

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
- - - - EXCHANGE ACT OF 1934

For the period ended June 28, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 0-27078

HENRY SCHEIN, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE 11-3136595
(STATE OR OTHER JURISDICTION OF (I.R.S. EMPLOYER IDENTIFICATION NO.)
INCORPORATION OR ORGANIZATION)

135 DURYE A ROAD
MELVILLE, NEW YORK
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)
11747
(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (631) 843-5500

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes No
-- --

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2).

Yes No
-- --

As of August 05, 2003 there were 43,473,339 shares of the registrant's common stock outstanding.

HENRY SCHEIN, INC. AND SUBSIDIARIES
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PART 1. FINANCIAL INFORMATION
ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

HENRY SCHEIN, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	June 28, 2003	December 28, 2002
	----- (unaudited)	----- (audited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 121,161	\$ 200,651
Marketable securities	16,151	31,209
Accounts receivable, less reserves of \$40,789 and \$36,200, respectively ..	418,470	368,263
Inventories	343,745	323,080
Deferred income taxes	27,936	29,919
Prepaid expenses and other	73,216	74,407
	-----	-----
Total current assets	1,000,679	1,027,529
Property and equipment, net of accumulated depreciation and amortization of \$114,098 and \$101,519, respectively	150,437	142,532
Goodwill	353,746	302,687
Other intangibles, net of accumulated amortization of \$6,537 and \$4,151, respectively	23,748	7,661
Investments and other	85,186	77,643
	-----	-----
	\$ 1,613,796	\$ 1,558,052
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 228,467	\$ 243,166
Bank credit lines	4,764	4,790
Accruals:		
Salaries and related expenses	54,949	53,954
Merger, integration, and restructuring costs	2,568	3,044
Acquisition earnout payments	--	1,460
Taxes and other expenses	128,233	114,254
Current maturities of long-term debt	4,816	2,662
	-----	-----
Total current liabilities	423,797	423,330
Long-term debt	247,179	242,561
Other liabilities	26,339	24,196
	-----	-----
Total liabilities	697,315	690,087
	-----	-----
Minority interest	9,466	6,748
	-----	-----
Stockholders' equity:		
Preferred stock, \$.01 par value, authorized 1,000,000, issued and outstanding: 0 and 0, respectively	--	--
Common stock, \$.01 par value, authorized 120,000,000, issued: 43,470,989 and 44,041,591, respectively	435	440
Additional paid-in capital	431,117	436,554
Retained earnings	463,519	430,389
Treasury stock, at cost, 0 and 62,479 shares, respectively	--	(1,156)
Accumulated comprehensive income (loss)	12,098	(4,794)
Deferred compensation	(154)	(216)
	-----	-----
Total stockholders' equity	907,015	861,217
	-----	-----
	\$ 1,613,796	\$ 1,558,052
	=====	=====

See accompanying notes to consolidated financial statements.

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

	Three Months Ended		Six Months Ended	
	June 28, 2003	June 29, 2002	June 28, 2003	June 29, 2002
Net sales	\$ 776,166	\$ 671,432	\$ 1,514,163	\$ 1,318,525
Cost of sales	555,637	479,036	1,092,217	947,739
Gross profit	220,529	192,396	421,946	370,786
Operating expenses:				
Selling, general and administrative	164,499	145,407	323,711	288,599
Operating income	56,030	46,989	98,235	82,187
Other income (expense):				
Interest income	1,921	2,481	4,313	4,920
Interest expense	(4,595)	(4,367)	(9,328)	(9,195)
Other - net	242	706	927	140
Income before taxes on income, minority interest and equity in earnings of affiliates	53,598	45,809	94,147	78,052
Taxes on income	20,207	16,996	35,413	29,060
Minority interest in net income of subsidiaries	874	932	1,611	1,501
Equity in earnings of affiliates	338	185	498	305
Net income	\$ 32,855	\$ 28,066	\$ 57,621	\$ 47,796
Comprehensive income:				
Net income	\$ 32,855	\$ 28,066	\$ 57,621	\$ 47,796
Foreign currency translation adjustments	12,528	14,699	16,867	13,382
Other	167	118	25	57
Comprehensive income	\$ 45,550	\$ 42,883	\$ 74,513	\$ 61,235
Net income per common share:				
Basic	\$ 0.76	\$ 0.65	\$ 1.32	\$ 1.11
Diluted	\$ 0.74	\$ 0.63	\$ 1.29	\$ 1.07
Weighted average common shares outstanding:				
Basic	43,500	43,389	43,754	43,090
Diluted	44,549	44,747	44,780	44,559

See accompanying notes to consolidated financial statements.

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

	Six Months Ended	
	June 28, 2003	June 29, 2002
Cash flows from operating activities:		
Net income	\$ 57,621	\$ 47,796
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	17,115	13,009
Provision for losses and allowances on trade receivables	4,490	1,219
Provision (benefit) for deferred income taxes	3,893	(293)
Undistributed earnings of affiliates	(498)	(305)
Minority interest in net income of subsidiaries	1,611	1,501
Other	(246)	(123)
Changes in operating assets and liabilities (net of acquisitions):		
(Increase) decrease in accounts receivable	(34,248)	4,071
Decrease (increase) in inventories	4,481	(17,760)
Decrease (increase) in other current assets	12,527	(4,707)
Decrease in accounts payable and accruals	(25,715)	(31,027)
Net cash provided by operating activities	41,031	13,381
Cash flows from investing activities:		
Capital expenditures	(21,321)	(28,120)
Business acquisitions, net of cash acquired	(66,754)	(34,887)
Purchase of marketable securities with maturities of more than three months	(21,195)	(20,639)
Maturities of marketable securities with maturities of more than three months	28,530	--
Other	1,861	(574)
Net cash used in investing activities	(78,879)	(84,220)
Cash flows from financing activities:		
Principal payments on long-term debt	(4,954)	(13,604)
Proceeds from issuance of stock upon exercise of stock options by employees	11,329	26,490
Payments for repurchases of common stock	(46,152)	--
Net payments on borrowings from banks	(940)	(435)
Other	(93)	(426)
Net cash (used in) provided by financing activities	(40,810)	12,025
Net decrease in cash and cash equivalents	(78,658)	(58,814)
Effect of exchange rate changes on cash and cash equivalents	(832)	(2,045)
Cash and cash equivalents, beginning of period	200,651	193,367
Cash and cash equivalents, end of period	\$ 121,161	\$ 132,508

See accompanying notes to consolidated financial statements.

HENRY SCHEIN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT EMPLOYEE AND SHARE DATA)
(unaudited)

NOTE 1. BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Henry Schein, Inc. and its wholly-owned and majority-owned subsidiaries (collectively, the "Company").

In the opinion of the Company's management, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the information set forth therein. These consolidated financial statements are condensed and therefore do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. The consolidated financial statements should be read in conjunction with the Company's consolidated financial statements and supplementary data included in the Company's Annual Report on Form 10-K for the year ended December 28, 2002. The Company follows the same accounting policies in preparation of interim financial statements.

The results of operations and cash flows for the six months ended June 28, 2003 are not necessarily indicative of the results to be expected for the fiscal year ending December 27, 2003 or any other period.

Certain amounts from prior periods have been reclassified to conform to the current period presentation.

NOTE 2. SEGMENT DATA

The Company has two reportable segments: healthcare distribution and technology.

The healthcare distribution segment, which is comprised of the Company's dental, medical, and international business groups, distributes healthcare products (primarily consumable) and services to office-based healthcare practitioners and professionals in the combined United States, Canada, and international markets. Products, which are similar for each business group, are maintained and distributed from strategically located distribution centers.

The technology segment consists primarily of the Company's practice management software business and certain other value-added products and services that are distributed primarily to healthcare professionals in the United States and Canada.

The Company's reportable segments are strategic business units that offer different products and services to the same customer base. Most of the technology business was acquired as a unit, and the management at the time of acquisition was retained.

HENRY SCHEIN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
(IN THOUSANDS, EXCEPT EMPLOYEE AND SHARE DATA)
(unaudited)

The following tables present information about the Company's business segments:

	Three Months Ended		Six Months Ended	
	June 28, 2003	June 29, 2002	June 28, 2003	June 29, 2002
Net Sales:				
Healthcare distribution (1):				
Dental (2)	\$ 331,953	\$ 306,287	\$ 645,909	\$ 601,568
Medical (3)	284,305	242,683	561,445	474,105
International (4)	141,170	106,779	270,770	212,617
Total healthcare distribution ...	757,428	655,749	1,478,124	1,288,290
Technology (5)	18,738	15,683	36,039	30,235
	\$ 776,166	\$ 671,432	\$1,514,163	\$1,318,525

-
- (1) Consists of consumable products, small equipment, laboratory products, large dental equipment, branded and generic pharmaceuticals, surgical products, diagnostic tests, infection control products and vitamins.
 - (2) Consists of products sold in the United States and Canada.
 - (3) Consists of products sold to the United States Medical and Veterinary markets.
 - (4) Consists of products sold to the Dental, Medical and Veterinary markets, primarily in Europe.
 - (5) Consists of practice management software and other value-added products and services, which are distributed primarily to healthcare professionals in the United States and Canada.

	Three Months Ended		Six Months Ended	
	June 28, 2003	June 29, 2002	June 28, 2003	June 29, 2002
Operating Income:				
Healthcare distribution	\$ 48,259	\$ 40,237	\$ 83,422	\$ 70,093
Technology	7,771	6,752	14,813	12,094
Total	\$ 56,030	\$ 46,989	\$ 98,235	\$ 82,187

	June 28, 2003		June 29, 2002	
	Total Assets:			
Healthcare distribution	\$ 1,591,157	\$ 1,385,447		
Technology	123,555	101,160		
Total assets for reportable segments	1,714,712	1,486,607		
Receivables due from healthcare distribution segment	(99,851)	(74,880)		
Receivables due from technology segment	(1,065)	(1,570)		
Consolidated total assets	\$ 1,613,796	\$ 1,410,157		

HENRY SCHEIN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
(IN THOUSANDS, EXCEPT EMPLOYEE AND SHARE DATA)
(unaudited)

NOTE 3. STOCK-BASED COMPENSATION

The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25), and related interpretations in accounting for its employee stock options. Under APB 25, no compensation expense is recorded as long as the exercise price is equal to or greater than the quoted market price of the stock at the date of the grant.

Pro forma information regarding net income and earnings per share has been determined as if the Company and its acquired subsidiaries had accounted for their employee stock options under the fair value method of Financial Accounting Standards Board Statement No. 123, "Accounting for Stock-Based Compensation" (FAS 123).

The weighted average fair value of options granted during the three months ended June 28, 2003 and June 29, 2002 was \$24.21 and \$29.24, respectively. The weighted average fair value of options granted during the six months ended June 28, 2003 and June 29, 2002 was \$21.16 and \$25.03, respectively. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions for the three and six months ended June 28, 2003 and June 29, 2002: risk-free interest rates of 3.8% and 5.1%, respectively; volatility factor of the expected market price of the Company's Common Stock of 43.7% and 49.6%, respectively, assumed dividend yield of 0%, and a weighted-average expected life of the option of 10 years.

Under the accounting provisions of FAS 123, the Company's net income and net income per common share would have been adjusted to the pro forma amounts indicated below:

	Three Months Ended		Six Months Ended	
	June 28, 2003	June 29, 2002	June 28, 2003	June 29, 2002
Net income as reported	\$ 32,855	\$ 28,066	\$ 57,621	\$ 47,796
Deduct: Stock-based employee compensation expense determined under fair value method, net of related taxes ..	(3,255)	(2,284)	(5,753)	(4,568)
Pro forma net income	\$ 29,600	\$ 25,782	\$ 51,868	\$ 43,228
Net income per common share - as reported:				
Basic	\$ 0.76	\$ 0.65	\$ 1.32	\$ 1.11
Diluted	\$ 0.74	\$ 0.63	\$ 1.29	\$ 1.07
Net income per common share - pro forma:				
Basic	\$ 0.68	\$ 0.59	\$ 1.19	\$ 1.00
Diluted	\$ 0.66	\$ 0.58	\$ 1.16	\$ 0.97

HENRY SCHEIN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
(IN THOUSANDS, EXCEPT EMPLOYEE AND SHARE DATA)
(unaudited)

Note 4. Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill for the six months ended June 28, 2003 were as follows:

	Healthcare Distribution	Technology	Total
	-----	-----	-----
Balance as of December 28, 2002	\$302,352	\$ 335	\$302,687
Adjustments to goodwill:			
Acquisition costs incurred during the six months ended June 28, 2003	44,448	89	44,537
Foreign currency translation	6,522	--	6,522
	-----	-----	-----
Balance as of June 28, 2003	\$353,322	\$ 424	\$353,746
	=====	=====	=====

The acquisition costs incurred during the six months ended June 28, 2003 primarily related to the acquisitions of Hager Dental GmbH (Hager) and Colonial Surgical Supply, Inc. (Colonial), and the purchase of additional equity interests in two subsidiaries.

Other intangible assets as of June 28, 2003 and December 28, 2002 were as follows:

	June 28, 2003		December 28, 2002 (1)	
	-----	-----	-----	-----
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	-----	-----	-----	-----
Other intangible assets:				
Non-compete agreements	\$15,176	\$(4,375)	\$10,826	\$(3,549)
Trademarks and trade names	7,969	(29)	89	(18)
Customer relationships	4,071	--	--	--
Other	3,069	(2,133)	897	(584)
	-----	-----	-----	-----
Total	\$30,285	\$(6,537)	\$11,812	\$(4,151)
	=====	=====	=====	=====

(1) Reclassified to conform to current period presentation.

Amortization of other intangible assets for the six months ended June 28, 2003 and June 29, 2002 was approximately \$865 and \$563, respectively. The annual amortization expense expected for the years 2003 through 2007 is \$2,482, \$2,607, \$1,617, \$1,185, and \$1,035, respectively.

HENRY SCHEIN, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
 (IN THOUSANDS, EXCEPT EMPLOYEE AND SHARE DATA)
 (unaudited)

NOTE 5. CONTINUING OBLIGATIONS

In connection with acquisitions made in prior years and the Company's plan of restructuring announced on August 1, 2000, the Company incurred certain merger and integration and restructuring costs.

The following table shows amounts paid against the accruals for these costs during the six months ended June 28, 2003:

	Balance at December 28, 2002	Payments	Balance at June 28, 2003
	-----	-----	-----
Facility closing costs (1)	\$ 2,150	\$ (282)	\$ 1,868
Severance and other direct costs (2)	558	(147)	411
Direct transaction, professional and consulting fees and other integration costs ...	336	(47)	289
	-----	-----	-----
	\$ 3,044	\$ (476)	\$ 2,568
	=====	=====	=====

-
- (1) Represents costs associated with the closing of certain equipment branches (primarily lease termination costs) and property and equipment write-offs.
 - (2) Represents salaries and related benefits for employees separated from the Company. For the six months ended June 28, 2003, two employees received severance payments and were still owed severance pay and benefits at June 28, 2003.

HENRY SCHEIN, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
 (IN THOUSANDS, EXCEPT EMPLOYEE AND SHARE DATA)
 (unaudited)

NOTE 6. BUSINESS ACQUISITIONS

During the six months ended June 28, 2003, the Company acquired two healthcare businesses and purchased additional equity interests in two subsidiaries. On May 28, 2003, the Company acquired all of the outstanding common stock of Hager Dental GmbH, a dental distributor of consumable supplies and equipment located in Germany. On June 2, 2003, the Company acquired the assets of Colonial Surgical Supply, Inc., a United States dental distributor of consumable supplies, primarily examination gloves. None of these transactions were considered material on an individual or aggregate basis. The transactions were accounted for under the purchase method of accounting and have been included in the consolidated financial statements from their respective acquisition dates.

Hager reported 2002 net sales of approximately \$50,000. Colonial reported 2002 net sales of more than \$40,000.

The Company recorded goodwill of approximately \$17,600 and \$13,700, and other intangibles of approximately \$1,100 and \$12,400 in conjunction with the Hager and Colonial acquisitions, respectively. The acquisition agreement for Colonial requires the Company to pay additional cash consideration of up to \$10,000, if certain profitability targets are met.

