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

FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO SECTIONS 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

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

For the fiscal year ended December 31, 2005

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

Commission file number 0-27078

HENRY SCHEIN, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	**135 Duryea Road**
(State or other jurisdiction of incorporation or organization)	**Melville, New York**
11-3136595	**(Address of principal executive offices)**
(I.R.S. Employer Identification No.)	**11747**
	(Zip Code)

Registrant's telephone number, including area code: (631) 843-5500

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, par value $.01
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
YES: ☑ NO: o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
YES: o NO: ☑

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer: ☑ Accelerated filer: o Non-accelerated filer: 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: ☑

The aggregate market value of the registrant's voting stock held by non-affiliates of the registrant, computed by reference to the closing sales price as quoted on the NASDAQ National Market on June 25, 2005 was approximately $3,612,312,000.

As of February 27, 2006 there were 87,331,228 shares of registrant's Common Stock, par value $.01 per share, outstanding.

Documents Incorporated by Reference:

Portions of the Registrant's definitive proxy statement to be filed pursuant to Regulation 14A not later than 120 days after the end of the fiscal year (December 31, 2005) are incorporated by reference in Part III hereof.

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PART I

ITEM 1. Business

General

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 500,000 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, Israel, Australia and New Zealand. We also have an affiliate in Iceland.

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

Our dental group serves approximately 80% of the estimated 135,000 office-based dental practices in the combined United States and Canadian dental market. Based upon an estimated $5.0 billion combined United States and Canadian dental market, we estimate our share of this market was approximately 38% in 2005.

Our medical group serves approximately 45% of the estimated 250,000 office-based physician practices, as well as surgical centers and other alternate-care settings throughout the United States. We also serve over 70% of the estimated 26,000 veterinarian clinics in the United States. Based upon an estimated $8.0 billion combined market, we estimate our share of this market was approximately 17% in 2005.

Our international group serves approximately 230,000 practices in 17 countries outside of North America and is what we believe to be a leading European healthcare supplier serving office-based practices. Based upon an estimated $8.0 billion Western and Central European combined dental, medical and veterinary market in which we operate, we estimate our share of this market was approximately 16% in 2005.

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

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 $21 billion in 2005 in the combined North American and Western and Central 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 traditionally 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 distributor generally serving as the primary supplier.

The healthcare products distribution industry continues to experience growth due to the aging population, increased healthcare awareness, the proliferation of healthcare technology and testing, new pharmacology treatments and expanded third-party insurance coverage. In addition, the physician market continues to benefit from procedures and diagnostic testing shifting from hospitals to alternate-care sites, 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 healthcare market continues to benefit from the increasing growth rate of the population of elderly Americans.

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 opportunities for growth. This consolidation may also 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.

Competition

The distribution and manufacture of healthcare supplies and equipment is highly competitive. Many of the healthcare distribution products we sell are available to our customers from a number of suppliers. In addition, our competitors could obtain exclusive rights from manufacturers to market particular products. Manufacturers could also seek to sell directly to end-users, and thereby eliminate or reduce our role and that of other distributors.

In the United States, we compete with other distributors, as well as several manufacturers of dental, medical and veterinary products, primarily on the basis of price, breadth of product line, customer service and value-added products and services. In the sale of our dental products, our principal national competitors are Patterson Companies, Inc. (formerly Patterson Dental Company) and Benco Dental Supply Company. In addition, we compete against a number of other distributors that operate on a national, regional and local level. Our principal competitors in the sale of medical products are PSS World Medical, Inc., the General Medical division of McKesson Corp. and the Allegiance division of Cardinal Health, Inc., which are national distributors. In the veterinary market, our principal national competitors are Butler Animal Health Supply, LLC, MWI Veterinary Supply Inc. and the Webster Veterinary division of Patterson Companies, Inc. We also compete against a number of regional and local medical and veterinary distributors, as well as a number of manufacturers that sell directly to physicians and veterinarians. With regard to our dental practice management software, we compete against numerous firms, including firms such as PracticeWorks, Inc., a subsidiary of the Eastman Kodak Company, and Patterson Companies, Inc. In the veterinary practice

management market, our primary competitor is IDEXX Laboratories, Inc. The electronic medical records market is very fragmented and therefore we compete against numerous firms.

We also face significant competition internationally, where we compete on the basis of price and customer service against several large competitors, including the GACD Group, Pluradent AG & Co., Planmeca Oy, Omega Pharma NV and Billericay Dental Supply Co. Ltd., as well as a large number of dental product distributors and manufacturers in the United Kingdom, the Netherlands, Belgium, Germany, France, Austria, Ireland, Italy, Australia, New Zealand, Portugal and Spain.

Significant price reductions by our competitors could result in a similar reduction in our prices. Any of these competitive pressures may materially adversely affect operating results.

Competitive Strengths

We have more than 73 years of experience in distributing products to healthcare practitioners resulting in strong awareness of the "Henry Schein" name. Our competitive strengths include:

Direct sales and marketing expertise. Our sales and marketing efforts are designed to establish and solidify customer relationships through personal visits by field sales representatives and frequent direct marketing contact, emphasizing our broad product lines, competitive prices and ease of order placement. The key elements of our direct sales and marketing efforts are:

- *Field sales consultants*. We have approximately 2,200 field sales consultants, including equipment sales specialists, covering major North American and international markets. These consultants complement our direct marketing and telesales efforts and enable us to better market, service and support the sale of more sophisticated products and equipment.
- *Direct marketing*. During 2005, we distributed more than 34 million pieces of direct marketing material, including catalogs, flyers, order stuffers and other promotional materials to existing and potential office-based healthcare customers.
- *Telesales*. We support our direct marketing effort with approximately 1,300 inbound and outbound telesales representatives, who facilitate order processing and generate new sales through direct and frequent contact with customers.

Broad product and service offerings at competitive prices. We offer a broad range of products and services to our customers, at competitive prices, in the following categories:

- *Consumable supplies and equipment*. We offer over 70,000 Stock Keeping Units ("SKUs") to our customers. Of the SKUs offered, approximately 46,000 are offered to our dental customers, approximately 34,000 to our medical customers and approximately 23,000 to our veterinary customers. We offer over 100,000 additional SKUs to our customers in the form of special order items.
- *Technology and other value-added products and services*. We sell practice management software systems to our dental, medical and veterinary customers. Our practice management software products provide practitioners with patient treatment history, billing, accounts receivable analyses and management, appointment calendars, electronic claims processing and word processing programs. As of December 31, 2005, more than 50,000 of our Dentrix®, Easy Dental®, Enterprise, Labnet (dental laboratory), EMR (medical) and our AVImark® (veterinary) software systems were installed.

- *Repair services*. We have 163 equipment sales and service centers worldwide that provide a variety of repair services for our healthcare customers. Our technicians provide installation and repair services for dental handpieces; dental, medical and veterinary small equipment; table top sterilizers; and large equipment.
- *Financial services*. We offer our customers assistance in operating their practices by providing access to a number of financial services and products at rates that we believe are generally lower than what they would be able to secure independently.

Commitment to superior customer service. We maintain a strong commitment to providing superior customer service. We frequently monitor our customer service through customer surveys, focus groups and statistical reports. Our customer service policy primarily focuses on:

- *Exceptional order fulfillment*. Approximately 99% of items ordered in the United States and Canada are shipped without back ordering and are shipped on the same business day the order is received.
- *Streamlined ordering process*. Customers may place orders 24 hours a day, 7 days a week (“24/7”) by mail, fax, telephone, e-mail, internet and by using our computerized order entry systems.

Integrated management information systems. Our information systems generally allow for centralized management of key functions, including accounts receivable, inventory, accounts payable, payroll, purchasing, sales, and order fulfillment. These systems allow us to manage our growth, deliver superior customer service, properly target customers, manage financial performance and monitor daily operational statistics.

Cost-Effective purchasing. We believe that cost-effective purchasing is a key element to maintaining and enhancing our position as a low-cost provider of healthcare products. We continuously evaluate our purchase requirements and suppliers’ offerings and prices in order to obtain products at the lowest possible cost. In 2005, our top 10 healthcare distribution vendors and our single largest vendor accounted for approximately 25% and 6% of our aggregate purchases.

Efficient distribution. We distribute our products from our strategically located distribution centers. We strive to maintain optimal inventory levels in order to satisfy customer demand for prompt delivery and complete order fulfillment. These inventory levels are managed on a daily basis with the aid of our management information systems. Once an order is entered, it is electronically transmitted to the distribution center nearest the customer’s location and a packing slip for the entire order is printed for order fulfillment.

Products

The following table sets forth the percentage of consolidated net sales by principal categories of products offered through our healthcare distribution and technology reportable segments:

	2005	2004 (1)	2003 (1)
Healthcare Distribution			
Dental:			
Consumable dental products and small equipment (2)	42.7%	41.6%	41.2%
Large dental equipment (3)	17.0	14.4	11.4
Dental laboratory products (4)	4.2	4.1	2.7
Total dental	63.9	60.1	55.3
Medical:			
Medical products (5)	30.6	33.5	38.1
Veterinary products (6)	3.6	4.3	4.3
Total medical	34.2	37.8	42.4
Total Healthcare Distribution	98.1	97.9	97.7
Technology			
Software and related products and other value-added products (7)	1.9	2.1	2.3
Total	100.0%	100.0%	100.0%

(1) Adjusted to reflect the effects of discontinued operations.

(2) Includes x-ray products, infection-control produts, handpieces, preventatives, impression materials, composites and anesthetics.

(3) Includes dental chairs, delivery units and lights, x-ray, equipment repair and high-tech equipment.

(4) Includes teeth, dental implants, composites, gypsum, acrylics, articulators and abrasives.

(5) Includes branded and generic pharmaceuticals, vaccines, surgical products, diagnostic tests, infection-control products, x-ray products, equipment and vitamins.

(6) Includes branded and generic pharmaceuticals, surgical products and dental products.

(7) Includes software and related products and other value-added products, including financial products and continuing education.

Business Strategy

Our objective is to continue to expand as a value-added distributor of healthcare products and services to office-based healthcare practitioners. To accomplish this, we will apply our competitive strengths in executing the following strategies:

- *Increase penetration of our existing customer base*. We intend to increase sales to our existing customer base and enhance our position as their primary vendor. In the North American dental market, total consumable sales per practitioner are estimated to be approximately $27,000, compared to our average dental customer's sales of approximately $10,500 (or 39%). In the U.S. medical market, total sales per practitioner are estimated to be approximately $11,000, compared to our average U.S. medical customer's sales of approximately $4,400 (or 40%). In the Western and Central European dental market, total sales per practitioner are estimated to be approximately $20,000, compared to our average Western and Central European dental customer's sales of approximately $6,400 (or 32%).
- *Increase the number of customers we serve*. This strategy includes increasing the number and productivity of field sales consultants, as well as using our customer database to focus our marketing efforts.
- *Leverage our value-added products and services*. We intend to increase cross-selling efforts for key

product lines. In the dental business, we have significant cross-selling opportunities between our dental practice management software users and our dental distribution customers. In the medical business, we have opportunities to expand our vaccine, injectables and other pharmaceuticals sales to medical distribution customers, as well as cross-selling core products with these key products.

- *Pursue strategic acquisitions and joint ventures*. Our acquisition strategy includes acquiring entities with businesses complementary to ours that will provide, among other things, additional sales to be channeled through our existing distribution infrastructure, access to additional product lines and networks of field sales consultants and an opportunity to further expand internationally.

Markets Served

Demographic trends indicate that our markets are growing, as an aging U.S. population is increasingly using healthcare services. Between 2005 and 2015, the 45 and older population is expected to grow by approximately 19%. Between 2005 and 2025, this age group is expected to grow by approximately 33%. This compares with expected total U.S. population growth rates of 9% between 2005 and 2015 and 18% between 2005 and 2025.

In the dental industry, there is predicted to be an attendant rise in oral healthcare expenditures as this segment of the population increases. Cosmetic dentistry is another growing aspect of dental practices as new technologies allow dentists to offer cosmetic solutions patients seek. At the same time, there is an increase in dental insurance coverage. Approximately 55% of the U.S. population now has some form of dental coverage, up from 47% in 1995.

We support our dental professionals through the many Stock Keeping Units we offer, as well as through important value-added services, including practice management software, electronic claims processing, financial services and continuing education, all designed to help maximize a practitioner’s efficiency.

There continues to be a migration of procedures from acute-care settings to physicians’ offices, a trend that provides additional opportunities for us. There is also the continuing use of vaccines, injectables and other pharmaceuticals in alternate-care settings. We believe we have established a leading position as a vaccine supplier to the office-based physician practitioner.

We believe our international group is a leading European healthcare supplier servicing office-based dental, medical and veterinary practices. We are in the process of replicating our U.S. infrastructure across Europe. Additionally, we are expanding our dental full-service model throughout Europe and our medical offerings in countries where opportunities exist. Through our “Schein Direct” program, we have the capability to provide door-to-door air package delivery to practitioners in over 200 countries around the world.

Seasonality and Other Factors Affecting Our Business

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 and/or integrations of technologies or businesses;
- timing and amount of sales and marketing expenditures;
- loss of sales representatives;
- general economic conditions, as well as those specific to the healthcare industry and related industries;
- timing of the release of functions of our technology-related products and services;
- establishing or maintaining business relationships;
- consummating the sale of our Hospital Supply Business;
- changes in accounting principles; and
- product availability or recalls by manufacturers.

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.

Governmental Regulations

Our business is subject to requirements under various local, state, federal and foreign governmental laws and regulations applicable to the distribution of pharmaceuticals and medical devices. Among the federal laws applicable to us are the Controlled Substances Act, the Federal Food, Drug, and Cosmetic Act, as amended, the Prescription Drug Marketing Act of 1987 and the Safe Medical Devices Act of 1990, as amended, and comparable foreign regulations.

The Federal Food, Drug, and Cosmetic Act generally regulates the introduction, manufacture, advertising, labeling, packaging, storage, handling, marketing and distribution of, and record keeping for, pharmaceuticals and medical devices shipped in interstate commerce.

The Prescription Drug Marketing Act of 1987, which amended the Federal Food, Drug, and Cosmetic Act, establishes certain requirements applicable to the wholesale distribution of prescription drugs, including the requirement that wholesale drug distributors be registered with the Secretary of Health and Human Services and be licensed by each state in which they conduct business, and act in accordance with federally established guidelines on storage, handling and record maintenance. The Safe Medical Devices Act, which also amended the Federal Food, Drug and Cosmetic Act, imposes certain reporting and record-keeping requirements in the event of incidents involving serious injury, illness or death caused by a medical device distributed by us.

Under the Controlled Substances Act, as a distributor of controlled substances, we are required to obtain a registration annually from the Attorney General in accordance with specified rules and regulations and are subject to inspection by the Drug Enforcement Administration acting on behalf of the Attorney General. We are required to maintain licenses and permits for the distribution of pharmaceutical products and medical devices under the laws of the states in which we operate. Our customers are also subject to significant governmental regulation.

