



HELPING HEALTH HAPPEN[®]

 HENRY SCHEIN[®]

ANNUAL REPORT 2008

ABOUT THE COVER

During these times of economic uncertainty when healthcare practitioners are facing new challenges and opportunities, Henry Schein is **"helping health happen"** in all that we do – through the expert advice and superior service we provide to our customers; the comprehensive selection of technology-driven products and value-added services we offer; the unsurpassed efficiency and accuracy of our worldwide operations; and the global, national and local healthcare issues we address through Henry Schein Cares.



One of Henry Schein's strengths is the Company's centralized, leveragable infrastructure, which has capacity for additional growth.

Henry Schein, Inc., a FORTUNE 500® company and a member of the NASDAQ 100® Index, is the largest distributor of healthcare products and services to office-based practitioners in the combined North American and European markets. The Company has been named “Most Admired” in its industry in FORTUNE's list of the World's Most Admired Companies, and number one in its industry in social responsibility for five consecutive years.

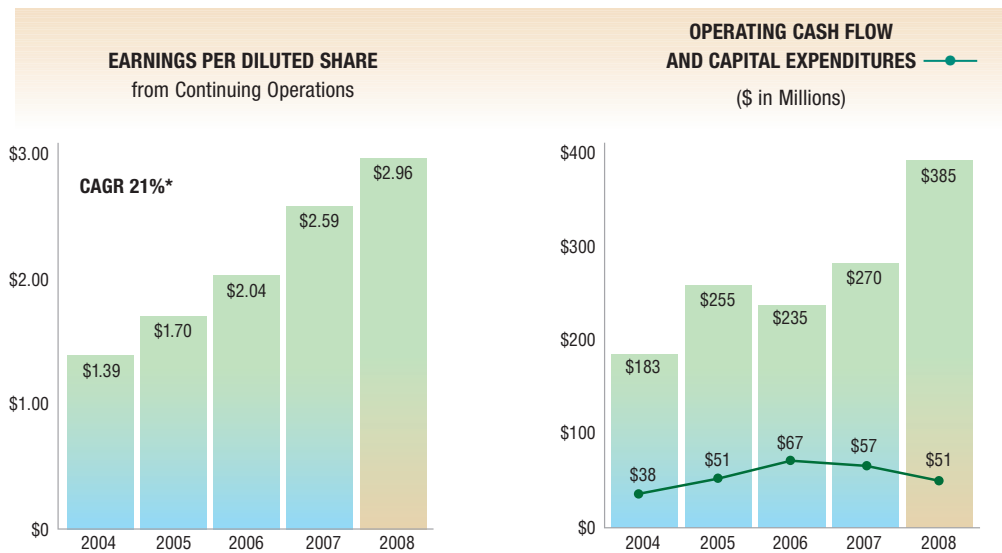
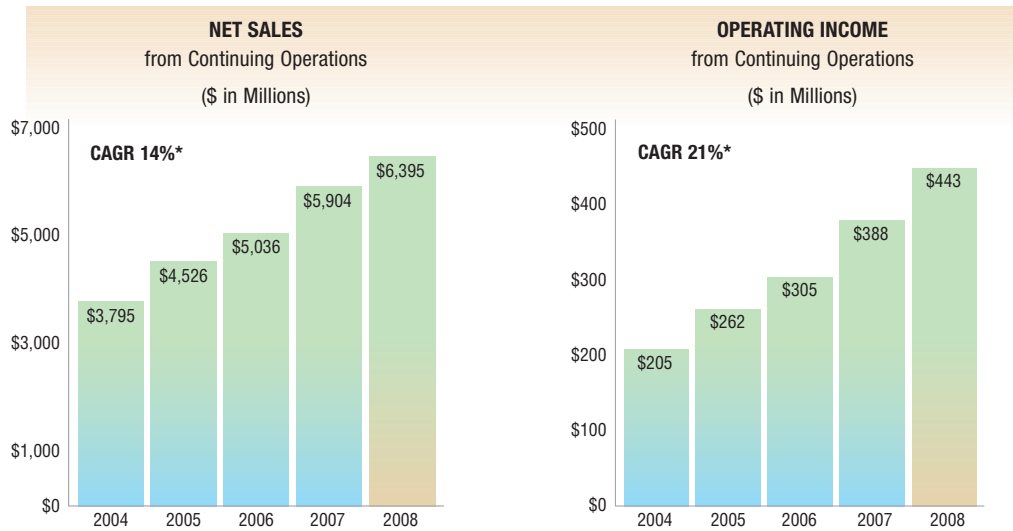
Henry Schein is recognized for its excellent customer service and highly competitive prices. The Company's four