NOTE 7. EARNINGS PER SHARE

A reconciliation of shares used in calculating basic and diluted earnings per common share follows:

	Three Months Ended		Six Months Ended	
	June 28, 2003	June 29, 2002	June 28, 2003	June 29, 2002
	-----	-----	-----	-----
Basic	43,500,099	43,388,518	43,754,062	43,089,815
Effect of assumed conversion of employee stock options	1,048,483	1,358,275	1,025,911	1,468,753
	-----	-----	-----	-----
Diluted	44,548,582	44,746,793	44,779,973	44,558,568
	=====	=====	=====	=====

Options to purchase approximately 37,319 and 6,440 shares of common stock at prices ranging from \$48.25 to \$54.00 and \$48.25 to \$49.85 per share that were outstanding during the three months ended June 28, 2003 and June 29, 2002, respectively, were excluded from the computation of diluted earnings per common share. Options to purchase approximately 74,294 and 15,558 shares of common stock at prices ranging from \$44.90 to \$54.00 and \$45.96 to \$49.85 per share that were outstanding during the six months ended June 28, 2003 and June 29, 2002, respectively, were excluded from the computation of diluted earnings per common share. In each of the respective periods, the options' exercise prices exceeded the fair market value of the Company's common stock.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Except for historical information contained herein, the statements in this report (including without limitation, statements indicating that we "expect", "estimate", "anticipate", or "believe", and all other statements concerning future financial results, product or service offerings or other events that have not yet occurred) are forward-looking statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. Forward-looking statements involve known and unknown factors, risks and uncertainties which may cause our actual results in future periods to differ materially from those expressed in any forward-looking statements. Those factors, risks and uncertainties include, but are not limited to, the factors described under "Risk Factors" below.

OVERVIEW

We are the largest distributor of healthcare products and services to office-based healthcare practitioners in the combined North American and European markets with operations in the United States, Canada, the United Kingdom, the Netherlands, Belgium, Germany, France, Austria, Spain, Ireland, Portugal, Australia and New Zealand.

We sell products and services to over 400,000 customers, primarily dental practices and dental laboratories, as well as physician practices, veterinary clinics and institutions. Through our comprehensive catalogs and other direct sales and marketing programs, we offer customers a broad product selection of both branded and private brand products.

We conduct our business through two segments: healthcare distribution and technology. These operations offer different products and services to the same customer base.

The healthcare distribution segment consists of our dental, medical (including veterinary), and international groups. The international group is comprised of our healthcare distribution business units located primarily in Europe, and offers products and services to dental and medical (including veterinary) customers located in their respective geographic regions.

The technology segment consists of our practice management software business and certain other value-added products and services which are distributed primarily to healthcare professionals in the United States and Canada.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Securities Exchange Commission Financial Reporting Release No. 60 requires all companies to include a discussion of critical accounting policies or methods used in the preparation of financial statements.

We believe that the following critical accounting policies affect the significant judgments and estimates used in the preparation of our financial statements:

Management's Estimates

The preparation of consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate estimates, including those related to sales allowance provisions, as described below, volume purchase rebates, income taxes, inventory and bad debt reserves, and contingencies. We base our estimates on historical data, when available, experience, industry and market trends, and on various other assumptions that are believed to be reasonable under the circumstances, the combined results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Revenue Recognition

Sales are recorded when products are shipped or services are rendered to customers, as we generally have no significant post delivery obligations, the product price is fixed and determinable, collection of the resulting receivable is probable and product returns are reasonably estimable. Revenues derived from post contract customer support for practice management software are deferred and recognized ratably over the period in which the support is to be provided, generally one year. Revenues from freight charged to customers are recognized when products are shipped. Provisions for discounts, rebates to customers, customer returns and other adjustments are provided for in the period the related sales are recorded based upon historical data.

Accounts Receivable and Credit Policies

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects our best estimate of the amounts that will not be collected. In addition to reviewing delinquent accounts receivable, we consider many factors in estimating our general allowance, including historical data, experience, customer types, credit worthiness, and economic trends. From time to time, we may adjust our assumptions for anticipated changes in any of those or other factors expected to affect collectability.

Allowances for accounts receivable, comprised primarily of the allowance for doubtful accounts and the allowance for sales returns, were \$40.8 million and \$36.2 million at June 28, 2003 and December 28, 2002, respectively.

Long-Lived Assets

Long-lived assets, other than goodwill, are evaluated for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through the estimated undiscounted future cash flows from the use of these assets. When any such impairment exists, the related assets are written down to fair value.

Other intangible assets are amortized over their estimated useful lives. We

have reassessed the estimated useful lives of our intangible assets, which primarily consist of non-compete agreements, trademarks and trade names, and customer relationships, and no changes were deemed necessary.

Goodwill

In accordance with Statements of Financial Accounting Standards No. 141, "Business Combinations" (FAS 141), and No. 142, "Goodwill and Other Intangible Assets" (FAS 142), goodwill and intangible assets deemed to have indefinite lives are no longer amortized but are subject to annual impairment tests.

At June 28, 2003, we had recorded approximately \$377.5 million in goodwill and other intangible assets, net of accumulated amortization, primarily related to acquisitions made in current as well as prior years. The goodwill is substantially related to our healthcare distribution segment.

We estimated the fair value of our reporting units in accordance with the new standard and compared these valuations with the respective book values for each of the reporting units to determine whether any goodwill impairment existed. In determining the fair value, we consider past, present and future expectations of performance. We completed our annual test as of the first day of the fourth quarter of 2002 and determined that there was no impairment of goodwill.

As required by FAS 142, we complete goodwill impairment tests at least annually. On a quarterly basis, we review changes in market conditions, among other factors, that could have a material impact on our estimates of fair value in order to reassess the carrying value of our goodwill. As of June 28, 2003, no charges were deemed necessary.

Stock-Based Compensation

We account for stock option awards to employees under the intrinsic value-based method of accounting prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees". Under this method, no compensation expense is recorded as long as the exercise price is equal to or greater than the quoted market price of the stock at the date of grant.

We make pro forma disclosures of net income and earnings per share as if the fair value-based method of accounting (the alternative method of accounting for stock-based compensation) had been applied as required by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (FAS 123).

Had we elected to use FAS 123 to account for stock-based compensation under the fair value method, we would have been required to record compensation expense, and as a result, diluted earnings per common share for the six months ended June 28, 2003 and June 29, 2002 would have been lower by \$0.13 and \$0.10, respectively.

THREE MONTHS ENDED JUNE 28, 2003 COMPARED TO THREE MONTHS ENDED JUNE 29, 2002

For the three months ended June 28, 2003, our net sales increased \$104.8 million, or 15.6%, to \$776.2 million, from \$671.4 million for the three months ended June 29, 2002.

Of the \$104.8 million increase in net sales, approximately \$101.7 million, or 97.0%, represented a 15.5% increase in our healthcare distribution business. As part of this increase, approximately \$41.6 million represented a 17.2% increase in our medical business, \$34.4 million represented a 32.2% increase in our international business, and \$25.7 million represented an 8.4% increase in our dental business. The increase in medical net sales was primarily attributable to increased sales to physicians' office and alternate care markets. In the international market, the increase in net sales was primarily due to favorable exchange rates to the U.S. dollar, an acquisition, and increased account penetration in France and Spain. Excluding the impact of the exchange rates and the acquisition, net sales for the international market increased by 5.9%. In the dental market, the increase in net sales was primarily due to increased dental equipment sales and services, an acquisition, and increased account penetration to existing customers driven primarily by our Privileges loyalty program. Net sales of dental consumable merchandise increased by 6.0%, while net sales of dental equipment increased by 18.9%.

The remaining increase in second quarter 2003 net sales was due to our technology business, which increased \$3.1 million, or 19.5%. The increase in technology and value-added product net sales was primarily due to increased sales of software products and related services. As part of a new marketing initiative, MarketOne, certain technology and equipment products were sold directly to end-user customers beginning with the third quarter of 2002, rather than through resellers, which resulted in increased net sales for the technology business. Had MarketOne been in effect for the three months ended June 29, 2002, we estimate that the increase in our technology business net sales for the three months ended June 28, 2003 would have been 11.0%.

Gross profit increased by \$28.1 million, or 14.6%, to \$220.5 million for the three months ended June 28, 2003, from \$192.4 million for the three months ended June 29, 2002. Gross profit margin decreased by 0.3% to 28.4%, from 28.7% for the same period last year.

Healthcare distribution gross profit increased \$25.4 million, or 14.1%, to \$205.9 million for the three months ended June 28, 2003, from \$180.5 million for the three months ended June 29, 2002. Healthcare distribution gross profit margin decreased by 0.3% to 27.2% for the three months ended June 28, 2003, from 27.5% for the three months ended June 29, 2002, primarily due to changes in sales mix in our medical business.

Technology gross profit increased by \$2.7 million, or 22.7%, to \$14.6 million for the three months ended June 28, 2003, from \$11.9 million for the three months ended June 29, 2002. Technology gross profit margins increased by 2.1% to 77.7% for the three months ended June 28, 2003, from 75.6% for the three months ended June 29, 2002.

Selling, general and administrative expenses increased by \$19.1 million, or 13.1%, to \$164.5 million for the three months ended June 28, 2003, from \$145.4 million for the three months ended June 29, 2002.

Selling and shipping expenses increased by \$12.7 million, or 14.0%, to

\$103.3 million for the three months ended June 28, 2003, from \$90.6 million for the three months ended June 29, 2002. As a percentage of net sales, selling and shipping expenses decreased 0.2% to 13.3% for the three months ended June 28, 2003, from 13.5% for the three months ended June 29, 2002.

General and administrative expenses increased \$6.4 million, or 11.7%, to \$61.2 million for the three months ended June 28, 2003, from \$54.8 million for the three months ended June 29, 2002. As a percentage of net sales, general and administrative expenses decreased 0.3% to 7.9% for the three months ended June 28, 2003, from 8.2% for the three months ended June 29, 2002. The decrease was primarily attributable to leveraging of our infrastructure with increased sales volume.

Other income (expense) - net increased by \$(1.2) million to \$(2.4) million for the three months ended June 28, 2003, from \$(1.2) million for the three months ended June 29, 2002. The net increase was due primarily to lower interest income, lower foreign currency gains, and higher interest expense.

Equity in earnings of affiliates increased by \$0.1 million, to \$0.3 million for the three months ended June 28, 2003, from \$0.2 million for the three months ended June 29, 2002.

For the three months ended June 28, 2003, our effective tax rate was 37.7%. For the three months ended June 29, 2002, our effective tax rate was 37.1%. The difference between our effective tax rates and the Federal statutory rates for both periods relate primarily to state income taxes.

SIX MONTHS ENDED JUNE 28, 2003 COMPARED TO SIX MONTHS ENDED JUNE 29, 2002

For the six months ended June 28, 2003, our net sales increased \$195.7 million, or 14.8%, to \$1,514.2 million, from \$1,318.5 million for the six months ended June 29, 2002.

Of the \$195.7 million increase in net sales, approximately \$189.9 million, or 97.0%, represented a 14.7% increase in our healthcare distribution business. As part of this increase, approximately \$87.4 million represented an 18.4% increase in our medical business, \$58.2 million represented a 27.4% increase in our international business, and \$44.3 million represented a 7.4% increase in our dental business. The increase in medical net sales was primarily attributable to increased sales to physicians' office and alternate care markets. In the international market, the increase in net sales was primarily due to favorable exchange rates to the U.S. dollar, increased account penetration in France, Spain, and Australia, and the acquisition of Hager Dental GmbH in the second quarter of 2003. Excluding the impact of the exchange rates and the acquisition, net sales for the international market increased by 4.7%. In the dental market, the increase in net sales was primarily due to increased dental equipment sales and services, the acquisition of Colonial Surgical Supply, Inc., and increased account penetration to existing customers driven primarily by our Privileges loyalty program. Net sales of dental consumable merchandise increased by 5.4%, while net sales of dental equipment increased by 16.1%.

The remaining increase in net sales for the six months ended June 28, 2003 was due to our technology business, which increased \$5.8 million, or 19.2%. The increase in technology and value-added product net sales was primarily due to increased sales of software products and related services. As part of a new marketing initiative, MarketOne, certain technology and equipment products were sold directly to end-user customers beginning with the third quarter of 2002,

rather than through resellers, which resulted in increased net sales for the technology business. Had MarketOne been in effect for the six months ended June 29, 2002, we estimate that the increase in our technology business net sales for the six months ended June 28, 2003 would have been 11.7%.

Gross profit increased by \$51.1 million, or 13.8%, to \$421.9 million for the six months ended June 28, 2003, from \$370.8 million for the six months ended June 29, 2002. Gross profit margin decreased by 0.2% to 27.9%, from 28.1% for the same period last year.

Healthcare distribution gross profit increased \$46.0 million, or 13.2%, to \$394.0 million for the six months ended June 28, 2003, from \$348.0 million for the six months ended June 29, 2002. Healthcare distribution gross profit margin decreased by 0.3% to 26.7% for the six months ended June 28, 2003, from 27.0% for the six months ended June 29, 2002, primarily due to changes in sales mix in our medical business.

Technology gross profit increased by \$5.1 million, or 22.4%, to \$27.9 million for the six months ended June 28, 2003, from \$22.8 million for the six months ended June 29, 2002. Technology gross profit margins increased by 2.0% to 77.4% for the six months ended June 28, 2003, from 75.4% for the six months ended June 29, 2002.

Selling, general and administrative expenses increased by \$35.1 million, or 12.2%, to \$323.7 million for the six months ended June 28, 2003, from \$288.6 million for the six months ended June 29, 2002.

Selling and shipping expenses increased by \$23.8 million, or 13.3%, to \$202.5 million for the six months ended June 28, 2003, from \$178.7 million for the six months ended June 29, 2002. As a percentage of net sales, selling and shipping expenses decreased 0.2% to 13.4% for the six months ended June 28, 2003, from 13.6% for the six months ended June 29, 2002.

General and administrative expenses increased \$11.3 million, or 10.3%, to \$121.2 million for the six months ended June 28, 2003, from \$109.9 million for the six months ended June 29, 2002. As a percentage of net sales, general and administrative expenses decreased 0.3% to 8.0% for the six months ended June 28, 2003, from 8.3% for the six months ended June 29, 2002. The decrease was primarily attributable to leveraging of our infrastructure with increased sales volume.

Other income (expense) - net was substantially unchanged from the prior period.

Equity in earnings of affiliates increased by \$0.2 million, to \$0.5 million for the six months ended June 28, 2003, from \$0.3 million for the six months ended June 29, 2002.

For the six months ended June 28, 2003, our effective tax rate was 37.6%. For the six months ended June 29, 2002, our effective tax rate was 37.2%. The difference between our effective tax rates and the Federal statutory rates for both periods relate primarily to state income taxes.

SEASONALITY

Our business is subject to seasonal and other quarterly influences. Net sales and operating profits are generally higher in the fourth quarter due to timing of sales of software and equipment, year end promotions and purchasing patterns of office-based healthcare practitioners and are generally lower in the first quarter due primarily to the increased purchases in the prior quarter.

Quarterly results also may be materially affected by a variety of other factors, including the timing of acquisitions and related costs, timing of purchases and/or sales, special promotional campaigns, seasonal products, fluctuations in exchange rates associated with international operations and adverse weather conditions.

E-COMMERCE

Traditional healthcare supply and distribution relationships are being impacted by electronic on-line commerce solutions. Our distribution business is characterized by rapid technological developments and is highly competitive. The rapid evolution of on-line commerce will require us to provide continuous improvement in performance, features and reliability of Internet content and technology, particularly in response to competitive offerings.

Through our proprietary technologically-based suite of products, we offer customers a variety of competitive alternatives. We believe that our tradition of reliable service coupled with our name recognition and large customer base built on solid customer relationships makes us well situated to participate in this growing aspect of the distribution business. We are exploring ways and means of improving and expanding our Internet presence and will continue to do so.

INFLATION

Management does not believe inflation had a material effect on the financial statements for the periods presented.

LIQUIDITY AND CAPITAL RESOURCES

Our principal capital requirements have been to fund (a) acquisitions, (b) repurchases of common stock, (c) working capital needs resulting from increased sales and special inventory forward buy-in opportunities, and (d) capital expenditures. Since sales tend to be strongest during the fourth quarter and special inventory forward buy-in opportunities are most prevalent just before the end of the year, our working capital requirements have generally been higher from the end of the third quarter to the end of the first quarter of the following year. We have financed our business primarily through operations, our revolving credit facilities, private placement loans and stock issuances.

