry Schein as necessary to remain a strong, forward-looking industry leader well into the future.

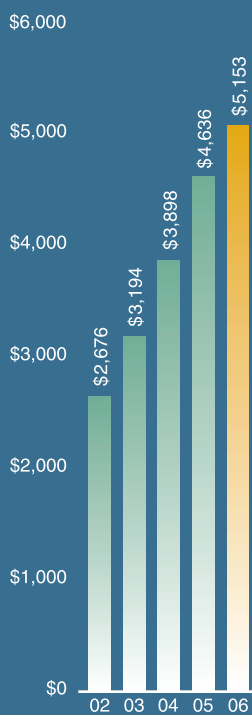
We are certain that the road we are on is a positive path forward and confident that our best years lie ahead. On behalf of our Board of Directors and my Team Schein colleagues, we are delighted that you are our companions on this exciting journey, and we thank you for your continued support.

Sincerely,

Stanley M. Bergman
Chairman and Chief Executive Officer

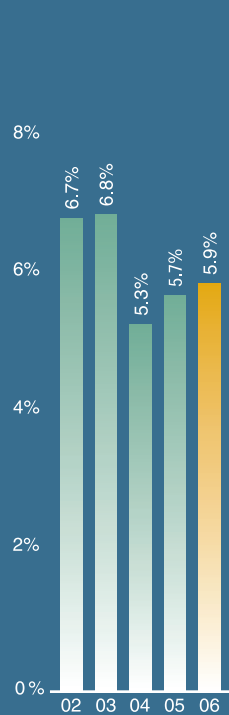
FINANCIAL HIGHLIGHTS

NET SALES From Continuing Operations (\$ in millions)



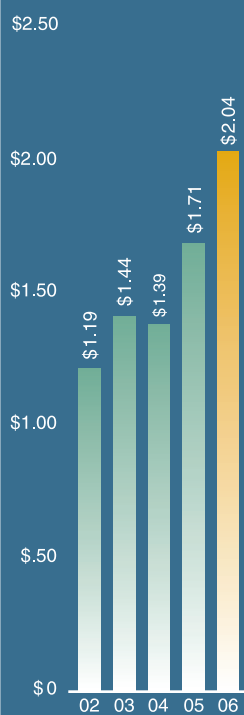
OPERATING MARGIN From Continuing Operations (3)

See the Notes below for discussion of Non-GAAP Disclosures

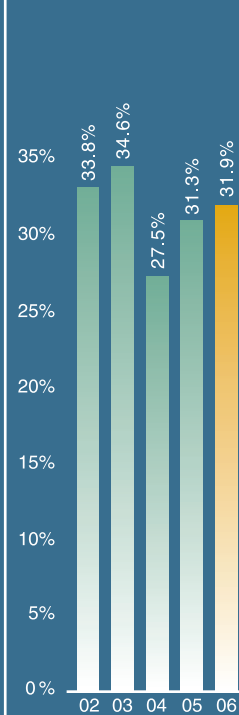


EARNINGS PER DILUTED SHARE From Continuing Operations (3)

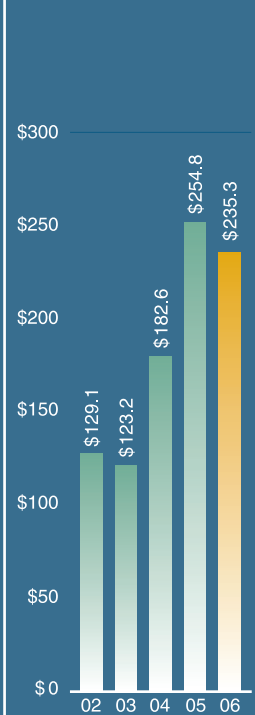
See the Notes below for discussion of Non-GAAP Disclosures



RETURN ON COMMITTED CAPITAL (2)



OPERATING CASH FLOW (\$ in millions) (3)



(1)

(1)

NOTES:

Operating Margin and Earnings from Continuing Operations Per Diluted Share have been adjusted to exclude certain one-time items. Refer to Non-GAAP Disclosures on page 21. Additionally, refer to our annual consolidated financial statements for a complete presentation of our Consolidated Statements of Cash Flows.

(1) During 2004, we recorded a non-recurring \$13.2 million pre-tax (\$8.4 million post-tax) charge related to the Fluvirin[®] contract with Chiron Corporation.

The effect that this charge had on earnings per share for the year ended December 25, 2004 was \$(0.10). Excluding this charge, our earnings per diluted share for 2004 was \$1.39.

(2) Return on Committed Capital represents operating income over average committed capital (committed capital equals inventory plus trade accounts receivables and net property, plant and equipment less trade accounts payables.)

(3) Adjusted to reflect the effect of our adoption, on January 1, 2006, of FAS 123(R) using the modified retrospective application.



Serving Our Customers With A World-Class Infrastructure

As the largest distributor of healthcare products and services to office-based practitioners in the combined North American and European markets, the world's leading value-added dental distributor, and the only Pan-European distributor in the office-based healthcare industry, Henry Schein serves more than 500,000 customers and has the capability to provide door-to-door air package delivery to practitioners in over 200 countries around the world.

More than 11,000 Team Schein Members in 19 countries use our leveragable, world-class, centralized infrastructure—nearly 3 million square

feet of space in 31 distribution centers throughout North America, Europe, Australia and New Zealand—to efficiently and accurately ship over 11 million customer orders annually. In the United States and Canada, 99% of our orders are shipped the same day the order is placed, are delivered within two days of placement, and are shipped with virtually 100% accuracy. And our state-of-the-art “cold chain” distribution capabilities ensure the integrity of heat-sensitive products shipped.