Certain of our businesses are required to register for permits and/or licenses with, and comply with operating and security standards of, the United States Drug Enforcement Administration, United States Food and Drug Administration, the Department of Health and Human Services, and various state boards of

pharmacy, state health departments and/or comparable state agencies as well as foreign agencies, and certain accrediting bodies depending on the type of operations and location of product distribution, manufacturing or sale. These businesses include those that distribute, manufacture and/or repackage prescription pharmaceuticals and/or medical devices, or own pharmacy operations.

Certain of our businesses are subject to federal and state health care fraud and abuse, referral and reimbursement laws and regulations with respect to their operations. Such laws prohibit, among other things, persons from soliciting, offering, receiving or paying any remuneration in order to induce the referral of a patient or ordering or purchasing of items or services which are paid for by government health care programs. Certain of our businesses also maintain contracts with the federal government and are subject to certain regulatory requirements relating to government contractors.

Certain of our businesses are subject to various additional federal, state and local laws and regulations, including with respect to the sale, transportation, handling and disposal of hazardous or potentially hazardous substances. In recent years, some states have passed or proposed laws and regulations that are intended to protect the integrity of the supply channel. For example, Florida and other states are implementing pedigree requirements that require drugs to be accompanied by paperwork tracing drugs back to the manufacturers. In addition, United States and international import and export laws and regulations require us to abide by certain standards relating to the importation and exportation of products. Certain of our businesses may also be subject to federal and state requirements relating to the protection and privacy of health or other personal information.

While we believe that we are substantially compliant with the foregoing laws and regulations promulgated thereunder and possess all material permits and licenses required for the conduct of our business, there can be no assurance that regulations that impact our business or customers' practices will not have a material adverse impact on our business.

Proprietary Rights

We hold trademarks relating to the "Henry Schein" name and logo, as well as certain other trademarks. Pursuant to agreements executed in connection with our reorganization in 1994, both Henry Schein, Inc., and Schein Pharmaceutical, Inc. (which was acquired by Watson Pharmaceuticals, Inc. in 2000), a company previously engaged in the manufacture and distribution of multi-source pharmaceutical products, are entitled to use the "Schein" name in connection with their respective businesses, but Schein Pharmaceutical, Inc. is not entitled to use the name "Henry Schein". We intend to protect our trademarks to the fullest extent practicable.

Employees

As of December 31, 2005, we employed nearly 11,000 full-time employees, including approximately 1,300 telesales representatives, 2,200 field sales consultants, including equipment sales specialists, 1,825 warehouse employees, 425 computer programmers and technicians, 975 management employees and 4,025 office, clerical and administrative employees. Approximately 479 or 4.4% of our employees were subject to collective bargaining agreements. We believe that our relations with our employees are good.

Available Information

We make available free of charge through our Internet website, www.henryschein.com, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such materials with, or furnish them to, the SEC.

The above information is also available at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 or obtainable by calling the SEC at (800) 732-0330. In addition, the SEC maintains an Internet website at www.sec.gov, where the above information can be viewed.

Our principal executive offices are located at 135 Duryea Road, Melville, New York 11747, and our telephone number is (631) 843-5500. Unless the context specifically requires otherwise, the terms the "Company," "Henry Schein," "we," "us" and "our" mean Henry Schein, Inc., a Delaware corporation, and its consolidated subsidiaries.

Executive Officers of the Registrant

The following table sets forth certain information regarding our executive officers:

Name	Age	Position
Stanley M. Bergman	56	Chairman, Chief Executive Officer, Director
Gerald A. Benjamin	53	Executive Vice President, Chief Administrative Officer, Director
James P. Breslawski	52	President, Chief Operating Officer, Director
Leonard A. David	57	Senior Vice President, Chief Compliance Officer
Stanley Komaroff	70	Senior Advisor
Mark E. Mlotek	50	Executive Vice President, Corporate Business Development, Director
Steven Paladino	48	Executive Vice President, Chief Financial Officer, Director
Michael Racioppi	51	President, Medical Group
Michael Zack	53	President, International Group

Stanley M. Bergman has been our Chairman and Chief Executive Officer since 1989 and a Director since 1982. Mr. Bergman held the position of President from 1989 to 2005. Mr. Bergman held the position of Executive Vice President from 1985 to 1989 and Vice President of Finance and Administration from 1980 to 1985. Mr. Bergman is a certified public accountant.

Gerald A. Benjamin has been our Executive Vice President and Chief Administrative Officer since 2000 and has been a Director since 1994. Prior to holding his current position, Mr. Benjamin was Senior Vice President of Administration and Customer Satisfaction since 1993. Mr. Benjamin was Vice President of Distribution Operations from 1990 to 1992 and Director of Materials Management from 1988 to 1990. Before joining us in 1988, Mr. Benjamin was employed for 13 years in various management positions at Estée Lauder, Inc., where his last position was Director of Materials Planning and Control.

James P. Breslawski has been our President and Chief Operating Officer since May 2005 and a Director since 1990. Mr. Breslawski held the position of Executive Vice President and President of U.S. Dental from 1990 to April 2005, with primary responsibility for the U.S. Dental Group. Between 1980 and 1990, Mr. Breslawski held various positions with us, including Chief Financial Officer, Vice President of Finance and Administration and Corporate Controller. Mr. Breslawski is a certified public accountant.

Leonard A. David has been our Senior Vice President and Chief Compliance Officer since March 2006. Mr. David held the position of Vice President and Chief Compliance Officer from March 2005 to March 2006. Mr. David held the position of Vice President of Human Resources and Special Counsel from 1995 to February 2005. Mr. David held the position of Vice President, General Counsel and Secretary from 1990 to 1995 and practiced corporate and business law for eight years prior to joining us.

Stanley Komaroff has been Senior Advisor since 2003. Prior to joining us, Mr. Komaroff was a partner for 35 years in the law firm of Proskauer Rose LLP, counsel to us. He served as Chairman of that firm from 1991 to 1999.

Mark E. Mlotek has been Executive Vice President since 2004 and was Senior Vice President of Corporate Business Development from 2000 to 2004. Prior to that, Mr. Mlotek was Vice President, General Counsel and Secretary from 1994 to 1999, and became a Director in 1995. Prior to joining us, Mr. Mlotek was a partner in the law firm of Proskauer Rose LLP, specializing in mergers and acquisitions, corporate reorganizations and tax law from 1989 to 1994.

Steven Paladino has been our Executive Vice President and Chief Financial Officer since 2000. Prior to holding his current position, Mr. Paladino was Senior Vice President and Chief Financial Officer from 1993 to 2000 and has been a Director since 1992. From 1990 to 1992, Mr. Paladino served as Vice President and Treasurer and from 1987 to 1990 served as Corporate Controller. Before joining us, Mr. Paladino was employed as a public accountant for seven years, most recently with BDO Seidman, LLP. Mr. Paladino is a certified public accountant.

Michael Racioppi has been President of our Medical Group since 2000 and Interim President since 1999. Prior to holding his current position, Mr. Racioppi was Vice President from 1994 to 1999, with primary responsibility for the Medical Division and the marketing and merchandising groups. Mr. Racioppi served as Vice President and as Senior Director, Corporate Merchandising from 1992 to 1994. Before joining us in 1992, Mr. Racioppi was employed by Ketchum Distributors, Inc. as the Vice President of Purchasing and Marketing.

Michael Zack has been President of our International Group since March 2006. Mr. Zack held the position of Senior Vice President of our International Group from 1989 to March 2006. Mr. Zack was employed by Polymer Technology (a subsidiary of Bausch & Lomb) as Vice President of International Operations from 1984 to 1989 and by Gruenenthal GmbH as Manager of International Subsidiaries from 1975 to 1984.

ITEM 1A. 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 changes in 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 distribution of pharmaceuticals and medical devices. Among the federal laws with which we must comply are the Controlled Substances Act, the Federal Food, Drug, and Cosmetic Act, as amended, the Prescription Drug Marketing Act of 1987 and the Safe Medical Devices Act of 1990, as amended. 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.

Applicable federal and state laws and regulations may also require us to meet various standards relating to, among other things, licensure or registration, sales and marketing practices, product supply tracking to the manufacturer of the product, personnel, privacy of health or other personal information, and the importation and exportation of products. 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 new interpretations of existing laws and regulations, or the imposition of any additional laws and regulations could negatively affect our business. There can be no assurance that current or future United States or foreign government regulations will not adversely affect our business. The costs to us associated with complying with the various applicable federal and state statutes and regulations, as they now exist and as they may be modified, could be material. Allegations by a state or the federal government that we have not complied with these laws could have a material adverse impact on our businesses. If it is determined that we have not complied with these laws, or if we enter into settlement agreements to resolve allegations of non-compliance, we could be required to make settlement payments or be subject to civil and criminal penalties, including fines and the loss of licenses or our ability to participate in federal and state healthcare programs. Any of the foregoing could have a material adverse impact on our businesses. We believe that the healthcare services industry will continue to be subject to extensive regulation at the federal, state, and local levels and that we have adequate compliance programs and controls to ensure compliance with the laws and regulations.

If we fail to comply with laws and regulations in respect of healthcare fraud, we could suffer penalties or be required to make significant changes to our operations.

We are subject to extensive and frequently changing federal and state laws and regulations relating to healthcare fraud. The federal government continues to strengthen its position and scrutiny over practices involving healthcare fraud affecting government healthcare programs. Our relationships with pharmaceutical manufacturers and healthcare providers subject our business to laws and regulations on fraud and abuse which, among other things, (i) prohibit persons from soliciting, offering, receiving or paying any remuneration in order to induce the referral of a patient for treatment or for inducing the ordering or purchasing of items or services that are in any way paid for by government-sponsored healthcare programs and (ii) impose a number of restrictions upon referring physicians and providers of designated health services under government healthcare programs. While we believe that we are substantially compliant with all applicable laws, many of the regulations applicable to us are vague or indefinite and have not been interpreted by the courts. They may be interpreted or applied by a prosecutorial, regulatory or judicial authority in a manner that could require us to make changes in our operations. If we fail to comply with applicable laws and regulations, we could suffer civil and criminal penalties, including the loss of licenses or our ability to participate in federal and state healthcare programs.

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;
- 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 and/or integrations of technologies or businesses;
- timing and amount of sales and marketing expenditures;
- loss of sales representatives;
- general economic conditions, as well as those specific to the healthcare industry and related industries;
- timing of the release of functions of our technology-related products and services;
- establishing or maintaining business relationships;
- consummating the sale of our Hospital Supply Business;
- changes in accounting principles; and
- product availability or recalls by manufacturers.

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 provide assurance 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 through 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.

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;
- the dilutive impact of convertible debt on our earnings per share;
- general market and economic conditions; and
- any outbreak or escalation of hostilities in areas we do business.

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.

Tax legislation initiatives could adversely affect the Company's net earnings and tax liabilities.

We are subject to the tax laws and regulations of the United States federal, state and local governments, as well as foreign jurisdictions. From time to time, various legislative initiatives may be proposed that could adversely affect our tax positions. There can be no assurance that our effective tax rate will not be adversely affected by these initiatives. In addition, tax laws and regulations are extremely complex and subject to varying interpretations. Although we believe that our historical tax positions are sound and consistent with applicable laws, regulations and existing precedent, there can be no assurance that our tax positions will not be challenged by relevant tax authorities or that we would be successful in any such challenge.

Item 1B. Unresolved Staff Comments

We have no unresolved comments from the staff of the United States Securities and Exchange Commission that were issued 180 days or more preceding the end of our 2005 fiscal year.

ITEM 2. Properties

We own or lease the following properties:

Property	Location	Own or Lease	Approximate Square Footage	Lease Expiration Date
Corporate Headquarters	Melville, NY	Own	105,000	N/A
Corporate Headquarters	Melville, NY	Lease	185,000	July 2020
Administrative Office (1)	Pelham, NY	Lease	108,000	July 2007
Office and Distribution Center	West Allis, WI	Lease	106,000	October 2011
Distribution Center	Denver, PA	Lease	614,000	February 2013
Distribution Center	Indianapolis, IN	Own	287,000	N/A
Distribution Center	Indianapolis, IN	Lease	144,000	June 2009
Distribution Center	Grapevine, TX	Lease	187,000	July 2008
Distribution Center	Gallin, Germany	Own	215,000	N/A
Distribution Center (2)	Secaucus, NJ	Lease	192,000	December 2008
Distribution Center	Jacksonville, FL	Lease	212,000	June 2013
Distribution Center	Niagara on the Lake, Canada	Lease	94,000	September 2016
Distribution Center	Sparks, NV	Lease	271,000	March 2011
Distribution Center	Gillingham, United Kingdom	Lease	103,000	April 2010

(1) We are subletting 66,500 square feet of this facility through July 2007 to a third-party.

(2) This facility relates to our Hospital Supply Business, which was classified as a discontinued operation in 2005.

The properties listed in the table above are our principal properties primarily used by our healthcare distribution segment. In addition, we lease numerous other distribution, office, showroom, manufacturing and sales space in locations including the United States, Canada, France, Germany, the Netherlands, Belgium, Luxembourg, Switzerland, Spain, Austria, the Czech Republic, Israel, Italy, Ireland, Portugal, the United Kingdom, Australia and New Zealand. We also are planning to build and occupy a new distribution center in France in 2006.

We believe that our properties are in good condition, are well maintained and are suitable and adequate to carry on our business. We have additional operating capacity at certain distribution center facilities.

ITEM 3. 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 December 31, 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 December 31, 2005, we were a defendant in approximately 42 product liability cases. We have obtained defense and indemnification commitments from the manufacturer in many of these cases. The manufacturer has withheld indemnification commitments in some of these cases pending product identification. In our opinion, these cases are covered by insurance or will not otherwise seriously harm our financial condition.

ITEM 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of our stockholders during the fourth quarter of fiscal 2005.

PART II

ITEM 5. Market for Registrant's Common Equity and Related Stockholder Matters and Issuer Purchases of Equity Securities

On January 31, 2005, we announced that our Board of Directors approved a two-for-one stock split effected in the form of a dividend. This stock split became effective on February 28, 2005 and has been retroactively reflected for all periods presented in this Form 10-K.

Our common stock is quoted through the National Market tier of the NASDAQ Stock Market ("NASDAQ") under the symbol HSIC. The following table sets forth, for the periods indicated, the high and low reported sales prices of our common stock as reported on the NASDAQ for each quarterly period in fiscal 2005 and 2004:

	High	Low
Fiscal 2005:		
1st Quarter	$ 40.50	$ 32.70
2nd Quarter	42.39	35.66
3rd Quarter	44.13	40.06
4th Quarter	45.93	38.08
Fiscal 2004:		
1st Quarter	$ 37.01	$ 32.96
2nd Quarter	39.72	30.99
3rd Quarter	34.01	29.92
4th Quarter	35.21	28.08

On February 27, 2006, there were approximately 624 holders of record of our common stock and the last reported sales price was $46.82.