Net cash provided by operating activities for the six months ended June 28, 2003 of \$41.0 million resulted primarily from net income of \$57.6 million and non-cash expenses of approximately \$26.4 million, offset by a net increase in the use of working capital of approximately \$43.0 million. The increase in the use of working capital was due to a \$34.3 million increase in accounts receivable combined with a decrease in accounts payable and accruals of \$25.7

million, primarily due to payments made to vendors for year end inventory buy-ins, offset by a \$12.5 million decrease in other current assets and a \$4.5 million decrease in inventories. For the six months ended June 28, 2003, the increase in our accounts receivable was primarily due to increased sales volume. Our accounts receivable days sales outstanding ratio improved to 46.9 days for the six months ended June 28, 2003, from 50.0 days for the six months ended June 29, 2002, primarily due to continued focus in this area. Our inventory turns improved to 6.5 turns for the six months ended June 28, 2003, from 6.3 turns for the six months ended June 29, 2002. We anticipate future increases in our working capital requirements as a result of continued sales growth and special inventory forward buy-in opportunities.

Net cash used in investing activities for the six months ended June 28, 2003 of \$78.9 million resulted primarily from business acquisitions of \$66.8 million, capital expenditures of \$21.3 million, and purchases of United States government and government agency bonds, corporate bonds and commercial paper with maturities of more than three months of \$21.2 million, offset by maturities of United States government and government agency bonds, municipal bonds and corporate bonds of \$28.5 million. Our investments in corporate bonds consist of debt securities rated AAA by Moody's (or an equivalent rating) and investments in commercial paper consist of debt securities rated P-1 by Moody's (or an equivalent rating). The fair values of our investments are determined by quoted market prices. We expect to invest more than \$35.0 million during the year ending December 27, 2003 in capital projects to modernize and expand our facilities, to enhance our computer infrastructure systems and to integrate operations.

Net cash used in financing activities for the six months ended June 28, 2003 of \$40.8 million resulted primarily from our repurchases of common stock of \$46.2 million and debt repayments of \$5.9 million, offset primarily by proceeds from the issuance of stock upon exercise of stock options of \$11.3 million. On March 12, 2003, we announced that our Board of Directors had authorized the repurchase of up to two million shares of our common stock, which represented approximately 4.5% of shares outstanding on the announcement date. During the six months ended June 28, 2003, we repurchased and retired 1,071,500 shares at an average price of \$43.07 per share.

Some holders of minority interests in entities we have acquired have the right at certain times to require us to acquire their interest at a price that approximates fair value pursuant to a formula based on earnings of the entity. Additionally, some prior owners of acquired businesses are eligible to receive additional purchase price cash consideration if certain profitability targets are met.

Our cash and cash equivalents as of June 28, 2003 of \$121.2 million consist of bank balances and investments in money market funds. These investments have staggered maturity dates, none of which exceed three months, and have a high degree of liquidity since the securities are traded in public markets.

We have a revolving credit facility of \$200.0 million that is a four year committed line scheduled to terminate in May 2006. We also have one uncommitted bank line of \$15.0 million. There were no borrowings under either credit facility at June 28, 2003. As of June 28, 2003, certain subsidiaries of ours had revolving credit facilities with approximately \$36.3 million available for borrowing. At June 28, 2003, \$4.8 million had been borrowed.

On June 30, 1999 and September 25, 1998, we completed private placement

transactions under which we issued \$130.0 million and \$100.0 million, respectively, in Senior Notes. The \$130.0 million notes come due on June 30, 2009 and bear interest at a rate of 6.94% per annum. Principal payments totaling \$20.0 million are due annually starting September 25, 2006 on the \$100.0 million notes and bear interest at a rate of 6.66% per annum. Interest on both notes is payable semi-annually.

We believe that our cash and cash equivalents of \$121.2 million, our investment in short-term marketable securities of \$16.2 million as of June 28, 2003, our ability to access public and private debt and equity markets, and the availability of funds under our existing credit agreements will provide us with sufficient liquidity to meet our currently foreseeable short-term and long-term capital needs.

RISK FACTORS

Stockholders and investors should carefully consider the risks described below and other information in this quarterly report. Our business, financial condition and operating results, and the trading price of our common stock could be adversely affected if any of these risks materialize.

- o The healthcare products distribution industry is highly competitive, and we compete with numerous companies, including major manufacturers and distributors that have greater financial and other resources than us. Competitors could obtain exclusive rights to market particular products or manufacturers could increase their efforts to sell directly to end-users, thereby bypassing distributors like us. Consolidation among healthcare products distributors could result in existing competitors increasing their market position. In addition, unavailability of products, whether due to our inability to gain access to products or interruptions in supply of products from manufacturers, could adversely affect our operating results.
- o In recent years, the healthcare industry has undergone significant change driven by various efforts to reduce costs, including the reduction of spending budgets by government and private insurance programs, such as Medicare, Medicaid and corporate health insurance plans; trends toward managed care; consolidation of healthcare distribution companies; electronic commerce; and collective purchasing arrangements among office-based healthcare practitioners. If we are unable to react effectively to these and other changes in the healthcare industry, our operating results could be adversely affected.
- o Our technology segment, which primarily sells practice management software and other value-added products, depends upon continued product development, technical support and marketing. Failures in these and related areas could adversely affect our results of operations.
- o Our business is subject to requirements under various local, state, Federal and foreign governmental laws and regulations applicable to the manufacture and distribution of pharmaceuticals and medical devices, including the Federal Food, Drug, and Cosmetic Act, the Prescription Drug Marketing Act of 1987 and the Controlled Substances Act. There is no assurance that current or future government regulations will not adversely affect our business.
- o Our business involves a risk of product liability and other claims in the ordinary course of business, and from time to time we are named as a

defendant in cases as a result of our distribution of pharmaceutical and other healthcare products. We have insurance policies, including product liability insurance, and in many cases we have indemnification rights from manufacturers with respect to the products we distribute. There is no assurance that insurance coverage or manufacturers' indemnity will be available in all of the pending or any future cases brought against us, or that an unfavorable result in any such case will not adversely affect our financial condition or results of operations.

- o Our business is dependent upon our ability to hire and retain qualified sales representatives, service specialists and other sales agents. Due to the relationships developed between our field sales representatives and their customers, upon the departure of a sales representative we face the risk of losing the representative's customers, especially if the representative becomes an employee of one of our competitors.
- o Our business has been subject to seasonal and other quarterly fluctuations. Net sales and operating profits generally have been higher in the fourth quarter due to purchasing patterns of office-based healthcare practitioners and year end promotions. Net sales and operating profits generally have been lower in the first quarter, primarily due to increased purchases in the prior quarter.
- o Our international operations are subject to inherent risks, which could adversely affect our operating results. These risks include difficulties in opening and managing foreign offices and distribution centers; difficulties in establishing channels of distribution; fluctuations in the value of foreign currencies; longer payment cycles of foreign customers and difficulty of collecting receivables in foreign jurisdictions; import/export duties and quotas; and unexpected regulatory, economic and political changes in foreign markets.
- o Our expansion through acquisitions and/or joint ventures could result in a loss of customers, diversion of management attention and increased demands on our operations, information systems and financial resources.
- o We rely on third parties to ship products to our customers. Increases in shipping rates or interruptions of service could adversely affect our operating results.
- o Changes in e-commerce could affect our business relationships and could require significant resources. The development of on-line commerce, including business-to-business exchanges, will require us to continuously improve the performance, security, features and reliability of Internet content and technology.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There were no material changes to the disclosures made in our Annual Report on Form 10-K for the year ended December 28, 2002, on this matter.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's principal executive officer and principal financial officer, has carried out an evaluation of the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, the Company's principal executive officer and principal financial officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures were effective in recording, processing, summarizing and reporting, on a timely basis, the information required to be disclosed by the Company in this report.

Changes in Internal Controls

There have not been any changes in the Company's internal controls over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II. OTHER INFORMATION
ITEM 1. LEGAL PROCEEDINGS

Our business involves a risk of product liability claims and other claims in the ordinary course of business, and from time to time we are named as a defendant in cases as a result of our distribution of pharmaceutical and other healthcare products.

As of June 28, 2003, we were named a defendant in approximately 46 product liability cases. Of these claims, 42 involve claims made by healthcare workers who claim allergic reaction relating to exposure to latex gloves. In each of these cases, we acted as a distributor of both brand name and "Henry Schein" private brand latex gloves, which were manufactured by third parties. To date, discovery in these cases has generally been limited to product identification issues. The manufacturers in these cases have withheld indemnification of the Company pending product identification; however, we have impleaded or filed cross claims against those manufacturers, subject to jurisdiction, in each case in which we are a defendant.

On January 27, 1998, in District Court in Travis County, Texas, we and one of our subsidiaries were named as defendants in a matter entitled "Shelly E. Stromboe and Jeanne Taylor, on Behalf of Themselves and all others Similarly Situated vs. Henry Schein, Inc., Easy Dental Systems, Inc. and Dentisoft, Inc.", Case No. 98-00886. The Petition alleges, among other things, negligence, breach of contract, fraud, and violations of certain Texas commercial statutes involving the sale of certain practice management software products sold prior to 1998 under the Easy Dental(R) name. In October 1999, the trial court, on motion, certified both a Windows(R) sub-class and a DOS sub-class to proceed as a class action pursuant to Tex. R. Civ. P. 42. It is estimated that 5,000 Windows(R) customers and 10,000 DOS customers were covered by the class action that was certified by the trial court. In November of 1999, we filed an interlocutory appeal of the trial court's determination to the Texas Court of Appeals on the issue of whether this case was properly certified as a class action. On September 14, 2000, the Court of Appeals affirmed the trial court's certification order. On January 5, 2001, we filed a Petition for Review in the Texas Supreme Court asking the Court to find that it had "conflicts jurisdiction" to permit review of the trial court's certification order. The Texas Supreme Court heard oral argument on February 6, 2002. On October 31, 2002, the Texas Supreme Court issued an opinion in the case holding that it had conflicts jurisdiction to review the decision of the Court of Appeals and finding that the trial court's certification of the case as a class action was improper. The Supreme Court further held that the judgment of the court of appeals, which affirmed the class certification order, must be reversed in its entirety. Upon reversal of the class certification order, the Supreme Court remanded the case to the trial court for further proceedings consistent with its opinion. On January 31, 2003, counsel for the class filed a Motion for Rehearing with the Texas Supreme Court seeking a reversal for the Supreme Court's earlier opinion reversing the class certification order. On May 8, 2003, the Supreme Court denied the Motion for Rehearing, letting stand its opinion dated October 31, 2002, which decertified both sub-classes in their entirety. While no papers have been filed at this time, counsel for the class has indicated orally that they intend to file an amended motion for class certification wherein they will seek to have the trial court certify another class purportedly consistent with the opinion of the Texas Supreme Court handed down on October 31, 2002. At this time, however, it is not possible to determine whether the trial court will certify a different class upon motion, if any, or the possible range of damages or other relief sought by the plaintiffs in the trial court.

In February 2002, we were served with a summons and complaint in an action commenced in the Superior Court of New Jersey, Law Division, Morris County, entitled "West Morris Pediatrics, P.A. and Avenel-Iselin Medical Group, P.A. vs. Henry Schein, Inc., doing business as Caligor", Case No. MRS-L-421-02. The plaintiffs' complaint purports to be on behalf of a nationwide class, but there has been no court determination that the case may proceed as a class action. Plaintiffs seek to represent a class of all physicians, hospitals and other healthcare providers throughout New Jersey and across the United States. This complaint, as amended in August 2002, alleges, among other things, breach of oral contract, breach of implied covenant of good faith and fair dealing, violation of the New Jersey Consumer Fraud Act, unjust enrichment, conversion, and promissory estoppel relating to sales of a vaccine product in the year 2001. We filed an answer in October 2002. Because damages have not been specified by the plaintiffs, it is not possible to determine the range of damages or other relief sought by the plaintiffs. We intend to vigorously defend ourselves against this claim, as well as all other claims, suits and complaints.

We have various insurance policies, including product liability insurance, covering risks and in amounts we consider adequate. In many cases in which we have been sued in connection with products manufactured by others, we are provided indemnification by the manufacturer. There can be no assurance that the coverage we maintain is sufficient or will be available in adequate amounts or at a reasonable cost, or that indemnification agreements will provide adequate protection for the Company. In the opinion of the Company, all pending matters are covered by insurance or will not otherwise seriously harm the Company's financial condition.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the Company's Annual Meeting of Stockholders held on June 18, 2003, the stockholders of the Company took the following actions:

(i) Re-elected the following individuals to the Company's Board of Directors:

Stanley M. Bergman	(37,407,835 shares voting for, 279,501 shares withheld)
Barry J. Alperin	(37,373,102 shares voting for, 314,234 shares withheld)
Gerald A. Benjamin	(37,403,680 shares voting for, 283,656 shares withheld)
James P. Breslawski	(37,404,806 shares voting for, 282,530 shares withheld)
Pamela Joseph	(37,351,899 shares voting for, 335,437 shares withheld)
Donald J. Kabat	(37,367,735 shares voting for, 319,601 shares withheld)
Philip A. Laskawy	(37,297,102 shares voting for, 390,234 shares withheld)
Norman S. Matthews	(37,325,693 shares voting for, 361,643 shares withheld)
Mark E. Mlotek	(37,405,369 shares voting for, 281,967 shares withheld)
Steven Paladino	(37,404,156 shares voting for, 283,180 shares withheld)
Marvin H. Schein	(36,966,974 shares voting for, 720,362 shares withheld)
Irving Shafran	(37,413,225 shares voting for, 274,111 shares withheld)
Dr. Louis W. Sullivan	(37,309,189 shares voting for, 378,147 shares withheld)

(ii) Approved the Company's Amended and Restated 1994 Stock Option Plan (31,153,380 shares voting for; 6,392,891 shares voting against; 141,065 shares abstaining).

(iii) Approved the Company's Amended and Restated 1996 Non-Employee Director Stock Option Plan (34,644,261 shares voting for; 2,907,115 shares voting against; 135,960 shares abstaining).

(iv) Ratified the selection of BDO Seidman, LLP as the Company's independent auditors for the year ending December 27, 2003 (36,207,591 shares voting for; 1,371,393 shares voting against; 108,352 shares abstaining).

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

- 10.1 Henry Schein, Inc. 1994 Stock Option Plan, as amended and restated effective as of June 18, 2003.
- 10.2 Henry Schein, Inc. 1996 Non-Employee Director Stock Incentive Plan, as amended and restated effective as of June 18, 2003.
- 10.3 Amendment No. 1 to Credit Agreement, dated as of May 1, 2003, among the Company, the several Guarantors from time to time parties thereto, JP Morgan Chase Bank, as administrative agent, issuing lender, sole lead arranger, and sole book runner, Fleet National Bank, as syndication agent, and the several lenders from time to time parties thereto.
- 31.1 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K.

None.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Henry Schein, Inc.
(Registrant)

By: /s/ Steven Paladino

Steven Paladino
Executive Vice President,
Chief Financial Officer and Director
(principal financial officer and
accounting officer)

Dated: August 11, 2003

HENRY SCHEIN, INC.

1994 STOCK OPTION PLAN

AS AMENDED AND RESTATED EFFECTIVE AS OF APRIL 1, 2003

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HENRY SCHEIN, INC.

1994 STOCK OPTION PLAN

AS AMENDED AND RESTATED EFFECTIVE AS OF APRIL 1, 2003

1. PURPOSES OF THE PLAN

The purposes of this Henry Schein, Inc. 1994 Stock Option Plan, as amended and restated effective as of April 1, 2003, are to enable HSI and its Subsidiaries (each as defined herein) to attract, retain and motivate the Key Employees and Consultants (each as defined herein) who are important to the success and growth of the business of HSI and to create a long-term mutuality of interest between the Key Employees and Consultants and the stockholders of HSI by granting the Key Employees and Consultants options (which, in the case of Key Employees, may be either incentive stock options (as defined herein) or non-qualified stock options and, in the case of Consultants, shall be non-qualified options) to purchase HSI Common Stock (as defined herein).

2. DEFINITIONS

(a) "Acquisition Event" means a merger or consolidation in which HSI is not the surviving entity, or any transaction that results in the acquisition of all or substantially all of HSI's outstanding Common Stock by a single person or entity or by a group of persons and/or entities acting in concert, or the sale or transfer of all or substantially all of HSI's assets.

(b) "Act" means the Securities Exchange Act of 1934, as amended and the rules and regulations promulgated thereunder.