Our customers can choose from more than 70,000 branded and Henry Schein private-brand products in stock, as well as 100,000 additional products available

as special-order items. To help meet virtually all of our customers' practice needs are 2,425 field sales consultants and equipment sales specialists; 1,375 telesales representatives; 136 independent software sales representatives; and more than 700 equipment service technicians, all supported by over 35 million targeted direct-marketing pieces annually.



Henry Schein efficiently and accurately shipped over 11 million orders during 2006. In the U.S. and Canada, 99% of our orders are shipped the same day the order is placed and delivered within two days of placement.

Henry Schein's state-of-the-art, cold-chain distribution capabilities ensure the integrity of vaccines and other heat-sensitive products.

Voice pick technology contributes to Henry Schein's average order accuracy rate of virtually 100%.



Meeting Virtually All Dental Customers' Practice Needs

Dental spending continues to increase, driven in part by a growing awareness of the correlation between oral health and overall well-being. Studies have demonstrated the relationship between periodontal disease and stroke or heart attack, while other research shows that some chronic health conditions, such as diabetes, may place a person at greater risk for periodontal disease. Most recently, a Harvard study has suggested a link between poor oral health and pancreatic cancer.

As a result, the important role of dentists in the healthcare continuum is becoming clearer, as they help in the early detection of cardiovascular disease, asthma, oral cancer and other conditions. Additionally, the percentage of patients with dental insurance coverage, a greater emphasis on cosmetic dentistry, and the growing use of pharmaceuticals

and diagnostic procedures in dental practices are all accelerating dental spending. These trends have resulted in a need for greater dental practice productivity, which is driving equipment and technology sales.

Henry Schein's Dental Group, which includes Sullivan-Schein Dental and Zahn Dental Laboratory in the U.S. and Henry Schein Ash Arcona in Canada, is there to meet virtually all of our dental customers' needs for operating an efficient and successful practice while providing a high quality of patient care. The Group serves approximately 85% of the estimated 135,000 U.S. and Canadian office-based dental practices and 19,000 laboratories, and has approximately 38% of the estimated \$5.5 billion U.S. and Canadian distribution market. In 2006, our position in the market was further

strengthened with the acquisition of Island Dental, a full-service distributor of dental merchandise and equipment, and Darby Dental Laboratory Supply, a full-line distributor serving the U.S. dental lab community.

The Dental Group offers approximately 42,000 in-stock products to our dental customers and many more as special-order items. This comprehensive selection includes many important product exclusives, such as the Camlog™ dental implant system; Colgate® Oral Care line of products; DEXIS® digital radiography products; BruxGuard™; Pentron® Laboratory Products; ShadeVision™; the i-CAT™ Cone Beam 3-D Imaging Systems from Imaging Sciences International; BIOLASE® dental laser systems; and Milestone Single Tooth Anesthesia™ system.



Henry Schein's dental offering features state-of-the-art radiography products from Imaging Sciences International, including the i-CAT™ Cone Beam 3-D Imaging System.

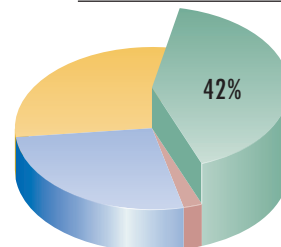


Equipment repair services through ProRepair® and COMPLETEcare are just part of the wide range of value-added services that we offer to our dental customers.



Among the many Henry Schein product exclusives is the complete line of BIOLASE® dental laser systems, including the Waterlase MD™, the industry's leading "all-tissue" dental laser system.

BUSINESS GROUP NET SALES



- DENTAL**
- Sales \$2.14 billion
 - % of Company sales 42%



Providing Physicians With Products To Meet Growing Demand

As baby boomers, the most educated and affluent generation in history, continue to age, they are willing to spend more money on their health. At the same time, advances in healthcare technology are helping physicians to meet their patients' desires to remain healthier longer.

As a result of these converging trends, demand for physician and clinical services continues to increase in developed countries around the world. Diagnostic tests, screenings and other elective surgical procedures are moving from hospitals to physicians' offices or alternate-care settings. In fact, 63% of all surgeries in the United States are now performed as outpatient procedures.

Henry Schein's Medical Group is well positioned to serve physician customers affected by this shift. The Group currently serves approximately 45% of the estimated 250,000 U.S. office-based physician practices, surgical centers and other alternate-care sites, and holds approximately 17% of the estimated \$8.5 billion medical and veterinary distribution market.

In 2006, the Group added Darby Medical Supply, which supplies medical supplies and pharmaceutical products, including generic drugs, branded drugs and vaccines, to medical practices across the United States.

We offer our medical customers a selection of approximately 35,000 products in stock and many more as special-order items.

In addition, we are a leading supplier of vaccines, injectables and other pharmaceuticals to physicians and alternate-care sites, providing our customers with influenza, tetanus/diphtheria toxoid, pneumococcal and many other vaccines. And we are pleased to offer formulary plans to many of the leading medical professional associations, such as the American Medical Association, the American Society of Plastic Surgeons, the American Academy of Dermatology, and the American Academy of Ophthalmology.



Henry Schein is a leading supplier of vaccines, injectables, and other pharmaceuticals to physicians and alternate-care sites.

Henry Schein's Medical Group supports our physician customers—approximately 45% of the estimated 250,000 U.S. office-based physician practices—with a selection of over 35,000 products in stock and many more as special-order items.