business groups—Dental, Medical, International and Technology—serve more than 575,000 healthcare practitioners worldwide, as well as governments 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 90,000 national and Henry Schein brand products in stock, as well as more than 100,000 additional products available 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 dental and medical practice-management and electronic medical records software solutions have an active user base of more than 60,000 practices.

Headquartered in Melville, New York, Henry Schein employs more than 12,500 people and has operations or affiliates in 23 countries. The Company's net sales reached a record \$6.4 billion in 2008. For more information, visit the Henry Schein Web site at www.henryschein.com.

FINANCIAL HIGHLIGHTS



*Compound Annual Growth Rate

NOTE:
Operating Income and Earnings Per Diluted Share from Continuing Operations have been adjusted to exclude certain one-time items. Refer to Non-GAAP Disclosures on page 8. Additionally, refer to our annual consolidated financial statements for a complete presentation of our Consolidated Statements of Cash Flows.



DENTAL

- Includes Henry Schein Dental (U.S.), Henry Schein Canada and Zahn Dental Laboratory (U.S.)
- Serves approximately 85% of the estimated 136,000 U.S. and Canadian office-based dental practices, dental laboratories, as well as governments and other institutions
- Offers approximately 46,000 in-stock products and many more as special-order items
- Key product exclusives/semi-exclusives: E4D CAD/CAM restorative system; Arestin® by Orapharma; Ortho Organizers® orthodontic products; Camlog™ dental implant system; Colgate® Oral Care Products; DEXIS® digital radiography products; i-CAT® 3-D Imaging Systems; BIOLASE® dental laser systems; KaVo; Noritake dental materials; Pelton & Crane; Pentron® Laboratory Products; Gendex®; surgical instruments from A. Titan Instruments; Snap-on Smile® restorative appliances; Shade-X™ and ShadeVision® from X-Rite
- Key 2008 acquisition: Ortho Organizers

MEDICAL

- Serves approximately 45% of the estimated 250,000 U.S. office-based physician practices, as well as surgical centers and other alternate-care sites
- Offers approximately 32,000 medical products in stock and many more as special-order items
- Leading supplier of medical consumables, a wide range of pharmaceuticals and technology-driven equipment to physicians and alternate-care sites
- Purchase plans provide for the American Medical Association, the American Society of Plastic Surgeons, the American Academy of Dermatology, and the American Academy of Ophthalmology
- Key product exclusives/semi-exclusives: Medline products and services for office-based practitioners, Ambulatory Surgery Centers and Integrated Delivery Networks; Henry Schein Rx Samples Service powered by MedManage™

ANIMAL HEALTH

- Serves approximately 75% of the estimated 27,000 U.S. animal health practices
- Offers approximately 22,000 animal health products in stock and many more as special-order items
- Important new animal health product introductions in 2008: Promeris® and Vectra 3D™ topical flea and tick treatments for dogs and cats; Comfortis™ monthly flea treatment pill; MyVetDirect online pharmacy for home delivery of prescriptions written by veterinarians

