

Henry Schein Reports Record Second Quarter Results

August 5, 2008

Sales increase 19% to \$1.6 billion

Diluted EPS from continuing operations up 18% to \$0.71

MELVILLE, N.Y.--(BUSINESS WIRE)--Aug. 5, 2008--Henry Schein, Inc. (NASDAQ: HSIC), the largest provider of healthcare products and services to office-based practitioners in the combined North American and European markets, today reported record financial results for the quarter ended June 28, 2008.

Net sales for the second quarter of 2008 were \$1.6 billion, an increase of 18.6% compared with the second quarter of 2007. This increase includes 13.6% local currency growth (4.0% internally generated and 9.6% from acquisitions) and 5.0% related to foreign currency exchange. (See Exhibit A for details of sales growth.) The Company previously announced an initiative of reducing sales of certain lower-margin pharmaceutical products. Excluding sales of those products, internal net sales growth in local currencies was 6.6%.

Income from continuing operations for the second quarter of 2008 was \$65.5 million, or \$0.71 per diluted share, up 20.3% and 18.3%, respectively, compared with the prior-year second quarter. There was no impact from discontinued operations on our 2008 results.

"Second quarter financial results reflect a strong contribution from our International Group, as well as solid growth in our Dental Group," said Stanley M. Bergman, Chairman and Chief Executive Officer of Henry Schein. "These results illustrate Henry Schein's ability to deliver consistent sales and earnings growth."

Dental Group sales of \$660 million increased 9.7%, including 8.7% growth in local currencies (7.2% internally generated and 1.5% from acquisitions) and 1.0% growth related to foreign currency exchange. Of the 8.7% local currency growth, Dental consumable merchandise sales increased 7.9% (6.3% internal growth and 1.6% acquisition growth) and Dental equipment sales and service revenues were up 11.0% (9.9% internal growth and 1.1% acquisition growth).

"Our Dental Group continues to gain market share in consumable merchandise and in equipment," commented Mr. Bergman. "We recorded another quarter of double-digit growth in equipment sales and service revenues, highlighted by gains in high-tech products, including acceleration in sales of the E4D CAD/CAM product compared with the first quarter."

Medical Group sales of \$329 million declined 8.3% (8.9% decline in internal growth and 0.6% acquisition growth). Excluding sales of certain lower-margin pharmaceutical products, noted above, internal Medical Group net sales growth was approximately 1%.

"With the progress we have made under the Medical One World initiative, coupled with the growth we have seen in Privileges enrollment, we look forward to capitalizing on future sales growth opportunities within our Medical Group," said Mr. Bergman. "We are also optimistic about the upcoming influenza vaccine season, based on current market conditions and customer order activity."

For the quarter, International Group sales of \$615 million increased 55.7%, including 39.7% growth in local currencies (10.9% internally generated and 28.8% from acquisitions) and 16.0% related to foreign currency exchange.

"Our International Group reported strong growth in all major markets, highlighted by solid Dental growth," added Mr. Bergman. "We are also pleased to report that W. & J. Dunlop continues to perform above expectations."

Technology and Value-Added Services Group sales of \$41 million increased 29.0%, including 28.6% growth in local currencies (1.8% internally generated and 26.8% acquisition growth) and 0.4% growth related to foreign currency exchange.

"Results reflect good growth in electronic and financial services, as well as last year's acquisition of Software of Excellence, a leading supplier of innovative clinical and practice management solutions to dentists," stated Mr. Bergman. "During the second quarter we launched Easy Dental 2008, offering dentists increased functionality and improved productivity."

Year-to-Date Results

For the first six months of 2008, net sales of \$3.2 billion represent an increase of 17.6% compared with the first six months of 2007. This increase includes 12.8% local currency growth (3.5% internally generated and 9.3% from acquisitions) and 4.8% related to foreign currency exchange. Excluding sales of certain lower-margin pharmaceutical products, noted above, internal net sales growth was 6.0%. Income from continuing operations for the first six months of 2008 was \$117.8 million, reflecting 20.4% growth compared with the prior year. Earnings per diluted share from continuing operations of \$1.28 for the first six months of 2008 represents 18.5% growth over the comparable period in 2007.

Stock Repurchase Plan

Henry Schein announced that it repurchased 602,000 shares of common stock during the second quarter of 2008 for a total purchase price of nearly \$32 million. Approximately \$109 million remains authorized for future common stock repurchases. The impact of the share repurchases during the quarter was immaterial to diluted EPS.

2008 EPS Guidance

Henry Schein affirms 2008 financial guidance, as follows:

-- 2008 diluted EPS is expected to be \$2.93 to \$3.00, representing growth of 14% to 16% compared with 2007.

-- This 2008 diluted EPS guidance includes Henry Schein's expectation that it will distribute 12 million to 15 million doses of influenza vaccine during the year, representing earnings of \$0.13 to \$0.16 per diluted share.

-- 2008 diluted EPS guidance is for current continuing operations including completed or previously announced acquisitions, and does not include the impact of potential future acquisitions, if any.