(c) "Board" means the Board of Directors of HSI.

(d) "Cause" has the meaning set forth in Section 7(b).

(e) "Change of Control" has the meaning set forth in Section 6(f).

(f) "Class A Option" means an Option evidenced by a Class A Option Agreement.

(g) "Class A Option Agreement" has the meaning set forth in Section 6(a).

(h) "Class B Option" means an Option evidenced by a Class B Option Agreement.

(i) "Class B Option Agreement" has the meaning set forth in Section 6(a).

(j) "Code" means the Internal Revenue Code of 1986, as amended.

(k) "Committee" means such committee (or subcommittee), if any, appointed by the Board to administer the Plan, consisting of two or more

directors as may be appointed from time to time by the Board, each of whom shall qualify as a "non-employee director" within the meaning of Rule 16b-3 promulgated under the Act and as an "outside director" as defined under Section 162(m) of the Code. If the Board does not appoint a committee for this purpose, "Committee" means the Board.

(l) "Common Stock" means the voting common stock of HSI, par value \$.01, any Common Stock into which the Common Stock may be converted and any Common Stock resulting from any reclassification of the Common Stock.

(m) "Company" means HSI and its Subsidiaries, any of whose Key Employees or Consultants are Participants in the Plan.

(n) "Consultant" means any individual (or any wholly-owned corporate alter ego of any individual) who provides key bona fide consulting or advisory services to the Company, as determined by the Committee, which services are not in connection with the offer and sale of securities in a capital-raising transaction.

(o) "Corporate Transaction" has the meaning set forth in Section 6(f)(i).

(p) "Disability" means a permanent and total disability, as determined by the Committee in its sole discretion, provided that in no event shall any disability that is not a permanent and total disability within the meaning of Section 22(e)(3) of the Code be treated as a Disability. A Disability shall be deemed to occur at the time of the determination by the Committee of the Disability.

(q) "Effective Date" has the meaning set forth in Section 3.

(r) "Fair Market Value" means the value of a Share (as defined herein) on a particular date, determined as follows:

(i) If the Common Stock is listed or admitted to trading on such date on a national securities exchange or quoted through NASDAQ Stock Market, Inc. ("NASDAQ"), the closing sales price of a Share as reported on the relevant composite transaction tape, if applicable, or on the principal such exchange (determined by trading value in the Common Stock) or through NASDAQ, as the case may be, on such date, or in the absence of reported sales on such day, the mean between the reported bid and asked prices reported on such composite transaction tape or exchange or through NASDAQ, as the case may be, on such date; or

(ii) If the Common Stock is not listed or quoted as described in the preceding clause, but bid and asked prices are quoted through NASDAQ, the mean between the bid and asked prices as quoted by NASDAQ on such date; or

(iii) If the Common Stock is not listed or quoted on a national securities exchange or through NASDAQ or, if pursuant to (i) and (ii) above the Fair Market Value is to be determined based upon the mean of the bid and asked prices and the Committee determines that such mean does not properly reflect the Fair Market Value, by such other method as the

Committee determines to be reasonable and consistent with applicable law;
or

(iv) If the Common Stock is not publicly traded, such amount as is set by the Committee in good faith.

(s) "Family Member" means, with respect to any Participant, any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, including adoptive relationships, trusts for the exclusive benefit of such individuals, and any other entity owned solely by such individuals.

(t) "HSI" means Henry Schein, Inc.

(u) "HSI Agreement" means the Amended and Restated HSI Agreement dated as of February 16, 1994 among HSI and certain other parties.

(v) "HSI Closing" means the closing of the HSI Public Offering.

(w) "HSI Public Offering" means an initial public offering of shares of HSI Common Stock at a Market Capitalization which is not less than the Minimum Market Capitalization then in effect and as a result of which at least 20% of the common equity of HSI will be publicly held by at least 300 holders and such shares of HSI Common Stock will be listed or admitted to trading on the New York Stock Exchange or the American Stock Exchange or quoted on NASDAQ or is on such terms and conditions as are approved by Marvin Schein prior to the effective date thereof.

(x) "Incentive Stock Option" means any Option which is intended to qualify as an "incentive stock option" as defined in Section 422 of the Code.

(y) "Incumbent Board" has the meaning set forth in Section 6(f)(ii).

(z) "Key Employee" means any person who is an executive officer or other valuable staff, managerial, professional or technical employee of the Company, as determined by the Committee, including those individuals described in Section 5(d)(iv). A Key Employee may, but need not, be an officer or director (with the exception of a non-employee director) of the Company.

(aa) "Market Capitalization" means (i) the per share initial public offering price, multiplied by (ii) the number of shares outstanding immediately prior to the HSI Closing less the aggregate number of shares issued pursuant to the 1994 Stock Purchase Agreement between HSI and the HSI Employee Stock Ownership Plan (the "HSI ESOP") or held by the HSI ESOP which are outstanding on such date.

(bb) "Minimum Market Capitalization" means \$48,000,000 on August 15, 1992, which amount shall increase on each day thereafter as follows:

From August 15, 1992 until the 1st anniversary thereof: \$15,123 per day;

From the 1st anniversary thereof until the 2nd anniversary thereof: \$16,862 per day;

From the 2nd anniversary thereof until the 3rd anniversary thereof: \$18,802 per day;

From the 3rd anniversary thereof until the 4th anniversary thereof: \$20,964 per day;

From the 4th anniversary thereof until the 5th anniversary thereof: \$23,375 per day;

From the 5th anniversary thereof until the 6th anniversary thereof: \$26,063 per day;

From the 6th anniversary thereof until the 7th anniversary thereof: \$29,060 per day; and

Thereafter: \$32,402 per day.

(cc) "Option" means the right to purchase one Share at a prescribed Purchase Price on the terms specified in the Plan and the Option Agreement. An Option may be an Incentive Stock Option or a non-qualified option.

(dd) "Option Agreement" means a Class A Option Agreement or Class B Option Agreement.

(ee) "Outstanding HSI Voting Securities" has the meaning set forth in section 6(f)(i).

(ff) "Participant" means a Key Employee or Consultant of the Company who is granted Options under the Plan.

(gg) "Person" means an individual, entity or group within the meaning of Section 13d-3 or 14d-1 of the Act.

(hh) "Plan" means the Henry Schein, Inc. 1994 Stock Option Plan, as amended from time to time.

(ii) "Purchase Price" means purchase price per Share.

(jj) "Securities Act" means the Securities Act of 1933, as amended.

(kk) "Share" means a share of Common Stock.

(ll) "Subsidiary" means any "subsidiary corporation" within the meaning of Section 424(f) of the Code. An entity shall be deemed a Subsidiary of HSI only for such periods as the requisite ownership relationship is maintained.

(mm) "Substantial Stockholder" means any Participant who at the time of grant owns directly or is deemed to own by reason of the attribution rules set forth in Section 424(d) of the Code, Shares possessing more than 10% of the total combined voting power of all classes of stock of HSI.

(nn) "Termination of Employment" means termination of the relationship with HSI and its Subsidiaries so that an individual is no longer an employee or director of HSI or any of its Subsidiaries. In the event an entity shall cease to be a Subsidiary of HSI, any individual who is not otherwise an employee of HSI or another Subsidiary of HSI shall incur a Termination of Employment at the time the entity ceases to be a Subsidiary. A Termination of Employment shall not include a leave of absence approved for purposes of the Plan by the Committee.

(oo) "Termination of Consultancy" means termination of the relationship with HSI and its Subsidiaries so that an individual is no longer a Consultant of HSI or any of its Subsidiaries. In the event an entity shall cease to be a Subsidiary of HSI, any individual who is not otherwise a Consultant of HSI or another Subsidiary of HSI shall incur a Termination of Consultancy at the time the entity ceases to be a Subsidiary; provided, that if a Consultant becomes a Key Employee upon his Termination of Consultancy, the Committee, in its sole discretion, may determine that no Termination of Consultancy shall be deemed to occur until such later time as such Consultant ceases to be either a Key Employee or a Consultant. A Termination of Consultancy shall not include a leave of absence approved for purposes of the Plan by the Committee.

3. EFFECTIVE DATE/EXPIRATION OF PLAN

The Plan became as originally adopted effective as of September 30, 1994 (the "Effective Date"), and was amended and restated effective as of June 6, 2001. The Plan was subsequently amended and restated in the form set forth herein effective as of April 1, 2003, subject to stockholder approval by a majority of the total votes cast in person or by proxy (the "Restated Effective Date"). Grants of Options under the Plan may be made on and after the Effective Date and the Restated Effective Date. No Option shall be granted under the Plan on or after September 30, 2009, but Options previously granted may extend beyond that date.

4. ADMINISTRATION

(a) Duties of the Committee. The Plan shall be administered by the Committee. The Committee shall have full authority to interpret the Plan and to decide any questions and settle all controversies and disputes that may arise in connection with the Plan; to establish, amend, and rescind rules for carrying out the Plan; to administer the Plan, subject to its provisions; to select Participants in, and grant Options under, the Plan; to determine the terms, exercise price and form of exercise payment for each Option granted under the Plan; to determine which Options granted under the Plan to Key Employees shall be Incentive Stock Options; to prescribe the form or forms of instruments evidencing Options and any other instruments required under the Plan (which need not be uniform) and to change such forms from time to time; and to make all other determinations and to take all such steps in connection with the Plan and the Options as the Committee, in its sole discretion, deems necessary or desirable; provided, that all such determinations shall be in accordance with the express provisions, if any, contained in the HSI Agreement, Option Agreement and the Plan. The Committee shall not be bound to any standards of uniformity or similarity of action, interpretation or conduct in the discharge of its duties hereunder, regardless of the apparent similarity of the matters coming before it. The determination, action or conclusion of the Committee in connection with the foregoing shall be final, binding and conclusive.

(b) Advisors. The Committee may designate the Secretary of HSI, other employees of the Company or competent professional advisors to assist the Committee in the administration of the Plan, and may grant authority to such persons (other than professional advisors) to execute Option Agreements (as defined herein) or other documents on behalf of the Committee; provided, that no Participant may execute any Option Agreement granting Options to such Participant. The Committee may employ such legal counsel, consultants and agents as it may deem desirable for the administration of the Plan, and may rely upon any opinion received from any such counsel or consultant and any computation received from any such consultant or agent. Expenses incurred by the Committee in the engagement of such counsel, consultant or agent shall be paid by the Company.

(c) Indemnification. No officer, member or former member of the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any Option granted under it. To the maximum extent permitted by applicable law or the Certificate of Incorporation or By-Laws of HSI and to the extent not covered by insurance, each officer, member or former member of the Committee or of the Board shall be indemnified and held harmless by HSI against any cost or expense (including reasonable fees of counsel reasonably acceptable to HSI) or liability (including any sum paid in settlement of a claim with the approval of HSI), and advanced amounts necessary to pay the foregoing at the earliest time and to the fullest extent permitted, arising out of any act or omission to act in connection with the Plan, except to the extent arising out of such officer's, member's or former member's own fraud or bad faith. Such indemnification shall be in addition to any rights of indemnification the officers, members or former members may have as directors under applicable law or under the Certificate of Incorporation or By-Laws of HSI or any Subsidiary of HSI.

(d) Meetings of the Committee. The Committee shall select one of its members as a Chairman and shall adopt such rules and regulations as it shall deem appropriate concerning the holding of its meetings and the transaction of its business. Any member of the Committee may be removed at any time either with or without cause by resolution adopted by the Board, and any vacancy on the Committee may at any time be filled by resolution adopted by the Board. All determinations by the Committee shall be made by the affirmative vote of a majority of its members. Any such determination may be made at a meeting duly called and held at which a majority of the members of the Committee were in attendance in person or through telephonic communication. Any determination set forth in writing and signed by all of the members of the Committee shall be as fully effective as if it had been made by a majority vote of the members at a meeting duly called and held.

5. SHARES; ADJUSTMENT UPON CERTAIN EVENTS

(a) Shares to be Delivered; Fractional Shares. Shares to be issued under the Plan shall be made available at the discretion of the Board, either from authorized but unissued Shares or from issued Shares reacquired by HSI and held in treasury. No fractional Shares will be issued or transferred upon the exercise of any Option. In lieu thereof, HSI shall pay a cash adjustment equal to the same fraction of the Fair Market Value of one Share on the date of exercise.

(b) Number of Shares. Subject to adjustment as provided in this Section 5, the maximum aggregate number of Shares that may be issued under the Plan shall be 8,579,635 Shares of Common Stock of which a maximum of 237,897 of such Shares shall be covered by Class A Options and the balance of such Shares shall be covered by Class B Options. If Options are for any reason canceled, or expire or terminate unexercised, the Shares covered by such Options shall again be available for the grant of Options, subject to the foregoing limit, provided that the number of Shares covered by Class A Options shall be reduced by that number of Class A Options that are cancelled, expire or are terminated. In addition, if Common Stock has been exchanged by a Participant as full or partial payment to HSI of the Purchase Price or for required withholding, or if the number of shares of Common Stock otherwise deliverable has been reduced for full or partial payment to HSI of the Purchase Price or for required withholding, the number of shares of Common Stock exchanged or reduced shall again be available under the Plan.

(c) Individual Participant Limitations. The maximum number of Shares subject to any Option which may be granted under this Plan to each Participant on or after the HSI Public Offering shall not exceed 100,000 Shares (subject to any adjustment pursuant to Section 5(d)) during each fiscal year of HSI during the entire term of the Plan. To the extent that Shares for which Options are permitted to be granted to a Participant pursuant to Section 5(c) during a fiscal year are not covered by a grant of an Option to a Participant issued in such fiscal year, such Shares shall automatically increase the number of Shares available for grant of Options to such Participant in the subsequent fiscal year during the term of the Plan.

(d) Adjustments; Recapitalization, etc. The existence of the Plan and the Options granted hereunder shall not affect in any way the right or power of the Board or the stockholders of HSI to make or authorize any adjustment, recapitalization, reorganization or other change in HSI's capital structure or its business, any merger or consolidation of HSI, any issue of bonds, debentures, preferred or prior preference stocks ahead of or affecting Common Stock, the dissolution or liquidation of HSI or any of its Subsidiaries, or any sale or transfer of all or part of its assets or business or any other corporate act or proceeding. If and whenever HSI takes any such action, however, the following provisions, to the extent applicable, shall govern:

(i) If and whenever HSI shall effect a stock split, stock dividend, subdivision, recapitalization or combination of Shares or other changes in HSI's Common Stock, (x) the Purchase Price (as defined herein) per Share and the number and class of Shares and/or other securities with respect to which outstanding Options thereafter may be exercised, and (y) the total number and class of Shares and/or other securities that may be issued under this Plan, shall be proportionately adjusted by the Committee. The

Committee may also make such other adjustments as it deems necessary to take into consideration any other event (including, without limitation, accounting changes) if the Committee determines that such adjustment is appropriate to avoid distortion in the operation of the Plan.

(ii) Subject to Section 5(d)(iii), if HSI merges or consolidates with one or more corporations, then from and after the effective date of such merger or consolidation, upon exercise of Options theretofore granted, the Participant shall be entitled to purchase under such Options, in lieu of the number of Shares as to which such Options shall then be exercisable but on the same terms and conditions of exercise set forth in such Options, the number and class of Shares and/or other securities or property (including cash) to which the Participant would have been entitled pursuant to the terms of the agreement of merger or consolidation if, immediately prior to such merger or consolidation, the Participant had been the holder of record of the total number of Shares receivable upon exercise of such Options (whether or not then exercisable).

(iii) In the event of an Acquisition Event, the Committee may, in its discretion, and without any liability to any Participant, terminate all outstanding Options as of the consummation of the Acquisition Event by delivering notice of termination to each Participant at least 20 days prior to the date of consummation of the Acquisition Event; provided that, during the period from the date on which such notice of termination is delivered to the consummation of the Acquisition Event, each Participant shall have the right to exercise in full all of the Options that are then outstanding (without regard to limitations on exercise otherwise contained in the Options). If an Acquisition Event occurs and the Committee does not terminate the outstanding Options pursuant to the preceding sentence, then the provisions of Section 5(d)(ii) shall apply.

(iv) Subject to Sections 5(b) and (c), the Committee may grant Options under the Plan in substitution for options held by employees or consultants of another corporation who concurrently become employees or consultants of the Company as the result of a merger or consolidation of the employing or engaging corporation with the Company, or as the result of the acquisition by the Company of property or stock of the employing or engaging corporation. The Company may direct that substitute awards be granted on such terms and conditions as the Committee considers appropriate in the circumstances.