INTERNATIONAL

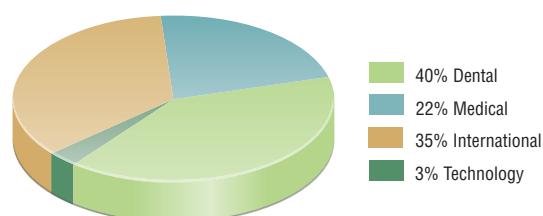
- Serves approximately 240,000 office-based dental, medical and animal health practices through operations or affiliates in 21 countries outside of North America
- Countries served are Australia, Austria, Belgium, China, the Czech Republic, France, Germany, Iceland, Ireland, Israel, Italy, Luxembourg, the Netherlands, New Zealand, Portugal, Saudi Arabia, Slovakia, Spain, Switzerland, the United Arab Emirates, and the United Kingdom
- Schein Direct provides direct air package delivery service to practitioners in more than 200 countries around the world
- Key 2008 acquisitions: DNA Anthos Impianti (Dental, Italy); Medka (Medical, Germany); Noviko (Animal Health, Czech Republic); ABC Group of Companies (Dental, Hong Kong); Minerva Dental (Dental, U.K.); Sirona Ibérica (Dental, Spain)

TECHNOLOGY AND VALUE-ADDED SERVICES

- Henry Schein Practice Solutions supports dental clients and Henry Schein Medical Systems supports medical clients
- Practice management and electronic medical records systems active user base of more than 60,000 dental, medical and animal health practices
- Key products include: DENTRIX®, Dental Vision, Oasis®, EXACT®, and Easy Dental® for dental practices; MicroMD® for medical providers in primary care and all major specialties; LabNet® for dental laboratories; and AVImark® for animal health practices
- Value-added services include: repair services through ProRepair® and COMPLETEcare; office design services; continuing education for healthcare professionals; electronic health claims processing (52 million claims processed in 2008); Office Automation Technology Solutions; 24/7 ordering capability through the ARUBA® Web-based electronic catalog; and Financial Services such as equipment leasing and financing, patient financing, and electronic credit card processing

2008 WORLDWIDE NET SALES from Continuing Operations

\$6.4 Billion



“Healthcare is historically more resistant to macroeconomic challenges.”



By any measure, 2008 was a challenging year for corporations around the world, particularly those operating in the United States. Henry Schein was not immune to these challenges, although our Company fared better than most. Healthcare is historically more resistant to macroeconomic challenges. Henry Schein is strategically and geographically diversified, operationally efficient and customer focused, making us more resilient to these turbulent times. Our financial results for 2008 clearly illustrate this fact.

2008 Financial Results

Our 2008 record net sales of \$6.4 billion represent an increase of 8.3% compared with 2007. This increase includes 7.5% local currency growth (1.3% internally generated and 6.2% from acquisitions) and 0.8% related to foreign currency exchange. Excluding sales of certain lower-margin pharmaceutical products that we discontinued selling in 2008, internal net sales growth in local currencies was 3.6%.

Our income from continuing operations for 2008 was \$251.0 million, or \$2.75 per diluted share. Excluding certain one-time charges¹, income from continuing operations for 2008 was \$270.0 million, or \$2.96 per diluted share, reflecting growth of 14.4% and 14.3%, respectively, compared with 2007.

Our operating margin excluding certain one-time charges for 2008 was 6.9%, an increase of 35 basis points, which is in line with our stated Company goal for annual operating margin expansion. We also generated record operating cash flow of \$384.6 million for the year.

Growth during 2008 continued to be enhanced by strategic acquisitions, which included:

- Minerva Dental, a full-service dental distributor in the U.K., which strengthens our presence in the U.K. dental equipment market;
- Noviko, the leading distributor of animal health supplies in the Czech Republic, the addition of which we believe makes Henry Schein the largest Pan-European animal health distributor;
- DNA Anthos Impianti, which adds national equipment sales and service capabilities to Henry Schein's offering in Italy;
- Medka, a full-service provider of medical consumables, equipment and technical services in Germany, which complements our current German operations;
- ABC Group of Companies, a Hong Kong-based dental equipment and merchandise distributor that extends our presence in the growing Chinese dental market;
- Sirona Ibérica, a distribution subsidiary of Sirona Dental Systems, which enhances our offering of capital equipment and technology-driven products in Spain; and
- Ortho Organizers, a California-based orthodontics manufacturer and distributor.