Purchases of Equity Securities by the Issuer

Our current share repurchase program, announced on June 21, 2004, previously allowed 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. On October 31, 2005, our board authorized an additional $100.0 million of shares in our common stock to be repurchased under this program. As of December 31, 2005, we had repurchased $88.5 million or 2,518,110 shares under this initiative, with $111.5 million remaining.

The following table summarizes repurchases of our common stock under our stock repurchase program during the fiscal quarter ended December 31, 2005:

Fiscal Month	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Our Publicly Announced Program	Maximum Number of Shares that May Yet Be Purchased Under Our Program (2)
09/25/05 through 10/29/05	179,300	$ 41.09	179,300	759,790
10/30/05 through 11/26/05	452,700	39.30	452,700	2,576,279
11/27/05 through 12/31/05	—	—	—	2,554,436
Total	632,000	$ 39.81	632,000	

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

(2) 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 common stock at that time.

Dividend Policy

We have not declared any cash dividends on our common stock during fiscal years 2005 or 2004. We currently do not anticipate declaring any cash dividends on our common stock in the foreseeable future. We intend to retain earnings to finance the expansion of our business and for general corporate purposes, including our stock repurchase program. Any declaration of dividends will be at the discretion of our Board of Directors and will depend upon the earnings, financial condition, capital requirements, level of indebtedness, contractual restrictions with respect to payment of dividends and other factors. The agreements governing our Senior Notes limit the distribution of dividends without the prior written consent of the lenders (limited to $25.0 million, plus 80% of cumulative net income, plus net proceeds from the issuance of additional capital stock.) As of December 31, 2005, the amount of retained earnings free of restrictions was $412.3 million.

ITEM 6. Selected Financial Data

The following selected financial data, with respect to our financial position and results of operations for each of the five years in the period ended December 31, 2005, set forth below, has been derived from, should be read in conjunction with and is qualified in its entirety by reference to, our consolidated financial statements and notes thereto. The selected financial data presented below should also be read in conjunction with ITEM 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and ITEM 8, "Financial Statements and Supplementary Data."

	Years ended				
	December 31, 2005	December 25, 2004 (1)	December 27, 2003 (1)	December 28, 2002 (1)	December 29, 2001 (1)
	(in thousands, except per share data)				
Income Statement Data:					
Net sales	$ 4,635,929	$ 3,898,485	$ 3,194,031	$ 2,675,645	$ 2,413,050
Gross profit	1,316,936	1,054,465	908,163	771,538	680,919
Selling, general and administrative expenses (2)	1,035,848	844,715	675,867	581,685	537,878
Operating income	281,088	209,750	232,296	189,853	143,041
Other expense, net	(16,534)	(11,121)	(8,973)	(6,933)	(7,640)
Income from continuing operations before taxes, minority interest and equity in earnings of affiliates	264,554	198,629	223,323	182,920	135,401
Income taxes from continuing operations	(97,002)	(73,506)	(83,373)	(67,281)	(49,925)
Minority interest in net income of subsidiaries	(5,991)	(1,486)	(2,807)	(2,591)	(1,462)
Equity in earnings of affiliates	827	1,699	931	659	414
Income from continuing operations	162,388	125,336	138,074	113,707	84,428
Income (loss) from discontinued operations, net of tax (3)	(11,062)	2,847	(564)	4,280	2,945
Net income	$ 151,326	$ 128,183	$ 137,510	$ 117,987	$ 87,373
Earnings from continuing operations per share:					
Basic	$ 1.87	$ 1.44	$ 1.58	$ 1.31	$ 1.00
Diluted	1.82	1.40	1.53	1.27	0.97
Earnings (loss) from discontinued operations per share:					
Basic	$ (0.13)	$ 0.03	$ (0.01)	$ 0.05	$ 0.03
Diluted	(0.12)	0.03	0.00	0.04	0.03
Earnings per share:					
Basic	$ 1.74	$ 1.47	$ 1.57	$ 1.36	$ 1.03
Diluted	1.70	1.43	1.53	1.31	1.00
Weighted-average common shares outstanding:					
Basic	87,006	87,253	87,417	86,978	84,732
Diluted	89,187	89,462	89,975	89,744	87,090

	Years ended				
	December 31, 2005	December 25, 2004 (1)	December 27, 2003 (1)	December 28, 2002 (1)	December 29, 2001 (1)
			(in thousands)		
Net Sales by Market Data:					
Healthcare Distribution (4):					
Dental (5)	$ 1,896,643	$ 1,602,457	$ 1,364,812	$ 1,227,273	$ 1,121,394
Medical (6)	1,394,121	1,284,279	1,178,310	944,600	837,376
International (7)	1,256,910	928,207	576,628	437,046	398,071
Total Healthcare Distribution	4,547,674	3,814,943	3,119,750	2,608,919	2,356,841
Technology (8)	88,255	83,542	74,281	66,726	56,209
Total	$ 4,635,929	$ 3,898,485	$ 3,194,031	$ 2,675,645	$ 2,413,050

	As of				
	December 31, 2005	December 25, 2004	December 27, 2003	December 28, 2002	December 29, 2001
			(in thousands)		
Balance Sheet data:					
Total assets	$ 2,583,120	$ 2,433,670	$ 1,819,370	$ 1,558,052	$ 1,385,428
Long-term debt	489,520	525,682	247,100	242,561	242,169
Minority interest	12,353	12,438	11,532	6,748	6,786
Stockholders' equity	1,229,544	1,106,053	1,004,118	861,217	680,457

(1) Adjusted to reflect the effects of discontinued operations.

(2) During 2004, we recorded a $13.2 million pre-tax ($8.4 million post-tax) charge related to the Fluvirin® contract with Chiron Corporation. This charge, which represented the write-off of a deferred expense associated with the 2005/2006 influenza season, occurred as a result of the significant uncertainty about whether Chiron would be able to provide Fluvirin® for the 2005/2006 influenza season. The effect that this charge had on earnings per share for the year ended December 25, 2004 was $(0.10).

(3) In the third quarter of 2005, we reached a decision to divest our Hospital Supply business, which is a component of our healthcare distribution business. This decision resulted in the recording of an impairment charge of our long-lived assets of approximately $7.0 million, net of tax, or $(0.08) per diluted share for fiscal 2005.

In the third quarter of 2003, we sold PMA Bode GmbH, an x-ray film distribution business located in Germany, which was a component of our healthcare distribution business. This sale resulted in a loss of $2.0 million, net of tax, or $(0.02) per diluted share. Due to immateriality, we have not reflected the operating results, other than the loss on sale, of PMA Bode separately as a discontinued operation for any of the periods presented. This was partially offset by the Hospital discontinued operation discussed above.

(4) 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.

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

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

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

(8) 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.

ITEM 7. 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; our dependence on third parties for the manufacture and supply of our products; transitional challenges associated with acquisitions; regulatory and litigation risks; the dependence on our continued product development, technical support and successful marketing in the technology segment; our dependence upon sales personnel and key customers; our dependence on our senior management; possible increases in the cost of shipping our products or other service trouble with our third-party shippers; risks from rapid technological change; risks from potential increases in variable interest rates; financial risks associated with acquisitions; possible volatility of the market price of our common stock; certain provisions in our governing documents that may discourage third-party acquisitions of us; and changes in tax legislation that affect us. The order in which these factors appear should not be construed to indicate their relative importance or priority.

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

Recent Developments

During the third quarter ended September 24, 2005, we reached a decision to divest our hospital supply business ("Hospital Supply Business") which is a component of our healthcare distribution business. The primary reason for this decision was that the Hospital Supply Business does not focus on our core customer, namely the office-based practitioner, and therefore provides little or no synergies with our core operations.

We have classified the operating results of the Hospital Supply Business as a discontinued operation in the accompanying consolidated statements of income for all periods presented. In connection with this divestiture, we assessed our long-lived assets for impairment, which resulted in us recording in the third quarter an impairment charge of $11.9 million ($7.0 million after-tax) for the full write-down of all long-lived assets, including goodwill of $4.6 million.

On March 6, 2006, we entered into an agreement to sell substantially all of the assets of our Hospital Supply Business, as well as our extended care business the results of which are not material. The purchase price is $40.0 million, with $29.5 million due at closing and $10.5 million due 90 days after closing, subject to certain post-closing contingent payments by us described below. The closing is conditioned upon the buyer obtaining financing and our entering into a transition services agreement with the buyer, as well as other customary closing conditions. Based on this sale agreement, we expect to record a loss on disposal, net

of tax, of between $21.0 million and $24.0 million or $0.24 and $0.27 per diluted share, at the time of closing, which will be presented as part of the results from discontinued operations.

We agreed to make payments to the buyer, up to a maximum of $13.0 million, contingent upon the collection of specified accounts receivable within one year and contingent upon the maintenance of a specified level of aggregate sales of the Hospital Supply Business during the two-year post-closing period. Any payments made in connection with these contingencies will be presented as part of the results from discontinued operations.

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 500,000 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, Israel, Australia and New Zealand. We also have an affiliate in Iceland.

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 reportable segments: healthcare distribution and technology. These segments offer different products and services to the same customer base. The healthcare distribution reportable segment aggregates our dental, medical (including veterinary) and international operating segments. 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 17 countries outside of North America and is what we believe to be a leading European healthcare supplier serving office-based 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 $21 billion in 2005 in the combined North American and Western and Central 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 may also 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 35% 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 shifting from hospitals to alternate-care sites, 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 healthcare 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 healthcare 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 Medicare and Medicaid Services (CMS) published "National Health Care Expenditures Projections: 2005 – 2015" indicating that total national healthcare spending reached $1.9 trillion in 2004, or 16.0% of the nation's gross domestic product. Healthcare spending is projected to reach $4.0 trillion in 2015, an estimated 20.0% of the nation's 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 and cash flows for each of the three years ended December 31, 2005, December 25, 2004 and December 27, 2003 (in thousands):

	Years ended		
	December 31, 2005	December 25, 2004 (1)	December 27, 2003 (1)
Operating Results:			
Net sales	$ 4,635,929	$ 3,898,485	$ 3,194,031
Cost of sales	3,318,993	2,844,020	2,285,868
Gross profit	1,316,936	1,054,465	908,163
Operating expenses:			
Selling, general and administrative (2)	1,035,848	844,715	675,867
Operating income	$ 281,088	$ 209,750	$ 232,296
Other expense, net	$ (16,534)	$ (11,121)	$ (8,973)
Income from continuing operations	162,388	125,336	138,074
Income (loss) from discontinued operations, net of tax	(11,062)	2,847	(564)
Net income	151,326	128,183	137,510

(1) Adjusted to reflect the effects of discontinued operations.

(2) During 2004, we recorded a $13.2 million pre-tax ($8.4 million post-tax) charge related to our Fluvirin® contract with Chiron Corporation. This charge, which represented the write-off of a deferred expense associated with the 2005/2006 influenza season, occurred as a result of the significant uncertainty about whether Chiron would be able to provide Fluvirin® for the 2005/2006 influenza season. The effect that this charge had on earnings per share for the year ended December 25, 2004 was $(0.10).

	Years ended		
	December 31, 2005	December 25, 2004	December 27, 2003
Cash Flows:			
Net cash provided by operating activities	$ 265,141	$ 190,999	$ 132,510
Net cash used in investing activities	(162,866)	(171,829)	(126,998)
Net cash provided by (used in) financing activities	(38,866)	26,370	(48,375)

2005 Compared to 2004

Net Sales

Net sales for 2005 and 2004 were as follows (in thousands):

	2005	% of Total	2004 (1)	% of Total
Healthcare distribution (2):				
Dental (3)	$ 1,896,643	40.9%	$ 1,602,457	41.1%
Medical (4)	1,394,121	30.1	1,284,279	33.0
International (5)	1,256,910	27.1	928,207	23.8
Total healthcare distribution	4,547,674	98.1	3,814,943	97.9
Technology (6)	88,255	1.9	83,542	2.1
Total	$ 4,635,929	100.0%	$ 3,898,485	100.0%

(1) Adjusted to reflect the effects of discontinued operations.

(2) 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.

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

(4) Consists of products and equipment sold in the United States' medical and veterinary markets.

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

(6) 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 $737.4 million, or 18.9%, increase in net sales for the year ended December 31, 2005 includes increases of 18.8% local currency growth (8.4% internally generated primarily due to volume growth and 10.4% from acquisitions) and 0.1% related to foreign currency exchange.

The $294.2 million, or 18.4%, increase in dental net sales for the year ended December 31, 2005 includes increases of 17.9% local currency growth (11.3% internally generated primarily due to increased volume and 6.6% from acquisitions) and 0.5% related to foreign currency exchange. The 17.9% local currency growth was due to dental consumable merchandise sales growth of 15.5% (9.2% internal growth and 6.3% from acquisitions) and dental equipment and service sales growth of 25.7% (18.2% internal growth and 7.5% from acquisitions).

The $109.8 million, or 8.6%, increase in medical net sales for the year ended December 31, 2005 includes increases of 8.6% local currency growth (7.6% internally generated, of which 4.1% was due to the absence of Fluvirin® influenza vaccine in 2004 as previously discussed, and 1.0% from acquisitions).

The $328.7 million, or 35.4%, increase in international net sales for the year ended December 31, 2005 includes increases of 35.7% in local currencies (30.9% from acquisitions, primarily of the Demedis Group, and 4.8% internally generated), offset by a 0.3% decline due to foreign currency exchange.

The $4.7 million, or 5.6%, increase in technology net sales for the year ended December 31, 2005 includes increases of 5.4% in local currency growth and 0.2% due to foreign currency exchange. The increase was driven by growth in electronic service, financial services and support/maintenance revenue.

Gross Profit

Gross profit and gross margins for 2005 and 2004 by segment and in total were as follows (in thousands):

	2005	Gross Margin %	2004 (1)	Gross Margin %
Healthcare distribution	$ 1,249,836	27.5%	$ 992,537	26.0%
Technology	67,100	76.0	61,928	74.1
Total	$ 1,316,936	28.4	$ 1,054,465	27.0

(1) Adjusted to reflect the effects of discontinued operations.

Gross profit increased $262.5 million, or 24.9%, for the year ended December 31, 2005 compared to the 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 $257.3 million, or 25.9%, for the year ended December 31, 2005 compared to the prior year period. Healthcare distribution gross profit margin increased to 27.5% for the year ended December 31, 2005 from 26.0% for the comparable prior year period, primarily due to the absence of Fluvirin® influenza vaccine in 2004 as previously discussed. These increases reflect a focus on

margin improvement, including the shedding of certain lower margin pharmaceutical products by our medical business.