AMERICAN MEDICAL ASSOCIATION SPONSORED
Medical, Surgical & Pharmaceutical Purchasing Program

- Over 90,000 in-stock items
- Unprecedented 99% order fill rate
- No enrollment fee
- Attention value plan: ASP-73 when ordering
- Product Selection Good through

AMERICAN MEDICAL ASSOCIATION

HENRY SCHEIN®
The Resource for Healthcare Professionals
www.henryschein.com/AMA

Medical, Surgical & Pharmaceutical Formulary

DEVELOPED BY
"HOSPITALS"

Enroll in our
ASPS
Special Purchasing Program
and start saving
20%-35% today!

here's why...

- Over 90,000 in-stock items
- No Enrollment Fee
- No Purchase Commitments
- Lowest Pricing on Over 100,000 items
- Over 88 price reductions
- Over 99 new items

Member Sites: Plan ASP-E1
When Ordering
www.henryschein.com/asp

ADVANTAGE

Exclusive purchasing power for all of your
MEDICAL, SURGICAL,
PHARMACEUTICAL SUPPLIES,
& EQUIPMENT

As part of Member Sites: ASP-E1

AAO
HENRY SCHEIN®

Enroll today! Don't miss:
• Savings of 20-35%
• No purchase commitments
• No enrollment fee
• Exclusive pricing for over 100,000 items
• Over 88 price reductions
• Over 99 new products

HENRY SCHEIN®
The Resource for Healthcare Professionals
www.henryschein.com/advantage

Henry Schein offers formulary plans to many of the leading medical professional associations, such as the American Medical Association, the American Society of Plastic Surgeons, the American Academy of Dermatology, and the American Academy of Ophthalmology.

SimplifEye
Ophthalmic Purchasing Program

Exceptional Service & Savings
on Medical & Surgical Supplies,
& Pharmaceuticals

- Manufacturer contract pricing on 48 items means huge savings for you!
- Over 90,000 items in stock
- No purchase commitments
- No enrollment fee
- Expedited shipment selection
- Over 88 new items
- Over 88 price reductions

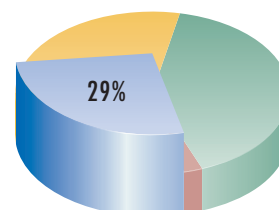
Member Sites: Plan AAO-01

Exclusively for members of
HENRY SCHEIN®
The Resource for Healthcare Professionals

AMERICAN ACADEMY OF OPHTHALMOLOGY
The Eye Care Authority

www.henryschein.com/aaoo

BUSINESS GROUP NET SALES



MEDICAL

- Sales \$1.52 billion (including Animal Health)
- % of Company sales 29% (including Animal Health)



Helping Veterinarians Serve A Burgeoning Pet Population

The U.S. companion animal market is currently estimated to be growing at 5-7% annually, spurred by a number of demographic factors. Overall, the number of U.S. households is growing, as is the proportion of households with pets. While the overall pet population continues to increase, annual expenditures per pet are also rising. And studies have reported that pet ownership may contribute to the overall well-being of pet owners themselves.

As a result of these factors, there is greater demand for veterinary oncology and oral health services, and an increase in the specialty services offered by veterinarians.

Henry Schein's Animal Health Group is ideally positioned to capitalize on this growing market. In 2006, we acquired NLS Animal Health, which serves veterinarians in 26 states and significantly enhanced our position within the market. We now serve over 75% of the estimated 26,000 U.S. veterinary practices, offering veterinarians a wide selection of approximately 23,000 products in stock and many more as special-order items.

Henry Schein's leading software systems—DENTRIX® and Easy Dental® for dental practices; MicroMD® for medical providers in primary care and all specialties; LabNet® for dental laboratories; and AVImark® for veterinary clinics— have been installed in more than 50,000 practices.





Leading Through Technology

Office-based dental, medical and veterinary practitioners turn to the products and services offered by our Technology Group to increase practice efficiency and profitability and facilitate delivery of quality healthcare to their patients.

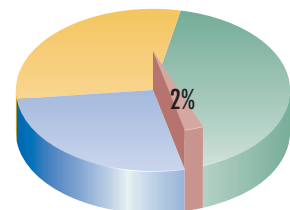
Our proprietary software systems include DENTRIX® and Easy Dental® for dental practices; MicroMD® for medical providers in primary care and all major specialties; LabNet® for dental laboratories; and AVImark® for veterinary practices. These systems are installed in more than 50,000 practices. Ranked highest in customer satisfaction by an independent research organization, DENTRIX® seamlessly integrates digital X-ray, intraoral imaging and other technology tools. And MicroMD® EMR 4.5 has been

certified as meeting all 2006 ambulatory health record criteria by the Certification Commission for Healthcare Information Technology.

Practitioners also benefit from the wide range of value-added services that we offer, including: repair services through ProRepair® and COMPLETEcare; office design services; continuing education; electronic health claims processing (with more than 36 million claims processed in 2006); Information Technology Solutions including computer hardware, integration and support services; 24/7 ordering capability through our Aruba® Web-based electronic catalog and ordering system and other options; Financial Services such as equipment leasing and financing, patient financing, and electronic credit card processing; and

our Privileges™ customer loyalty program, which was designed to attract, retain and reward dental customers, now with more than 25,000 U.S. Dental members, with similar programs being introduced to our U.S. Medical customers and already active in nine international markets.