(v) If, as a result of any adjustment made pursuant to the preceding paragraphs of this Section 5, any Participant shall become entitled upon exercise of an Option to receive any securities other than Common Stock, then the number and class of securities so receivable thereafter shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Common Stock set forth in this Section 5, as determined by the Committee in its discretion.

(vi) Except as hereinbefore expressly provided, the issuance by HSI of shares of stock of any class, or securities convertible into shares of stock of any class, for cash, property, labor or services, upon direct sale, upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or other securities, and in any case whether or not for fair value, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number and class of Shares and/or other securities or property subject to Options theretofore granted or the Purchase Price per Share.

6. AWARDS AND TERMS OF OPTIONS

(a) Grant. The Committee may grant Options, including, in the case of grants to Key Employees, Options intended to be Incentive Stock Options, to Key Employees and Consultants of the Company. Each Option shall be evidenced by a Class A Option agreement ("Class A Option Agreement") or Class B Option agreement ("Class B Option Agreement"), as applicable.

(b) Exercise Price. The Purchase Price deliverable upon the exercise of an Option shall be determined by the Committee, subject to the following: (i) in the case of Class A Options (A) prior to the HSI Public Offering, the Purchase Price shall not be less than \$416.67 per Share, and (B) on or after the HSI Public Offering, the Purchase Price shall not be less than the Fair Market Value per Share on the date the Option is granted, and (ii) in the case of Class B Options or Incentive Stock Options, the Purchase Price shall not be less than 100% (110% for an Incentive Stock Option granted to a Substantial Stockholder) of the Fair Market Value per Share on the date the Class B Option or Incentive Stock Option is granted.

(c) Number of Shares. The Option Agreement shall specify the number of Options granted to the Participant, as determined by the Committee in its sole discretion, subject to Section 5(c) hereof.

(d) Exercisability. At the time of grant, the Committee shall specify when and on what terms the Options granted shall be exercisable. In the case of Options not immediately exercisable in full, the Committee may at any time accelerate the time at which all or any part of the Options may be exercised and may waive any other conditions to exercise, subject to the terms of the Option Agreement and the Plan, and provided that the Committee may not accelerate the exercise date prior to the HSI Closing. No Option shall be exercisable after the expiration of ten (10) years from the date of grant (five (5) years in the case of an Incentive Stock Option granted to a Substantial Stockholder). Each Option shall be subject to earlier termination as provided in Section 7 below.

(e) Special Rule for Incentive Options. If required by Section 422 of the Code, to the extent the aggregate Fair Market Value of the Shares with respect to which Incentive Stock Options are exercisable for the first time by a Key Employee during any calendar year (under all plans of his or her employer corporation and its parent and subsidiary corporations) exceeds \$100,000, such Options shall not be treated as Incentive Stock Options. Nothing in this special rule shall be construed as limiting the exercisability of any Option, unless the Committee expressly provides for such a limitation at time of grant.

(f) Acceleration of Exercisability on Change of Control. Upon a Change of Control (as defined herein) of HSI all Options theretofore granted and not previously exercisable shall become fully exercisable. For this purpose, a "Change of Control" shall be deemed to have occurred upon:

(i) an acquisition by any Person of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Act) of 33% (20% with respect to Options granted prior to the Restated Effective Date) or more of either (A) the then outstanding Shares or (B) the combined voting power of the then outstanding voting securities of HSI entitled to vote generally in the election of directors (the "Outstanding HSI Voting Securities"); excluding, however, the following: (w) any acquisition directly from the Company, other than an acquisition by virtue of the exercise of a conversion privilege unless the security being so converted was itself acquired directly from the Company, (x) any acquisition by the Company, (y) any acquisition by an employee benefit plan (or related trust) sponsored or maintained by the Company or (z) any acquisition by any corporation pursuant to a reorganization, merger, consolidation or similar corporate transaction (in each case, a "Corporate Transaction"), if, pursuant to such Corporate Transaction, the conditions described in clauses (A), (B) and (C) of paragraph (iii) of this Section 6 are satisfied; or

(ii) a change in the composition of the Board such that the individuals who, as of the Restated Effective Date, constitute the Board (the Board as of the date hereof shall be hereinafter referred to as the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided that for purposes of this Subsection any individual who becomes a member of the Board subsequent to the date hereof whose election, or nomination for election by HSI's stockholders, was approved by a vote of at least a majority of those individuals who are members of the Board and who are also members of the Incumbent Board (or deemed to be such pursuant to this proviso) shall be considered as though such individual were a member of the Incumbent Board; but, provided further, that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board shall not be so considered as a member of the Incumbent Board; or

(iii) the approval by the stockholders of HSI of a Corporate Transaction or, if consummation of such Corporate Transaction is subject, at the time of such approval by stockholders, to the consent of any

government or governmental agency, the obtaining of such consent (either explicitly or implicitly by consummation); excluding, however, such a Corporate Transaction pursuant to which (A) all or substantially all of the individuals and entities who are the beneficial owners, respectively, of the outstanding Shares and Outstanding HSI Voting Securities immediately prior to such Corporate Transaction will beneficially own, directly or indirectly, more than 60% of, respectively, the outstanding shares of common stock of the corporation resulting from such Corporate Transaction and the combined voting power of the outstanding voting securities of such corporation entitled to vote generally in the election of directors, in substantially the same proportions as their ownership, immediately prior to such Corporate Transaction, of the outstanding Shares and Outstanding HSI Voting Securities, as the case may be, (B) no Person (other than the Company, any employee benefit plan (or related trust) of the Company or the corporation resulting from such Corporate Transaction and any Person beneficially owning, immediately prior to such Corporate Transaction, directly or indirectly, 33% (20% with respect to Options granted prior to the Restated Effective Date) or more of the outstanding Shares or Outstanding HSI Voting Securities, as the case may be) will beneficially own, directly or indirectly, 33% (20% with respect to Options granted prior to the Restated Effective Date) or more of, respectively, the outstanding shares of common stock of the corporation resulting from such Corporate Transaction or the combined voting power of the then outstanding securities of such corporation entitled to vote generally in the election of directors and (C) individuals who were members of the Incumbent Board will constitute at least a majority of the members of the board of directors of the corporation resulting from such Corporate Transaction; or

(iv) the approval of the stockholders of HSI of (A) a complete liquidation or dissolution of HSI or (B) the sale or other disposition of all or substantially all of the assets of HSI; excluding, however, such a sale or other disposition to a corporation with respect to which, following such sale or other disposition, (x) more than 60% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors will be then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the outstanding Shares and Outstanding HSI Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the outstanding Shares and Outstanding HSI Voting Securities, as the case may be, (y) no Person (other than the Company and any employee benefit plan (or related trust) of the Company or such corporation and any Person beneficially owning, immediately prior to such sale or other disposition, directly or indirectly, 33% (20% with respect to Options granted prior to the Restated Effective Date) or more of the outstanding Shares or Outstanding HSI Voting Securities, as the case may be) will beneficially own, directly or indirectly, 33% (20% with respect to Options granted prior to the Restated Effective Date) or more of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors and (z) individuals who were members of the Incumbent Board

will constitute at least a majority of the members of the board of directors of such corporation.

(g) Exercise of Options.

(i) A Participant may elect to exercise one or more Options by giving written notice to the Committee at any time subsequent to an HSI Closing of such election and of the number of Options such Participant has elected to exercise, accompanied by payment in full of the aggregate Purchase Price for the number of shares for which the Options are being exercised.

(ii) Shares purchased pursuant to the exercise of Options shall be paid for at the time of exercise as follows:

(A) in cash or by check, bank draft or money order payable to the order of HSI;

(B) if so permitted by the Committee: (x) through the delivery of unencumbered Shares (including Shares being acquired pursuant to the Options then being exercised), provided such Shares (or such Options) have been owned by the Participant for such period as may be required by applicable accounting standards to avoid a charge to earnings, (y) through a combination of Shares and cash as provided above, (z) to the extent permitted by applicable law, by delivery of a promissory note of the Participant to HSI, such promissory note to be payable on such terms as are specified in the Option Agreement (except that, in lieu of a stated rate of interest, the Option Agreement may provide that the rate of interest on the promissory note will be such rate as is sufficient, at the time the note is given, to avoid the imputation of interest under the applicable provisions of the Code), or by a combination of cash (or cash and Shares) and the Participant's promissory note; provided, that, if the Shares delivered upon exercise of the Option is an original issue of authorized Shares, at least so much of the exercise price as represents the par value of such Shares shall be paid in cash or by a combination of cash and Shares; or

(C) on such other terms and conditions as may be acceptable to the Committee and in accordance with applicable law. Except as provided in subsection (h) below, upon receipt of payment, HSI shall deliver to the Participant as soon as practicable a certificate or certificates for the Shares then purchased.

(h) Deferred Delivery of Common Stock. The Committee may, in its discretion, permit Participants to defer delivery of Common Stock acquired pursuant to a Participant's exercise of an Option in accordance with the terms and conditions established by the Committee.

7. EFFECT OF TERMINATION OF EMPLOYMENT OR TERMINATION OF CONSULTANCY

(a) Death, Disability; Retirement, etc. Except as otherwise provided in the Participant's Option Agreement, upon Termination of Employment or

Termination of Consultancy, all outstanding Options then exercisable and not exercised by the Participant prior to such Termination of Employment or Termination of Consultancy (and any Options not previously exercisable but made exercisable by the Committee at or after the Termination of Employment or Termination of Consultancy) shall remain exercisable by the Participant to the extent not theretofore exercised for the following time periods (subject to Section 6(d)):

(i) In the event of the Participant's death, such Options shall remain exercisable (by the Participant's estate or by the person given authority to exercise such Options by the Participant's will or by operation of law) for a period of one (1) year from the date of the Participant's death, provided that the Committee, in its discretion, may at any time extend such time period to up to three (3) years from the date of the Participant's death.

(ii) In the event the Participant retires at or after age 65 (or, with the consent of the Committee or under an early retirement policy of the Company, before age 65), or if the Participant's employment terminates due to Disability, such Options shall remain exercisable for one (1) year from the date of the Participant's Termination of Employment, provided that the Committee, in its discretion, may at any time extend such time period to up to three (3) years from the date of the Participant's Termination of Employment or Termination of Consultancy.

(b) Cause or Voluntary Termination. Upon the Termination of Employment or Termination of Consultancy of a Participant for Cause (as defined herein) or by the Participant in violation of an agreement between the Participant and HSI or any of its Subsidiaries, or if it is discovered after such Termination of Employment or Termination of Consultancy that such Participant had engaged in conduct that would have justified a Termination of Employment or Termination of Consultancy for Cause, all outstanding Options shall immediately be canceled, provided that with respect to Options granted on or after the Restated Effective Date, upon any such termination the Committee may, in its discretion, require the Participant to promptly pay to the Company (and the Company shall have the right to recover) any gain the Participant realized as a result of the exercise of any Option that occurred within one (1) year prior to such Termination of Employment or Termination of Consultancy or the discovery of conduct that would have justified a Termination of Employment or Termination of Consultancy for Cause. Termination of Employment or Termination of Consultancy shall be deemed to be for "Cause" for purposes of this Section 7(b) if (i) the Participant shall have committed fraud or any felony in connection with the Participant's duties as an employee or consultant (as applicable) of HSI or any of its Subsidiaries, or willful misconduct or any act of disloyalty, dishonesty, fraud or breach of trust or confidentiality as to HSI or any of its Subsidiaries or the commission of any other act which causes or may reasonably be expected to cause economic or reputational injury to HSI or any of its Subsidiaries or (ii) such termination is or would be deemed to be for Cause under any employment or consulting agreement between HSI or any of its Subsidiaries and the Participant.

(c) Other Termination. In the event of Termination of Employment or Termination of Consultancy for any reason other than as provided in Section 7(a) or in 7(b), all outstanding Options not exercised by the Participant prior to such Termination of Employment or Termination of Consultancy shall remain exercisable (to the extent exercisable by such Participant immediately before

such termination) for a period of three (3) months after such termination, provided that the Committee in its discretion may extend such time period to up to one (1) year from the date of the Participant's Termination of Employment or Termination of Consultancy, and provided further that unless otherwise determined by the Committee at grant, no Options that were not exercisable during the period of employment shall thereafter become exercisable.

8. NONTRANSFERABILITY OF OPTIONS

(a) Except as provided in Section 8(b), no Option shall be transferable by the Participant otherwise than by will or under applicable laws of descent and distribution, and during the lifetime of the Participant may be exercised only by the Participant or his or her guardian or legal representative. In addition, no Option shall be assigned, negotiated, pledged or hypothecated in any way (whether by operation of law or otherwise), and no Option shall be subject to execution, attachment or similar process. Upon any attempt to transfer, assign, negotiate, pledge or hypothecate any Option, or in the event of any levy upon any Option by reason of any execution, attachment or similar process contrary to the provisions hereof, such Option shall immediately become null and void.

(b) Notwithstanding the foregoing or any prohibition on transfer contained in any Option Agreement issued before May 26, 1999, a non-qualified Option may be transferred, in whole or in part, to a Family Member of the Participant by gift or domestic relations order unless, with respect to Options granted on or after May 26, 1999, the Participant's Option Agreement expressly limits or eliminates such transferability. Effective on the Restated Effective Date Options are not transferable as provided in Section 8(a), except that the Committee may determine at the time of grant or thereafter that a non-qualified Option that is not otherwise transferable pursuant to this Section is transferable to a Family Member in whole or in part and in such circumstances, and under such conditions, as specified by the Committee. Any Option so transferred may thereafter be transferred by the transferee to any other Family Member of the Participant, and may be exercised by any permitted transferee at such times and to such extent that such Option would have been exercisable by the Participant if no transfer had occurred.

9. RIGHTS AS A STOCKHOLDER

A Participant (or a permitted transferee of an Option pursuant to Section 8(b)) shall have no rights as a stockholder with respect to any Shares covered by such Participant's Option until such Participant (or a permitted transferee of an Option pursuant to Section 8(b)) shall have become the holder of record of such Shares, and no adjustments shall be made for dividends in cash or other property or distributions or other rights in respect to any such Shares, except as otherwise specifically provided for in this Plan.

10. DETERMINATIONS

Each determination, interpretation or other action made or taken pursuant to the provisions of this Plan by the Committee shall be final, conclusive and binding for all purposes and upon all persons, including, without limitation, the Participants, HSI and its Subsidiaries, directors, officers and

other employees of HSI and its Subsidiaries, and the respective heirs, executors, administrators, personal representatives and other successors in interest of each of the foregoing.

11. TERMINATION, AMENDMENT AND MODIFICATION

The Plan shall terminate at the close of business on September 30, 2009, unless terminated sooner as hereinafter provided, and no Option shall be granted under the Plan on or after that date. The termination of the Plan shall not terminate any outstanding Options which by their terms continue beyond the termination date of the Plan. At any time prior to September 30, 2009, the Board or the Committee may amend or terminate the Plan or suspend the Plan in whole or in part. Notwithstanding the foregoing, however, no such amendment may, without the approval of the stockholders of HSI, (i) increase the total number of Shares which may be acquired upon exercise of Options granted under the Plan; (ii) change the types of employees, consultants or other advisors eligible to be Participants under the Plan; (iii) effect any change that would require stockholder approval under Section 162(m) of the Code; or (iv) reduce the Purchase Price of any outstanding Options (except pursuant to Section 5(d)).

Nothing contained in this Section 11 shall be deemed to prevent the Board or the Committee from authorizing amendments of outstanding Options, so long as all Options outstanding at any one time shall not call for issuance of more Shares than the remaining number provided for under the Plan and so long as the provisions of any amended Options would have been permissible under the Plan if such Option had been originally granted or issued as of the date of such amendment with such amended terms; provided, however, that no outstanding Option may be amended to reduce the Purchase Price specified therein or canceled in consideration for an award having a lower exercise price without the approval of the stockholders of HSI; provided further, however, that the foregoing proviso shall not be deemed to prohibit adjustments related to stock splits, stock dividends, mergers, recapitalizations or other changes in the capital structure or business of HSI pursuant to Section 5(d).

Notwithstanding anything to the contrary contained in this Section 11, no termination, amendment or modification of the Plan may, without the consent of the Participant or the transferee of such Participant's Option, alter or impair the rights and obligations arising under any then outstanding Option.

