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 quarterly period ended September 24, 2005

OR

o **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 incorporation or organization)	**(I.R.S. Employer Identification No.)**

135 Duryea 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 o

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

Yes ☑ No o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No ☑

As of October 26, 2005, there were 87,166,433 shares of the registrant's common stock outstanding.

HENRY SCHEIN, INC.
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PART I. FINANCIAL INFORMATION
ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS
HENRY SCHEIN, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	September 24, 2005 (unaudited)	December 25, 2004
ASSETS		
Current assets:		
Cash and cash equivalents	$ 220,077	$ 186,621
Available-for-sale securities	8,425	—
Accounts receivable, net of reserves of $49,100 and $44,852	612,040	554,666
Inventories	483,281	486,494
Deferred income taxes	29,474	28,795
Prepaid expenses and other	129,256	174,167
Total current assets	1,482,553	1,430,743
Property and equipment, net	180,878	176,103
Goodwill	630,719	627,215
Other intangibles, net	124,680	129,285
Investments and other	62,792	70,324
Total assets	$ 2,481,622	$ 2,433,670
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 343,653	$ 367,213
Bank credit lines	2,764	5,969
Current maturities of long-term debt	8,047	3,906
Accrued expenses:		
Payroll and related	86,798	89,431
Taxes	57,721	70,970
Other	136,019	156,410
Total current liabilities	635,002	693,899
Long-term debt	513,592	525,682
Deferred income taxes	69,459	66,599
Other liabilities	52,364	28,999
Minority interest	11,856	12,438
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.01 par value, 1,000,000 shares authorized, none outstanding	—	—
Common stock, $.01 par value, 240,000,000 shares authorized, 87,423,700 outstanding on September 24, 2005 and 120,000,000 shares authorized, 86,650,428 outstanding on December 25, 2004	874	867
Additional paid-in capital	475,198	445,573
Retained earnings	698,868	615,265
Accumulated other comprehensive income	24,773	44,785
Deferred compensation	(364)	(437)
Total stockholders' equity	1,199,349	1,106,053
Total liabilities and stockholders' equity	$ 2,481,622	$ 2,433,670

See accompanying notes.

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

	Three Months Ended		Nine Months Ended	
	September 24, 2005	September 25, 2004	September 24, 2005	September 25, 2004
Net sales	$ 1,125,363	$ 993,100	$ 3,292,788	$ 2,742,363
Cost of sales	808,632	723,860	2,353,327	2,002,228
Gross profit	316,731	269,240	939,461	740,135
Operating expenses:				
Selling, general and administrative	253,593	216,505	747,608	580,630
Operating income	63,138	52,735	191,853	159,505
Other income (expense):				
Interest income	1,941	1,243	4,469	4,967
Interest expense	(6,977)	(6,138)	(18,286)	(12,014)
Other, net	1,028	118	915	448
Income from continuing operations before taxes, minority interest and equity in earnings of affiliates	59,130	47,958	178,951	152,906
Taxes on income	(21,580)	(17,714)	(65,755)	(56,593)
Minority interest in net loss (income) of subsidiaries	(1,249)	72	(3,776)	(1,707)
Equity in earnings of affiliates	79	746	514	1,331
Income from continuing operations	36,380	31,062	109,934	95,937
Discontinued operation:				
Income (loss) from operations of discontinued component (including write-down of long-lived assets of $11.9 million in 2005 - Note 5)	(16,869)	750	(17,180)	4,569
Income tax benefit (expense)	6,916	(308)	6,872	(1,873)
Income (loss) on discontinued operation	(9,953)	442	(10,308)	2,696
Net income	$ 26,427	$ 31,504	$ 99,626	$ 98,633
Earnings from continuing operations per share:				
Basic	$ 0.42	$ 0.36	$ 1.26	$ 1.10
Diluted	$ 0.41	$ 0.35	$ 1.23	$ 1.07
Earnings (loss) from discontinued operation per share:				
Basic	$ (0.12)	$ 0.00	$ (0.11)	$ 0.03
Diluted	$ (0.12)	$ 0.00	$ (0.11)	$ 0.03
Earnings per share:				
Basic	$ 0.30	$ 0.36	$ 1.15	$ 1.13
Diluted	$ 0.29	$ 0.35	$ 1.12	$ 1.10
Weighted-average common shares outstanding:				
Basic	87,232	87,040	86,975	87,474
Diluted	89,571	88,989	89,178	89,767

See accompanying notes.

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

	Nine Months Ended	
	September 24, 2005	September 25, 2004
Cash flows from operating activities:		
Net income	$ 99,626	$ 98,633
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	42,547	33,231
Impairment from write-down of long-lived assets	11,928	—
Provision for losses on trade and other accounts receivable	5,635	1,789
Deferred income taxes	1,183	3,199
Stock issued to 401(k) plan	3,223	2,805
Undistributed earnings of affiliates	(514)	(1,331)
Minority interest in net income of subsidiaries	3,776	1,707
Other	1,068	4,033
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(41,645)	(33,052)
Inventories	34,125	(10,276)
Other current assets	41,652	4,487
Accounts payable and accrued expenses	(89,022)	(46,756)
Net cash provided by operating activities	113,582	58,469
Cash flows from investing activities:		
Purchases of fixed assets	(36,204)	(24,687)
Payments for business acquisitions, net of cash acquired	(58,548)	(152,029)
Payments related to pending business acquisitions	—	(13,489)
Purchases of available-for-sale securities	(8,425)	—
Proceeds from sales of marketable securities	—	14,472
Proceeds from settlement of note receivable	11,779	—
Net proceeds from (payments for) foreign exchange forward contract settlements	23,630	(3,221)
Other	573	(1,133)
Net cash used in investing activities	(67,195)	(180,087)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	—	240,000
Payments for debt issuance costs	(650)	(5,154)
Net payments for bank borrowings	(2,888)	(6,081)
Repayments of debt assumed in business acquisitions	—	(135,718)
Principal payments for long-term debt	(5,478)	(3,064)
Proceeds from issuance of stock upon exercise of stock options	25,278	19,253
Payments for repurchases of common stock	(27,117)	(70,666)
Other	(3,614)	(789)
Net cash provided by (used in) financing activities	(14,469)	37,781
Net change in cash and cash equivalents	31,918	(83,837)
Effect of exchange rate changes on cash and cash equivalents	1,538	(543)
Cash and cash equivalents, beginning of period	186,621	157,351
Cash and cash equivalents, end of period	$ 220,077	$ 72,971

See accompanying notes.

HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share and per share data)
(**unaudited**)

Note 1. Basis of Presentation

Our consolidated financial statements include our accounts, as well as those of our wholly-owned and majority-owned subsidiaries. Certain prior period amounts have been reclassified to conform to the current period presentation.

Our accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnote disclosures required by U.S. GAAP for complete financial statements.

The consolidated financial statements reflect all adjustments considered necessary for a fair presentation of the consolidated results of operations and financial position for the interim periods presented. All such adjustments are of a normal recurring nature. These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes to the consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 25, 2004.

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The results of operations for the nine months ended September 24, 2005 are not necessarily indicative of the results to be expected of any other interim period or for the year ending December 31, 2005.

Note 2. Segment Data

We conduct our business through two segments: healthcare distribution and technology. These segments offer different products and services to the same customer base. The healthcare distribution segment consists of our dental, medical (including veterinary) and international groups. Products distributed consist of consumable products, small equipment, laboratory products, large dental equipment, branded and generic pharmaceuticals, vaccines, surgical products, diagnostic tests, infection-control products and vitamins.

Our dental group serves office-based dental practices, schools and other institutions in the combined United States and Canadian dental market. Our medical group serves office-based physician practices, surgical centers, other alternate-care settings, veterinarian clinics and other institutions throughout the United States. Our international group serves practices in 17 countries outside of North America and is what we believe to be a leading Pan-European healthcare supplier serving office-based dental, medical and veterinary practices.

Our technology group provides software, technology and other value-added services to healthcare providers, primarily in the United States and Canada. Our value-added practice solutions include practice-management software systems for dental and medical practices and veterinary clinics. Our technology group offerings also include financial services and continuing education services for practitioners.

HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(in thousands, except share and per share data)
(unaudited)

Note 2. Segment Data (Continued)

The following tables present information about our business segments:

	Three Months Ended		Nine Months Ended	
	September 24, 2005	September 25, 2004	September 24, 2005	September 25, 2004
Net Sales:				
Healthcare distribution (1):				
Dental (2)	$ 462,514	$ 399,324	$ 1,361,183	$ 1,146,243
Medical (3)	350,185	323,135	968,633	932,094
International (4)	291,701	249,797	898,479	603,181
Total healthcare distribution	1,104,400	972,256	3,228,295	2,681,518
Technology (5)	20,963	20,844	64,493	60,845
Total	$ 1,125,363	$ 993,100	$ 3,292,788	$ 2,742,363

(1) Consists of consumable products, small equipment, laboratory products, large dental equipment, branded and generic pharmaceuticals, vaccines, surgical products, diagnostic tests, infection-control products and vitamins.

(2) Consists of products sold in the United States and Canada.

(3) Consists of products sold in the United States medical and veterinary markets.

(4) Consists of products sold in the dental, medical and veterinary markets, primarily in Europe.

(5) Consists of practice-management software and other value-added products and services, which are sold primarily to healthcare providers in the United States and Canada.

	Three Months Ended		Nine Months Ended	
	September 24, 2005	September 25, 2004	September 24, 2005	September 25, 2004
Operating Income:				
Healthcare distribution	$ 55,134	$ 45,213	$ 166,669	$ 137,023
Technology	8,004	7,522	25,184	22,482
Total	$ 63,138	$ 52,735	$ 191,853	$ 159,505

HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(in thousands, except share and per share data)
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Note 3. Stock-Based Compensation

We account for stock option awards 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, provided the exercise price is equal to or greater than the quoted market price of the stock at the grant date.

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 Financial Accounting Standard ("FAS") No. 123, "Accounting for Stock-Based Compensation." The fair value-based method requires us to make assumptions to determine expected risk-free interest rates, stock price volatility, dividend yield and weighted-average option life.

Under the accounting provisions of FAS 123, our net income and earnings per share would have been adjusted to the pro forma amounts indicated in the table below. The prior period pro forma amounts have been adjusted as a result of revising our calculation of the fair value of stock-based compensation. These adjustments were not material to pro forma net income or earnings per share. The following assumptions were used in determining the fair values: weighted-average risk-free interest rates of 4.0% (2005) and 3.0% (2004), stock price volatility of 30.0%, dividend yield of 0.0% and weighted-average expected option life of five years for all periods presented:

	Three Months Ended		Nine Months Ended	
	September 24, 2005	September 25, 2004	September 24, 2005	September 25, 2004
Net income as reported	$ 26,427	$ 31,504	$ 99,626	$ 98,633
Deduct: Tax affected stock-based compensation expense determined under fair value method	(3,116)	(3,047)	(8,487)	(8,488)
Pro forma net income	$ 23,311	$ 28,457	$ 91,139	$ 90,145
Earnings per share, as reported:				
Basic	$ 0.30	$ 0.36	$ 1.15	$ 1.13
Diluted	$ 0.29	$ 0.35	$ 1.12	$ 1.10
Earnings per share, pro forma:				
Basic	$ 0.27	$ 0.33	$ 1.05	$ 1.03
Diluted	$ 0.26	$ 0.32	$ 1.02	$ 1.00

Beginning in the first quarter of 2006, in connection with our adoption of FAS 123(R) "Share-Based Payment," stock-based compensation will be included in our results of operations. The method and assumptions used to determine the fair value of stock-based compensation under FAS 123(R) will be similar to those used under FAS 123. Additionally, we expect the effect of adopting FAS 123(R) on our results of operations to approximate the effect presented in the pro forma disclosure above.

HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(in thousands, except share and per share data)
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Note 4. Acquisitions

On January 11, 2005, we acquired the dental distribution business of Ash Temple Limited ("Ash Temple"), a privately held full-service dental distributor based in Ontario, Canada with annual revenues of approximately $100.0 million. The operating results of Ash Temple are reflected in the accompanying financial statements since the date of acquisition.

Ash Temple offers dental supplies, equipment, artificial teeth and repair parts, as well as services including office design and planning, equipment lease financing and limited consulting. Ash Temple was one of the largest diversified dental companies in Canada with 14 branches, including five distribution centers, servicing all 10 Canadian provinces. Ash Temple operations have been combined with Henry Schein Arcona, our Canadian dental business. They are currently operating under the new name Henry Schein Ash Arcona.

On April 18, 2005, regulatory authorities approved our pending acquisition of our Demedis Group's business in Austria, which operates under the Austrodent brand. This approval was contingent upon our divesting, at closing, a portion of Austrodent's business, not using the Austrodent name, as well as other restrictions. Of the total purchase price for the Demedis Group, $13.5 million was attributable to Austrodent, which was paid in 2004 and recorded as an other current asset. Upon acquiring Austrodent, this amount, less approximately $1.2 million received in exchange for the divested portion of the business, was reclassified based on the fair value of the remaining assets and liabilities acquired through a purchase price allocation, with an increase of $9.0 million to goodwill for the excess purchase price over fair value.

In addition to the Ash Temple and Austrodent acquisitions, we completed other acquisitions in Australia, New Zealand and the United States, which resulted in our recording approximately $8.5 million of goodwill through preliminary purchase price allocations during the nine months ended September 24, 2005. These acquisitions were immaterial individually and in the aggregate.

We recorded the assets and liabilities acquired for all our acquisitions using our best estimates of fair value through preliminary purchase price allocations. Such amounts are subject to change upon finalizing valuations.

Note 5. Discontinued Operation

During the three-month period ended September 24, 2005, we reached a decision to divest our hospital supply business ("Hospital Business"), which is a component of our healthcare distribution business. The primary reason for this decision was that the Hospital Business does not focus on our core customer, namely the office-based practitioner, and therefore provides little or no synergies with our core operations. Additionally, this divestiture will enhance our management team's focus on our core businesses.

We expect to sell the Hospital Business within the next 12 months and consequently have classified the operating results of the Hospital Business as a discontinued operation in the accompanying consolidated statements of income for all periods presented. In connection with this decision, we assessed our long-lived assets for impairment, which resulted in the recording of an impairment charge of $11.9 million ($7.0 million after-tax) for the write-down of all long-lived assets, including goodwill of $4.6 million. We expect to incur an additional loss upon the sale of the Hospital Business, which we cannot reasonably estimate at this time.

HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(in thousands, except share and per share data)
(unaudited)

Note 5. Discontinued Operation (Continued)

Net sales generated by our Hospital Business were $37.3 million and $40.5 million for the three-month periods ended September 24, 2005 and September 25, 2004 and $112.9 million and $123.6 million for the nine-month periods ended September 24, 2005 and September 25, 2004.

The carrying amounts of the major classes of the Hospital Business assets held-for-sale as of September 24, 2005 included accounts receivable, net of reserves, of $44.8 million and inventories, net of reserves, of $16.2 million.

Note 6. Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding for the period. Our diluted earnings per share is computed similarly to basic earnings per share, except it reflects the effect of common shares issuable upon exercise of stock options using the treasury stock method in periods in which they have a dilutive effect.

For the three and nine months ended September 24, 2005, diluted earnings per share does not include the effect of common shares issuable upon conversion of our convertible debt because the principal is required to be settled in cash. If at any time, the debt is convertible at a premium as a result of the conditions of the debt, the amount in excess of the principal would be presumed settled in common shares and thereby reflected in our calculation of diluted earnings per share.

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

	Three Months Ended		Nine Months Ended	
	September 24, 2005	September 25, 2004	September 24, 2005	September 25, 2004
Basic	87,232,101	87,039,756	86,974,961	87,473,634
Effect of assumed conversion of employee stock options	2,339,201	1,949,352	2,203,102	2,293,594
Diluted	89,571,302	88,989,108	89,178,063	89,767,228

Weighted-average options to purchase 29,879 shares of common stock at exercise prices ranging from $42.36 to $43.19 per share and 2,322,796 shares of common stock at exercise prices ranging from $31.86 to $35.49 per share that were outstanding during the three months ended September 24, 2005 and September 25, 2004, were excluded from the computation of diluted earnings per share. Weighted-average options to purchase 93,228 shares of common stock at exercise prices ranging from $38.50 to $43.19 per share and 1,757,890 shares of common stock at exercise prices ranging from $34.42 to $35.49 per share that were outstanding during the nine months ended September 24, 2005 and September 25, 2004, were excluded from the computation of diluted earnings per share. In each of these periods, such options' exercise prices exceeded the average market price of our common stock, thereby causing the effect of such options to be anti-dilutive.

HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(in thousands, except share and per share data)
(**unaudited**)

Note 7. Comprehensive Income

Comprehensive income includes certain gains and losses that, under U.S. GAAP, are excluded from net income, as these amounts are recorded directly as adjustments to stockholders' equity. Our comprehensive income primarily includes net income, foreign currency translation adjustments and unrealized gains and losses on hedging activities. Comprehensive income totaled $30.1 million and $79.6 million for the three and nine months ended September 24, 2005, and $34.4 million and $96.6 million for the three and nine months ended September 25, 2004.

Note 8. Supplemental Cash Flow Information

Cash paid for interest and income taxes was:

	Nine Months Ended	
	September 24, 2005	September 25, 2004
Interest	$ 19,361	$ 12,143
Income taxes	37,948	39,601

During the nine months ended September 24, 2005 and September 25, 2004, we had $13.8 million and $890 thousand of non-cash net unrealized gains related to hedging activities. For the same periods in 2005 and 2004, we also had $3.9 million and $50 thousand of non-cash unrealized gains related to our interest rate swaps. Additionally, in connection with our acquisition of Austrodent, as previously discussed, during the nine months ended September 24, 2005, we reclassified approximately $12.3 million ($13.5 million paid in 2004, less $1.2 million received in 2005 upon closing the acquisition) from other current assets to the respective assets and liabilities acquired.

In connection with our acquisition of Camlog in July 2004, we assumed $35.7 million of debt, which remained outstanding as of September 25, 2004. Additionally, as of September 25, 2004, we accrued a receivable of $32.4 million in connection with the resale of DentalMV GmbH (Muller & Weygandt), which was treated as a reduction of the purchase price for the Demedis Group.

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

Cautionary Note Regarding Forward-Looking Statements

In accordance with the "Safe Harbor" provisions of the Private Securities Litigation Reform Act of 1995, we provide the following cautionary remarks regarding important factors which, among others, could cause future results to differ materially from the forward-looking statements, expectations and assumptions expressed or implied herein. All forward-looking statements made by us are subject to risks and uncertainties and are not guarantees of future performance. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance and achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These statements are identified by the use of such terms as "may," "could," "expect," "intend," "believe," "plan," "estimate," "forecast," "project," "anticipate" or other comparable terms.

Risk factors and uncertainties that could cause actual results to differ materially from current and historical results include, but are not limited to: competitive factors; changes in the healthcare industry; changes in government regulations that affect us; financial risks associated with our international operations; fluctuations in quarterly earnings; transitional challenges associated with acquisitions; regulatory and litigation risks; the dependence on our continued product development, technical support and successful marketing in the technology segment; our dependence upon sales personnel and key customers; our dependence on our senior management; our dependence on third parties for the manufacture and supply of our products; possible increases in the cost of shipping our products or other service trouble with our third-party shippers; risks from rapid technological change; and risks from potential increases in variable interest rates. The order in which these factors appear should not be construed to indicate their relative importance or priority.

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

Recent Developments

We entered into a three-year extension to our agreement with Chiron Corporation to purchase Fluvirin® influenza vaccine, which commences in 2006. We estimate that we will receive between 2 million and 4 million doses of Fluvirin® influenza vaccine during the fourth quarter of 2005.

During the three-month period ended September 24, 2005, we reached a decision to divest our Hospital Business, which is a component of our healthcare distribution business. Refer to Note 5 in the accompanying financial statements.

Executive-Level Overview

We believe we are the largest distributor of healthcare products and services primarily to office-based healthcare practitioners in the combined North American and European markets. We serve more than 475,000 customers worldwide, including dental practices and laboratories, physician practices and veterinary clinics, as well as government and other institutions. We believe that we have a strong brand identity due to our more than 73 years of experience distributing healthcare products.

We are headquartered in Melville, New York, employ nearly 11,000 people, and have operations in the

United States, Canada, the United Kingdom, the Netherlands, Belgium, Germany, France, Austria, Portugal, Spain, the Czech Republic, Luxembourg, Italy, Ireland, Switzerland, Australia and New Zealand. We also have affiliates in Iceland and Israel.

We have established strategically located distribution centers to enable us to better serve our customers and increase our operating efficiency. This infrastructure, together with broad product and service offerings at competitive prices, and a strong commitment to customer service, enables us to be a single source of supply for our customers' needs. Our infrastructure also allows us to provide convenient ordering and rapid, accurate and complete order fulfillment.

We conduct our business through two segments: healthcare distribution and technology. These segments offer different products and services to the same customer base. The healthcare distribution segment consists of our dental, medical (including veterinary) and international groups. Products distributed consist of consumable products, small equipment, laboratory products, large dental equipment, branded and generic pharmaceuticals, vaccines, surgical products, diagnostic tests, infection-control products and vitamins.

Our dental group serves office-based dental practices, schools and other institutions in the combined United States and Canadian dental market. Our medical group serves office-based physician practices, surgical centers, other alternate-care settings, veterinarian clinics and other institutions throughout the United States. Our international group serves practices in 17 countries outside of North America and is what we believe to be a leading Pan-European healthcare supplier serving office-based dental, medical and veterinary practices.

Our technology group provides software, technology and other value-added services to healthcare providers, primarily in the United States and Canada. Our value-added practice solutions include practice-management software systems for dental and medical practices and veterinary clinics. Our technology group offerings also include financial services and continuing education services for practitioners.

Industry Overview

In recent years, the healthcare industry has increasingly focused on cost containment. This trend has benefited distributors capable of providing a broad array of products and services at low prices. It also has accelerated the growth of HMOs, group practices, other managed care accounts and collective buying groups, which, in addition to their emphasis on obtaining products at competitive prices, tend to favor distributors capable of providing specialized management information support. We believe that the trend towards cost containment has the potential to favorably affect demand for practice-management systems and software that can enhance the efficiency and facilitation of practice management.

Our operating results in recent years have been significantly affected by strategies and transactions we undertook to expand our business, domestically and internationally, in part to address significant changes in the healthcare industry, including consolidation of healthcare distribution companies, potential healthcare reform, trends toward managed care, cuts in Medicare and collective purchasing arrangements.

Industry Consolidation

The healthcare products distribution industry, as it relates to office-based healthcare practitioners, is highly fragmented and diverse. This industry, which encompasses the dental, medical and veterinary markets, was estimated to produce revenues of approximately $19.5 billion in 2004 in the combined North American and European markets. The industry ranges from sole practitioners working out of relatively small offices to group practices or service organizations ranging in size from a few practitioners to a large number of practitioners who have combined or otherwise associated their practices.

Due in part to the inability of office-based healthcare practitioners to store and manage large quantities of supplies in their offices, the distribution of healthcare supplies and small equipment to office-based healthcare practitioners has been characterized by frequent, small-quantity orders, and a need for rapid, reliable and substantially complete order fulfillment. The purchasing decisions within an office-based healthcare practice are typically made by the practitioner or an administrative assistant, and supplies and small equipment are generally purchased from more than one distributor, with one generally serving as the primary supplier.

We believe that consolidation within the industry will continue to result in a number of distributors, particularly those with limited financial and marketing resources, seeking to combine with larger companies that can provide growth opportunities. This consolidation also may continue to result in distributors seeking to acquire companies that can enhance their current product and service offerings or provide opportunities to serve a broader customer base.

Our trend with regard to acquisitions has been to expand our role as a provider of products and services to the healthcare industry. This trend has resulted in expansion into service areas that complement our existing operations and provide opportunities for us to develop synergies with, and thus strengthen, the acquired businesses.

As industry consolidation continues, we believe that we are positioned to capitalize on this trend, as we believe we have the ability to support increased sales through our existing infrastructure. In the U.S. dental market, we estimate that there are currently more than 300 smaller distributors holding approximately 30% of the market. In the U.S. medical market, we estimate that more than 500 smaller distributors hold approximately 50% of the market, and in the European dental market, we estimate that more than 200 competitors hold approximately 80% of the market.