BUSINESS GROUP NET SALES



TECHNOLOGY

- Sales \$98 million
- % of total Company sales 2%



Growing Our Global Presence

At Henry Schein, we now serve one world of customers—a world that has become a single global market for dental, medical and veterinary office-based practitioners who have similar needs regardless of geographic boundaries. Like their North American colleagues, healthcare practitioners in countries around the world are searching for solutions to help them operate more efficient and profitable practices as they provide a high quality of patient care.

We meet our international customers' needs by providing superior service and the most comprehensive selection of products. Our International Group serves approximately 240,000 office-based dental, medical and veterinary practices and has operations in 17 countries outside of North America: Austria, Australia, Belgium, the Czech

Republic, France, Germany, Iceland, Ireland, Israel, Italy, Luxembourg, the Netherlands, New Zealand, Portugal, Spain, Switzerland and the United Kingdom. And through Schein Direct, which provides door-to-door air package delivery service, we have the capability to serve practitioners in more than 200 countries around the world.

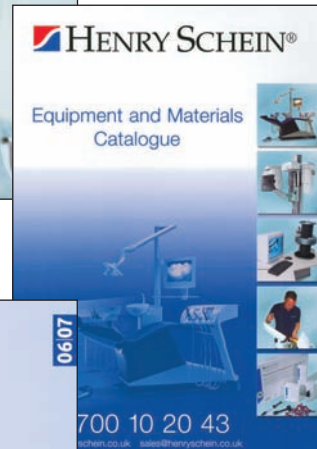
Our International Group currently holds approximately 15% of the estimated \$8 billion combined dental, medical and animal health market in the European countries in which we operate. With significant room for future growth, we will share best practices and operational efficiencies across international borders and markets as we continue to build an infrastructure based on our successful U.S. model.

We will continue to expand our successful full-service dental model throughout Europe, positioning our field sales consultants and telesales representatives as trusted advisors to our customers. We also will continue to explore expansion opportunities abroad in countries where we currently have a presence, as well as potential expansion into new markets. In 2006, we were pleased to expand our presence in the European animal health market with the acquisition of Provet Holding AG, the leading animal health distribution company in Switzerland. And we will further refine the Henry Schein global brand to ensure that all of our customers and suppliers around the world clearly understand the benefits of partnership with our Company.



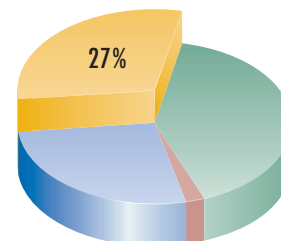
Henry Schein's newly opened warehouse in France is just one of the state-of-the-art distribution centers throughout North America, Europe, Australia and New Zealand—nearly 3 million square feet of space through which over 11 million customer orders are efficiently and accurately shipped each year.

In 2006, Henry Schein acquired Provet Holding AG, the leading animal health distribution company in Switzerland, greatly expanding our European Animal Health operations.



Among the more than 35 million targeted direct-marketing pieces that Henry Schein distributes annually are catalogs in German, Spanish, English and many other languages spoken by the more than 500,000 customers we serve around the world.

BUSINESS GROUP NET SALES



INTERNATIONAL

- Sales \$1.4 billion
- % of total Company sales 27%



“Helping Health Happen” Through Henry Schein Cares

Henry Schein’s unique culture, which focuses on delivering the best possible service to our customers, is defined by our values of mutual responsibility, ethical behavior, creativity and open communication. We recognize that each Team Schein Member is as important as the next; are committed to enhancing diversity and cultural competency throughout our Company to better serve our changing customer base; and invest in ongoing sales force training to make each interaction as productive as possible for our customers.

Our culture also includes a commitment to social responsibility, which we put into action through Henry Schein Cares™, our global social responsibility program. Through the activities we support, we enhance healthcare advocacy and education; increase access to care among underserved

populations; strengthen community wellness programs; and help prepare for and respond to disasters. By using our core competencies—our extensive healthcare product offerings and logistical distribution capabilities, our close relationships with customers and supplier partners, and our extensive communication network—in creative and innovative ways, we further the goals of many worthy programs. And by “helping health happen” we believe that we are furthering our Company’s long-term success.

In 2006, Henry Schein Cares™ activities broadened in scope. We sponsored high-profile access to care programs such as Give Kids A Smile and Healthy Children, Healthy Lifestyles, and created the Henry Schein Comfort Cart at New York’s Schneider Children’s Hospital. Our community-based initiatives included our annual Back to

School and Holiday Cheer programs in the U.S., and the Crisis at Christmas and Help a Local Child initiatives in the U.K. In Germany, we produced a play for kindergartners to educate children about the importance of oral health, while in France we supported the Bucco Bus to provide dental care to the elderly in nursing homes. We provided support for healthcare missions to Africa, helped people in need around the world through Medshare International and Direct Relief International, and contributed humanitarian relief supplies for Lebanon and Israel through the International Medical Corps. Finally, we helped to rebuild our customers’ practices on the U.S. Gulf Coast, and, with the ADA, donated the state-of-the-art mobile dental clinic Tomorrow’s Dental Office Today to the State of Mississippi for ongoing outreach.



Through Henry Schein Cares, our global social responsibility program, we help enhance healthcare advocacy and education; increase access to care among underserved populations; strengthen community wellness programs; and prepare for and respond to disasters.



75 Years of Success

Henry Schein has a history of driving change and innovation in the industries it serves. The Company has frequently transformed itself to meet customers' needs, take advantage of new technologies, and tap into burgeoning markets. These are some of the changes that Henry Schein has undergone and innovations it has introduced over the years.