Technology gross profit increased $5.2 million, or 8.4%, for the year ended December 31, 2005 compared to the prior year period. Technology gross profit margin increased to 76.0% for the year ended December 31, 2005 from 74.1% for the comparable prior year period, primarily due to a change in sales mix reflecting a larger percentage of higher margin electronic and financial services sales and other cost improvements, largely in support.

Selling, General and Administrative

Selling, general and administrative expenses by segment and in total for 2005 and 2004 were as follows (in thousands):

	2005	% of Respective Net Sales	2004 (1)	% of Respective Net Sales
Healthcare distribution	$ 1,002,233	22.0%	$ 813,285	21.3%
Technology	33,615	38.1	31,430	37.6
Total	$ 1,035,848	22.3	$ 844,715	21.7

1) Adjusted to reflect the effects of discontinued operations.

Selling, general and administrative expenses increased by $191.1 million, or 22.6%, for the year ended December 31, 2005 compared to the prior year period. As a percentage of net sales, selling, general and administrative expenses increased to 22.3% from 21.7% for the comparable prior year period. This increase of 0.6% was primarily due to payroll and other expenses related to recent acquisitions, partially offset by the absence of the 2004 $13.2 million charge related to Fluvirin®, as previously discussed.

As a component of total selling, general and administrative expenses, selling expenses increased $123.0 million, or 23.5%, for the year ended December 31, 2005 from the prior year period. The increase was primarily due to payroll and other expenses related to recent acquisitions. As a percentage of net sales, selling expenses increased to 14.0% from 13.4% for the comparable prior year period.

As a component of total selling, general and administrative expenses, general and administrative expenses increased $68.1 million, or 21.2%, for the year ended December 31, 2005 from the prior year period. As a percentage of net sales, general and administrative expenses increased to 8.4% from 8.2% for the comparable prior year period primarily due to payroll and other expenses related to recent acquisitions, partially offset by the absence of the 2004 $13.2 million charge related to Fluvirin®, as previously discussed.

Other Expense, Net

Other expense, net for the years ended 2005 and 2004 was as follows (in thousands):

	2005	2004 (1)
Interest income	$ 7,315	$ 6,110
Interest expense	(25,508)	(17,596)
Other, net	1,659	365
Other expense, net	$ (16,534)	$ (11,121)

(1) Adjusted to reflect the effects of discontinued ofperations.

Other expense, net increased $5.4 million to $16.5 million for the year ended December 31, 2005 from the comparable prior year period. This increase was primarily due to increased interest expense related to the costs of financing acquisitions along with increased interest rates, partially offset by an increase in interest income.

Income Taxes

For the year ended December 31, 2005, our effective tax rate from continuing operations was 36.7% compared to 37.0% for the prior year period. The difference between our effective tax rates and the federal statutory rates for both periods primarily relates to state income taxes.

Income (Loss) from Discontinued Operations

During the year ended December 31, 2005, we recognized a $11.1 million loss, net of tax, related to discontinued operations (refer to Note 6 in the accompanying financial statements for further discussion).

Net Income

Net income increased $23.1 million, or 18.1%, for the year ended December 31, 2005 compared to the prior year period. In 2005, net income includes an impairment charge related to long-lived assets of discontinued operations of $7.0 million, net of tax. In 2004, net income includes a charge of $8.4 million, net of tax, related to Chiron Fluvirin®.

2004 Compared to 2003

Net Sales

Net sales for 2004 and 2003 were as follows (in thousands):

	2004 (1)	% of Total	2003 (1)	% of Total
Healthcare distribution (2):				
Dental (3)	$ 1,602,457	41.1%	$ 1,364,812	42.7%
Medical (4)	1,284,279	33.0	1,178,310	36.9
International (5)	928,207	23.8	576,628	18.1
Total healthcare distribution	3,814,943	97.9	3,119,750	97.7
Technology (6)	83,542	2.1	74,281	2.3
Total	$ 3,898,485	100.0%	$ 3,194,031	100.0%

(1) Adjusted to reflect the effects of discontinued operations.

(2) 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.

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

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

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

(6) 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 $704.5 million, or 22.1%, increase in net sales for the year ended December 25, 2004 includes increases of 19.9% local currency growth (7.9% internally generated primarily due to volume growth and 12.0% from acquisitions) and 2.2% related to foreign currency exchange.

The $237.6 million, or 17.4%, increase in dental net sales for the year ended December 25, 2004 includes increases of 16.9% local currency growth (14.1% internally generated primarily due to volume growth and 2.8% from acquisitions) and 0.5% related to foreign currency exchange. The 16.9% local currency growth was due to dental consumable merchandise sales growth of 16.0% (13.6% internal growth, of which 6.3% related to sales of the Colgate and Pentron product lines and 2.4% from acquisitions) and dental equipment and service sales growth of 20.1% (16.6% internal growth and 3.5% from acquisitions). We expect that the Colgate and Pentron product lines, introduced through distribution agreements executed in 2004, will continue to contribute to our overall increase in dental net sales.

The $106.0 million, or 9.0%, increase in medical net sales for the year ended December 25, 2004 includes increases of 1.0% internally generated and 8.0% from acquisitions (accounting for an increase of $96.8 million). Additionally, medical sales were affected by the absence of Fluvirin® influenza vaccines in 2004, as previously discussed.

The $351.6 million, or 61.0%, increase in international net sales for the year ended December 25, 2004 includes increases of 50.0% in local currencies (43.5% from acquisitions and 6.5% internally generated primarily due to volume growth) and 11.0% due to foreign currency exchange. The increase was primarily due to our acquisition of the Demedis Group.

The $9.3 million, or 12.5%, increase in technology net sales for the year ended December 25, 2004 includes increases of 10.4% internal growth, 1.9% acquisition growth and 0.2% due to foreign currency exchange. The increase was primarily due to growth of our value-added products, including software products and related services.

Gross Profit

Gross profit and gross margins for 2004 and 2003 by segment and in total were as follows (in thousands):

	2004 (1)	Gross Margin %	2003 (1)	Gross Margin %
Healthcare distribution	$ 992,537	26.0%	$ 851,468	27.3%
Technology	61,928	74.1	56,695	76.3
Total	$ 1,054,465	27.0	$ 908,163	28.4

(1) Adjusted to reflect the effects of discontinued operations.

Gross profit increased $146.3 million, or 16.1%, for the year ended December 25, 2004 compared to the prior year period.

Healthcare distribution gross profit increased $141.1 million, or 16.6%, for the year ended December 25, 2004 compared to the prior year period. Healthcare distribution gross profit margin decreased to 26.0% for the year ended December 25, 2004 from 27.3% for the comparable prior year period, primarily due to the absence of Fluvirin® influenza vaccine in 2004 as previously discussed.

Technology gross profit increased $5.2 million, or 9.2%, for the year ended December 25, 2004 compared to the prior year period. Technology gross profit margin decreased to 74.1% for the year ended December 25, 2004 from 76.3% for the comparable prior year period, primarily due to changes in sales mix and increased investment in support services.

Selling, General and Administrative

Selling, general and administrative expenses by segment and in total for 2004 and 2003 were as follows (in thousands):

	2004 (1)	% of Respective Net Sales	2003 (1)	% of Respective Net Sales
Healthcare distribution	$813,285	21.3%	$647,862	20.8%
Technology	31,430	37.6	28,005	37.7
Total	$844,715	21.7	$675,867	21.2

(1) Adjusted to reflect the effects of discontinued operations.

Selling, general and administrative expenses increased by $168.8 million, or 25.0%, for the year ended December 25, 2004 compared to the prior year period. As a percentage of sales, selling, general and administrative expenses increased to 21.7% from 21.2% for the comparable prior year period. This increase of 0.5% was due to a $13.2 million charge related to Fluvirin®, as previously discussed (which accounted for 0.4% of the increase) and the overall growth in our business (which accounted for 0.1% of the increase).

As a component of total selling, general and administrative expenses, selling expenses increased $98.2 million, or 23.1%, for the year ended December 25, 2004 from the prior year period. The increase was primarily due to an increase in payroll expenses as a percentage of our net sales. As a percentage of net sales, selling expenses increased to 13.4% from 13.3% for the comparable prior year period.

As a component of total selling, general and administrative expenses, general and administrative expenses increased $70.6 million, or 28.2%, for the year ended December 25, 2004 from the prior year period. As a percentage of net sales, general and administrative expenses increased to 8.2% from 7.8% for the comparable prior year period primarily for the reasons stated above.

Other Expense, Net

Other expense, net for 2004 and 2003 was as follows (in thousands):

	2004 (1)	2003 (1)
Interest income	$ 6,110	$ 6,410
Interest expense	(17,596)	(17,004)
Other, net	365	1,621
Other expense, net	$ (11,121)	$ (8,973)

(1) Adjusted to reflect the effects of discontinued operations.

Other expense, net increased $2.1 million to $11.1 million for the year ended December 25, 2004 from the comparable prior year period. The $300 thousand decrease in interest income was primarily due to lower invested surplus cash balances over the year. The $592 thousand increase in interest expense was primarily due to our convertible debt issued in 2004, partially offset by lower interest rates in 2004 due to interest rate swap agreements entered into in late 2003. Other, net decreased by $1.3 million, primarily due to a $726 thousand non-recurring real estate related gain and $517 thousand of foreign currency net gains recognized in the prior year.

Income Taxes

For the year ended December 25, 2004, our effective tax rate from continuing operations was 37.0% compared to 37.4% for the prior year period. The difference between our effective tax rates and the federal statutory rates for both periods primarily relates to state income taxes.

Income (Loss) from Discontinued Operations

During the year ended December 27, 2003, we recognized a $2.0 million loss on sale, net of tax, of a discontinued operation, in addition to the presentation of our Hospital Supply Business as part of discontinued operations for all periods presented (refer to Note 6 in the accompanying financial statements for further discussion).

Net Income

Net income decreased $9.3 million, or 6.8%, for the year ended December 25, 2004 compared to the prior year period. A charge of $8.4 million, net of tax, related to Chiron Fluvirin® was included in 2004 net income. A real estate transaction gain of $454 thousand, net of tax, and a net loss on the sale of a discontinued operation of $2.0 million are included in 2003 net income.

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. We do not expect the loss of cash flows from discontinued operations to have a material impact on our future liquidity or capital resources.

Net cash flow provided by operating activities was $265.1 million for the year ended December 31, 2005 compared to $191.0 million for the comparable prior-year period. This net change of $74.1 million was due primarily to our increased sales and profit and our management of working capital.

Net cash used in investing activities was $162.9 million for the year ended December 31, 2005 compared to $171.8 million for the comparable prior year period. The net change of $8.9 million was primarily due to a combination of items including lower payments for business acquisitions and net cash receipts from the settlements of foreign exchange contracts, partially offset by increased capital expenditures and investments. We expect to invest approximately $67.0 million during fiscal year 2006 in capital projects to modernize and expand our facilities and computer systems infrastructure and to integrate certain operations. Approximately $12.3 million of such expected capital expenditures relate to a new distribution center in France.

Net cash used in financing activities was $38.9 million for the year ended December 31, 2005 compared to net cash provided by financing activities of $26.4 million for the prior-year period. The net change of $65.3 million was primarily due to the issuance of convertible debt in the prior year, partially offset by repayments of debt acquired through acquisitions in the prior year, as well as reduced repurchases of common stock in 2005.

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

	December 31, 2005	December 25, 2004
Cash and cash equivalents	$ 254,498	$ 186,621
Available-for-sale securities	80,195	—
Working capital	860,295	736,844
Debt:		
Bank credit lines	$ 2,093	$ 5,969
Current maturities of long-term debt	33,013	3,906
Long-term debt	489,520	525,682
Total debt	$ 524,626	$ 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 41.8 days as of December 31, 2005 from 42.8 days as of December 25, 2004. Our inventory turns from continuing operations increased to 7.0 as of December 31, 2005 from 6.8 as of December 25, 2004. We anticipate future increases in our working capital requirements as a result of continuing sales growth.

The following table summarizes our contractual obligations related to fixed and variable rate long-term debt, including interest (assuming an average long-term rate of interest of 5.0%), as well as lease obligations and inventory purchase commitments as of December 31, 2005:

	Payments due by period (in thousands)				
	< 1 year	1 - 3 years	4 - 5 years	> 5 years	Total
Contractual obligations:					
Inventory purchase commitments	$ 305,801	$ 462,575	$ 387,688	$ 900,888	$ 2,056,952
Long-term debt, including interest	51,784	88,444	62,933	398,890	602,051
Operating lease obligations	43,192	64,807	36,944	61,473	206,416
Capital lease obligations, including interest	6,627	3,566	2,179	5,601	17,973
Capital expenditures	12,000	284	—	—	12,284
Interest rate swap agreements	3,135	4,841	1,480	—	9,456
Total	$ 422,539	$ 624,517	$ 491,224	$ 1,366,852	$ 2,905,132

We have obligations to purchase influenza vaccine from GlaxoSmithKline Biologicals (formerly ID Biomedical Corporation) through 2014 which require us to pay an amount per dose based on the prevailing market price in each respective year. Although there are uncertainties surrounding their pending FDA approval to distribute influenza vaccine in the United States for the 2006/2007 influenza season, we have included this purchase obligation in the above table based on current market prices.

In 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 (discussed below) 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.

Our $130.0 million senior 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 our $100.0 million senior notes which bear interest at a fixed rate of 6.66% per annum. Interest on both notes is payable semi-annually.

In 2003, we entered into agreements relating to our $230.0 million senior notes to exchange their fixed interest rates for variable interest rates. For the year ended December 31, 2005, the weighted-average variable interest rate was 6.29%. This weighted-average variable interest rate comprises LIBOR plus a spread and resets on the interest due dates for such 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 was scheduled to expire in May 2006. As of December 31, 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 common stock repurchase program. This program previously allowed 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. On October 31, 2005, our board authorized an additional $100.0 million of shares in our common stock to be repurchased under this program. As of December 31, 2005, we had repurchased $88.5 million or 2,518,110 shares under this initiative, with $111.5 million remaining.

Some minority shareholders in certain of our subsidiaries have the right at certain times to require us to acquire their ownership interest in those entities 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

The preparation of consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. We base our estimates on historical data, when available, experience, industry and market trends, and on various other assumptions that are believed to be reasonable under the circumstances, the combined results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. However, by their nature, estimates are subject to various assumptions and uncertainties. Reported results are therefore sensitive to any changes in our assumptions, judgments and estimates, including the possibility of obtaining materially different results if different assumptions were to be applied.

We believe that the following critical accounting policies, which have been discussed with our audit committee, affect the significant estimates and judgments used in the preparation of our financial statements:

Revenue Recognition

We generate revenue from the sale of dental, medical and veterinary consumable products, as well as equipment, software products and services and other sources. Provisions for discounts, rebates to customers, customer returns and other contra-revenue adjustments are recorded based upon historical data and are provided for in the period in which the related sales are recognized.