As the healthcare industry continues to change, we continually evaluate possible candidates for merger or acquisition and intend to continue to seek opportunities to expand our role as a provider of products and services to the healthcare industry. There can be no assurance that we will be able to successfully pursue any such opportunity or consummate any such transaction, if pursued. If additional transactions are entered into or consummated, we would incur additional merger and acquisition-related costs, and there can be no assurance that the integration efforts associated with any such transaction would be successful.

Aging Population and Other Market Influences

The healthcare products distribution industry continues to experience growth due to the aging population, increased healthcare awareness, the proliferation of medical technology and testing, new pharmacology treatments and expanded third-party insurance coverage. In addition, the physician market continues to benefit from the shift of procedures and diagnostic testing in hospitals to the alternate-care site, particularly physicians' offices. As the cosmetic surgery and elective procedure markets continue to grow, physicians are increasingly performing more of these procedures in their offices. The elder-care market continues to benefit from the increasing growth rate of the population of elderly Americans.

The January 2000 U.S. Bureau of the Census estimates that the elderly population in the United States will more than double by the year 2040. In 2000, four million Americans were aged 85 or older, the segment of the population most in need of long-term care and elder-care services. By the year 2040, that number is projected to more than triple to more than 14 million. The population aged 65 to 84 years is projected to more than double in the same time period.

As a result of these market dynamics, the annual expenditures for healthcare services continue to increase in the United States. The Centers for Medicaid and Medicare Services (CMS), Office of the Actuary published "Health Spending Projections Through 2013" in 2004, indicating that total national healthcare spending reached $1.6 trillion in 2002, or 14.9% of the nation's gross domestic product. Healthcare spending

is projected to reach $3.4 trillion in 2013, an estimated 18.4% of the gross domestic product, the benchmark measure for annual production of goods and services in the United States.

Governmental Influences

The healthcare industry is subject to extensive government regulation, licensure and operating compliance procedures. National healthcare reform has been the subject of a number of legislative initiatives by Congress. Additionally, government and private insurance programs fund a large portion of the total cost of medical care. The Balanced Budget Act passed by Congress in 1997 significantly reduced reimbursement rates for nursing homes and home healthcare providers, affecting spending levels and the overall financial viability of these institutions.

The Medicare Prescription Drug, Improvement, and Modernization Act (the “Medicare Act”) is the largest expansion of the Medicare program since its inception, and provides participants with voluntary prescription drug benefits through an interim drug discount card. The Medicare Act also includes provisions relating to medication management programs, generic substitution and provider reimbursement. Based upon current information, we believe the Medicare Act may create additional volume demand and provide incentives for additional use of generic drugs, both of which have potentially positive implications for our pharmaceutical distribution business.

Product Integrity

Certain pharmaceutical and medical-surgical product manufacturers are in discussions with legislators about the risks of counterfeit products in the supply chain and manufacturers’ concerns about the impact of secondary market distribution on counterfeiting. As a distributor of such products, we continue to work with our suppliers to help minimize the risks associated with counterfeit products in the supply chain and potential litigation.

Results of Operations

The following table summarizes the significant components of our operating results from continuing operations and cash flows for the three and nine months ended September 24, 2005 and September 25, 2004 (in thousands):

	Three Months Ended		Nine Months Ended	
	September 24, 2005	September 25, 2004	September 24, 2005	September 25, 2004
Operating Results:				
Net sales	$ 1,125,363	$ 993,100	$ 3,292,788	$ 2,742,363
Cost of sales	808,632	723,860	2,353,327	2,002,228
Gross profit	316,731	269,240	939,461	740,135
Operating expenses:				
Selling, general and administrative	253,593	216,505	747,608	580,630
Operating income	$ 63,138	$ 52,735	$ 191,853	$ 159,505
Other expense, net	$ (4,008)	$ (4,777)	$ (12,902)	$ (6,599)
Income from continuing operations	36,380	31,062	109,934	95,937
Cash Flows:				
Net cash provided by operating activities (1)			$ 113,582	$ 58,469
Net cash used in investing activities (1)			(67,195)	(180,087)
Net cash provided by (used in) financing activities			(14,469)	37,781

(1) Prior period amounts have been reclassified to conform with the current period presentation.

Three Months Ended September 24, 2005 Compared to Three Months Ended September 25, 2004

Net Sales

Net sales from continuing operations for the three months ended September 24, 2005 and September 25, 2004 were as follows (in thousands):

	September 24, 2005	% of Total	September 25, 2004	% of Total
Healthcare distribution (1):				
Dental (2)	$ 462,514	41.1%	$ 399,324	40.2%
Medical (3)	350,185	31.1	323,135	32.5
International (4)	291,701	25.9	249,797	25.2
Total healthcare distribution	1,104,400	98.1	972,256	97.9
Technology (5)	20,963	1.9	20,844	2.1
Total	$ 1,125,363	100.0%	$ 993,100	100.0%

(1) Consists of consumable products, small equipment, laboratory products, large dental equipment, branded and generic pharmaceuticals, vaccines, surgical products, diagnostic tests, infection-control products and vitamins.

(2) Consists of products sold in the United States and Canada.

(3) Consists of products sold in the United States medical and veterinary markets.

(4) Consists of products sold in the dental, medical and veterinary markets, primarily in Europe.

(5) Consists of practice-management software and other value-added products and services, which are sold primarily to healthcare providers in the United States and Canada.

The $132.3 million, or 13.3%, increase in net sales for the three months ended September 24, 2005, includes increases of 13.1% local currency growth (7.2% internally generated primarily due to volume growth and 5.9% from acquisitions) and 0.2% related to foreign currency exchange.

The $63.2 million, or 15.8%, increase in dental net sales for the three months ended September 24, 2005, includes increases of 15.3% local currency growth (8.9% internally generated and 6.4% from acquisitions) and 0.5% related to foreign currency exchange. The 15.3% local currency growth was due to dental consumable merchandise sales growth of 12.2% (5.7% internal growth and 6.5% acquisition growth) and dental equipment sales and service growth of 26.6% (20.6% internal growth and 6.0% acquisition growth). Internally generated dental net sales growth was primarily due to increased volume.

The $27.1 million, or 8.4%, increase in medical net sales for the three months ended September 24, 2005, includes internal growth of 6.8% primarily due to volume growth and acquisition growth of 1.6%.

The $41.9 million, or 16.8%, increase in international net sales for the three months ended September 24, 2005, includes increases of 16.7% in local currencies (11.0% from acquisitions and 5.7% internally generated primarily due to volume growth) and 0.1% due to foreign currency exchange.

The $119 thousand, or 0.6%, increase in technology net sales for the three months ended September 24, 2005, includes increases of 0.3% in local currency growth and 0.3% due to foreign currency exchange. The increase was primarily due to increased electronic services sales.

Gross Profit

Gross profit and gross margins from continuing operations by segment and in total for the three months ended September 24, 2005 and September 25, 2004 were as follows (in thousands):

	September 24, 2005	Gross Margin %	September 25, 2004	Gross Margin %
Healthcare distribution	$ 300,787	27.2%	$ 253,741	26.1%
Technology	15,944	76.1	15,499	74.4
Total	$ 316,731	28.1	$ 269,240	27.1

For the three months ended September 24, 2005, gross profit increased $47.5 million, or 17.6%, from the comparable prior year period. As a result of different practices of categorizing costs associated with distribution networks throughout our industry, our gross margins may not necessarily be comparable to other distribution companies. Additionally, we realize substantially higher gross margin percentages in our technology segment than in our healthcare distribution segment. These higher gross margins result from being both the developer and seller of software products combined with the nature of the software industry, in which developers realize higher gross margins to recover investments in research and development.

Healthcare distribution gross profit increased $47.0 million, or 18.5%, for the three months ended September 24, 2005 from the comparable prior year period. Healthcare distribution gross profit margin increased to 27.2% for the three months ended September 24, 2005 from 26.1% for the comparable prior year period. These increases reflect a focus on margin improvement, including the shedding of certain lower margin pharmaceutical and veterinary products from our medical business.