1950s

Henry Schein shifts business focus from customers to office-based practitioners

1959

Sales: \$1 Million;
15 TSMs



1962

Company introduces 1st Henry Schein Catalog

1969

Sales: \$5.7 Million;
35 TSMs

Did You Know?

Up until the 1960s, many Team Schein Members called Henry Schein "Papa."

1985

Company focuses on veterinary dentistry; acquires Zahn Dental

1986

Henry Schein introduces the Protex program to educate the dental profession about infection control



1989

Stanley Bergman becomes Chairman and CEO of Henry Schein following the untimely death of Jay Schein;
Sales: \$225 Million;
890 TSMs

1990

Henry Schein begins international expansion (The Netherlands, United Kingdom, and Spain)



Did You Know?

Henry Schein's European expansion began in the Netherlands in 1990. The most popular item sold internationally on the first day was tennis balls.

1999

Company acquires Heiland (Germany) and GIV (U.S.)

2000

Henry Schein becomes the only Pan-European dental, medical, and veterinary distributor;
Sales: \$2.38 Billion;
6,200 TSMs

2001

Company introduces the Digital Dental Office, Privileges customer loyalty program, and Customer Analysis Tool (CAT) system; establishes the Henry Schein Cares global social responsibility program

2002

Henry Schein establishes Sullivan-Schein University; begins role as exclusive distributor of professional products for ADA's Give Kids A Smile! program;
Sales: \$2.68 Billion;
6,900 TSMs

2003

Company acquires Colonial Surgical (U.S.) and Hager Dental (Germany)



"This is what we are really all about — technology, a concern for people, and a concern for results."

- Jay Schein



1932

Henry Schein is founded by Henry and Esther Schein as a storefront pharmacy in Queens, NY; 2 TSMs

1935

Company fulfills mail order prescriptions using flyers

1940s

Company introduces private-brand dental, medical, and veterinary products

1942

Company begins direct sale of penicillin to customers

1949

Sales: \$175,000; 4 TSMs



Did You Know?

The initial investment in Henry Schein, Inc. in 1932 was \$500.

"Through the years, we always insisted on making our people feel special, like family."

- Esther Schein

1971

Company focuses on dental practitioners, concentrating on operational excellence and discounted prices



1979

Sales: \$58 Million; 180 TSMs



1980

Jay Schein becomes Chairman and CEO of Henry Schein, Inc., beginning a new period of record growth and prosperity for the Company



1983

Introduction of TouchTone™ telephone ordering

Did You Know?

In 1983, Henry Schein led the industry with ProTONE™, the first electronic system allowing customers to order by TouchTone™ phone.

1984

Company becomes first in the industry to fully automate the distribution cycle



1994

Company leads the industry with a dental practice-management software system; electronic claims processing is offered

1995

Henry Schein is listed on NASDAQ Marketplace (HSIC), raising \$72.8 million in the initial public offering; acquires Veratex

Did You Know?

Shares of Henry Schein traded publicly on NASDAQ for the first time on November 3, 1995. The initial price was \$8 per share (split-adjusted).

1996

Company introduces unique integrated sales and marketing approach to serving customers (field sales, telesales, direct marketing); Sales: \$830 Million; 3,200 TSMs



1997

Henry Schein acquires Sullivan Dental Products, Dentrix Dental Systems, and Caligor; Company becomes largest healthcare distributor serving office-based practitioners

1998

Company acquires Regional Healthcare (Australia), Arcona (Canada), and Meer Dental (U.S.); Sales: \$1.92 Billion; 5,500 TSMs

2004

Henry Schein debuts on FORTUNE 500; acquires Demedis (Germany), KRUGG (Italy), Ash Temple (Canada), and Barton-Cyker Dental Supply (U.S.); introduces Tomorrow's Dental Office Today (TDOT); Sales: \$3.9 Billion; 9,600 TSMs



2005

Henry Schein celebrates 10 years as a publicly traded company; Company acquires Ash Temple (Canada), Halas Dental (Australia), and Shalfoon Brothers (New Zealand)



2006

Henry Schein is again included in FORTUNE's list of America's Most Admired Companies and ranked Number 1 in the industry for social responsibility; Company acquires NLS Animal Health, Darby Medical Supply, Island Dental, Darby Dental Laboratory Supply, and Provet Holding AG (Switzerland); Sales: \$5.15 Billion; More than 11,000 TSMs



2007

"For 75 years, our values-based Team Schein culture, our unsurpassed level of customer service, and our commitment to social responsibility have distinguished Henry Schein in the marketplace and made us one of FORTUNE's 'Most Admired' companies.

As we continue to grow beyond this milestone year, preservation of this unique corporate culture will ensure that our best years are still to come."

- Stanly M. Bergman

SELECTED FINANCIAL DATA

The following selected financial data, with respect to our financial position and results of operations for each of the five fiscal years in the period ended December 30, 2006, set forth below, has been derived from, should be read in conjunction with and is qualified in its entirety by reference to, our consolidated financial statements and notes thereto. The selected financial data presented below should also be read in conjunction with ITEM 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and ITEM 8, "Financial Statements and Supplementary Data."