Revenue derived from the sale of consumable products is recognized when products are shipped to customers. Such sales typically entail high-volume, low-dollar orders shipped using third-party common carriers. We believe that the shipment date is the most appropriate point in time indicating the completion of the earnings process because we have no post-shipment obligations, the product price is fixed and determinable, collection of the resulting receivable is probable and product returns are reasonably estimable.

Revenue derived from the sale of equipment is recognized when products are delivered to customers. Such sales typically entail scheduled deliveries of large equipment primarily by equipment service technicians. Some equipment sales require minimal installation, which is completed at the time of delivery.

Revenue derived from the sale of software products is recognized when products are shipped to customers. Such software is generally installed by customers and does not require extensive training due to the nature of its design. Revenue derived from post-contract customer support for software, including annual support and/or training, is recognized over the period in which the services are provided.

Revenue derived from other sources including freight charges, equipment repairs and financial services, is recognized when the related product revenue is recognized or when the services are provided.

Accounts Receivable and Reserves

The carrying amount of accounts receivable reflects a reserve representing our best estimate of the amounts that will not be collected. In addition to reviewing delinquent accounts receivable, we consider many factors in estimating our reserve, including historical data, experience, customer types, credit worthiness and economic trends. From time to time, we may adjust our assumptions for anticipated changes in any of these or other factors expected to affect collectibility. Although we believe our judgments, estimates and/or assumptions related to accounts receivable and reserves are reasonable, making material changes to such judgments, estimates and/or assumptions could materially affect our financial results.

Inventory and Reserves

Inventories consist primarily of finished goods and are valued at the lower of cost or market. Cost is determined primarily by the first-in, first-out method. In performing our lower of cost or market valuation, we consider many factors including the condition and salability of the inventory, historical sales, forecasted sales and market and economic trends.

From time to time, we may adjust our assumptions for anticipated changes in any of these or other factors expected to affect salability. Although we believe our judgments, estimates and/or assumptions related to inventory and reserves are reasonable, making material changes to such judgments, estimates and/or assumptions could materially affect our financial results.

Goodwill and Other Indefinite-Lived Intangible Assets

Goodwill and indefinite-lived intangible assets are not amortized, but are subject to annual impairment analyses. Such impairment analyses require the comparison of the fair value to the carrying value of reporting units. Measuring fair value of a reporting unit is generally based on valuation techniques using multiples of sales or earnings, unless supportable information is available for using a present value technique, such as estimates of future cash flows. Although we believe our judgments, estimates and/or assumptions used in determining fair value are reasonable, making material changes to such judgments, estimates and/or assumptions could materially affect such impairment analyses and our financial results.

We regard our reporting units to be our operating segments (dental, medical (including veterinary), international and technology). Goodwill was allocated to such reporting units, for the purposes of preparing our impairment analyses, based on a specific identification basis. We assess the potential impairment of goodwill and other indefinite-lived intangible assets annually and on an interim basis whenever events or

changes in circumstances indicate that the carrying value may not be recoverable. Some factors we consider important, which could trigger an interim impairment review, include:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of our use of acquired assets or the strategy for our overall business; and
- Significant negative industry or economic trends.

If we determine through the impairment review process that goodwill or other indefinite-lived intangible assets are impaired, we record an impairment charge in our consolidated statement of income.

Vendor Rebates

Vendor rebates are included as a reduction to cost of sales and are recognized as they are earned. The factors we consider in estimating vendor rebate accruals include forecasted inventory purchases and sales, in conjunction with vendor rebate contract terms, which generally provide for increasing rebates based on either increased purchase or sales volume. Although we believe our judgments, estimates and/or assumptions related to vendor rebates are reasonable, making material changes to such judgments, estimates and/or assumptions could materially affect our financial results.

Long-Lived Assets

Long-lived assets, including definite-lived intangible assets, are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through the estimated undiscounted future cash flows derived from such assets. Definite-lived intangible assets primarily consist of non-compete agreements, trademarks, trade names and customer relationships. When an impairment exists, the related assets are written down to fair value. Although we believe our judgments, estimates and/or assumptions used in determining fair value are reasonable, making material changes to such judgments, estimates and/or assumptions could materially affect such impairment analyses and our financial results.

Stock-Based Compensation

Through December 31, 2005, we accounted for stock option awards to employees under the intrinsic value-based method of accounting prescribed by APB 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 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.

As of January 1, 2006, in connection with our adoption of FAS 123(R) “Share-Based Payment,” (discussed below) stock-based compensation is included in our results of operations. The method and assumptions used to determine the fair value of stock-based compensation under FAS 123(R) are similar to those used under FAS 123.

Recently Issued Accounting Standards

In December 2004, the FASB issued FAS No. 123(R), “Share-Based Payment.” This Statement establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity’s equity instruments or that may be settled by the issuance of those equity instruments. This Statement changes the accounting for transactions in which an entity obtains employee services in share-based payment transactions. This Statement does not change the accounting guidance for share-based payment transactions with parties other than employees provided in FAS 123 as originally issued and EITF Issue No. 96-18, “Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services.” This Statement is effective for us beginning January 1, 2006 and applies to all outstanding and unvested stock-based payment awards at the date of adoption.

In March 2005, the SEC issued Staff Accounting Bulletin No. 107 (“SAB 107”), which discussed the SEC’s interpretation of FAS 123(R) and the related valuation of share-based compensation for public companies. We are assessing the requirements of both FAS 123(R) and SAB 107 and the impact that these pronouncements will have on our consolidated results of operations and earnings per share. We anticipate the adoption of FAS 123(R) will affect our results of operations to an extent similar to that as presented in our FAS 123 pro forma disclosure included in the accompanying audited financial statements.

In May 2005, the FASB issued FAS No. 154, “Accounting Changes and Error Corrections.” FAS 154 is a replacement of APB Opinion No. 20, “Accounting Changes” and FAS No. 3, “Reporting Accounting Changes in Interim Financial Statements.” This Statement requires voluntary changes in accounting to be accounted for retrospectively and all prior periods to be restated as if the newly adopted policy had always been used, unless impracticable. Previously, APB Opinion No. 20 required most voluntary changes in accounting to be recognized by including the cumulative effect of the change in accounting in net income in the period of change. This Statement also requires a change in method of depreciation, amortization or depletion for a long-lived asset be accounted for as a change in estimate that is affected by a change in accounting principle. FAS 154 is effective for us beginning January 1, 2006. When adopted, this Statement could have an impact on prior year consolidated financial statements if we have a change in accounting.

In June 2005, the FASB ratified EITF Issue 05-2, The Meaning of “Conventional Convertible Debt Instrument” in EITF Issue 00-19, “Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company’s Own Stock.” This issue attempts to define “conventional convertible debt instrument” to help clarify the appropriate accounting for such instruments. We do not anticipate this issue will have a material effect on our financial position, results of operations or cash flows.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks, which include changes in interest rates, as well as changes in foreign currency exchange rates as measured against the U.S. dollar and each other. We attempt to minimize these risks by using interest rate swap agreements and foreign currency forward and swap contracts. These hedging activities provide only limited protection against interest rate and currency exchange risks. Factors that could influence the effectiveness of our programs include volatility of the interest rate and currency markets and availability of hedging instruments. All interest rate swap and foreign currency forward and swap contracts that we enter into are components of hedging programs and are entered into for the sole purpose of hedging an existing or anticipated interest rate and currency exposure. We do not enter into such contracts for speculative purposes.

Interest Rate Swap Agreements

We have fixed rate senior notes of $130.0 million at 6.94% and $100.0 million at 6.66%. During 2003, we entered into interest rate swap agreements to exchange these fixed interest rates for variable interest rates. The variable rates are comprised of LIBOR plus the spreads and reset 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 changes in interest rates. A hypothetical 100 basis point increase in interest rates would increase our annual interest expense by approximately $2.4 million.

As of December 31, 2005, the fair value of our interest rate swap agreements recorded in other non-current liabilities was $7.4 million, which represented the amount that would be paid upon unwinding the interest rate swap agreements based on market conditions at that time. Changes in the fair value of these interest rate swap agreements are reflected as an adjustment to non-current assets or liabilities with an offsetting adjustment to the carrying value of the $230.0 million notes as such hedges are deemed fully effective.

Foreign Currency Agreements

The value of certain foreign currencies as compared to the U.S. dollar may affect our financial results. Fluctuations in exchange rates may positively or negatively affect our revenues, gross margins, operating expenses, and retained earnings, all of which are expressed in U.S. dollars. Where we deem it prudent, we engage in hedging programs, using primarily foreign currency forward and swap contracts, aimed at limiting the impact of foreign currency exchange rate fluctuations on earnings. We purchase short-term (i.e., twelve months or less) foreign currency forward and swap contracts to protect against currency exchange risks associated with long-term intercompany loans due from our international subsidiaries and the payment of merchandise purchases to foreign vendors. We do not hedge the translation of foreign currency profits into U.S. dollars, as we regard this as an accounting exposure, not an economic exposure.

As of December 31, 2005, we had outstanding foreign currency forward and swap contracts with notional amounts of $395.6 million, of which $353.5 million related to intercompany debt and $42.1 million related to the purchase of merchandise from foreign vendors. The contracts hedge currency fluctuations against the U.S. Dollar for Euros ($277.4 million), British Pounds ($38.0 million), Australian Dollars ($8.1 million), Swiss Francs ($1.9 million), Japanese Yen ($394 thousand) and Canadian Dollars ($8.4 million). In addition, our international business entered into hedges against currency fluctuations relative to local functional currencies. The notional amount of such contracts was $61.4 million. A hypothetical 5% change of the value of the U.S. Dollar would change the fair value of our foreign currency exchange agreements by $16.3 million.

As of December 31, 2005, the fair value of our foreign currency exchange agreements, which expire through December 4, 2006, recorded in other current assets was $4.0 million, as determined by quoted market prices. For the year ended December 31, 2005, we had realized net gains of $4 thousand and unrealized gains of $1.4 million relating to such agreements.

ITEM 8. Financial Statements and Supplementary Data

INDEX TO FINANCIAL STATEMENTS
HENRY SCHEIN, INC.

All other schedules are omitted because the required information is either inapplicable or is included in the consolidated financial statements or the notes thereto.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Henry Schein, Inc.
Melville, New York

We have audited the accompanying consolidated balance sheets of Henry Schein, Inc. as of December 31, 2005 and December 25, 2004, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Henry Schein, Inc. at December 31, 2005 and December 25, 2004, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2005 in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Henry Schein, Inc.'s internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated February 21, 2006 expressed an unqualified opinion.

/s/ BDO SEIDMAN, LLP

New York, New York
February 21, 2006, except for Note 6, which is as of March 6, 2006

HENRY SCHEIN, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	December 31, 2005	December 25, 2004
ASSETS		
Current assets:		
Cash and cash equivalents	$ 254,498	$ 186,621
Available-for-sale securities	80,195	—
Accounts receivable, net of reserves of $52,308 and $44,852	582,617	554,666
Inventories	505,542	486,494
Deferred income taxes	35,505	28,795
Prepaid expenses and other	126,052	174,167
Total current assets	1,584,409	1,430,743
Property and equipment, net	190,746	176,103
Goodwill	626,869	627,215
Other intangibles, net	123,204	129,285
Investments and other	57,892	70,324
Total assets	$ 2,583,120	$ 2,433,670
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 371,392	$ 367,213
Bank credit lines	2,093	5,969
Current maturities of long-term debt	33,013	3,906
Accrued expenses:		
Payroll and related	96,113	89,431
Taxes	65,070	70,970
Other	156,433	156,410
Total current liabilities	724,114	693,899
Long-term debt	489,520	525,682
Deferred income taxes	74,042	66,599
Other liabilities	53,547	28,999
Minority interest	12,353	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, 87,092,238 outstanding on December 31, 2005 and 120,000,000 shares authorized, 86,650,428 outstanding on December 25, 2004	871	867
Additional paid-in capital	472,960	445,573
Retained earnings	735,079	615,265
Accumulated other comprehensive income	21,059	44,785
Deferred compensation	(425)	(437)
Total stockholders' equity	1,229,544	1,106,053
Total liabilities and stockholders' equity	$ 2,583,120	$ 2,433,670

See accompanying notes.

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

	Years ended		
	December 31, 2005	December 25, 2004	December 27, 2003
Net sales	$ 4,635,929	$ 3,898,485	$ 3,194,031
Cost of sales	3,318,993	2,844,020	2,285,868
Gross profit	1,316,936	1,054,465	908,163
Operating expenses:			
Selling, general and administrative	1,035,848	844,715	675,867
Operating income	281,088	209,750	232,296
Other income (expense):			
Interest income	7,315	6,110	6,410
Interest expense	(25,508)	(17,596)	(17,004)
Other, net	1,659	365	1,621
Income from continuing operations before taxes, minority interest and equity in earnings of affiliates	264,554	198,629	223,323
Income taxes	(97,002)	(73,506)	(83,373)
Minority interest in net income of subsidiaries	(5,991)	(1,486)	(2,807)
Equity in earnings of affiliates	827	1,699	931
Income from continuing operations	162,388	125,336	138,074
Discontinued operations:			
Income (loss) from operations of discontinued components	(18,448)	4,745	387
Income tax benefit (expense)	7,386	(1,898)	(951)
Income (loss) from discontinued operations	(11,062)	2,847	(564)
Net income	$ 151,326	$ 128,183	$ 137,510
Earnings from continuing operations per share:			
Basic	$ 1.87	$ 1.44	$ 1.58
Diluted	$ 1.82	$ 1.40	$ 1.53
Earnings (loss) from discontinued operations per share:			
Basic	$ (0.13)	$ 0.03	$ (0.01)
Diluted	$ (0.12)	$ 0.03	$ 0.00
Earnings per share:			
Basic	$ 1.74	$ 1.47	$ 1.57
Diluted	$ 1.70	$ 1.43	$ 1.53
Weighted-average common shares outstanding:			
Basic	87,006	87,253	87,417
Diluted	89,187	89,462	89,975

See accompanying notes.