12. NON-EXCLUSIVITY

Subject to the express provisions contained in the HSI Agreement, neither the adoption of the Plan by the Board nor the submission of the Plan to the stockholders of HSI for approval shall be construed as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including, without limitation, the granting or issuance of stock options, Shares and/or other incentives otherwise than under the Plan, and such arrangements may be either generally applicable or limited in application.

13. USE OF PROCEEDS

The proceeds of the sale of Shares subject to Options under the Plan are to be added to the general funds of HSI and used for its general corporate purposes as the Board shall determine.

14. GENERAL PROVISIONS

(a) Right to Terminate Employment or Consultancy. Neither the adoption of the Plan nor the grant of Options shall impose any obligations on the Company to continue the employment or engagement as a consultant of any Participant, nor shall it impose any obligation on the part of any Participant to remain in the employ of the Company, subject however to the provisions of any agreement between the Company and the Participant.

(b) Purchase for Investment. If the Board determines that the law so requires, the holder of an Option granted hereunder shall, upon any exercise or conversion thereof, execute and deliver to HSI a written statement, in form satisfactory to HSI, representing and warranting that such Participant is purchasing or accepting the Shares then acquired for such Participant's own account and not with a view to the resale or distribution thereof, that any subsequent offer for sale or sale of any such Shares shall be made either pursuant to (i) a registration statement on an appropriate form under the Securities Act, which registration statement shall have become effective and shall be current with respect to the Shares being offered and sold, or (ii) a specific exemption from the registration requirements of the Securities Act, and that in claiming such exemption the holder will, prior to any offer for sale or sale of such Shares, obtain a favorable written opinion, satisfactory in form and substance to HSI, from counsel approved by HSI as to the availability of such exception.

(c) Trusts, etc. Nothing contained in the Plan and no action taken pursuant to the Plan (including, without limitation, the grant of any Option thereunder) shall create or be construed to create a trust of any kind, or a fiduciary relationship, between HSI and any Participant or the executor, administrator or other personal representative or designated beneficiary of such Participant, or any other persons. Any reserves that may be established by HSI in connection with the Plan shall continue to be part of the general funds of HSI, and no individual or entity other than HSI shall have any interest in such funds until paid to a Participant. If and to the extent that any Participant or such Participant's executor, administrator, or other personal representative, as the case may be, acquires a right to receive any payment from HSI pursuant to the Plan, such right shall be no greater than the right of an unsecured general creditor of HSI.

(d) Notices. Each Participant shall be responsible for furnishing the Committee with the current and proper address for the mailing to such Participant of notices and the delivery to such Participant of agreements, Shares and payments. Any notices required or permitted to be given shall be deemed given if directed to the person to whom addressed at such address and mailed by regular United States mail, first class and prepaid. If any item mailed to such address is returned as undeliverable to the addressee, mailing will be suspended until the Participant furnishes the proper address.

(e) Severability of Provisions. If any provisions of the Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions of the Plan, and the Plan shall be construed and enforced as if such provisions had not been included.

(f) Payment to Minors, Etc. Any benefit payable to or for the benefit of a minor, an incompetent person or other person incapable of receipting therefor shall be deemed paid when paid to such person's guardian or to the party providing or reasonably appearing to provide for the care of such person, and such payment shall fully discharge the Committee, the Company and their employees, agents and representatives with respect thereto.

(g) Headings and Captions. The headings and captions herein are provided for reference and convenience only. They shall not be considered part of the Plan and shall not be employed in the construction of the Plan.

(h) Controlling Law. The Plan shall be construed and enforced according to the laws of the State of New York.

15. ISSUANCE OF STOCK CERTIFICATES;
LEGENDS AND PAYMENT OF EXPENSES

(a) Stock Certificates. Upon any exercise of an Option and payment of the exercise price as provided in such Option, a certificate or certificates for the Shares as to which such Option has been exercised shall be issued by HSI in the name of the person or persons exercising such Option and shall be delivered to or upon the order of such person or persons.

(b) Legends. Certificates for Shares issued upon exercise of an Option shall bear such legend or legends as the Committee, in its discretion, determines to be necessary or appropriate to prevent a violation of, or to perfect an exemption from, the registration requirements of the Securities Act or to implement the provisions of any agreements between HSI and the Participant with respect to such Shares.

(c) Payment of Expenses. The Company shall pay all issue or transfer taxes with respect to the issuance or transfer of Shares, as well as all fees and expenses necessarily incurred by the Company in connection with such issuance or transfer and with the administration of the Plan.

16. LISTING OF SHARES AND RELATED MATTERS

If at any time the Board shall determine in its sole discretion that the listing, registration or qualification of the Shares covered by the Plan upon any national securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the award or sale of Shares under the Plan, no Shares will be delivered unless and until such listing, registration, qualification, consent or approval shall have been effected or obtained, or otherwise provided for, free of any conditions not acceptable to the Board.

17. WITHHOLDING TAXES

Where a Participant or other person is entitled to receive Shares pursuant to the exercise of an Option, HSI shall have the right to require the Participant or such other person to pay to HSI the amount of any taxes which HSI may be required to withhold before delivery to such Participant or other person of cash or a certificate or certificates representing such Shares.

Upon the disposition of Shares acquired pursuant to the exercise of an Incentive Stock Option, HSI shall have the right to require the payment of the amount of any taxes which are required by law to be withheld with respect to such disposition.

Unless otherwise prohibited by the Committee or by applicable law, a Participant may satisfy any statutorily required withholding tax obligation by any of the following methods, or by a combination of such methods: (a) securing payment in cash or property in lieu of withholding; (b) authorizing HSI to withhold from the Shares otherwise payable to such Participant (1) one or more of such Shares having an aggregate Fair Market Value, determined as of the date the withholding tax obligation arises, less than or equal to the amount of the total withholding tax obligation or (2) cash in an amount less than or equal to the amount of the total withholding tax obligation; or (c) delivering to HSI previously acquired Shares (none of which Shares may be subject to any claim, lien, security interest, community property right or other right of spouses or present or former family members, pledge, option, voting agreement or other restriction or encumbrance of any nature whatsoever) having an aggregate Fair Market Value, determined as of the date the withholding tax obligation arises, less than or equal to the amount of the total withholding tax obligation.

18. SECTION 16(B) OF THE ACT

All elections and transactions under the Plan by persons subject to Section 16 of the Act involving Shares are intended to comply with all exemptive conditions under Rule 16b-3. The Committee may establish and adopt written administrative guidelines, designed to facilitate compliance with Section 16(b) of the Act, as it may deem necessary or proper for the administration and operation of the Plan and the transaction of business thereunder.

1996 NON-EMPLOYEE DIRECTOR STOCK INCENTIVE PLAN

As Amended and Restated Effective as of April 1, 2003

1. PURPOSE OF THE PLAN

The purposes of this Henry Schein, Inc. 1996 Non-Employee Director Stock Incentive Plan, as amended and restated effective as of April 1, 2003, are to enable Henry Schein, Inc. (the "Company") to attract, retain and motivate directors of the Company who are not employees of the Company or its subsidiaries ("Non-Employee Directors") and who are important to the success of the Company and to create a mutuality of interest between the Non-Employee Directors and the stockholders of the Company by granting such directors options to purchase Common Stock (as defined herein) of the Company and Other Stock-Based Awards (as defined herein).

2. DEFINITIONS

(a) "Acquisition Event" means a merger or consolidation in which the Company is not the surviving entity, or any transaction that results in the acquisition of all or substantially all of the Company's outstanding Common Stock by a single person or entity or by a group of persons and/or entities in concert, or the sale or transfer of all or substantially all of the Company's assets.

(b) "Act" means the Securities Exchange Act of 1934, as amended and the rules and regulations promulgated thereunder.

(c) "Board" means the board of directors of the Company.

(d) "Cause" has the meaning set forth in Section 8(b).

(e) "Change of Control" has the meaning set for in Section 6(e).

(f) "Code" means the Internal Revenue Code of 1986, as amended.

(g) "Committee" means such committee (or subcommittee), if any, appointed by the Board to administer the Plan consisting of two or more directors as may be appointed from time to time by the Board, each of whom shall qualify as a "non-employee director" within the meaning of Rule 16b-3 promulgated under the Act. If the Board does not appoint a committee for this purpose or the Board removes the Committee for any reason, "Committee" means the Board.

(h) "Common Stock" means the voting common stock of the Company, par value \$.01, any common stock into which the common stock may be converted and any common stock resulting from any reclassification of the common stock.

(i) "Company" means Henry Schein, Inc., a Delaware corporation.

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(j) "Corporate Transaction" has the meaning set forth in Section 6(e)(i)

(k) "Disability" means a permanent and total disability, as determined by the Committee in its sole discretion, provided that in no event shall any disability that is not permanent and total disability within the meaning of Section 22(e)(3) of the Code be treated as a Disability. A Disability shall be deemed to occur at the time of the determination by the Committee of the Disability.

(l) "Effective Date" has the meaning set forth in Section 3.

(m) "Fair Market Value" means the value of a Share (as defined herein) on a particular date, determined as follows:

(i) If the Common Stock is listed or admitted to trading on such date on a national securities exchange or quoted through the NASDAQ Stock Market, Inc. ("NASDAQ"), the closing sales price of a Share as reported on the relevant composite transaction tape, if applicable, or on such principal exchange (determined by trading value in the Common Stock) or through NASDAQ, as the case may be, on such date, or in the absence of reported sales on such day, the mean between the reported bid and asked prices reported on such composite transaction tape or exchange or through NASDAQ, as the case may be, on such date; or

(ii) If the Common Stock is not listed or quoted as described in the preceding clause, but bid and asked prices are quoted through NASDAQ, the mean between the bid and asked prices as quoted by NASDAQ on such date; or

(iii) If the Common Stock is not listed or quoted on a national securities exchange or through NASDAQ or, if pursuant to (i) and (ii) above the Fair Market Value is to be determined based upon the mean of the bid and asked prices and the Committee determines that such mean does not properly reflect the Fair Market Value, by such other method as the Committee determines to be reasonable and consistent with applicable law; or

(iv) If the Common Stock is not publicly traded, such amount as is set by the Committee in good faith.

(n) "Family Member" means, with respect to any Participant, any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, including adoptive relationships, trusts for the exclusive benefit of such individuals, and any other entity owned solely by such individuals.

(o) "HSI Agreement" means the Amended and Restated HSI Agreement dated as of February 16, 1994 among the Company and certain other parties.

(p) "Incumbent Board" has the meaning set forth in Section 6(e)(ii).

(q) "Non-Employee Directors" means directors of the Company who are not employees of the Company or its subsidiaries.

(r) "Other Stock-Based Award" shall mean an award of Common Stock and

other awards made pursuant to Section 7 that are valued in whole or in part by reference to, or are payable in or otherwise based on, Common Stock.

(s) "Option" means the right to purchase one Share at a prescribed Purchase Price on the terms specified in the Plan and the Option agreement. An Option granted under the Plan may only be a non-qualified stock Option, and no Option is intended to qualify as an "incentive stock option" under Section 422 of the Code.

(t) "Outstanding HSI Voting Securities" has the meaning set forth in Section 6(e)(i).

(u) "Participant" means a Non-Employee Director who is granted Options under the Plan.

(v) "Person" means an individual, entity or group within the meaning of Section 13d-3 or 14d-1 of the Act.

(w) "Plan" means the Henry Schein, Inc. 1996 Non-Employee Director Stock Incentive Plan, as amended from time to time.

(x) "Purchase Price" means purchase price per Share.

(y) "Securities Act" means the Securities Act of 1933, as amended.

(z) "Share" means a share of Common Stock.

(aa) "Termination of Services" means termination of the relationship with the Company so that an individual is no longer a director of the Company.

3. EFFECTIVE DATE/EXPIRATION OF PLAN

This Plan shall become effective as of March 22, 1996 (the "Effective Date"), and was amended on March 4, 2002, subject to its approval not later than the date of the Company's 2002 Annual Meeting of Stockholders by the holders of a majority of the outstanding shares of Common Stock entitled to vote thereon. The Plan was subsequently amended and restated effective as of April 1, 2003, subject to stockholder approval by a majority of the total votes cast in person or by proxy (the "Restated Effective Date"). Grants of Options under the Plan may be made on and after the Effective Date and the Restated Effective Date, and Other Stock-Based Awards may be granted after the Restated Effective Date, provided that, if this Plan is not approved in accordance with the preceding sentence on or before such annual meeting, all Options and Other Stock-Based Awards granted pursuant to the Plan shall be null and void. Options may not be exercised prior to such approval. No Option or Other Stock-Based Award shall be granted under the Plan on or after the tenth anniversary of the Effective Date, but Options or Other Stock-Based Awards previously granted may extend beyond that date.

4. ADMINISTRATION

(a) Duties of the Committee. The Plan shall be administered by the Committee. The Committee shall have full authority to interpret the Plan and to

decide any questions and settle all controversies and disputes that may arise in connection with the Plan; to establish, amend, and rescind rules for carrying out the Plan, to administer the Plan, subject to its provisions; to select Participants in, and grant Options and/or Other Stock-Based Awards under, the Plan; to determine the terms, exercise price and form of exercise payment for each Option or Other Stock-Based Award granted under the Plan; to prescribe the form or forms of instruments evidencing Options and Other Stock-Based Awards and any other instruments required under the Plan (which need not be uniform) and to change such forms from time to time; and to make all other determinations and to take all such steps in connection with the Plan and the Options and Other Stock-Based Awards as the Committee, in its sole discretion, deems necessary or desirable; provided, that all such determinations shall be in accordance with the express provisions, if any, contained in the HSI Agreement, Option agreement, award agreement and the Plan. The Committee shall not be bound to any standards of uniformity or similarity of action, interpretation or conduct in the discharge of its duties hereunder, regardless of the apparent similarity of the matters coming before it. The determination, action or conclusion of the Committee in connection with the foregoing shall be final, binding and conclusive.

(b) Advisors. The Committee may designate the Secretary of the Company, other employees of the Company or competent professional advisors to assist the Committee in the administration of the Plan, and may grant authority to such persons (other than professional advisors) to execute Option agreements (or other award agreement) or other documents on behalf of the Committee; PROVIDED, that no Participant may execute any Option agreement (or other award agreement) granting Options or Other Stock-Based Awards to such Participant. The Committee may employ such legal counsel, consultants and agents as it may deem desirable for the administration of the Plan, and may rely upon any opinion received from any such counsel or consultant and any computation received from any such consultant or agent. Expenses incurred by the Committee in the engagement of such counsel, consultant or agent shall be paid by the Company.

(c) Indemnification. To the maximum extent permitted by law, no officer, member or former officer or member of the Committee or the Board shall be liable for any action or determination made in good faith with respect to the Plan or any Option or Other Stock-Based Awards granted under it. To the maximum extent permitted by applicable law or the Certificate of Incorporation or By-Laws of the Company and to the extent not covered by insurance, each officer, member or former officer or member of the Committee or of the Board shall be indemnified and held harmless by the Company against any cost or expense (including reasonable fees of counsel reasonably acceptable to the Company) or liability (including any sum paid in settlement of a claim with the approval of the Company), and advanced amounts necessary to pay the foregoing at the earliest time and to the fullest extent permitted, arising out of any act or omission to act in connection with the Plan, except to the extent arising out of such officer's, member's or former officer's or member's own fraud or bad faith. Such indemnification shall be in addition to any rights of indemnification the officers, members or former officers or members may have as directors under applicable law or under the Certificate of Incorporation or By-Laws of the Company or otherwise.

(d) Meetings of the Committee. The Committee shall select one of its members as a Chairman and shall adopt such rules and regulations as it shall deem appropriate concerning the holding of its meetings and the transaction of its business. Any member of the Committee may be removed at any time either with

or without cause by resolution adopted by the Board, and any vacancy on the Committee may at any time be filled by resolution adopted by the Board. All determinations by the Committee shall be made by the affirmative vote of a majority of its members. Any such determination may be made at a meeting duly called and held at which a majority of the members of the Committee were in attendance in person or through telephonic communication. Any determination set forth in writing and signed by all of the members of the Committee shall be as fully effective as if it had been made by a vote of such members at a meeting duly called and held.