	Years ended				
	December 30, 2006	December 31, 2005 ⁽¹⁾	December 25, 2004 ⁽¹⁾	December 27, 2003 ⁽¹⁾	December 28, 2002 ⁽¹⁾
	(in thousands, except per share data)				
Income Statement Data:					
Net sales	\$5,153,097	\$4,635,929	\$3,898,485	\$3,194,031	\$2,675,645
Gross profit	1,480,055	1,316,936	1,054,465	908,163	771,538
Selling, general and administrative expenses ⁽²⁾	1,175,158	1,053,798	862,267	690,393	591,915
Operating income	304,897	263,138	192,198	217,770	179,623
Other expense, net	(9,295)	(16,534)	(11,121)	(8,973)	(6,933)
Income from continuing operations before taxes, minority interest and equity in earnings of affiliates	295,602	246,604	181,077	208,797	172,690
Income taxes from continuing operations	(105,220)	(90,456)	(67,016)	(77,959)	(63,487)
Minority interest in net income of subsidiaries	(8,090)	(5,963)	(1,486)	(2,807)	(2,591)
Equity in earnings of affiliates	835	827	1,699	931	659
Income from continuing operations	183,127	151,012	114,274	128,962	107,271
Income (loss) from discontinued operations, net of tax ⁽³⁾	(19,368)	(11,253)	2,565	(794)	4,146
Net income	\$ 163,759	\$ 139,759	\$ 116,839	\$ 128,168	\$ 111,417
Earnings from continuing operations per share:					
Basic	\$ 2.08	\$ 1.74	\$ 1.31	\$ 1.48	\$ 1.23
Diluted	2.04	1.71	1.29	1.45	1.21
Earnings (loss) from discontinued operations per share:					
Basic	\$ (0.22)	\$ (0.13)	\$ 0.03	\$ (0.01)	\$ 0.05
Diluted	(0.22)	(0.13)	0.03	(0.01)	0.04
Earnings per share:					
Basic	\$ 1.86	\$ 1.61	\$ 1.34	\$ 1.47	\$ 1.28
Diluted	1.82	1.58	1.32	1.44	1.25
Weighted-average common shares outstanding:					
Basic	87,952	87,006	87,253	87,417	86,978
Diluted	89,820	88,489	88,646	89,099	89,007

	Years ended				
	December 30, 2006	December 31, 2005	December 25, 2004	December 27, 2003	December 28, 2002
	(in thousands)				
Net Sales by Market Data:					
Healthcare Distribution⁽⁴⁾					
Dental ⁽⁵⁾	\$2,136,830	\$1,896,643	\$1,602,457	\$1,364,812	\$1,227,273
Medical ⁽⁶⁾	1,516,155	1,394,121	1,284,279	1,178,310	944,600
International ⁽⁷⁾	1,401,889	1,256,910	928,207	576,628	437,046
Total Healthcare Distribution	5,054,874	4,547,674	3,814,943	3,119,750	2,608,919
Technology ⁽⁸⁾	98,223	88,255	83,542	74,281	66,726
Total	\$5,153,097	\$4,635,929	\$3,898,485	\$3,194,031	\$2,675,645

	As of				
	December 30, 2006	December 31, 2005	December 25, 2004	December 27, 2003	December 28, 2002
	(in thousands)				
Balance Sheet Data:					
Total assets	\$2,881,146	\$2,583,120	\$2,433,670	\$1,819,370	\$1,558,052
Long-term debt	455,806	489,520	525,682	247,100	242,561
Minority interest	21,746	12,353	12,438	11,532	6,748
Stockholders' equity ⁽¹⁾	1,470,963	1,249,154	1,117,706	1,006,551	863,133

See page 21 for Notes For Selected Financial Data.

NON-GAAP DISCLOSURES

The following table sets forth, for the periods indicated, a reconciliation of operating income and income from continuing operations adjusted to reflect the effects of discontinued operations, as reported to adjusted operating income and adjusted income from continuing operations. The diluted earnings from continuing operations per share and weighted-average common shares outstanding information reflects a two-for-one stock split effected in the form of a dividend that became effective on February 28, 2005.

	Years ended			December 30, 1995
	December 25, 2004	December 27, 2003	December 28, 2002	
	(in thousands, except per share data)			
Operating income (loss), as reported	\$ 192,198	\$ 217,770	\$ 179,623	\$ (1,474)
Adjustments:				
Merger, integration, and restructuring credits	-	-	(734)	-
Special management compensation costs	-	-	-	20,797
One-time charge related to influenza vaccine contract	13,246	-	-	-
Adjusted operating income	205,444	217,770	178,889	19,323
Adjusted operating margin	5.3%	6.8%	6.7%	3.1%
Income (loss) from continuing operations, as reported	114,274	128,962	107,271	(10,479)
Adjustments, net of tax:				
Merger, integration, and restructuring credits	-	-	(734)	-
Special management compensation costs	-	-	-	19,623
Gains on real estate transactions	-	(454)	(890)	-
One-time charge related to influenza vaccine contract	8,358	-	-	-
Adjusted income from continuing operations	\$ 122,632	\$ 128,508	\$ 105,647	\$ 9,144
Diluted earnings (loss) from continuing operations per share:				
As reported	\$ 1.29	\$ 1.45	\$ 1.21	\$ (0.39)
Adjusted	1.39	1.44	1.19	0.34
Diluted weighted-average common shares outstanding:	88,646	89,099	89,007	26,894

NOTES FOR SELECTED FINANCIAL DATA:

- Adjusted to reflect the effects of our adoption of FAS 123(R) using the modified retrospective application.
- During 2004, we recorded a \$13.2 million pre-tax (\$8.4 million post-tax) charge related to our Fluvirin® contract with Chiron Corporation. This charge, which represented the write-off of a deferred expense associated with the 2005/2006 influenza season, occurred as a result of the significant uncertainty about whether Chiron would be able to provide Fluvirin® for the 2005/2006 influenza season. The effect that this charge had on earnings per share for the year ended December 25, 2004 was \$(0.10).
- On April 1, 2006, we sold substantially all of the assets of our Hospital Supply Business, previously reported as part of our healthcare distribution reportable segment. The sale price was \$36.5 million, which was received during the second quarter of 2006. As a result of this sale, included in the operating results from discontinued operations for 2006 is a \$32.3 million (\$19.4 million after-tax) loss on the sale, including \$3.5 million (\$2.1 million after-tax) of transitional service obligations and selling costs. Also, because the decision to divest this business was reached in 2005, we recorded an impairment charge to our long-lived assets of approximately \$7.0 million, net of tax, or \$(0.08) per diluted share in 2005.
In the third quarter of 2003, we sold PMA Bode GmbH, an X-ray film distribution business located in Germany, which was a component of our healthcare distribution business. This sale resulted in a loss of \$2.0 million, net of tax, or \$(0.02) per diluted share. Due to immateriality, we have not reflected the operating results, other than the loss on sale, of PMA Bode separately as a discontinued operation for any of the periods presented. This was partially offset by the Hospital discontinued operation discussed above.
- Consists of consumable products, small equipment, laboratory products, large dental equipment, branded and generic pharmaceuticals, vaccines, surgical products, diagnostic tests, infection-control products and vitamins.
- Consists of products sold in the United States and Canada.
- Consists of products sold in the United States' medical and animal health markets.
- Consists of products sold in the dental, medical and animal health markets, primarily in Europe.
- Consists of practice management software and other value-added products and services, which are sold primarily to healthcare providers in the United States and Canada.

USE OF NON-GAAP MEASURES:

The above information includes financial measures that are not calculated and presented in accordance with accounting principles generally accepted in the United States ("GAAP"). The above table reconciles operating income, income from continuing operations and diluted earnings (loss) from continuing operations per share, our most directly comparable measure calculated and presented in accordance with GAAP, to comparable amounts as adjusted to eliminate the effect of one-time items.

We eliminated the effect of such one-time items to assist in evaluating the underlying operational performance of our business, excluding such one-time items, over the periods presented. We believe that this presentation is appropriate and facilitates such an evaluation by us, investors and analysts. These measures should be considered supplemental to, and not a substitute for or superior to, financial measures calculated in accordance with GAAP.

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Former Commissioner of Health for the City of New York

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Donald Kabat,
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Norman Matthews

Former President, Federated Department Stores; Member, Henry Schein, Inc. Board of Directors

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Marilyn Hughes Gaston,
Glenna Crooks

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Louis W. Sullivan,
Martin Sperber,
Norman Matthews,
Jeffrey A. Gelfand



Charles N. Aswad, M.D.

Executive Vice President, CEO, Medical Society of the State of New York, Emeritus

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L. Jackson Brown, D.D.S., Ph.D.

Associate Executive Director, Health Policy Resources Center, American Dental Association

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Private Practice; Former President, American Dental Association

Raul Garcia, D.M.D., MMedSc

Professor and Chairman, Department of Health Policy & Health Services Research, Boston University School of Dental Medicine

Leslie Grant, D.D.S., MSPA

Immediate Past President, National Dental Association

David Hoexter, D.M.D.

Clinical Professor of Periodontology, Temple University School of Dentistry; Editor-in-Chief, Dental Tribune; and past President of American College of Oral Implantology and New England American Academy of Implant Dentistry

Lawrence Meskin, D.D.S., Ph.D.

Professor and Director of Continuing Education, past Dean University of Colorado, School of Dentistry; former Editor, Journal of the American Dental Association

Oral Health Advisory Board

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Greg Chadwick,
David Hoexter,
Raul Garcia,
Charles N. Aswad

Seated Row 1 to r:

Charles Babbash,
Leslie Grant,
Lawrence Meskin,
L. Jackson Brown

COMMON STOCK

Henry Schein Common Stock trades on the NASDAQ Stock Market® under the symbol "HSIC."

ANNUAL SHAREHOLDERS MEETING

Our Annual Meeting of Shareholders will be held on May 15, 2007 at 9:00 a.m. EDT, at the Melville Marriott Long Island, 1350 Old Walt Whitman Road, Melville, New York 11747.

HENRY SCHEIN ON THE INTERNET

For more information about Henry Schein and its products and services, go to www.henryschein.com. Other Company Web sites include: www.sullivanschein.com; www.giv.com; www.dentrix.com; www.easydental.com; www.labnet.com; www.digitaldentaloffice.com; www.zahndental.com; www.micromd.com; www.camlogimplants.com; and www.avimark.com.

SHAREHOLDER REPORTS AND INVESTOR INQUIRIES

For shareholder inquiries, including requests for quarterly and annual reports, contact our Investor Relations department at (631) 845-2820, or e-mail your request to investor@henryschein.com. Printed materials can also be requested through the Company's Web site.

FORM 10-K

A copy of the Company's annual report on Form 10-K for the fiscal year ended December 30, 2006, is available without charge to shareholders upon request to the Company's Investor Relations department. The report also is available on the Company's Web site.