Technology gross profit increased $445 thousand, or 2.9%, for the three months ended September 24, 2005 from the comparable prior year period. Technology gross profit margin increased to 76.1% for the three months ended September 24, 2005 from 74.4% for the comparable prior year period, primarily due to a change in sales mix reflecting a larger percentage of higher margin electronic services sales.

Selling, General and Administrative

Selling, general and administrative expenses from continuing operations by segment and in total for the three months ended September 24, 2005 and September 25, 2004 were as follows (in thousands):

	September 24, 2005	% of Respective Net Sales	September 25, 2004	% of Respective Net Sales
Healthcare distribution	$ 245,653	22.2%	$ 208,528	21.4%
Technology	7,940	37.9	7,977	38.3
Total	$ 253,593	22.5	$ 216,505	21.8

Selling, general and administrative expenses increased $37.1 million, or 17.1%, to $253.6 million for the three months ended September 24, 2005 from the comparable prior year period. As a percentage of net sales, selling, general and administrative expenses increased to 22.5% from 21.8% for the comparable prior year period. The increase of 0.7% was primarily due to payroll and expenses related to recent acquisitions.

As a component of selling, general and administrative expenses, selling expenses increased $24.2 million, or 18.0%, to $158.4 million for the three months ended September 24, 2005 from the comparable prior year period. As a percentage of net sales, selling expenses increased to 14.1% from 13.5% for the comparable prior year period. The increase was primarily due to payroll and expenses related to recent acquisitions.

As a component of selling, general and administrative expenses, general and administrative expenses increased $12.9 million, or 15.7%, to $95.2 million for the three months ended September 24, 2005 from the comparable prior year period. As a percentage of net sales, general and administrative expenses increased to 8.5% from 8.3% for the comparable prior year period. The increase was primarily due to payroll and expenses related to recent acquisitions.

Other Expense, Net

Other expense, net from continuing operations for the three months ended September 24, 2005 and September 25, 2004 were as follows (in thousands):

	September 24, 2005	September 25, 2004
Interest income	$ 1,941	$ 1,243
Interest expense	(6,977)	(6,138)
Other, net	1,028	118
Other expense, net	$ (4,008)	$ (4,777)

Other expense, net decreased $769 thousand for the three months ended September 24, 2005 from the comparable prior year period, primarily due to increases in interest income on deposits and foreign exchange gains, partially offset by interest expense on interest rate swaps.

Income Taxes

For the three months ended September 24, 2005, our effective tax rate from continuing operations decreased to 36.5% from 36.9% for the comparable prior year period. The difference between our effective tax rates and the federal statutory rates for both periods related primarily to foreign and state income taxes.

Nine Months Ended September 24, 2005 Compared to Nine Months Ended September 25, 2004

Net Sales

Net sales from continuing operations for the nine months ended September 24, 2005 and September 25, 2004 were as follows (in thousands):

	September 24, 2005	% of Total	September 25, 2004	% of Total
Healthcare distribution (1):				
Dental (2)	$ 1,361,183	41.3%	$ 1,146,243	41.8%
Medical (3)	968,633	29.4	932,094	34.0
International (4)	898,479	27.3	603,181	22.0
Total healthcare distribution	3,228,295	98.0	2,681,518	97.8
Technology (5)	64,493	2.0	60,845	2.2
Total	$ 3,292,788	100.0%	$ 2,742,363	100.0%

(1) Consists of consumable products, small equipment, laboratory products, large dental equipment, branded and generic pharmaceuticals, vaccines, surgical products, diagnostic tests, infection-control products and vitamins.

(2) Consists of products sold in the United States and Canada.

(3) Consists of products sold in the United States medical and veterinary markets.

(4) Consists of products sold in the dental, medical and veterinary markets, primarily in Europe.

(5) Consists of practice-management software and other value-added products and services, which are sold primarily to healthcare providers in the United States and Canada.

The $550.4 million, or 20.1%, increase in net sales for the nine months ended September 24, 2005, includes increases of 18.8% local currency growth (6.1% internally generated primarily due to volume growth and 12.7% from acquisitions) and 1.3% related to foreign currency exchange.

The $214.9 million, or 18.8%, increase in dental net sales for the nine months ended September 24, 2005, includes increases of 18.2% local currency growth (10.9% internally generated and 7.3% from acquisitions) and 0.6% related to foreign currency exchange. The 18.2% local currency growth was due to dental consumable merchandise sales growth of 15.7% (9.0% internal growth and 6.7% acquisition growth) and dental equipment sales and service growth of 27.9% (18.6% internal growth and 9.3% acquisition growth). Internally generated dental net sales growth was primarily due to increased volume.

The $36.5 million, or 3.9%, increase in medical net sales for the nine months ended September 24, 2005, includes internal growth of 3.0% primarily from volume growth and acquisition growth of 0.9%, all in local currency.

The $295.3 million, or 49.0%, increase in international net sales for the nine months ended September 24, 2005, includes increases of 44.4% in local currencies (42.7% from acquisitions and 1.7% internally generated primarily from volume growth) and 4.6% due to foreign currency exchange.

The $3.7 million, or 6.0%, increase in technology net sales for the nine months ended September 24, 2005, includes increases of 5.7% internal growth and 0.3% due to foreign currency exchange. The increase in internal growth was primarily due to increased electronic services sales.

Gross Profit

Gross profit and gross margins from continuing operations by segment and in total for the nine months ended September 24, 2005 and September 25, 2004 were as follows (in thousands):

	September 24, 2005	Gross Margin %	September 25, 2004	Gross Margin %
Healthcare distribution	$ 890,295	27.6%	$ 694,473	25.9%
Technology	49,166	76.2	45,662	75.0
Total	$ 939,461	28.5	$ 740,135	27.0

For the nine months ended September 24, 2005, gross profit increased $199.3 million, or 26.9%, from the comparable prior year period.

Healthcare distribution gross profit increased $195.8 million, or 28.2%, for the nine months ended September 24, 2005 from the comparable prior year period. Healthcare distribution gross profit margin increased to 27.6% for the nine months ended September 24, 2005 from 25.9% for the comparable prior year period. These increases reflect a focus on margin improvement, including the shedding of certain lower margin pharmaceutical and veterinary products from our medical business.

Technology gross profit increased $3.5 million, or 7.7%, for the nine months ended September 24, 2005 from the comparable prior year period. Technology gross profit margin increased to 76.2% for the nine months ended September 24, 2005 from 75.0% for the comparable prior year period, primarily due to a change in sales mix reflecting a larger percentage of higher margin electronic services sales.

Selling, General and Administrative

Selling, general and administrative expenses from continuing operations by segment and in total for the nine months ended September 24, 2005 and September 25, 2004 were as follows (in thousands):

	September 24, 2005	% of Respective Net Sales	September 25, 2004	% of Respective Net Sales
Healthcare distribution	$ 723,626	22.4%	$ 557,449	20.8%
Technology	23,982	37.2	23,181	38.1
Total	$ 747,608	22.7	$ 580,630	21.2

Selling, general and administrative expenses increased $167.0 million, or 28.8%, to $747.6 million for the nine months ended September 24, 2005 from the comparable prior year period. As a percentage of net sales, selling, general and administrative expenses increased to 22.7% from 21.2% for the comparable prior year period. The increase was primarily due to payroll and expenses related to recent acquisitions.

As a component of selling, general and administrative expenses, selling expenses increased $98.7 million, or 26.9%, to $465.7 million for the nine months ended September 24, 2005 from the comparable prior year period. As a percentage of net sales, selling expenses increased to 14.1% from 13.4% for the comparable prior year period. The increase was primarily due to payroll and expenses related to recent acquisitions.

As a component of selling, general and administrative expenses, general and administrative expenses increased $68.3 million, or 32.0%, to $281.9 million for the nine months ended September 24, 2005 from the comparable prior year period. As a percentage of net sales, general and administrative expenses increased to

8.6% from 7.8% for the comparable prior year period. The increase was primarily due to payroll and expenses related to recent acquisitions.