5. SHARES; ADJUSTMENT UPON CERTAIN EVENTS

(a) Shares to be Delivered; Fractional Shares. Shares to be issued under the Plan shall be made available at the discretion of the Board, either from authorized but unissued Shares or from issued Shares reacquired by the Company and held in treasury. No fractional Shares will be issued or transferred upon the exercise of any Option or as a result of the conversion of any Other Stock-Based Awards. In lieu thereof, the Company shall pay a cash adjustment equal to the same fraction of the Fair Market Value of one Share on the date of exercise.

(b) Number of Shares. Subject to adjustment as provided in this Section 5, the maximum aggregate number of Shares that may be issued under the Plan shall be 200,000 Shares of Common Stock. If Options or Other Stock-Based Awards are for any reason canceled, or expire or terminate unexercised (as applicable), the Shares covered by such Options and such Other Stock-Based Awards shall again be available for grant, subject to the foregoing limit. In addition, if Common Stock has been exchanged by a Participant as full or partial payment to the Company of the Purchase Price or for required withholding, or if the number of shares of Common Stock otherwise deliverable has been reduced for full or partial payment to the Company of the Purchase Price or for required withholding, the number of shares of Common Stock exchanged or reduced shall again be available under the Plan.

(c) Adjustments; Recapitalization, etc. The existence of the Plan and the Options and Other Stock-Based Awards granted hereunder shall not affect in any way the right or power of the Board or the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation of the Company, any issue of bonds, debentures, preferred or prior preference stocks ahead of or affecting Common Stock, the dissolution or liquidation of the Company or any sale or transfer of all or part of its assets or business or any other corporate act or proceeding. If and whenever the Company takes any such action, however, the following provisions, to the extent applicable, shall govern:

(i) If and whenever the Company shall effect a stock split, stock dividend, subdivision, recapitalization or combination of Shares or other changes in the Company's Common Stock, (x) the Purchase Price (as defined herein) per Share and the number and class of Shares and/or other securities with respect to which outstanding Options thereafter may be exercised or Other Stock-Based Awards converted, and (y) the total number and class of Shares and/or other securities that may be issued under this Plan, shall be proportionately adjusted by the Committee. The Committee may also make such other adjustments as it deems necessary to take into consideration any other event (including, without limitation, accounting changes) if the Committee

determines that such adjustment is appropriate to avoid distortion in the operation of the Plan.

(ii) Subject to Section 5(c)(iii), if the Company merges or consolidates with one or more corporations, then from and after the effective date of such merger or consolidation, upon exercise of Options theretofore granted or conversion of Other Stock-Based Awards, the Participant shall be entitled to purchase under such Options and receive under such Other Stock-Based Awards, in lieu of the number of Shares as to which such Options shall then be exercisable, or Other Stock-Based Awards be converted, but on the same terms and conditions set forth in the applicable award agreement, the number and class of Shares and/or other securities or property (including cash) to which the Participant would have been entitled pursuant to the terms of the agreement of merger or consolidation if, immediately prior to such merger or consolidation, the Participant had been the holder of record of the total number of Shares receivable upon exercise of such Options (whether or not then exercisable) or upon conversion of such Other Stock-Based Awards.

(iii) In the event of an Acquisition Event, the Committee may, in its discretion, and without any liability to any Participant, terminate all outstanding Options or Other Stock-Based Award (solely to the extent such award gives a Participant an exercise right) as of the consummation of the Acquisition Event by delivering notice of termination to each Participant at least 20 days prior to the date of consummation of the Acquisition Event; provided that, during the period from the date on which such notice of termination is delivered to the consummation of the Acquisition Event, each Participant shall have the right to exercise in full all of the Options or such Other Stock-Based Awards described in this subsection (iii) that are then outstanding (without regard to limitations on exercise otherwise contained in the Options). If an Acquisition Event occurs and the Committee does not terminate the outstanding Options or Other Stock-Based Award described in this subsection (iii) pursuant to the preceding sentence, then the provisions of Section 5(c)(ii) shall apply.

(iv) If, as a result of any adjustment made pursuant to the preceding paragraphs of this Section 5, any Participant shall become entitled upon exercise of an Option or conversion of Other Stock-Based Awards to receive any securities other than Common Stock, then the number and class of securities so receivable thereafter shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Common Stock set forth in this Section 5, as determined by the Committee in its discretion.

(v) Except as hereinbefore expressly provided, the issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, for cash, property, labor or services, upon direct sale, upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or other securities, and in any case whether or not for fair value, shall not affect, and no adjustment by reason thereof shall be made with respect to the number and class of Shares and/or other securities or property subject to Other Stock-Based Awards and Options theretofore granted of the Purchase Price per Share.

6. AWARDS AND TERMS OF OPTIONS;

(a) Grant. The Committee may grant Options to Non-Employee Directors.

(b) Exercise Price. The Purchase Price deliverable upon the exercise of an Option shall equal 100% of the Fair Market Value on the date of grant.

(c) Number of Shares. The Option agreement shall specify the number of Options granted to the Participant, as determined by the Committee in its sole discretion.

(d) Exercisability. At the time of grant, the Committee shall specify when and on what terms the Options granted shall be exercisable. In the case of Options not immediately exercisable in full, the Committee may at any time accelerate the time at which all or any part of the Options may be exercised and may waive any other conditions to exercise, subject to the terms of the option agreement and the Plan. No Option shall be exercisable after the expiration of ten (10) year from the date of grant. Each Option shall be subject to earlier termination as provided in Section 8 below.

(e) Acceleration of Exercisability on Change of Control. All Options granted and not previously exercisable shall become exercisable immediately upon the later of a Change of Control (as defined herein) or approval of this Plan in accordance with Section 3. For this purpose, a "Change of Control" shall be deemed to have occurred upon:

(i) an acquisition by any Person of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Act) of 33% (20% with respect to Options granted prior to the Restated Effective Date) or more of either (A) the then outstanding Shares or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding HSI Voting Securities"); excluding, however, the following: (w) any acquisition directly from the Company, other than an acquisition by virtue of the exercise of a conversion privilege unless the security being so converted was itself acquired directly from the Company, (x) any acquisition by the Company, (y) any acquisition by an employee benefit plan (or related trust) sponsored or maintained by the Company or (z) any acquisition by any corporation pursuant to a reorganization, merger, consolidation or similar corporate transaction (in each case, a "Corporate Transaction"), if, pursuant to such Corporate Transaction, the conditions described in clauses (A), (B) and (C) of paragraph (iii) of this Section 6 are satisfied; or

(ii) a change in the composition of the Board such that the individuals who, as of the Restated Effective Date hereof, constitute the Board (the Board as of the date hereof shall be hereinafter referred to as the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided that for purposes of this Subsection any individual who becomes a member of the Board subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of those individuals who are members of this proviso) shall be considered as though such individual were a member of the Incumbent Board; but, provided further, that any such individual whose initial assumption of office occurs as a result of either

an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board shall not be so considered as a member of the Incumbent Board; or

(iii) the approval by the stockholders of the Company of a Corporate Transaction or, if consummation of such Corporate Transaction is subject, at the time of such approval by stockholders, to the consent of any government or governmental agency, the obtaining of such consent (either explicitly or implicitly by consummation), excluding, however, such Corporate Transaction pursuant to which (A) all or substantially all of the individuals and entities who are the beneficial owners, respectively, of the outstanding Shares and Outstanding HSI Voting Securities immediately prior to such Corporate Transaction will beneficially own, directly or indirectly, more than 60% of, respectively, the outstanding shares of common stock of the corporation resulting from such Corporate Transaction and the combined voting power of the outstanding voting securities of such corporation entitled to vote generally in the election of directors, in substantially the same proportions as their ownership immediately prior to such Corporate Transaction, of the outstanding Shares and Outstanding HSI Voting Securities, as the case may be, (B) no Person (other than the Company, any employee benefit plan (or related trust) of the Company or the corporation resulting from such Corporate Transaction and any Person beneficially owning, immediately prior to such Corporate Transaction, directly or indirectly, 33% (20% with respect to Options granted prior to the Restated Effective Date) or more of the outstanding Shares or Outstanding HSI Voting Securities, as the case may be) will beneficially own, directly or indirectly, 33% (20% with respect to Options granted prior to the Restated Effective Date) or more of, respectively, the outstanding shares of common stock of the corporation resulting from such Corporate Transaction or the combined voting power of the then outstanding securities of such corporation entitled to vote generally in the election of directors and (C) individuals who were members of the incumbent Board will constitute at least a majority of the members of the board of directors of the corporation resulting from such Corporate Transaction, notwithstanding the foregoing, no Change of Control will occur if the Incumbent Board approves the Corporate Transaction; or

(iv) the approval of the stockholders of the Company of (A) a complete liquidation or dissolution of the Company or (B) the sale or other disposition of all or substantially all of the assets of the Company; excluding, however, such sale or other disposition to a corporation with respect to which, following such sale or other disposition, (x) more than 60% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors will be then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the outstanding Shares and Outstanding HSI Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the outstanding Shares and Outstanding HSI Voting Securities, as the case may be, (y) no Person (other than the Company and any employee benefit plan (or related trust) of the

Company or such corporation and any Person beneficially owning, immediately prior to such sale or other disposition, directly or indirectly, 33% (20% with respect to Options granted prior to the Restated Effective Date) or more of the outstanding Shares or Outstanding HSI Voting Securities, as the case may be) will beneficially own, directly or indirectly, 33% (20% with respect to Options granted prior to the Restated Effective Date) or more of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors and (z) individuals who were members of the incumbent Board will constitute at least a majority of the members of the board of directors of such corporation.

(f) Exercise of Options.

(i) A Participant may elect to exercise one or more Options by giving written notice to the Committee of such election and of the number of Options such Participant has elected to exercise, accompanied by payment in full of the aggregate Purchase Price for the number of shares for which the Options are being exercised.

(ii) Shares purchased pursuant to the exercise of Options shall be paid for at the time of exercise as follows:

(A) in cash or by check, bank draft or money order payable to the order of the Company;

(B) if so permitted by the Committee: (x) through the delivery of unencumbered Shares (including Shares being acquired pursuant to the Options then being exercised), provided such Shares (or such Options) have been owned by the Participant for such period as may be required by applicable accounting standards to avoid a charge to earnings or (y) through a combination of Shares and cash as provided above, provided, that, if the Shares delivered upon exercise of the Option is an original issue of authorized Shares, at least so much of the exercise price as represents the par value of such Shares shall be paid in cash or by a combination of cash and Shares; or

(C) on such other terms and conditions as may be acceptable to the Committee and in accordance with applicable law. Upon receipt of payment, the Company shall deliver to the Participant as soon as practicable a certificate or certificates for the Shares then purchased.

7. AWARDS OF OTHER STOCK-BASED AWARDS

Other Stock-Based Awards, including, without limitation, stock appreciation rights, performance shares, deferred shares, shares of Common Stock and restricted stock units, may be granted either alone, or in addition to, or in tandem with, Options. The Company may, in its discretion, permit Non-Employee Directors to defer a portion of their cash compensation in the form of Other Stock-Based Awards granted under this Plan, subject to the terms and conditions of any deferred compensation arrangement established by the Company.

Subject to the provisions of this Plan, the Committee shall have authority to determine the Non-Employee Directors to whom and the time or times at which such Other Stock-Based Awards shall be made, the number of shares of Common Stock to be awarded pursuant to such Other Stock-Based Awards, and all other conditions of the Other Stock-Based Awards.

(a) Other Stock-Based Awards made pursuant to this Section shall be subject to the following terms and conditions:

(i) Dividends. Unless otherwise determined by the Committee at the time of grant, subject to the provisions of the award agreement and this Plan, the recipient of an Other Stock-Based Award shall be entitled to receive, currently or on a deferred basis, dividends or dividend equivalents with respect to the number of shares of Common Stock covered by the Other Stock-Based Award, as determined at the time of grant by the Committee, in its sole discretion.

(ii) Vesting. Other Stock-Based Awards and any Common Stock covered by any such Other Stock-Based Award shall vest or be forfeited to the extent so provided in the award agreement, as determined by the Committee, in its sole discretion.

(iii) Waiver of Limitation. The Committee may, in its sole discretion, waive in whole or in part any or all of the limitations imposed hereunder (if any) with respect to any or all of an Other Stock-Based Award granted under this Plan.

(iv) Price. Common Stock or Other Stock-Based Awards purchased pursuant to a purchase right awarded under this Plan shall be priced as determined by the Committee.

8. EFFECT OF TERMINATION OF SERVICES ON OPTIONS AND OTHER STOCK-BASED AWARDS

(a) Death, Disability, Retirement, etc. Except as otherwise provided in the Participant's option agreement or in this Plan, upon Termination of Services, all outstanding Options then exercisable and not exercised by the Participant prior to such Termination of Services (and any Options not previously exercisable but made exercisable by the Committee at or after the Termination of Services) shall remain exercisable by the Participant to the extent not theretofore exercised for the following time periods (subject to Section 6(d)):

(i) In the event of the Participant's death, such Options shall remain exercisable (by the Participant's estate or by the person given authority to exercise such Options by the Participant's will or by operation of law) for a period of one (1) year from the date of the Participant's death, provided that the Committee, in its discretion, may at any time extend such time period to up to three (3) years from the date of the Participant's death.

(ii) In the event the Participant retires at or after age 65 (or, with the consent of the Committee, before age 65), or if the Participant's services terminate due to Disability, such Options shall remain exercisable for one (1) year from the date of the Participant's Termination of Services, provided that the Committee, in its discretion, may at any time extend such time period to up to three (3) years from the date of the

Participant's Termination of Services.

(b) Cause or Voluntary Termination. Upon the Termination of Services of a Participant for cause (as defined herein) or if it is discovered after such Termination of Services that such Participant had engaged in conduct that would have justified a Termination of Services for Cause, all outstanding Options shall immediately be canceled, provided that with respect to Options granted on or after the Restated Effective Date, upon any such termination the Committee may, in its discretion, require the Participant to promptly pay to the Company (and the Company shall have the right to recover) any gain the Participant realized as a result of the exercise of any Option that occurred within one (1) year prior to such Termination of Services or the discovery of conduct that would have justified a Termination of Services for Cause. Termination of Services shall be deemed to be for "Cause" for purposes of this Section 8(b) if the Participant shall have committed fraud or any felony in connection with the Participant's duties as a director of the Company or willful misconduct or any act of disloyalty, dishonesty, fraud or breach of trust, confidentiality or fiduciary duties as to the Company or the commission of any other act which causes or may reasonably be expected to cause economic or reputational injury to the Company.

(c) Other Termination. In the event of Termination of Services for any reason other than as provided in Section 8(a) and 8(b), all outstanding Options then exercisable and not exercised by the Participant prior to such Termination of Services shall remain exercisable (to the extent exercisable by such Participant immediately before such termination) for a period of three (3) months after such termination, provided that the Committee in its discretion may extend such time period to up to one (1) year from the date of the Participant's Termination of Services.

(d) Rules Applicable to Other Stock-Based Awards. Subject to the award agreement and this Plan, upon a Participant's Termination of Service for any reason during any period or restriction as may be applicable for an Other Stock-Based Award, the Other Stock-Based Awards in question shall vest or be forfeited in accordance with the terms and conditions established by the Committee at the time of grant or thereafter.

9. NONTRANSFERABILITY OF OPTIONS AND OTHER STOCK-BASED AWARDS

Except as otherwise provided below, no Option or Other Stock-Based Award shall be transferable by the Participant otherwise than by will or under applicable laws of descent and distribution, and during the lifetime of the holder may be exercised only by the holder or his or her guardian or legal representative. In addition, no Option or Other Stock-Based Award shall be assigned, negotiated, pledged or hypothecated in any way (whether by operation of law or otherwise), and no Option or Other Stock-Based Award shall be subject to execution, attachment or similar process. Upon any attempt to transfer, assign, negotiate, pledge or hypothecate any Option or Other Stock-Based Award, or in the event of any levy upon any Option or Other Stock-Based Award by reason of any execution, attachment or similar process contrary to the provisions hereof, such Option or Other Stock-Based Award shall immediately be cancelled.

Notwithstanding the foregoing, the Committee may determine at the time of grant or thereafter that an Option or Other Stock-Based Award that is not otherwise transferable pursuant to this Section is transferable to a Family Member in whole or in part and in such circumstances, and under such conditions, as specified by the Committee. Any Option or Other Stock-Based Award so

transferred may thereafter be transferred by the transferee to any other Family Member of the Participant, and any Option or Other Stock-Based Award (solely to the extent such award gives a Participant an exercise right) may be exercised by any permitted transferee at such times and to such extent that such Option or such Other Stock-Based Award would have been exercisable by the Participant if no transfer had occurred.