INDEPENDENT REGISTERED ACCOUNTANTS

BDO Seidman, LLP
330 Madison Avenue
New York, New York 10017

LEGAL COUNSEL

Proskauer Rose, LLP
1585 Broadway
New York, New York 10036

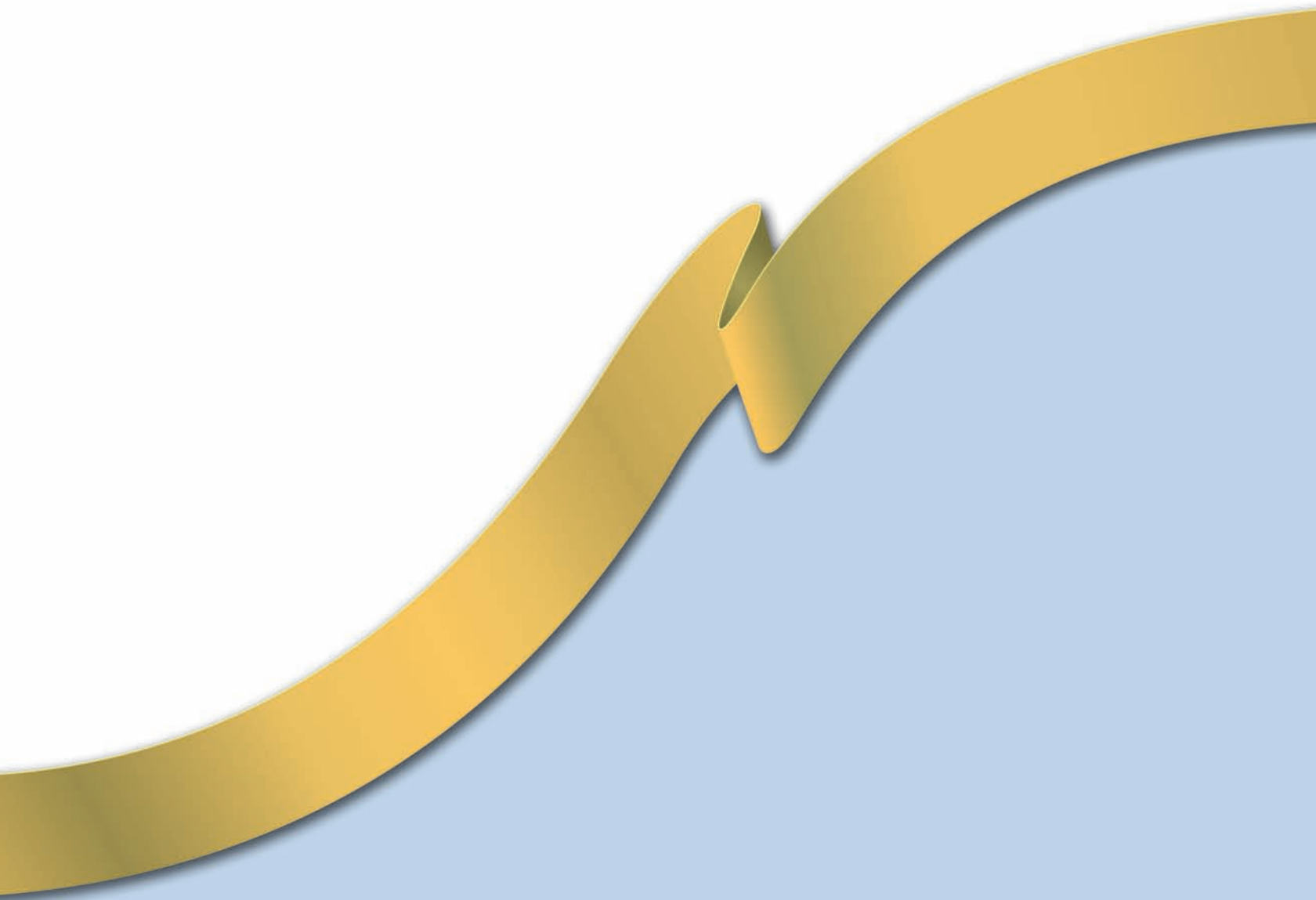
STOCK TRANSFER AGENT

For address changes, account cancellation, registration changes and lost stock certificates, please contact:
Continental Stock Transfer & Trust Company
17 Battery Place
New York, New York 10004
(212) 509-4000

In accordance with the "Safe Harbor" provisions of the Private Securities Litigation Reform Act of 1995, we provide 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 our 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 our operations and financial condition, including factors that may affect our business and future prospects, is contained in documents we have filed with the U.S. Securities and Exchange Commission (SEC) and will be contained in all subsequent periodic filings we make with the SEC. These documents identify in detail important risk factors that could cause our 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 us; financial risks associated with our international operations; fluctuations in quarterly earnings; our dependence on third parties for the manufacture and supply of our products; transitional challenges associated with acquisitions; regulatory and litigation risks; the dependence on our continued product development, technical support and successful marketing in the technology segment; our dependence upon sales personnel and key customers; our dependence on our senior management; possible increases in the cost of shipping our products or other service trouble with our third-party shippers; risks from rapid technological change; risks from potential increases in variable interest rates; financial risks associated with acquisitions; possible volatility of the market price of our common stock; certain provisions in our governing documents that may discourage third-party acquisitions of us; and changes in tax legislation that affect us. The order in which these factors appear should not be construed to indicate their relative importance or priority.

We caution that these factors may not be exhaustive and that many of these factors are beyond our ability to control or predict. Accordingly, forward-looking statements should not be relied upon as a prediction of actual results. We undertake no duty and have no obligation to update forward-looking statements.





CORPORATE MISSION

To be the worldwide leader
in providing the best quality
and value in products and services
for our healthcare customers.

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