HENRY SCHEIN, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In thousands, except share and per share data)

	Common Stock $.01 Par Value		Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Deferred Compensation	Total Stockholders' Equity
	Shares	Amount						
Balance, December 28, 2002	88,083,182	$ 880	$ 436,114	$ 430,389	$ (1,156)	$ (4,794)	$ (216)	$ 861,217
Net income	—	—	—	137,510	—	—	—	137,510
Foreign currency translation gain	—	—	—	—	—	31,482	—	31,482
Unrealized loss from foreign currency hedging activities, net of tax of $267	—	—	—	—	—	(717)	—	(717)
Net unrealized investment loss, net of tax of $46	—	—	—	—	—	(125)	—	(125)
Pension adjustment loss, net of tax of $315	—	—	—	—	—	(847)	—	(847)
Total comprehensive income								167,303
Stock issued to 401(k) plan	79,572	1	2,299	—	—	—	—	2,300
Amortization of restricted stock	—	—	—	—	—	—	125	125
Retirement of treasury stock	(124,958)	(1)	(570)	(585)	1,156	—	—	—
Repurchase and retirement of common stock	(2,670,000)	(27)	(28,067)	(33,660)	—	—	—	(61,754)
Stock issued upon exercise of stock options, including tax benefit of $12,579	2,156,150	22	34,905	—	—	—	—	34,927
Balance, December 27, 2003	87,523,946	875	444,681	533,654	—	24,999	(91)	1,004,118
Net income	—	—	—	128,183	—	—	—	128,183
Foreign currency translation gain	—	—	—	—	—	21,719	—	21,719
Unrealized loss from foreign currency hedging activites, net of tax of $660	—	—	—	—	—	(1,952)	—	(1,952)
Net unrealized investment gain, net of tax of $(6)	—	—	—	—	—	19	—	19
Total comprehensive income								147,969
Stock issued to 401(k) plan	89,320	1	2,804	—	—	—	—	2,805
Issuance of restricted stock	15,244	—	486	—	—	—	(486)	—
Amortization of restricted stock	—	—	—	—	—	—	140	140
Repurchase and retirement of common stock	(2,498,810)	(24)	(35,617)	(46,572)	—	—	—	(82,213)
Stock issued upon exercise of stock options, including tax benefit of $11,809	1,520,728	15	33,219	—	—	—	—	33,234
Balance, December 25, 2004	86,650,428	867	445,573	615,265	—	44,785	(437)	1,106,053
Net income	—	—	—	151,326	—	—	—	151,326
Foreign currency translation loss	—	—	—	—	—	(24,175)	—	(24,175)
Unrealized gain from foreign currency hedging activites, net of tax of $(509)	—	—	—	—	—	1,421	—	1,421
Net unrealized investment loss, net of tax of $12	—	—	—	—	—	(33)	—	(33)
Pension adjustment loss, net	—	—	—	—	—	(939)	—	(939)

of tax of $345								
Total comprehensive income								127,600
Stock issued to 401(k) plan	79,627	1	3,222	—	—	—	—	3,223
Issuance of restricted stock	11,667	—	326	—	—	—	(85)	241
Amortization of restricted stock	—	—	—	—	—	—	97	97
Repurchase and retirement of common stock	(1,372,579)	(14)	(20,750)	(31,512)	—	—	—	(52,276)
Stock issued upon exercise of stock options, including tax benefit of $15,106	1,723,095	17	44,589	—	—	—	—	44,606
Balance, December 31, 2005	87,092,238	$ 871	$ 472,960	$ 735,079	$ —	$ 21,059	$ (425)	$ 1,229,544

See accompanying notes.

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

	Years ended		
	December 31, 2005	December 25, 2004	December 27, 2003
Cash flows from operating activities:			
Net income	$ 151,326	$ 128,183	$ 137,510
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	60,345	51,326	36,843
Impairment from write-down of long-lived assets	11,928	—	—
Provision for losses on trade and other accounts receivable	6,524	3,820	6,469
Deferred income taxes	2,792	13,294	5,974
Stock issued to 401(k) plan	3,223	2,805	2,300
Undistributed earnings of affiliates	(827)	(1,699)	(931)
Minority interest in net income of subsidiaries	5,991	1,486	2,807
Other	(231)	1,519	4,017
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	(14,002)	(35,075)	(67,355)
Inventories	6,484	(28,614)	(25,331)
Other current assets	30,147	(13,919)	(16,401)
Accounts payable and accrued expenses	1,441	67,873	46,608
Net cash provided by operating activities	265,141	190,999	132,510
Cash flows from investing activities:			
Purchases of fixed assets	(50,829)	(37,837)	(38,978)
Payments for business acquisitions, net of cash acquired	(68,213)	(132,375)	(118,180)
Payments related to pending business acquisitions	—	(17,439)	—
Purchases of available-for-sale securities	(111,945)	—	(39,667)
Proceeds from sales of available-for-sale securities	31,749	14,472	40,619
Proceeds from maturities of available-for-sale securities	—	—	39,030
Proceeds from settlement of note receivable	14,395	—	—
Net proceeds from (payments for) foreign exchange forward contract settlements	30,818	(8,234)	(4,165)
Other	(8,841)	9,584	(5,657)
Net cash used in investing activities	(162,866)	(171,829)	(126,998)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	—	240,000	—
Payments for debt issuance costs	(650)	(5,781)	—
Net payments for bank borrowings	(3,525)	(7,339)	(180)
Repayments of debt assumed in business acquisitions	—	(135,718)	—
Principal payments for long-term debt	(8,483)	(3,359)	(8,667)
Proceeds from issuance of stock upon exercise of stock options	29,500	21,425	22,348
Payments for repurchases of common stock	(52,276)	(82,213)	(61,754)
Other	(3,432)	(645)	(122)
Net cash provided by (used in) financing activities	(38,866)	26,370	(48,375)
Net change in cash and cash equivalents	63,409	45,540	(42,863)
Effect of exchange rate changes on cash and cash equivalents	4,468	(16,270)	(437)
Cash and cash equivalents, beginning of year	186,621	157,351	200,651
Cash and cash equivalents, end of year	$ 254,498	$ 186,621	$ 157,351

See accompanying notes.

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

Note 1 — Significant Accounting Policies

Nature of Operations

We distribute healthcare products and services primarily to office-based healthcare practitioners in the combined North American and European markets, with operations in the United States, Canada, the United Kingdom, the Netherlands, Belgium, Germany, France, Austria, Portugal, Spain, the Czech Republic, Luxembourg, Italy, Ireland, Switzerland, Israel, Australia and New Zealand. We also have an affiliate in Iceland.

Principles of Consolidation

Our consolidated financial statements include the accounts of Henry Schein, Inc. and all of our wholly-owned and majority-owned and controlled subsidiaries. All intercompany accounts and transactions are eliminated in consolidation. Investments in unconsolidated affiliates, which are greater than or equal to 20% and less than or equal to 50% owned, are accounted for under the equity method. Certain prior period amounts have been reclassified to conform to the current period presentation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

Fiscal Year

We report our operations and cash flows on a 52-53 week basis ending on the last Saturday of December. The year ended December 31, 2005 consisted of 53 weeks and each of the years ended December 25, 2004 and December 27, 2003 consisted of 52 weeks.

Revenue Recognition

We generate revenue from the sale of dental, medical and veterinary consumable products, as well as equipment, software products and services and other sources. Provisions for discounts, rebates to customers, customer returns and other contra-revenue adjustments are recorded based upon historical data and are provided for in the period in which the related sales are recognized.

Revenue derived from the sale of consumable products is recognized when products are shipped to customers. Such sales typically entail high-volume, low-dollar orders shipped using third-party common carriers. We believe that the shipment date is the most appropriate point in time indicating the completion of the earnings process because we have no post-shipment obligations, the product price is fixed and determinable, collection of the resulting receivable is probable and product returns are reasonably estimable.

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

Note 1 — Significant Accounting Policies — (Continued)

Revenue derived from the sale of equipment is recognized when products are delivered to customers. Such sales typically entail scheduled deliveries of large equipment primarily by equipment service technicians. Some equipment sales require minimal installation, which is completed at the time of delivery.

Revenue derived from the sale of software products is recognized when products are shipped to customers. Such software is generally installed by customers and does not require extensive training due to the nature of its design. Revenue derived from post-contract customer support for software, including annual support and/or training, is recognized over the period in which the services are provided.

Revenue derived from other sources including freight charges, equipment repairs and financial services, is recognized when the related product revenue is recognized or when the services are provided.

Cash and Cash Equivalents

We consider all highly-liquid debt instruments and other short-term investments with an original maturity of three months or less to be cash equivalents. Outstanding checks in excess of funds on deposit of $47.0 million and $32.7 million, primarily related to payments for inventory, were classified as accounts payable as of December 31, 2005 and December 25, 2004.

Available-for-sale Securities

Our available-for-sale securities consist of short-term tax-efficient municipal auction rate securities, which have a high degree of liquidity and are reflected at fair value.

We determine cost of investments in available-for-sale securities on a specific identification basis. Gross realized gains and losses were immaterial in all periods presented. The securities held on December 31, 2005 had contractual maturities of up to one year. There were no available-for-sale securities as of December 25, 2004.

Accounts Receivable and Reserves

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

Inventory and Reserves

Inventories consist primarily of finished goods and are valued at the lower of cost or market. Cost is determined primarily by the first-in, first-out method. In performing our lower of cost or market

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

Note 1 — Significant Accounting Policies — (Continued)

valuation, we consider many factors including the condition and salability of the inventory, historical sales, forecasted sales and market and economic trends. From time to time, we may adjust our assumptions for anticipated changes in any of these or other factors expected to affect the value of inventory.

Direct Shipping and Handling Costs

Freight and other direct shipping costs are included in cost of sales. Direct handling costs, which represent primarily direct compensation costs of employees who pick, pack and otherwise prepare, if necessary, merchandise for shipment to our customers are reflected in selling, general and administrative expenses. These costs from continuing operations were $39.4 million, $31.9 million and $24.8 million for 2005, 2004 and 2003.

Advertising and Promotional Costs

We generally expense advertising and promotional costs as incurred. Total advertising and promotional expenses from continuing operations were $19.8 million, $21.7 million and $18.4 million for 2005, 2004 and 2003. Additionally, advertising and promotional costs incurred in connection with direct marketing, including product catalogs and printed material, are deferred and amortized on a straight-line basis over the period which is benefited, generally not exceeding one year. As of December 31, 2005 and December 25, 2004, we had $3.5 million and $3.4 million of deferred direct marketing expenses included in other current assets.

Vendor Rebates

Vendor rebates are included as a reduction to cost of sales and are recognized as they are earned. The factors we consider in estimating vendor rebate accruals include forecasted inventory purchases and sales, in conjunction with vendor rebate contract terms, which generally provide for increasing rebates based on either increased purchase or sales volume.

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation or amortization. Amortization of leasehold improvements is computed using the straight-line method over the lesser of the useful life of the assets or the lease term. Depreciation is computed primarily under the straight-line method over the following estimated useful lives:

	Years
Buildings and permanent improvements	40
Machinery and warehouse equipment	5-10
Furniture, fixtures and other	3-10
Computer equipment and software	3-10

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

Note 1 — Significant Accounting Policies — (Continued)

Capitalized software costs consist of costs to purchase and develop software. Costs incurred during the application development stage for software bought and further customized by outside vendors for our use and software developed by a vendor for our proprietary use are capitalized. Costs incurred for our own personnel who are directly associated with software development may also be capitalized.

Income Taxes

We account for income taxes under an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in our financial statements or tax returns. In estimating future tax consequences, we generally consider all expected future events other than enactments of changes in tax laws or rates. The effect on deferred tax assets and liabilities of a change in tax rates will be recognized as income or expense in the period that includes the enactment date. We file a consolidated U.S. federal income tax return with our 80% or greater owned U.S. subsidiaries.

Foreign Currency Translation and Transactions

The financial position and results of operations of our foreign subsidiaries are determined using local currency as the functional currency. Assets and liabilities of these subsidiaries are translated at the exchange rate in effect at each year-end. Income statement accounts are translated at the average rate of exchange prevailing during the year. Translation adjustments arising from the use of differing exchange rates from period to period are included in accumulated other comprehensive income in stockholders' equity. Gains and losses resulting from foreign currency transactions are included in earnings.

Risk Management and Derivative Financial Instruments

We use derivative instruments to minimize our exposure to fluctuations in interest rates and foreign currency exchange rates. Our objective is to manage the impact that interest rate and foreign currency exchange rate fluctuations could have on recognized asset and liability fair values, earnings and cash flows. Our risk management policy requires that derivative contracts used as hedges be effective at reducing the risks associated with the exposure being hedged and be designated as a hedge at the inception of the contract. We do not enter into derivative instruments for speculative purposes. Our derivative instruments include interest rate swap agreements related to our long-term fixed rate debt and foreign currency forward and swap agreements related to intercompany loans and certain forecasted inventory purchase commitments with foreign vendors.

Our interest rate swap agreements are designated as fair value hedges. The terms of our interest rate swap agreements are identical to the Senior Notes and consequently qualify for an assumption of no ineffectiveness under the provisions of Statement of Financial Accounting Standards ("FAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." Both the interest rate swap agreements and the underlying Senior Notes are marked-to-market through earnings at the end of each period; however, since our interest rate swap agreements are deemed fully effective, these mark-to-market adjustments have no net impact on earnings.

Our foreign currency forward and swap agreements related to intercompany loans are designated as either fair value hedges (loans expected to be repaid within the foreseeable future) or net investment

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

Note 1 — Significant Accounting Policies — (Continued)

hedges (loans not expected to be repaid within the foreseeable future) and our foreign currency forward and swap agreements related to intercompany loan interest payments are designated as cash flow hedges. Our foreign currency forward and swap agreements related to forecasted inventory purchase commitments are designated as cash flow hedges.

For fair value hedges, the effective portion of the changes in the fair value of the derivative, along with the translation gain or loss on the hedged item, is recorded in earnings. For net investment hedges, the effective portion of the changes in the fair value of the derivative, along with any gain or loss on the hedged item, is recorded as a component of other comprehensive income as a foreign currency translation adjustment. For cash flow hedges, the effective portion of the changes in the fair value of the derivative, along with any gain or loss on the hedged item, is also recorded as a component of other comprehensive income and subsequently reclassified into earnings in the same period(s) during which the hedged transaction affects earnings.

We record the cash flows related to our hedging activities in the same category on our consolidated statement of cash flows as the cash flows related to the hedged item.

Acquisitions

The net assets of businesses purchased are recorded at their fair value at the acquisition date and our consolidated financial statements include their results of operations from that date. Any excess of acquisition costs over the fair value of identifiable net assets acquired is recorded as goodwill. Certain acquisitions provide for contingent consideration, primarily cash, to be paid in the event certain financial performance targets are satisfied over future periods. We have not accrued any liabilities that may arise from these transactions because the outcome of the contingencies is not determinable beyond a reasonable doubt.

Goodwill and Other Indefinite-Lived Intangible Assets

Goodwill and indefinite-lived intangible assets are not amortized, but are subject to annual impairment analyses. Such impairment analyses require a comparison of the fair value to the carrying value of reporting units. Measuring fair value of a reporting unit is generally based on valuation techniques using multiples of sales or earnings, unless supportable information is available for using a present value technique, such as estimates of future cash flows. We regard our reporting units to be our operating segments (dental, medical (including veterinary), international and technology). Goodwill was allocated to such reporting units, for the purposes of preparing our impairment analyses, based on a specific identification basis. We assess the potential impairment of goodwill and other indefinite-lived intangible assets annually and on an interim basis whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Some factors we consider important that could trigger an interim impairment review include:

- Significant underperformance relative to expected historical or projected future operating results;

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

Note 1 — Significant Accounting Policies — (Continued)

- Significant changes in the manner of our use of acquired assets or the strategy for our overall business (e.g. decision to divest a business); or
- Significant negative industry or economic trends.