Other Expense, Net

Other expense, net from continuing operations for the nine months ended September 24, 2005 and September 25, 2004 were as follows (in thousands):

	September 24, 2005	September 25, 2004
Interest income	$ 4,469	$ 4,967
Interest expense	(18,286)	(12,014)
Other, net	915	448
Other expense, net	$ (12,902)	$ (6,599)

Other expense, net increased $6.3 million for the nine months ended September 24, 2005 from the comparable prior year period. This increase was primarily due to the $6.3 million increase in interest expense, of which $5.1 million related to our convertible debt issued in August 2004 to finance various corporate initiatives, including our acquisition of the Demedis Group.

Income Taxes

For the nine months ended September 24, 2005, our effective tax rate from continuing operations decreased to 36.7% from 37.0% for the comparable prior year period. The difference between our effective tax rates and the federal statutory rates for both periods related primarily to foreign and state income taxes.

Liquidity and Capital Resources

Our principal capital requirements include the funding of acquisitions, working capital needs, capital expenditures and repurchases of common stock. Working capital requirements generally result from increased sales, special inventory forward buy-in opportunities, and payment terms for receivables and payables. Because sales tend to be stronger during the third and fourth quarters 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 finance our business primarily through cash generated from our operations, revolving credit facilities, private placement debt and stock issuances. Our ability to generate sufficient cash flows from operations is dependent on the continued demand of our customers for, and supply by our vendors of, our products and services. Given current operating, economic and industry conditions, we believe that demand for our products and services will remain consistent in the foreseeable future.

Net cash flow provided by operating activities was $113.6 million for the nine months ended September 24, 2005, compared to $58.5 million for the comparable prior year period. This net change of $55.1 million was due primarily to decreases in inventory and other current assets, and increases in accounts payable and accrued expenses, partially offset by an increase in accounts receivable, all before the effects of foreign exchange.

Net cash used in investing activities was $67.2 million for the nine months ended September 24, 2005, compared to $180.1 million for the comparable prior year period. The net change of $112.9 million was primarily due to fewer acquisitions. We expect to invest up to approximately $13.8 million during the remainder of the fiscal year in capital projects to modernize and expand our facilities and computer systems infrastructure and to integrate subsidiary operations into our core infrastructure.

Net cash used in financing activities was $14.5 million for the nine months ended September 24, 2005, compared to $37.8 million provided by financing activities for the comparable prior year period. The net change of $52.3 million was primarily due to the issuance of long-term debt in August 2004, offset by lower payments for repurchases of common stock and repayments of debt assumed in acquisitions.

The following table summarizes selected measures of liquidity and capital resources (in thousands):

	September 24, 2005	December 25, 2004
Cash and cash equivalents	$ 220,077	$ 186,621
Available-for-sale securities	8,425	—
Working capital	847,551	736,844
Debt:		
Bank credit lines	$ 2,764	$ 5,969
Current maturities of long-term debt	8,047	3,906
Long-term debt	513,592	525,682
Total debt	$ 524,403	$ 535,557

Our cash and cash equivalents consist of bank balances and investments in money market funds representing overnight investments with a high degree of liquidity.

Our available-for-sale securities consist of short-term tax-efficient auction rate securities, which also have a high degree of liquidity.

Our business requires a substantial investment in working capital, which is susceptible to large variations during the year as a result of inventory purchase patterns and seasonal demands. Inventory purchase activity is a function of sales activity, special inventory forward buy-in opportunities and our desired level of inventory.

Our accounts receivable days sales outstanding from continuing operations improved to 43.9 days for the nine months ended September 24, 2005 from 44.4 days for the comparable prior year period. Our inventory turnover from continuing operations for the nine months ended September 24, 2005 remained constant at 6.6 turns compared with the comparable prior year period. We anticipate future increases in the value of our working capital as a result of continued sales growth.

On August 9, 2004, we completed an issuance of $240.0 million of convertible debt. These notes are senior unsecured obligations bearing a fixed annual interest rate of 3.0% and are due to mature on August 15, 2034. Interest on the notes is payable on February 15 and August 15 of each year, which commenced on February 15, 2005. The notes are convertible into our common stock at a conversion ratio of 21.58 shares per one thousand dollars of principal amount of notes, which is the equivalent conversion price of $46.34 per share, under the following circumstances:

- if the last price of our common stock is above 130% of the conversion price measured over a specified number of trading days;
- during the five business-day period following any 10 consecutive trading-day period in which the average of the trading prices for the notes for that 10 trading-day period was less than 98% of the average conversion value for the notes during that period;
- if the notes have been called for redemption; or

- upon the occurrence of a fundamental change or specified corporate transactions, as defined in the note agreement.

Upon conversion, we are required to satisfy our conversion obligation with respect to the principal amount of the notes to be converted, in cash, with any remaining amount to be satisfied in shares of our common stock. We currently have sufficient availability of funds through our $300.0 million revolving credit facility along with cash on hand to fully satisfy the cash portion of our conversion obligation. We also will pay contingent interest during any six-month interest period beginning August 20, 2010 if the average trading price of the notes is above specified levels. We may redeem some or all of the notes on or after August 20, 2010. The note holders may require us to purchase all or a portion of the notes on August 15, 2010, 2014, 2019, 2024 and 2029 or, subject to specified exceptions, upon a change of control event.

In prior years, we completed private placement transactions under which we issued $130.0 million and $100.0 million in senior notes. The $130.0 million notes come due on June 30, 2009 and bear interest at a fixed rate of 6.94% per annum. Beginning September 25, 2006, principal payments totaling $20.0 million are due annually on the $100.0 million notes and bear interest at a fixed rate of 6.66% per annum. Interest on both notes is payable semi-annually.

During 2003, we entered into agreements relating to the $230.0 million senior notes to exchange our fixed interest rates for variable interest rates. For the nine months ended September 24, 2005, the weighted-average variable interest rate was 6.1%. This weighted-average variable interest rate comprises LIBOR, plus a spread and resets on the interest due dates for the senior notes.

On May 24, 2005, we entered into a $300.0 million revolving credit facility with a $100.0 million expansion feature. This facility, which expires in May 2010, replaced our previous revolving credit facility of $200.0 million, which had been scheduled to expire in May 2006. As of September 24, 2005, there were $8.2 million of letters of credit provided to third parties and no borrowings outstanding under this revolving credit facility.

On June 21, 2004, we announced that our Board of Directors had authorized a second common stock repurchase program. The new program allows us to repurchase up to $100.0 million in shares of our common stock, which represented approximately 3.5% of shares outstanding on the announcement date. As of September 24, 2005, we had repurchased $63.4 million or 1,886,110 shares under this initiative. On October 31, 2005, our board authorized an additional $100.0 million of shares in our common stock to be repurchased under our share repurchase program.

Some holders of minority interests in certain of our subsidiaries have the right at certain times to require us to acquire their interest at a price that approximates fair value pursuant to a formula price as defined in the agreements. Additionally, some prior owners of such acquired subsidiaries are eligible to receive additional purchase price cash consideration if certain profitability targets are met. We accrue liabilities that may arise from these transactions when we believe the outcome of the contingency is determinable beyond a reasonable doubt.

We finance our business to provide adequate funding for at least 12 months. Funding requirements are based on forecasted profitability and working capital needs, which, on occasion, may change. Consequently, we may change our funding structure to reflect any new requirements.

We believe that our cash and cash equivalents; our ability to access private debt markets and public equity markets; and our available funds under existing credit facilities provide us with sufficient liquidity to meet our currently foreseeable short-term and long-term capital needs.

E-Commerce

Traditional healthcare supply and distribution relationships are being challenged by electronic online commerce solutions. Our distribution business is characterized by rapid technological developments and intense competition. The advancement of online commerce will require us to cost-effectively adapt to changing technologies, to enhance existing services and to develop and introduce a variety of new services to address the changing demands of consumers and our customers on a timely basis, 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, our name recognition and large customer base built on solid customer relationships position us well to participate in this growing aspect of the distribution business. We continue to explore ways and means to improve and expand our Internet presence and capabilities.

Critical Accounting Policies and Estimates

There have been no material changes in our critical accounting policies and estimates from those disclosed in Item 7 of our Annual Report on Form 10-K for the year ended December 25, 2004.

Risk Factors

The healthcare products distribution industry is highly competitive and we may not be able to compete successfully.