¹ Third quarter 2008 charge related to the Lehman Brothers bankruptcy (\$0.03 per diluted share after tax) and fourth quarter 2008 restructuring costs (\$0.18 per diluted share after tax).

Resiliency, Reinvention and Relevancy

The resiliency of a company during challenging times is largely based on its ability to reinvent itself and become more relevant to customers. Henry Schein's continued success will come through our commitment to more effectively help our customers meet growing practice challenges.

Our mission is to help our customers run more efficient and profitable practices as they provide patients the highest standards of patient care. By continuously answering our customers' most important question—"How can Henry Schein help me thrive during this unstable economic time?"—we are determined to become even more relevant to the success of our customers' practices.

Relevancy begins by listening to our customers. In 2008, we launched the inaugural Henry Schein Survey of Healthcare Practitioners, in which we asked our dental, medical and animal health customers for their opinions on a number of topics. The number one "top of mind" issue that emerged was that our customers are forced to spend more time managing practices at the expense of providing patient care (52% medical, 42% animal health and 41% dental). Additionally, our customers remain committed to incorporating new technology in their practices, with nearly 9 of 10 customers surveyed saying that technology will play an increasingly important role. Environmental consequences also are influencing practices, and we saw a sustained commitment to volunteer activity across all three customer groups.

"Henry Schein's continued success will come through our commitment to more effectively help our customers meet growing practice challenges."

"Helping Health Happen"

Henry Schein is "helping health happen®" in a number of ways, including helping our customers with financing. Through Henry Schein Financial Services, a strategic advantage for our Company, we can help ensure that customers have competitive financing options for their patients and their practices, making it easier to purchase equipment and technology—driving practice success now and in the future. In 2008, we helped more than 11,000 Henry Schein customers in the United States enhance their practices with financing options through third parties, at no credit risk to us.

We also are providing value to our customers through our nearly 20,000 proprietary Henry Schein brand products, many of which have a leading market share in their respective categories. These high-quality products come with the Henry Schein Seal of Excellence, which guarantees satisfaction to our customers.

We also will continue to meet our commitment to our other four constituencies. Our supplier partners are relying on us to develop a trusted relationship with our customers, offering our suppliers' products as solutions to practice needs. Our investors expect us to take all necessary steps to improve our organizational efficiency and build market share, so we will continue to grow, be profitable and provide a good return on investment. The more than 12,500 members of Team Schein will be crucial to the reinvention of our Company if we are to take advantage of the opportunities resulting from the enormous economic changes we are now experiencing. And, our Company's ongoing vitality will enable us to continue to participate in innovative public-private partnerships that give back to society and address important healthcare issues, many of which become more acute during times of economic challenge.

For our efforts through Henry Schein Cares, our global social responsibility program, we are proud that Henry Schein has been named "Most Admired" in our industry in FORTUNE's list of the World's Most Admired Companies, and ranked number one in our industry in social responsibility for five consecutive years. Through flagship programs such as Give Kids A Smile and Healthy Children, Healthy Lifestyles,



The wide range of Henry Schein Cares programs—including (from left to right) Give Kids A Smile, Holiday Cheer for Children, Back to School, and Healthy Children, Healthy Lifestyles—are helping to enhance healthcare advocacy and education; increase access to care; strengthen community wellness programs; and further humanitarian relief and disaster response.

through our core donation program, and through partnerships with other companies, academia, government and non-governmental organizations, we are supporting a wide range of initiatives that enhance healthcare advocacy and education; increase access to care among underserved populations; strengthen community wellness programs and volunteer activities; and further humanitarian relief and disaster response. To continue to expand the impact of our social responsibility programs, in 2008 we began the process of creating the Henry Schein Cares Foundation.