If we determine through the impairment review process that indefinite-lived intangible assets are impaired, we record an impairment charge in our consolidated statements of income.

Long-Lived Assets

Long-lived assets, including definite-lived intangible assets, are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through the estimated undiscounted future cash flows derived from such assets. Definite-lived intangible assets primarily consist of non-compete agreements, trademarks, trade names and customer relationships. When an impairment exists, the related assets are written down to fair value.

Cost of Sales

The primary components of cost of sales include the cost of the product (net of purchase discounts, vendor chargebacks and rebates) and inbound and outbound freight charges. Costs related to purchasing, receiving, inspections, warehousing, internal inventory transfers and other costs of our distribution network are included in selling, general and administrative expense along with other operating costs.

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. Total distribution network costs from continuing operations were $42.5 million, $41.5 million and $31.9 million for 2005, 2004 and 2003.

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 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.

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

Note 1 — Significant Accounting Policies — (Continued)

	Years ended		
	December 31, 2005	December 25, 2004	December 27, 2003
Net income as reported	$ 151,326	$ 128,183	$ 137,510
Deduct: Total tax affected stock-based compensation expense determined under fair value method	(11,553)	(11,344)	(9,342)
Pro forma net income	$ 139,773	$ 116,839	$ 128,168
Earnings per share, as reported:			
Basic	$ 1.74	$ 1.47	$ 1.57
Diluted	$ 1.70	$ 1.43	$ 1.53
Earnings per share, pro forma:			
Basic	$ 1.61	$ 1.34	$ 1.47
Diluted	$ 1.57	$ 1.31	$ 1.42

The following assumptions were used in determining the fair values using a Black-Scholes pricing model:

	2005	2004	2003
Expected dividend yield	0%	0%	0%
Expected stock price volatility	30%	30%	45%
Risk-free interest rate	4%	3%	3%
Expected life of options (years)	5	5	5

Based on these assumptions, the estimated fair value of options granted for 2005, 2004 and 2003, was approximately $13.38, $11.21 and $8.68 per share.

As of January 1, 2006, in connection with our adoption of FAS 123(R) “Share-Based Payment,” stock-based compensation is included in our results of operations. The method and assumptions used to determine the fair value of stock-based compensation under FAS 123(R) are 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.

Comprehensive Income

Comprehensive income includes certain gains and losses that, under accounting principles generally accepted in the United States, are excluded from net income as such amounts are recorded directly as an adjustment to stockholders’ equity. Our comprehensive income is primarily comprised of net income and foreign currency translation adjustments, but also includes unrealized gains (losses) on hedging activity and marketable securities and pension adjustments.

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

Note 1 — Significant Accounting Policies — (Continued)

The following table summarizes the components of accumulated other comprehensive income, net of tax:

	December 31, 2005	December 25, 2004
Foreign currency translation adjustment	$ 24,260	$ 48,435
Unrealized loss on foreign currency hedging activities	(1,415)	(2,836)
Unrealized net gain on investments	—	33
Pension liability adjustment	(1,786)	(847)
Accumulated other comprehensive income	$ 21,059	$ 44,785

New Accounting Pronouncements

In December 2004, the FASB issued FAS No. 123(R), “Share-Based Payment.” This Statement establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity’s equity instruments or that may be settled by the issuance of those equity instruments. This Statement changes the accounting for transactions in which an entity obtains employee services in share-based payment transactions. This Statement does not change the accounting guidance for share-based payment transactions with parties other than employees provided in FAS 123 as originally issued and EITF Issue No. 96-18, “Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services.” This Statement is effective for us beginning January 1, 2006 and applies to all outstanding and unvested stock-based payment awards at the date of adoption.

In March 2005, the SEC issued Staff Accounting Bulletin No. 107 (“SAB 107”), which discussed the SEC’s interpretation of FAS 123(R) and the related valuation of share-based compensation for public companies. We are assessing the requirements of both FAS 123(R) and SAB 107 and the impact that these pronouncements will have on our consolidated results of operation and earnings per share. We anticipate the adoption of FAS 123(R) will affect our results of operations to an extent similar to that as presented in our FAS 123 pro forma disclosure previously disclosed.

In May 2005, the FASB issued FAS No. 154, “Accounting Changes and Error Corrections.” FAS 154 is a replacement of APB Opinion No. 20, “Accounting Changes” and FAS No. 3, “Reporting Accounting Changes in Interim Financial Statements.” This Statement requires voluntary changes in accounting to be accounted for retrospectively and all prior periods to be restated as if the newly adopted policy had always been used, unless impracticable. Previously, APB Opinion No. 20 required most voluntary changes in accounting to be recognized by including the cumulative effect of the change in accounting in net income in the period of change. This Statement also requires a change in method of depreciation, amortization or depletion for a long-lived asset be accounted for as a change in estimate that is affected by a change in accounting principle. FAS 154 is effective for us beginning January 1, 2006. When adopted, this Statement could have an impact on prior year consolidated financial statements if we have a change in accounting.

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

Note 1 — Significant Accounting Policies — (Continued)

In June 2005, the FASB ratified EITF Issue 05-2, The Meaning of "Conventional Convertible Debt Instrument" in EITF Issue 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock." This issue attempts to define "conventional convertible debt instrument" to help clarify the appropriate accounting for such instruments. We do not anticipate this issue will have a material effect on our financial position, results of operations or cash flows.

Note 2 — 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 years ended December 31, 2005 and December 25, 2004, 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 basic and diluted earnings per share follows:

	Years ended		
	December 31, 2005	December 25, 2004	December 27, 2003
Basic	87,006,339	87,252,606	87,417,172
Effect of assumed exercise of stock options	2,180,175	2,208,960	2,558,324
Diluted	89,186,514	89,461,566	89,975,496

Weighted-average options to purchase 17,420, 1,853,324 and 34,354 shares of common stock at prices ranging from $41.46 to $43.19, $34.42 to $38.50 and $26.26 to $34.42 per share that were outstanding during 2005, 2004 and 2003 were excluded from each respective year's computation of diluted earnings per share. In each of these years, 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)

Note 3 — Property and Equipment, Net

Property and equipment consisted of the following:

	December 31, 2005	December 25, 2004
Land	$ 8,902	$ 7,935
Buildings and permanent improvements	41,829	44,592
Leasehold improvements	43,231	26,553
Machinery and warehouse equipment	48,465	50,687
Furniture, fixtures and other	44,933	36,620
Computer equipment and software	143,364	144,942
	330,724	311,329
Less accumulated depreciation and amortization	(139,978)	(135,226)
Property and equipment, net	$ 190,746	$ 176,103

The net carrying value of equipment held under capital leases amounted to approximately $13.4 million and $13.1 million as of December 31, 2005 and December 25, 2004. Property and equipment related depreciation and amortization expense for 2005, 2004 and 2003 was $43.1 million, $39.1 million and $32.2 million.

For the year ended December 31, 2005, we recorded $2.3 million of accelerated depreciation expense related to a computer system we replaced prior to the end of its useful life.

Note 4 — Goodwill and Other Intangibles, Net

The changes in the carrying amount of goodwill for the year ended December 31, 2005 were as follows:

	Healthcare Distribution	Technology	Total
Balance as of December 25, 2004	$ 623,249	$ 3,966	$ 627,215
Adjustments to goodwill:			
Acquisitions	45,115	1,884	46,999
Discontinued operation impairment	(4,572)	—	(4,572)
Foreign currency translation	(42,773)	—	(42,773)
Balance as of December 31, 2005	$ 621,019	$ 5,850	$ 626,869

The acquisition costs incurred during 2005 related to acquisitions and contingent earnout payments relating to acquisitions made in prior years.

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

Note 4 — Goodwill and Other Intangibles, Net — (Continued)

Other intangible assets consisted of the following:

	December 31, 2005		December 25, 2004	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Non-compete agreements	$ 20,190	$ (3,568)	$ 24,269	$ (5,496)
Trademarks and trade names	33,119	(4,585)	32,565	(2,039)
Customer relationships and lists	74,414	(13,179)	68,209	(5,226)
Other	19,013	(2,200)	21,224	(4,221)
Total	$ 146,736	$ (23,532)	$ 146,267	$ (16,982)

Non-compete agreements represent amounts paid primarily to key employees and prior owners of acquired businesses in exchange for placing restrictions on their ability to pose a competitive risk to us. Such amounts are amortized, on a straight-line basis over the respective non-compete period, which generally commences upon termination of employment or separation from us. The weighted-average non-compete period for agreements currently being amortized was approximately 5 years as of December 31, 2005.

Trademarks, trade names and customer relationships were established through business acquisitions. Certain trademarks and trade names, totaling $23.5 million and $25.7 million as of December 31, 2005 and December 25, 2004, are deemed indefinite-lived intangible assets and are not amortized. The remainder are deemed definite-lived and are amortized on a straight-line basis over a weighted-average period of approximately 3 years as of December 31, 2005. Customer relationships and lists are definite-lived intangible assets that are amortized on a straight-line basis over a weighted-average period of approximately 10 years as of December 31, 2005.

Amortization expense related to definite-lived intangible assets for 2005, 2004 and 2003 was $14.9 million, $9.7 million and $2.8 million. The annual amortization expense expected for the years 2006 through 2010 is $13.7 million, $11.6 million, $10.1 million, $9.3 million and $8.7 million.

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

Note 5 — Investments and Other

Investments and other consisted of the following:

	December 31, 2005	December 25, 2004
Notes receivable (1)	$ 19,953	$ 36,184
Distribution rights, net of amortization	4,723	5,243
Investment in unconsolidated affiliates	7,052	6,378
Debt issuance costs, net of amortization	5,605	6,566
Non-current deferred foreign, state and local income tax asset	8,272	10,364
Other	12,287	5,589
Total	$ 57,892	$ 70,324

(1) Long-term notes receivable carry interest rates ranging from 5.7% to 12.0% and are due in varying installments through 2020. Of the total, approximately $5.1 million in 2005 and $18.8 million in 2004 relate to the sale of certain businesses in prior years. In addition, $9.0 million and $7.1 million of this balance is owed to us by a related party in 2005 and 2004.

Amortization of long-term assets for 2005, 2004 and 2003 was $540, $651 and $263.

Note 6 — Business Acquisitions and Divestitures

Acquisitions

On January 11, 2005, we acquired the dental products 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. We recorded $16.5 million of goodwill related to this acquisition. 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, which is 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 (discussed below), $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, with an increase of $8.6 million to goodwill for the excess purchase price over fair value.

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

Note 6 — Business Acquisitions and Divestitures — (Continued)

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 $11.5 million of goodwill through preliminary purchase price allocations during the year ended December 31, 2005. These acquisitions were immaterial individually and in the aggregate.

On June 18, 2004, we acquired all of the outstanding equity shares of Demedis GmbH (excluding its Austrian operations discussed above), which is a leading full-service distributor of dental consumables and equipment in Germany, Austria, and the Benelux countries; and Euro Dental Holding GmbH, which included KRUGG S.p.A., which we believe is Italy's leading distributor of dental consumable products, and DentalMV GmbH (otherwise known as Muller & Weygandt, or "M&W"). We refer to these entities collectively as the "Demedis Group."

As part of our agreement with the German regulatory authorities entered into prior to acquiring the Demedis Group, we agreed to divest M&W shortly after the consummation of the acquisition, effected through exercising a put option back to the previous owners. On July 16, 2004, this divestiture was completed for approximately $62.2 million, including the assumption of debt of approximately $34.2 million, resulting in a reduction of the purchase price for the Demedis Group.

As part of the agreement to divest M&W, we were entitled to receive 50% of the net sale proceeds in excess of EUR 55.0 million, in the event M&W was subsequently resold before June 18, 2005. On September 24, 2004, an agreement was signed to resell M&W for an amount that resulted in our realizing a share of the net sale proceeds equal to approximately $32.4 million, which we received in October 2004. This amount was treated as a further reduction of the purchase price for the Demedis Group.

In addition to the Demedis Group acquisition, we completed other acquisitions and made earn-out payments that resulted in recording additional goodwill during 2004. These transactions were immaterial individually and in the aggregate.

During the year ended December 27, 2003, we acquired eight healthcare distribution businesses, which were immaterial individually and in the aggregate.

Divestitures

During the third quarter ended September 24, 2005, we reached a decision to divest our hospital supply business ("Hospital Supply Business") which is a component of our healthcare distribution business. The primary reason for this decision was that the Hospital Supply Business does not focus on our core customer, namely the office-based practitioner, and therefore provides little or no synergies with our core operations.

We have classified the operating results of the Hospital Supply Business as a discontinued operation in the accompanying consolidated statements of income for all periods presented. In connection with this divestiture, we assessed our long-lived assets for impairment, which resulted in us recording in the third quarter an impairment charge of $11.9 million ($7.0 million after-tax) for the full write-down of all long-lived assets, including goodwill of $4.6 million.

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

Note 6 — Business Acquisitions and Divestitures — (Continued)

On March 6, 2006, we entered into an agreement to sell substantially all of the assets of our Hospital Supply Business, as well as our extended care business the results of which are not material. The purchase price is $40.0 million, with $29.5 million due at closing and $10.5 million due 90 days after closing, subject to certain post-closing contingent payments by us described below. The closing is conditioned upon the buyer obtaining financing and our entering into a transition services agreement with the buyer, as well as other customary closing conditions. Based on this sale agreement, we expect to record a loss on disposal, net of tax, of between $21.0 million and $24.0 million or $0.24 and $0.27 per diluted share, at the time of closing, which will be presented as part of the results from discontinued operations.

We agreed to make payments to the buyer, up to a maximum of $13.0 million, contingent upon the collection of specified accounts receivable within one year and contingent upon the maintenance of a specified level of aggregate sales of the Hospital Supply Business during the two-year post-closing period. Any payments made in connection with these contingencies will be presented as part of the results from discontinued operations.

Net sales generated by our Hospital Supply Business were $152.8 million, $161.8 million and $159.8 million for the years ended 2005, 2004 and 2003. The carrying amounts of the major classes of the Hospital Supply Business assets held-for-sale as of December 31, 2005 included accounts receivable, net of reserves, of approximately $43.9 million and inventories, net of reserves, of approximately $16.2 million.

On August 29, 2003, we sold PMA Bode GmbH, an x-ray film distribution business located in Germany, which was a component of our healthcare distribution business. PMA Bode generated annual net sales of approximately $31.0 million. The loss recorded on the sale of PMA Bode was approximately $2.0 million (net of $54 tax benefit) and is included in the income (loss) from discontinued operations in our statements of income. Due to immateriality, we have not reflected the operating results, other than the loss on sale, of PMA Bode separately as a discontinued operation for any of the periods presented.