We compete with numerous companies, including several major manufacturers and distributors. Some of our competitors have greater financial and other resources than we do, which could allow them to compete more successfully. Most of our products are available from several sources and our customers tend to have relationships with several distributors. Competitors could obtain exclusive rights to market particular products, which we would then be unable to market. Manufacturers could also increase their efforts to sell directly to end-users and bypass distributors like us. Industry consolidation among healthcare products distributors, the unavailability of products, whether due to our inability to gain access to products or interruptions in supply from manufacturers, or the emergence of new competitors could also increase competition. In the future, we may be unable to compete successfully and competitive pressures may reduce our revenues.

The healthcare industry is experiencing changes that could adversely affect our business.

The healthcare industry is highly regulated and subject to changing political, economic and regulatory influences. 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; pressures relating to potential healthcare reform; trends toward managed care; consolidation of healthcare distribution companies; collective purchasing arrangements among office-based healthcare practitioners; and reimbursements to customers. If we are unable to react effectively to these and other changes in the healthcare industry, our operating results could be adversely affected. In addition, the enactment of any significant healthcare reforms could have a material adverse effect on our business.

We must comply with government regulations governing the distribution of pharmaceuticals and medical devices, and additional regulations could negatively affect our business.

Our business is subject to requirements under various local, state, federal and international governmental laws and regulations applicable to the manufacture and distribution of pharmaceuticals and medical devices. Among the federal laws with which we must comply are the Controlled Substances Act and the Federal Food, Drug, and Cosmetic Act, including the Prescription Drug Marketing Act of 1987 and the Safe Medical Devices Act. Such laws:

- regulate the storage and distribution, labeling, handling, record keeping, manufacturing and advertising of drugs and medical devices;
- subject us to inspection by the Federal Food and Drug Administration and the Drug Enforcement Administration;
- regulate the transportation of certain of our products that are considered hazardous materials;
- require registration with the Federal Food and Drug Administration and the Drug Enforcement Administration;
- require us to coordinate returns of products that have been recalled and subject us to inspection of our recall procedures; and
- impose reporting requirements if a pharmaceutical or medical device causes serious illness, injury or death.

Our business is also subject to requirements of foreign governmental laws and regulations affecting our operations abroad.

The failure to comply with any of these regulations or the imposition of any additional regulations could negatively affect our business. There can be no assurance that current or future U.S. or foreign government regulations will not adversely affect our business.

Our international operations are subject to inherent risks that could adversely affect our operating results.

International operations are subject to risks that may materially adversely affect our business, results of operations and financial condition. The risks that our international operations are subject to include:

- difficulties and costs relating to staffing and managing foreign operations;
- 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;
- repatriation of cash from our foreign operations to the United States;
- cumbersome regulatory requirements;
- unexpected difficulties in importing or exporting our products;
- imposition of import/export duties, quotas, sanctions or penalties; and

- unexpected regulatory, economic and political changes in foreign markets.

As a result of our acquisition of the Demedis Group and other foreign companies, our foreign operations are significantly larger and, therefore, our exposure to the risks inherent in international operations has become greater.

We experience fluctuations in quarterly earnings. As a result, we may fail to meet or exceed the expectations of securities analysts and investors, which could cause our stock price to decline.

Our business is subject to seasonal and other quarterly fluctuations. Net sales and operating profits generally have been higher in the third and fourth quarters due to the timing of sales of seasonal products (including influenza vaccine, equipment and software products), 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 sales in the prior two quarters. Quarterly results may also be adversely affected by a variety of other factors, including:

- costs of developing new applications and services;
- costs related to acquisitions of technologies or businesses;
- the timing and amount of sales and marketing expenditures;
- general economic conditions, as well as those specific to the healthcare industry and related industries;
- the timing of the release of functions of our technology-related products and services;
- our success in establishing or maintaining business relationships; and
- our success in selling our Hospital Business.

Any change in one or more of these or other factors could cause our annual or quarterly operating results to fluctuate. If our operating results do not meet market expectations, our stock price may decline.

Because substantially all of the products that we distribute are not manufactured by us, we are dependent upon third parties for the manufacture and supply of substantially all of our products.

We obtain substantially all of our products from third-party suppliers. Generally, we do not have long-term contracts with our suppliers committing them to supply products to us. Therefore, suppliers may not provide the products we need in the quantities we request. Because we do not control the actual production of the products we sell, we may be subject to delays caused by interruption in production based on conditions outside of our control. In the event that any of our third-party suppliers were to become unable or unwilling to continue to provide the products in required volumes, we would need to identify and obtain acceptable replacement sources on a timely basis. There is no guarantee that we will be able to obtain such alternative sources of supply on a timely basis, if at all. An extended interruption in the supply of our products, including the supply of our influenza vaccine and any other high sales volume product, would have an adverse effect on our results of operations, which most likely would adversely affect the value of our common stock.

Our expansion through acquisitions and joint ventures involves risks.

We have expanded our domestic and international markets in part through acquisitions and joint ventures, and we expect to continue to make acquisitions and enter into joint ventures in the future. Such transactions involve numerous risks, including possible adverse effects on our operating results or the market price of our common stock. Some of our acquisitions and future acquisitions may also give rise to an obligation by us to

make contingent payments or to satisfy certain repurchase obligations, which payments could have an adverse effect on our results of operations. In addition, integrating acquired businesses and joint ventures:

- may result in a loss of customers or product lines of the acquired businesses or joint ventures;
- requires significant management attention; and
- may place significant demands on our operations, information systems and financial resources.

There can be no assurance that our future acquisitions or joint ventures will be successful. Our ability to continue to successfully effect acquisitions and joint ventures will depend upon the following:

- the availability of suitable acquisition or joint venture candidates at acceptable prices;
- our ability to consummate such transactions, which could potentially be prohibited due to U.S. or foreign antitrust regulations; and
- the availability of financing on acceptable terms, in the case of non-stock transactions.

We face inherent risk of exposure to product liability and other claims in the event that the use of the products we sell results in injury.

Our business involves a risk of product liability and other claims 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. Additionally, we own a majority interest in a company that manufactures dental implants and we are subject to the potential risk of product liability or other claims relating to the manufacture of products by that entity. One of the potential risks we face in the distribution of our products is liability resulting from counterfeit products infiltrating the supply chain. In addition, some of the products that we transport and sell are considered hazardous materials. The improper handling of such materials or accidents involving the transportation of such materials could subject us to liability. We have insurance policies, including product liability insurance, covering risks and in amounts that we consider adequate. Additionally, in many cases we are covered by indemnification from the manufacturer of the product. However, we cannot assure you that the coverage maintained by us is sufficient to cover future claims, that it will be available in adequate amounts or at a reasonable cost, or that indemnification agreements will provide adequate protection for us. A successful claim brought against us in excess of available insurance or indemnification, or any claim that results in significant adverse publicity against us, could harm our business.

Our technology segment depends upon continued product development, technical support and successful marketing.

Competition among companies supplying practice-management software is intense and increasing. Our future sales of practice-management software will depend on, among other factors:

- the effectiveness of our sales and marketing programs;
- our ability to enhance our products; and
- our ability to provide ongoing technical support.

We cannot be sure that we will be successful in introducing and marketing new software or software enhancements, or that such software will be released on time or accepted by the market. Our software products, like software products generally, may contain undetected errors or bugs when introduced or as new versions are released. We cannot be sure that future problems with post-release software errors or bugs will not occur. Any such defective software may result in increased expenses related to the software and could

adversely affect our relationships with the customers using such software. We do not have any patents on our software, and rely upon copyright, trademark and trade secret laws, as well as contractual and common law protections. We cannot assure you that such legal protections will be available or enforceable to protect our software products.

Our revenues depend on our relationships with capable sales personnel as well as key customers, vendors and manufacturers of the products that we distribute.

Our future operating results depend on our ability to maintain satisfactory relationships with qualified sales personnel as well as key customers, vendors and manufacturers. If we fail to maintain our existing relationships with such persons or fail to acquire relationships with such key persons in the future, our business may suffer.

Our future success is substantially dependent upon our senior management.