Second Quarter Conference Call Webcast

The Company will hold a conference call to discuss second quarter financial results today, beginning at 10:00 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 and a member of the NASDAQ 100(R) Index, 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 550,000 customers worldwide, including dental practitioners and laboratories, physician practices and animal health clinics, as well as government and other institutions.

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 private-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(R), the Company's electronic catalog and ordering system. Its leading practice-management software solutions have an installed user base of more than 52,000 practices, including DENTRIX(R), Easy Dental(R), Oasis(R) and EXACT(R) for dental practices, MicroMD(R) for physician practices, and AVImark(R) for animal health clinics.

Headquartered in Melville, N.Y., Henry Schein employs over 12,000 people and has operations or affiliates in 20 countries. The Company's net sales reached a record \$5.9 billion in 2007. 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, we provide the following cautionary remarks regarding important factors that, 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 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 regulatory requirements that affect us; 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, including the failure to achieve anticipated synergies; financial risks 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; 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, any forward-looking statements contained herein should not be relied upon as a prediction of actual results. We undertake no duty and have no obligation to update forward-looking statements.

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

Three Months Ended		Six Months Ended	
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June 28, 2008	June 30, 2007	June 28, 2008	June 30, 2007
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Net sales	\$1,644,977	\$1,387,017	\$3,170,596	\$2,697,145
Cost of sales	1,156,562	973,240	2,230,948	1,892,322
	-----	-----	-----	-----
Gross profit	488,415	413,777	939,648	804,823
Operating expenses:				
Selling, general and administrative	375,058	322,925	741,064	640,250
	-----	-----	-----	-----
Operating income	113,357	90,852	198,584	164,573
Other income (expense):				
Interest income	3,974	4,269	7,957	8,388
Interest expense	(8,205)	(6,223)	(15,107)	(12,165)
Other, net	(291)	547	(674)	425
	-----	-----	-----	-----
Income from continuing operations before taxes, minority interest and equity in earnings (losses) of affiliates	108,835	89,445	190,760	161,221
Income taxes	(37,135)	(30,636)	(64,990)	(56,106)
Minority interest in net income of subsidiaries	(7,131)	(3,842)	(10,381)	(6,757)
Equity in earnings (losses) of affiliates	908	(528)	2,418	(505)
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Income from continuing operations	65,477	54,439	117,807	97,853
Discontinued operations:				
Loss from operations of discontinued components (including write-down of long-lived assets of \$32.7 million)	-	(32,700)	-	(32,560)
Income tax benefit	-	12,098	-	12,038
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Loss from discontinued operations	-	(20,602)	-	(20,522)
	-----	-----	-----	-----
Net income	\$ 65,477	\$ 33,837	\$ 117,807	\$ 77,331
	=====	=====	=====	=====
Earnings from continuing operations per share:				
Basic	\$ 0.73	\$ 0.62	\$ 1.32	\$ 1.11
	=====	=====	=====	=====
Diluted	\$ 0.71	\$ 0.60	\$ 1.28	\$ 1.08
	=====	=====	=====	=====

Loss from discontinued operations per share:					
Basic	\$	-	\$ (0.24)	\$ -	\$ (0.23)
	=====		=====	=====	=====
Diluted	\$	-	\$ (0.23)	\$ -	\$ (0.22)
	=====		=====	=====	=====
Earnings per share:					
Basic	\$	0.73	\$ 0.38	\$ 1.32	\$ 0.88
	=====		=====	=====	=====
Diluted	\$	0.71	\$ 0.37	\$ 1.28	\$ 0.86
	=====		=====	=====	=====
Weighted-average common shares outstanding:					
Basic		89,587	88,390	89,417	88,154
	=====		=====	=====	=====
Diluted		92,012	90,591	92,212	90,344
	=====		=====	=====	=====

HENRY SCHEIN, INC.
CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)

	June 28, 2008	December 29, 2007
	-----	-----
(unaudited)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 271,432	\$ 247,590
Available-for-sale securities	11,925	997
Accounts receivable, net of reserves of \$41,472 and \$41,315	731,499	708,307
Inventories, net	693,556	666,786
Deferred income taxes	36,203	32,827
Prepaid expenses and other	186,508	192,292
	-----	-----
Total current assets	1,931,123	1,848,799
Property and equipment, net	254,110	247,671
Goodwill	954,203	917,194
Other intangibles, net	191,039	192,420
Investments and other	139,040	107,900
	-----	-----
Total assets	\$3,469,515	\$3,313,984
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 453,800	\$ 474,009
Bank credit lines	6,207	8,977
Current maturities of long-term debt	23,624	24,319
Accrued expenses:		
Payroll and related	124,213	136,291
Taxes	87,359	73,278
Other	226,615	223,765
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Total current liabilities	921,818	940,639
Long-term debt	424,470	423,274
Deferred income taxes	92,699	80,260
Other liabilities	54,644	53,906
Minority interest	46,816	35,923

Commitments and contingencies

Stockholders' equity:

Preferred stock, \$.01 par value, 1,000,000 shares authorized, none outstanding	-	-
Common stock, \$.01 par value, 240,000,000 shares authorized, 89,762,723 outstanding on June 28, 2008 and 89,603,660 outstanding on December 29, 2007	898	896
Additional paid-in capital	693,133	673,763
Retained earnings	1,103,206	1,005,055
Accumulated other comprehensive income	131,831	100,268
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Total stockholders' equity	1,929,068	1,779,982
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Total liabilities and stockholders' equity	\$3,469,515	\$3,313,984
	=====	=====

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

	Three Months Ended		Six Months Ended	
	June 28, 2008	June 30, 2007	June 28, 2008	June 30, 2007
	-----	-----	-----	-----
Cash flows from operating activities:				
Net income	\$ 65,477	\$ 33,837	\$117,807	\$ 77,331
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	20,270	17,670	39,708	35,227
Stock-based compensation expense	6,956	6,608	16,216	10,725
Impairment from write-down of long-lived assets of discontinued operations	-	32,667	-	32,667
Provision for losses on trade and other accounts receivable	1,467	1	2,604	232
Provision for (benefit from) deferred income taxes	448	(11,833)	(2,891)	(18,688)
Undistributed (earnings) losses of affiliates	(908)	528	(2,418)	505
Minority interest in net income of				

subsidiaries	7,131	3,842	10,381	6,757
Other	(891)	151	(1,317)	(570)
Changes in operating assets and liabilities, net of acquisitions:				
Accounts receivable	(23,256)	(12,809)	(6,752)	(16,756)
Inventories	16,023	11,510	(5,064)	15,446
Other current assets	8,452	(7,413)	10,955	4,469
Accounts payable and accrued expenses	24,108	39,884	(40,612)	(66,604)
	-----	-----	-----	-----
Net cash provided by operating activities	125,277	114,643	138,617	80,741
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Cash flows from investing activities:				
Purchases of fixed assets	(9,723)	(12,403)	(23,466)	(21,336)
Payments for equity investment and business acquisitions, net of cash acquired	(15,057)	(14,391)	(23,581)	(41,823)
Purchases of available- for-sale securities	-	(70,501)	(35,925)	(88,001)
Proceeds from sales of available-for-sale securities	-	30,000	847	48,000
Net payments for foreign exchange forward contract settlements	(3,048)	(7,692)	(5,052)	(11,613)
Other	5,306	653	4,571	(4,609)
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Net cash used in investing activities	(22,522)	(74,334)	(82,606)	(119,382)
	-----	-----	-----	-----
Cash flows from financing activities:				
Proceeds from issuance of long-term debt	-	55	-	483
Repayments of bank borrowings	(2,589)	(26)	(6,508)	(281)
Principal payments for long-term debt	(4,976)	(17,468)	(5,949)	(17,925)
Proceeds from issuance of stock upon exercise of stock options	5,523	12,929	12,695	23,620
Payments for repurchases of common stock	(31,647)	-	(31,647)	(30,689)
Excess tax benefits related to stock-based compensation	1,244	2,169	4,673	8,022
Other	(977)	(721)	(1,401)	(1,457)
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Net cash used in financing activities	(33,422)	(3,062)	(28,137)	(18,227)
	-----	-----	-----	-----
Net change in cash and cash				

equivalents	69,333	37,247	27,874	(56,868)
Effect of exchange rate changes on cash and cash equivalents	(937)	(732)	(4,032)	(808)
Cash and cash equivalents, beginning of period	203,036	154,456	247,590	248,647
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Cash and cash equivalents, end of period	\$271,432	\$190,971	\$271,432	\$ 190,971
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Exhibit A

Henry Schein, Inc.
2008 Second Quarter
Sales Growth Rate Summary
(unaudited)

Q2 2008 over Q2 2007

	Consolidated	Dental	Medical	International	Technology
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Internal Sales Growth	4.0%	7.2%	-8.9%	10.9%	1.8%
Acquisitions	9.6%	1.5%	0.6%	28.8%	26.8%
	-----	-----	-----	-----	-----
Local Currency Sales Growth	13.6%	8.7%	-8.3%	39.7%	28.6%
Foreign Currency Exchange	5.0%	1.0%	-	16.0%	0.4%
	-----	-----	-----	-----	-----
Total Sales Growth	18.6%	9.7%	-8.3%	55.7%	29.0%
	=====	=====	=====	=====	=====

Q2 YTD 2008 over Q2 YTD 2007

	Consolidated	Dental	Medical	International	Technology
	-----	-----	-----	-----	-----
Internal Sales Growth	3.5%	6.4%	-6.7%	8.3%	5.9%
Acquisitions	9.3%	1.6%	0.7%	27.7%	26.2%
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Local Currency Sales					

Growth	12.8%	8.0%	-6.0%	36.0%	32.1%
Foreign Currency Exchange	4.8%	1.2%	-	14.8%	0.4%

Total Sales Growth	17.6%	9.2%	-6.0%	50.8%	32.5%
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