10. RIGHTS AS A STOCKHOLDER

A holder of an Option or Other Stock-Based Award shall have no rights as a stockholder with respect to any Shares covered by such holder's Option or Other Stock-Based Award until such holder shall have become the holder of record of such Shares, and no adjustments shall be made for dividends in cash or other property or distributions or other rights in respect to any such Shares, except as otherwise specifically provided for in this Plan.

11. DETERMINATIONS

Each determination, interpretation or other action made or taken pursuant to the provisions of this Plan by the Committee shall be final, conclusive and binding for all purposes and upon all persons, including, without limitation, the holders of any Options or Other Stock-Based Awards and Non-Employee Directors and their respective heirs, executors, administrators, personal representatives and other successors in interest.

12. TERMINATION, AMENDMENT AND MODIFICATION

The Plan shall terminate at the close of business on the tenth anniversary of the Effective Date, unless terminated sooner as hereinafter provided, and no Option or Other Stock-Based Award shall be granted under the Plan on or after that date. The termination of the Plan shall not terminate any outstanding Options or Other Stock-Based Awards which by their terms continue beyond the termination date of the Plan. At any time prior to the tenth anniversary of the Effective Date, the Board or the Committee may amend or terminate the Plan or suspend the Plan in whole or in part. Notwithstanding the foregoing, however, no such amendment may, without the approval of the stockholders of the Company, (i) increase the total number of Shares which may be subject to Options or Other Stock-Based Award granted under the Plan; or (ii) change the requirements for eligibility for participation in the Plan.

Subject to the provisions of this Section 12, nothing contained in this Section 12 (except as provided in the next paragraph) shall be deemed to prevent the Board or the Committee from authorizing amendments of outstanding Options or Other Stock-Based Awards of Participants, including, without limitation, the reduction of the Purchase Price specified therein (or the granting or issuance of new Options at a lower Purchase Price upon cancellation of outstanding Options), so long as (i) all Options outstanding at any one time shall not call for issuance of more Shares than the remaining number provided for under the Plan, (ii) the provisions of any amended Options would have been permissible under the Plan if such Option had been originally granted or issued as of the date of such amendment with such amended terms and (iii) the provisions regarding stockholder approval set forth below in this Section 12 are complied with.

Notwithstanding anything to the contrary contained in this Section 12, without the approval of the stockholders of the Company, no outstanding Option

may be modified to reduce the Purchase Price thereof nor may a new Option at a lower price be substituted for a simultaneously surrendered Option, provided that the foregoing shall not apply to adjustments or substitutions in accordance with Section 5.

Notwithstanding anything to the contrary contained in this Section 12, no termination, amendment or modification of the Plan may, without the consent of the Participant or the transferee of such Participant's Option or Other Stock-Based Award, alter or impair the rights and obligations arising under any then outstanding Option or Other Stock-Based Award.

13. NON-EXCLUSIVITY

Subject to the express provisions contained in the HSI Agreement, neither the adoption of the Plan by the Board nor the submission of the Plan to the stockholders of the Company for approval shall be construed as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including, without limitation, the granting or issuance of stock options, Shares and/or other incentives otherwise than under the Plan, and such arrangements may be either generally applicable or limited in application.

14. USE OF PROCEEDS

The proceeds of the sale of Shares subject to Options or Other Stock-Based Awards under the Plan are to be added to the general funds of the Company and used for its general corporate purposes as the Board shall determine.

15. GENERAL PROVISIONS

(a) Right to Terminate Services. Neither the adoption of the Plan nor the grant of Options or Other Stock-Based Awards shall impose any obligations on the Company to retain any Participant as a director nor shall it impose any obligation on the part of any Participant to remain a director.

(b) Purchase for Investment. If the Board determines that the law so requires, the holder of an Option or Other Stock-Based Award granted hereunder shall, upon any exercise or conversion thereof, execute and deliver to the Company a written statement, in form satisfactory to the Company, representing and warranting that such Participant is purchasing or accepting the Shares then acquired for such Participant's own account and not with a view to the resale or distribution thereof, that any subsequent offer for sale or sale of any such Shares shall be made either pursuant to (i) a registration statement on in appropriate form under the Securities Act, which registration statement shall have become effective and shall be current with respect to the Shares being offered and sold, or (ii) a specific exemption from the registration requirements of the Securities Act, and that in claiming such exemption the holder will, prior to any offer for sale or sale of such Shares, obtain a favorable written opinion, satisfactory in form and substance to the Company, from counsel approved by the Company as to the availability of such exception.

(c) Trusts, etc. Nothing contained in the Plan and no action taken pursuant to the Plan (including, without limitation, the grant of any Option or Other Stock-Based Award thereunder) shall create or be construed to create a trust of any kind, or a fiduciary relationship, between the Company and any Participant or the executor, administrator or other personal representative or

designated beneficiary of such Participant, or any other persons. Any reserves that may be established by the Company in connection with the Plan shall continue to be part of the general funds of the Company, and no individual or entity other than the Company shall have any interest in such funds until paid to a Participant. If and to the extent that any Participant or such Participant's executor, administrator, or other personal representative, as the case may be, acquires a right to receive any payment from the Company pursuant to the Plan, such right shall be no greater than the right of an unsecured general creditor of the Company.

(d) Notices. Each Participant shall be responsible for furnishing the Committee with the current and proper address for the mailing to such Participant of notices and the delivery to such Participant of agreements, Shares and payments. Any notices required or permitted to be given shall be deemed given if directed to the person to whom addressed at such address and mailed by regular United States mail, first class and prepaid. If any item mailed to such address is returned as undeliverable to the addressee, mailing will be suspended until the Participant furnishes the proper address.

(e) Severability of Provisions. If any provisions of the Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions of the Plan, and the Plan shall be construed and enforced as if such provisions had not been included.

(f) Payment to Minors, Etc. Any benefit payable to or for the benefit of a minor, an incompetent person or other person incapable of receipting therefor shall be deemed paid when paid to such person's guardian or to the party providing or reasonably appearing to provide for the care of such person, and such payment shall fully discharge the Committee, the Company and their employees, agents and representatives with respect thereto.

(g) Readings and Captions. The headings and captions herein are provided for reference and convenience only. They shall not be considered part of the Plan and shall not be employed in the construction of the Plan.

16. ISSUANCE OF STOCK CERTIFICATES; LEGENDS AND PAYMENT OF EXPENSES

(a) Stock Certificates. Upon any exercise of an Option and payment of the exercise price as provided in such Option, or upon conversion of an Other Stock-Based Award, a certificate or certificates for the Shares as to which such Option has been exercised or Other Stock-Based Award has been converted, shall be issued by the Company in the name of the person or persons exercising such Option or converting such Other Stock-Based Award and shall be delivered to or upon the order of such person or persons.

(b) Legends. Certificates for Shares issued upon exercise of an Option or conversion of an Other Stock-Based Award shall bear such legend or legends as the Committee, in its discretion, determines to be necessary or appropriate to prevent a violation of, or to perfect an exemption from, the registration requirements of the Securities Act, or to implement the provisions of any agreements between the Company and the Participant with respect to such Shares.

(c) Payment of Expenses. The Company shall pay all issue or transfer taxes with respect to the issuance or transfer of Shares, as well as all fees and

expenses necessarily incurred by the Company in connection with such issuance or transfer and with the administration of the Plan.

17. LISTING OF SHARES AND RELATED MATTERS

If at any time the Board shall determine in its sole discretion that the listing, registration or qualification of the Shares covered by the Plan upon any national securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the award or sale of Shares under the Plan, no Shares will be delivered unless and until such listing, registration, qualification, consent or approval shall have been effected or obtained, or otherwise provided for, free of any conditions not acceptable to the Board.

18. WITHHOLDING TAXES

Where a Participant or other person is entitled to receive Shares pursuant to the exercise of an Option or the conversion of an Other Stock-Based Award, the Company shall have the right to require the Participant or such other person to pay to the Company the amount of any taxes which the Company may be required to withhold before delivery to such Participant or other person of cash or a certificate or certificates representing such Shares.

AMENDMENT

AMENDMENT No. 1 (this "Amendment"), effective as of March 1, 2003 (the "Amendment Effective Date"), to that certain Credit Agreement (the "Credit Agreement"), dated as of May 2, 2002, among (i) Henry Schein, Inc., a Delaware corporation (the "Borrower"), (ii) the several Guarantors from time to time parties thereto (the "Guarantors"), (iii) JPMorgan Chase Bank ("JPMCB"), as Sole Lead Arranger (in such capacity, the "Sole Lead Arranger"), Sole Bookrunner (in such capacity, the "Sole Bookrunner"), Swingline Lender (in such capacity, the "Swingline Lender"), Issuing Lender (in such capacity, the "Issuing Lender"), and Administrative Agent for the Lenders thereunder (in such capacity, the "Administrative Agent"), (iv) Fleet National Bank (in such capacity, the "Syndication Agent") and (v) the several Lenders and other financial institutions or entities from time to time parties thereto (the "Lenders").

W I T N E S S E T H:

WHEREAS, pursuant to the Credit Agreement, the Lenders have agreed to make certain extensions of credit to the Borrower; and

WHEREAS, the Borrower and Lenders have agreed that certain provisions of the Credit Agreement will be amended in the manner provided for in this Amendment;

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. Defined Terms. Terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

I. AMENDMENTS TO CREDIT AGREEMENT.

(a) Subsection 8.14 of the Credit Agreement is hereby amended by deleting clause (d) thereof and inserting in lieu thereof, the following: "(d) the Borrower may declare or pay cash dividends in any fiscal year to its stockholders and purchase, redeem or otherwise acquire shares of its Equity Interests or warrants, rights or options to acquire any such shares for cash; provided that no such cash payments (1) in any fiscal quarter of the Borrower (other than any such payments which are specified in clause (2) below) shall exceed (x) the greater of (A) \$25,000,000 and (B) 40 percent of the consolidated net income of the Borrower and its Subsidiaries for the period of the four prior consecutive fiscal quarters of the Borrower (determined on a consolidated basis and as calculated consistent with the manner disclosed by the Borrower in its Quarterly Reports on Form 10-Q and its Annual Reports on Form 10-K as filed by the Borrower from time to time with the Securities and Exchange Commission), less (y) any such cash payments previously made during such four fiscal quarter period, or (2) may be made by the Borrower, in an aggregate amount exceeding \$120,000,000, to repurchase shares of the Company's common stock, \$.01 par value per share, from holders thereof pursuant to the Borrower's stock repurchase program, as authorized by the Board of Directors of the Borrower on or about March 3, 2003; provided further that not more than 2,000,000 of such shares may be repurchased by the Borrower pursuant to such program. For the avoidance of doubt, no cash payments made pursuant to the foregoing clause (2) shall reduce cash payments made by the Borrower solely in reliance on the foregoing clause (1).

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II. CONDITIONS TO EFFECTIVENESS.

This Amendment shall become effective as of the date (the "Amendment Effective Date") at the time when the Borrower, the Guarantors, the Administrative Agent and the Majority Lenders shall have executed and delivered to the Administrative Agent this Amendment.

III. GENERAL.

1. Representation and Warranties. To induce the Administrative Agent and the Lenders party hereto to enter into this Amendment, the Borrower hereby represents and warrants to the Administrative Agent and all of the Lenders that as of the Amendment Effective Date:

(a) Corporate Power; Authorization; Enforceable Obligations.

(1) Each of the Borrower and each Guarantor has the requisite corporate power and authority, and the legal right, to make, deliver and perform this Amendment and to perform the Loan Documents, as amended by this Amendment, to which it is a party, and each such Person has taken all necessary corporate action to authorize the execution, delivery and performance of this Amendment and the performance of the Loan Documents, as so amended, to which it is a party.

(2) No consent or authorization of, approval by, notice to, filing with or other act by or in respect of, any Governmental Authority or any other Person is required with respect to the Borrower or any of its Subsidiaries in connection with the execution and delivery of this Amendment or with the performance, validity or enforceability of the Loan Documents, as amended by

this Amendment.

(3) This Amendment and each Loan Document, as amended by this Amendment, constitutes a legal, valid and binding obligation of each of the Borrower and each Guarantor, as the case may be, enforceable against each such Person in accordance with its terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting the enforcement of creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(b) Representations and Warranties. Each of the representations and warranties made by the Borrower or any Guarantor in or pursuant to the Loan Documents is true and correct in all material respects on and as of the date hereof as if made on and as of the date hereof (or, if such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date).

2. Payment of Expenses. The Borrower agrees to pay or reimburse the Administrative Agent for all of its out-of-pocket costs and reasonable expenses incurred in connection with this Amendment, any other documents prepared in

connection herewith and the transactions contemplated hereby, including, without limitation, the reasonable fees and disbursements of counsel to the Administrative Agent.

3. No Other Amendments; Confirmation. Except as expressly amended, modified and supplemented hereby, the provisions of the Credit Agreement and the other Loan Documents are and shall remain in full force and effect.

4. Governing Law; Counterparts. (a) This Amendment and the rights and obligations of the parties hereto shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York.

(b) This Amendment may be executed by one or more of the parties hereto on any number of separate counterparts (including by facsimile transmission), and all of said counterparts taken together shall be deemed to constitute one and the same instrument. A set of copies of this Amendment signed by all of the parties hereto shall be lodged with the Borrower and the Administrative Agent.

IN WITNESS WHEREOF, the parties hereto caused this Amendment to be duly executed and delivered by their respective proper and duly authorized officers as of the day and year first above written.

BORROWER:

HENRY SCHEIN, INC.

By:

Name:

Title:

GUARANTORS:

ROANE BARKER, INC.

By:

Name:

Title:

DENTRIX DENTAL SYSTEMS, INC.

By:

Name:

Title:

HSI SERVICE CORP.

By: _____
Name: _____
Title: _____

MICRO BIO-MEDICS, INC.

By: _____
Name: _____
Title: _____

GIV HOLDINGS, INC.

By: _____
Name: _____
Title: _____

LENDERS:

JPMORGAN CHASE BANK,
as Administrative Agent, Issuing Lender, Swingline Lender
and as a Lender

By: _____
Name: _____
Title: _____

FLEET NATIONAL BANK, as Syndication Agent and as a Lender

By: _____
Name: _____
Title: _____

CITIBANK N.A., as a Lender

By: _____
Name: _____
Title: _____

HSBC BANK USA, as a Lender

By: _____
Name: _____

Title: -----

MELLON BANK, N.A., as a Lender

By: -----

Name: -----

Title: -----

THE BANK OF NEW YORK, as a Lender

By: -----

Name: -----

Title: -----

WELLS FARGO BANK, NATIONAL ASSOCIATION, as a Lender

By: -----

Name: -----

Title: -----

ISRAEL DISCOUNT BANK OF NEW YORK, as a Lender

By: -----

Name: -----

Title: -----

CERTIFICATION

I, Stanley M. Bergman, Chairman, Chief Executive Officer and President of Henry Schein, Inc. certify that:

1. I have reviewed this quarterly report on Form 10-Q of Henry Schein, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2003

/s/ Stanley M. Bergman

Stanley M. Bergman
Chairman, Chief Executive Officer
and President

CERTIFICATION

I, Steven Paladino, Executive Vice President and Chief Financial Officer of Henry Schein, Inc. certify that:

1. I have reviewed this quarterly report on Form 10-Q of Henry Schein, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2003

/s/ Steven Paladino

Steven Paladino
Executive Vice President and
Chief Financial Officer

CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. ss.1350, as adopted), Stanley M. Bergman, the Chairman, Chief Executive Officer and President of Henry Schein, Inc. a Delaware corporation (the "Company"), and Steven Paladino, Executive Vice President and Chief Financial Officer of the Company, each does hereby certify to the best of such officer's knowledge and belief that:

(1) the quarterly report of the Company on Form 10-Q for the quarter ended June 28, 2003 (the "Periodic Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Periodic Report fairly presents, in all material respects, the financial condition of the Company at the end of the periods covered by the Periodic Report and the results of operations of the Company for the periods covered by the Periodic Report.

Dated August 11, 2003

/s/ Stanley M. Bergman

Stanley M. Bergman
Chairman, Chief Executive Officer
and President

Dated August 11, 2003

/s/ Steven Paladino

Steven Paladino
Executive Vice President and
Chief Financial Officer