Our future success is substantially dependent upon the efforts and abilities of members of our existing senior management, particularly Stanley M. Bergman, Chairman and Chief Executive Officer, among others. The loss of the services of Mr. Bergman could have a material adverse effect on our business. We have an employment agreement with Mr. Bergman. We do not currently have “key man” life insurance policies on any of our employees. Competition for senior management is intense, and we may not be successful in attracting and retaining key personnel.

Increases in the cost of shipping or service trouble with our third-party shippers could harm our business.

Shipping is a significant expense in the operation of our business. We ship almost all of our U.S. orders by United Parcel Service, Inc. and other delivery services, and typically bear the cost of shipment. Accordingly, any significant increase in shipping rates could have an adverse effect on our operating results. Similarly, strikes or other service interruptions by those shippers could cause our operating expenses to rise and adversely affect our ability to deliver products on a timely basis.

We may not be able to respond to technological change effectively.

Traditional healthcare supply and distribution relationships are being challenged by electronic online commerce solutions. Our distribution business is characterized by rapid technological developments and intense competition. The advancement of online commerce will require us to cost-effectively adapt to changing technologies, to enhance existing services and to develop and introduce a variety of new services to address changing demands of consumers and our clients on a timely basis, particularly in response to competitive offerings. Our inability to anticipate and effectively respond to changes on a timely basis could have an adverse effect on our business.

We are exposed to the risk of an increase in interest rates.

In 2003, we entered into interest rate swap agreements to exchange our fixed-rate interest rates for variable interest rates payable on our $230.0 million senior notes. Our fixed interest rates on the senior notes were 6.94% and 6.66% for the $130.0 million and $100.0 million senior notes, respectively. The variable rate is comprised of LIBOR plus the spreads and resets on the interest due dates for the senior notes. As a result of these interest rate swap agreements, as well as our existing variable rate credit lines, and loan agreements, we are exposed to risk from fluctuations in interest rates. For example, a hypothetical 100 basis points increase in interest rates would increase our annual interest expense by approximately $2.4 million.

Our acquisitions may not result in the benefits and revenue growth we expect.

We are in the process of integrating companies that we acquired, including the Demedis Group, and

assimilating the operations, services, products and personnel of each company with our management policies, procedures and strategies. We cannot be sure that we will achieve the benefits of revenue growth that we expect from these acquisitions or that we will not incur unforeseen additional costs or expenses in connection with these acquisitions. To effectively manage our expected future growth, we must continue to successfully manage our integration of these companies and continue to improve our operational systems, internal procedures, accounts receivable and management, financial and operational controls. If we fail in any of these areas, our business could be adversely affected.

The market price for our common stock may be highly volatile.

The market price for our common stock may be highly volatile. A variety of factors may have a significant impact on the market price of our common stock, including:

- the publication of earnings estimates or other research reports and speculation in the press or investment community;
- changes in our industry and competitors;
- our financial condition, results of operations and cash flows and prospects;
- any future issuances of our common stock, which may include primary offerings for cash, stock splits, issuances in connection with business acquisitions, restricted stock and the grant or exercise of stock options from time to time;
- general market and economic conditions; and
- any outbreak or escalation of hostilities.

In addition, the Nasdaq National Market can experience extreme price and volume fluctuations that can be unrelated or disproportionate to the operating performance of the companies listed on Nasdaq. Broad market and industry factors may negatively affect the market price of our common stock, regardless of actual operating performance. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted against companies. This type of litigation, if instituted, could result in substantial costs and a diversion of management's attention and resources, which would harm our business.

Certain provisions in our governing documents and other documents to which we are a party may discourage third-party offers to acquire us that might otherwise result in our stockholders receiving a premium over the market price of their shares.

The provisions of our certificate of incorporation and by-laws may make it more difficult for a third party to acquire us, may discourage acquisition bids, and may limit the price that certain investors might be willing to pay in the future for shares of our common stock. These provisions, among other things:

- require the affirmative vote of the holders of at least 60% of the shares of common stock entitled to vote to approve a merger, consolidation, or a sale, lease, transfer or exchange of all or substantially all of our assets; and
- require the affirmative vote of the holders of at least 66 2/3% of our common stock entitled to vote to:
  - remove a director; and
  - to amend or repeal our by-laws, with certain limited exceptions.

In addition, our 1994 Stock Incentive Plan, 1996 Non-Employee Director Stock Incentive Plan and 2001 Non-Employee Director Incentive Plan provide for accelerated vesting of stock options upon a change in control, and certain agreements between us and our executive officers provide for increased severance payments if those executive officers are terminated without cause within two years after a change in control.

We also have a stockholder rights plan that could make it more difficult for a third party to acquire us if our Board of Directors does not determine that the acquisition proposal is adequate and in the stockholders' best interest.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our exposure to market risk from that disclosed in Item 7A of our Annual Report on Form 10-K for the year ended December 25, 2004.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of management, including our Chairman and Chief Executive Officer ("CEO") and our Executive Vice President and Chief Financial Officer ("CFO"), we evaluated the effectiveness of the design and operation of our disclosure controls and procedures as such term is defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this quarterly report. Based on this evaluation, our CEO and CFO concluded that as of September 24, 2005 our disclosure controls and procedures were effective in ensuring that the information required to be filed in this report has been recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the quarter ended September 24, 2005 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations of the Effectiveness of Internal Control

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the internal control system are met. Because of the inherent limitations of any internal control system, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected.

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 a business practice, we generally obtain product indemnification from our suppliers.

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

As of September 24, 2005, we had accrued our best estimate of potential losses relating to product liability and other claims that were probable to result in a liability and for which we were able to reasonably estimate a loss. This accrued amount, as well as related expenses, was not material to our financial position, results of operations or cash flows. Our method for determining estimated losses considers currently available facts, presently enacted laws and regulations and other external factors, including probable recoveries from third parties.

Product Liability Claims

As of September 24, 2005, we were a defendant in approximately 42 product liability cases. Of these cases, two involve claims made by healthcare workers and/or their families who claim allergic reaction relating to exposure to latex gloves. In each of these cases, we acted as a distributor of brand name and/or “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 generally withhold indemnification of us pending product identification; however, we have impleaded or filed cross claims against those manufacturers in such cases.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Purchases of equity securities by the issuer

The following table summarizes repurchases of our common stock under our stock repurchase program:

Fiscal Month	Total Number of Shares Purchased (1)	Average Price Paid per Share	Maximum Number of Shares that May Yet Be Purchased Under Our Program (2)
06/26/05 through 07/30/05	—	—	990,095
07/31/05 through 08/27/05	100,000	40.87	954,920
08/28/05 through 09/24/05	50,000	40.41	852,965
Total	150,000	40.72	

(1) All repurchases were executed in the open market under our existing publicly announced authorized program.

(2) Our current share repurchase program, announced on June 21, 2004, allows us to repurchase up to $100.0 million in shares of our common stock, which represented approximately 3.5% of shares outstanding at the commencement of the program. Through the close of the third quarter of 2005, we had repurchased $63.4 million or 1,886,110 shares under this initiative. The maximum number of shares that may yet be purchased under this program is determined at the end of each month based on the closing price of our stock at that time.

On October 31, 2005, our board authorized an additional $100.0 million of shares in our common stock to be repurchased under our share repurchase program.

ITEM 6. EXHIBITS

(a) Exhibits.

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

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 and
Chief Financial Officer
(Authorized Signatory and Principal Financial and Accounting Officer)

Dated: November 1, 2005

EXHIBIT 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Stanley M. Bergman, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. 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

   d. 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.

/s/ Stanley M. Bergman

Dated: November 1, 2005

Stanley M. Bergman
Chairman and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Steven Paladino, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. 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

   d. 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.

/s/ Steven Paladino
Steven Paladino
Executive Vice President and
Chief Financial Officer

Dated: November 1, 2005

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report on Form 10-Q of Henry Schein, Inc. (the "Company") for the period ending September 24, 2005, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stanley M. Bergman, the Chairman and Chief Executive Officer of the Company, and I, Steven Paladino, Executive Vice President and Chief Financial Officer of the Company, do hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief that:

(1) the 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 Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Stanley M. Bergman
Stanley M. Bergman
Chairman and Chief Executive Officer

Dated: November 1, 2005

/s/ Steven Paladino
Steven Paladino
Executive Vice President and
Chief Financial Officer

Dated: November 1, 2005

This certification accompanies each Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.