Shared Commitment and Optimism

As we face today's challenges and opportunities, Henry Schein's senior leadership is resolved to take the steps necessary to ensure the long-term vitality of our Company, and all Team Schein Members are committed to our shared vision. We share a sense of optimism based on our Company's financial strength, values, strong partnerships, ideal markets and strategic focus on the future.

We have an outstanding business and a solid balance sheet. The markets we serve remain fragmented, with about one-half of them in the hands of smaller competitors. With nearly \$370 million in cash and equivalents, low debt levels, positive cash flow and an unused \$400 million five-year credit facility, we are in a very strong financial position to implement our strategic plan and to seize new business opportunities, while at the same time, we continue to focus on expense reduction and margin management.

There is a growing demand for office-based healthcare services driven by baby boomers and emerging markets, as well as the potential that government policy, especially in the United States, will expand access to care. Henry Schein is well positioned to arrange for customer financing during this time of limited access to credit. And we remain committed to the five constituencies of our Company's mosaic of success: our customers, supplier partners, investors, Team Schein, and society.

These facts, coupled with our entrepreneurial Team Schein culture, make our Company more resilient in turbulent times and position us well to take advantage of emerging opportunities. Without question, this is a remarkable time—a time that requires reinvention and increased relevancy for our Company, as well as consistent expense management—but Henry Schein continues to be well positioned, and I remain convinced that our best years are yet to come. On behalf of our Board of Directors and my Team Schein colleagues, we thank you for your continued support.

Sincerely,

Stanley M. Bergman

Chairman and Chief Executive Officer

EXECUTIVE OFFICERS AND BOARD OF DIRECTORS

EXECUTIVE OFFICERS



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Chairman and Chief Executive Officer



Stanley Komaroff
Senior Advisor



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*Executive Vice President and
Chief Administrative Officer*



Mark E. Mlotek ⁽⁵⁾
*Executive Vice President,
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James P. Breslawski ⁽⁵⁾
President and Chief Operating Officer



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President, International Group

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Morehouse School of Medicine*

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(3) Member Nominating and Governance Committee

(5) Member Board of Directors

(2) Member Compensation Committee

(4) Member Strategic Advisory Committee

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 27, 2008	December 25, 2004
	(in thousands, except per share data)	
Operating income, as reported	\$ 419,603	\$ 191,949
Adjustments:		
Restructuring costs ⁽¹⁾	23,240	-
One-time charge related to influenza vaccine contract ⁽²⁾	-	13,246
Adjusted operating income	442,843	205,195
Adjusted operating margin	6.9%	5.4%
Income from continuing operations, as reported	251,011	114,129
Adjustments, net of tax:		
Restructuring costs ⁽¹⁾	15,991	-
One-time charge related to influenza vaccine contract ⁽²⁾	-	8,358
Loss related to the Lehman Brothers bankruptcy ⁽³⁾	3,045	-
Adjusted income from continuing operations	\$ 270,047	\$ 122,487
Diluted earnings from continuing operations per share:		
As reported	\$ 2.75	\$ 1.29
Adjusted	2.96	1.39
Diluted weighted-average common shares outstanding:	91,221	89,646

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 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.

NOTES:

- (1) During 2008, we recorded restructuring costs of \$23.4 million pre-tax (\$16.0 million post-tax). The effect that this charge had on earnings per diluted share from continuing operations for the year ended December 27, 2008 was (\$0.18).
- (2) 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 diluted share from continuing operations for the year ended December 25, 2004 was (\$0.10). Excluding this charge, our earnings per diluted share from continuing operations for 2004 was \$1.39.
- (3) During 2008, we recorded a charge related to the Lehman Brothers bankruptcy of \$4.5 million pre-tax (\$3.0 million post-tax). The effect that this charge had on earnings per diluted share from continuing operations for the year ended December 27, 2008 was (\$0.03).

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 HENRY SCHEIN®