Note 7 — Debt

Bank Credit Lines

We have 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 was scheduled to expire in May 2006. The interest rate is based on USD LIBOR plus a spread based on our leverage ratio at the end of each financial reporting quarter. The agreement provides, among other things, that we maintain certain interest coverage and maximum leverage ratios, and contains restrictions relating to subsidiary indebtedness, liens, employee and shareholder loans, disposal of businesses and certain changes in ownership. As of December 31, 2005, there were $8.2 million of letters of credit provided to third parties and no borrowings outstanding under this revolving credit facility.

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

Note 7 — Debt — (Continued)

As of December 31, 2005, we had various short-term bank credit lines available, of which $2.1 million was outstanding. Such credit lines bear interest at rates ranging from 1.7% to 8.5%, and were collateralized by certain assets with an aggregate net carrying value of $14.6 million at December 31, 2005.

Long-term debt

Long-term debt consisted of the following:

	December 31, 2005	December 25, 2004
Senior Notes	$ 222,554	$ 228,615
Convertible Debt	240,000	240,000
Notes payable to banks, at 6% interest payable in quarterly installments of $147 through 2019	11,547	12,742
Various uncollateralized loans payable with interest, in varying installments through 2014	31,304	35,216
Capital lease obligations (see Note 13)	17,128	13,015
Total	522,533	529,588
Less current maturities	(33,013)	(3,906)
Total long-term debt	$ 489,520	$ 525,682

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 mature on June 30, 2009 and bear interest at a fixed rate of 6.94% per annum. Principal payments on the $100.0 million notes totaling $20.0 million annually are due starting September 25, 2006 and bear interest at a fixed rate of 6.66% per annum. Interest on both notes is payable semi-annually.

In 2003, we entered into interest rate swap agreements relating to our $230.0 million Senior Notes to exchange our fixed interest rates for variable interest rates. The weighted-average variable interest rate was 6.29% as of December 31, 2005. This weighted-average variable rate is comprised of LIBOR plus a spread and resets on the interest due dates of the Senior Notes. The interest rate swap agreements are marked-to-market at each balance sheet date, with an offsetting adjustment to the Senior Notes.

The agreement governing our Senior Notes provides, among other things, that we will maintain on a consolidated basis, certain leverage and priority debt ratios and a minimum net worth. The agreement also contains restrictions relating to transactions with affiliates, annual dividends, mergers and acquisitions and liens. The agreements limit the distribution of dividends without the prior written consent of the lenders (limited to $25.0 million, plus 80% of cumulative net income, plus net proceeds from the issuance of additional capital stock.) As of December 31, 2005, the amount of retained earnings free of restrictions was $412.3 million.

In 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

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

Note 7 — Debt — (Continued)

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 also will pay contingent interest during any six-month interest period beginning August 15, 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.

As of December 31, 2005, the aggregate amounts of long-term debt maturing in each of the next five years are as follows: 2006 — $33.0 million; 2007 — $25.9 million; 2008 — $22.8 million; 2009 - - $151.8 million; 2010 — $21.6 million.

Note 8 — Income Taxes

Income taxes are based on income from continuing operations before taxes, minority interest, and equity in earnings of affiliates and were as follows:

	Years ended		
	December 31, 2005	December 25, 2004	December 27, 2003
Domestic	$ 223,654	$ 172,425	$ 211,830
Foreign	40,900	26,204	11,493
Total	$ 264,554	$ 198,629	$ 223,323

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

Note 8 — Income Taxes — (Continued)

The provisions for income taxes from continuing operations were as follows:

	Years ended		
	December 31, 2005	December 25, 2004	December 27, 2003
Current tax expense:			
U.S. Federal	$ 68,462	$ 45,808	$ 60,600
State and local	13,332	10,103	10,458
Foreign	7,741	4,301	6,791
Total current	89,535	60,212	77,849
Deferred tax expense (benefit):			
U.S. Federal	929	8,008	7,088
State and local	159	1,978	1,141
Foreign	6,379	3,308	(2,705)
Total deferred	7,467	13,294	5,524
Total provision	$ 97,002	$ 73,506	$ 83,373

The tax effects of temporary differences that give rise to our deferred tax asset (liability) were as follows:

	December 31, 2005	December 25, 2004
Current deferred tax assets:		
Inventory, premium coupon redemptions and accounts receivable valuation allowances	$ 15,899	$ 14,746
Uniform capitalization adjustments to inventories	5,738	4,362
Other accrued liabilities	14,181	10,563
Total current deferred tax asset	35,818	29,671
Valuation allowances for current deferred tax assets	(1,577)	(1,856)
Net current deferred tax asset	34,241	27,815
Non-current deferred tax asset (liability):		
Property and equipment	(20,539)	(19,289)
Provision for other long term liabilities	(64,613)	(58,480)
Net operating loss carryforward	6,260	4,168
Net operating losses of foreign subsidiaries	80,167	87,866
Total non-current deferred tax asset	1,275	14,265
Valuation allowance for non-current deferred tax assets (1)	(67,047)	(70,500)
Net non-current deferred tax liability (2)	(65,772)	(56,235)
Net deferred tax liability	$ (31,531)	$ (28,420)

(1) Primarily relates to operating losses of acquired foreign subsidiaries the benefits of which are uncertain. Any future reductions of such valuation allowances will be reflected as reductions of goodwill.

(2) Certain deferred tax amounts do not have a right of offset and are therefore reflected on a gross basis in non-current assets and other non-current liabilities on the balance sheet.

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

Note 8 — Income Taxes — (Continued)

The deferred tax asset is realizable as we have sufficient taxable income in prior years and anticipate sufficient taxable income in future years to realize the tax benefit for deductible temporary differences.

As of December 31, 2005, we have domestic unconsolidated net operating loss carryforwards of $15.4 million, which are available to offset future federal taxable income through 2025. Foreign net operating losses totaled $209.0 million as of December 31, 2005. Of such losses, $4.9 million can be utilized against future foreign income through 2012 and $204.1 million has an indefinite life.

The tax provisions from continuing operations differ from the amount computed using the federal statutory income tax rate as follows:

	Years ended		
	December 31, 2005	December 25, 2004	December 27, 2003
Income tax provision at federal statutory rate	$ 92,594	$ 69,520	$ 78,163
State income tax provision, net of federal income tax effect	8,769	7,858	7,536
Foreign income tax benefit and other	(4,361)	(3,872)	(2,326)
Total income tax provision	$ 97,002	$ 73,506	$ 83,373

Provision has not been made for U.S. or additional foreign taxes on undistributed earnings of foreign subsidiaries, which have been, and will continue to be reinvested. These earnings could become subject to additional tax if they were remitted as dividends, if foreign earnings were loaned to us or a U.S. affiliate, or if we should sell our stock in the foreign subsidiaries. It is not practicable to determine the amount of additional tax, if any, that might be payable on the foreign earnings; however, we believe that foreign tax credits may substantially offset any U.S. tax liabilities. As of December 31, 2005, the cumulative amount of reinvested earnings was approximately $15.9 million.

Note 9 — Financial Instruments and Concentrations of Credit Risk

Fair Values of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash equivalents and trade receivables — Due to the short-term maturity of such instruments, the carrying amounts are a reasonable estimate of fair value.

Available-for-sale securities — The fair value of available-for-sale securities is estimated based on quoted market prices for such securities.

Long-term investments and notes receivable — There are no quoted market prices available for investments in unconsolidated affiliates and long-term notes receivable; however, we believe the carrying amounts are a reasonable estimate of fair value.

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

Note 9 — Financial Instruments and Concentrations of Credit Risk — (Continued)

Long-term debt — The fair value of our long-term debt is estimated based on quoted market prices for our traded debt and on market prices of similar issues for our private debt. The fair value of our long-term debt as of December 31, 2005 and December 25, 2004 was estimated at $518.9 million and $540.2 million.

Derivative instruments — The fair values of foreign currency forward contracts and interest rate swap agreements are estimated by obtaining quotes from brokers. Such instruments are carried at fair value on the balance sheet. The fair value (liability) of our foreign currency forward contracts as of December 31, 2005 and December 25, 2004 was estimated at $4.0 million and $(1.2) million which approximated contract value. The fair value of our interest rate swap agreements was estimated at $(7.4) million and $(1.4) million, representing the estimated amounts we would have paid to terminate the agreements as of December 31, 2005 and December 25, 2004. These amounts take into account current interest rates, market expectations for future interest rates and our current creditworthiness.

Concentrations of Credit Risk

Certain financial instruments potentially subject us to concentrations of credit risk. These financial instruments consist primarily of cash equivalents, available-for-sale securities, trade receivables, long-term investments, notes receivable and derivative instruments. In all cases, our maximum exposure to loss from credit risk equals the gross fair value of the financial instruments. We continuously assess the need for reserves for such losses, which have historically been within our expectations. We do not require collateral or other security to support financial instruments subject to credit risk, except for long-term notes receivable.

With respect to our cash equivalents, available-for-sale securities, short-term and long-term investments and derivative instruments, our credit risk is limited due to our counter-parties being high-credit quality financial institutions. As a risk management policy, we limit the amount of credit exposure by utilizing numerous different counter-parties.

With respect to our trade receivables, our credit risk is somewhat limited due to a relatively large customer base and its dispersion across different types of healthcare professionals and geographic areas. No single customer accounted for more than 1.1% of our net sales in 2005.

Our long-term notes receivable represent strategic financing arrangements with certain industry affiliates and amounts owed to us from sales of certain businesses. Generally, these notes are secured by certain assets of the counter-party; however, in most cases our security is subordinate to other commercial financial institutions. While we have exposure to credit loss in the event of non-performance by these counter-parties, we conduct ongoing assessments of their financial and operational performance.

Note 10 — Segment and Geographic Data

We conduct our business through two reportable segments: healthcare distribution and technology. These segments offer different products and services to the same customer base. The healthcare distribution reportable segment aggregates our dental, medical (including veterinary) and international operating segments. Products distributed consist of consumable products, small equipment, laboratory

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

Note 10 — Segment and Geographic Data — (Continued)

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, as well as surgical centers and 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 European healthcare supplier serving office-based 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.

The following tables present information about our business segments:

	Years ended		
	December 31, 2005	December 25, 2004 (1)	December 27, 2003 (1)
Net Sales:			
Healthcare distribution (2):			
Dental (3)	$ 1,896,643	$ 1,602,457	$ 1,364,812
Medical (4)	1,394,121	1,284,279	1,178,310
International (5)	1,256,910	928,207	576,628
Total healthcare distribution	4,547,674	3,814,943	3,119,750
Technology (6)	88,255	83,542	74,281
Total	$ 4,635,929	$ 3,898,485	$ 3,194,031

(1) Adjusted to reflect the effects of discontinued operations.

(2) 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.

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

(4) Consists of products and equipment sold in the United States' medical and veterinary markets.

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

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

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

Note 10 — Segment and Geographic Data — (Continued)

	Years ended		
	December 31, 2005	December 25, 2004 (1)	December 27, 2003 (1)
Operating Income:			
Healthcare distribution	$ 247,603	$ 179,252	$ 203,606
Technology	33,485	30,498	28,690
Total	$ 281,088	$ 209,750	$ 232,296
Income from continuing operations before taxes, minority interest and equity in earnings of affiliates:			
Healthcare distribution	$ 222,423	$ 161,232	$ 189,440
Technology	42,131	37,397	33,883
Total	$ 264,554	$ 198,629	$ 223,323
Interest Income (including intercompany):			
Healthcare distribution	$ 7,313	$ 6,102	$ 6,326
Technology	8,649	6,903	5,231
Total	$ 15,962	$ 13,005	$ 11,557
Interest Expense (including intercompany):			
Healthcare distribution	$ 25,506	$ 17,596	$ 17,004
Technology	8,649	6,895	5,147
Total	$ 34,155	$ 24,491	$ 22,151
Depreciation and Amortization:			
Healthcare distribution	$ 57,164	$ 48,824	$ 34,067
Technology	3,181	2,502	2,776
Total	$ 60,345	$ 51,326	$ 36,843
Income Tax Expense:			
Healthcare distribution	$ 80,721	$ 59,186	$ 70,279
Technology	16,281	14,320	13,094
Total	$ 97,002	$ 73,506	$ 83,373

	December 31, 2005	December 25, 2004	December 27, 2003
Capital Expenditures:			
Healthcare distribution	$ 50,394	$ 35,293	$ 37,485
Technology	435	2,544	1,493
Total	$ 50,829	$ 37,837	$ 38,978
Total Assets (including intercompany):			
Healthcare distribution	$ 2,485,290	$ 2,409,302	$ 1,798,857
Technology	271,738	169,932	134,615
Total	$ 2,757,028	$ 2,579,234	$ 1,933,472

(1) Adjusted to reflect the effects of discontinued operations.

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

Note 10 — Segment and Geographic Data — (Continued)

The following tables reconcile segment totals to consolidated totals as of and for the three years ended December 31, 2005:

	Years Ended		
	December 31, 2005	December 25, 2004 (1)	December 27, 2003 (1)
Interest Income:			
Total interest income for reportable segments	$ 15,964	$ 13,005	$ 11,557
Interest on receivables due from healthcare distribution segment	(8,649)	(6,895)	(5,147)
Consolidated interest income	$ 7,315	$ 6,110	$ 6,410
Interest Expense:			
Total interest expense for reportable segments	$ 34,157	$ 24,491	$ 22,151
Interest on payables due to technology segment	(8,649)	(6,895)	(5,147)
Consolidated interest expense	$ 25,508	$ 17,596	$ 17,004

	December 31, 2005	December 25, 2004	December 27, 2003
Total Assets:			
Total assets for reportable segments	$ 2,757,028	$ 2,579,234	$ 1,933,472
Receivables due from healthcare distribution segment	(173,908)	(145,564)	(113,629)
Receivables due from technology segment	—	—	(473)
Consolidated assets	$ 2,583,120	$ 2,433,670	$ 1,819,370

(1) Adjusted to reflect the effects of discontinued operations.

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

Note 10 — Segment and Geographic Data — (Continued)

The following table sets forth our net sales by principal categories of products offered through our healthcare distribution and technology reportable segments:

	2005	2004 (1)	2003 (1)
Healthcare Distribution			
Dental:			
Consumable dental products and small equipment (2)	$ 1,979,369	$ 1,621,770	$ 1,314,194
Large dental equipment (3)	788,108	560,317	365,565
Dental laboratory products (4)	194,709	158,350	87,199
Total dental	2,962,186	2,340,437	1,766,958
Medical:			
Medical products (5)	1,418,595	1,308,035	1,215,286
Veterinary products (6)	166,893	166,471	137,506
Total medical	1,585,488	1,474,506	1,352,792
Total Healthcare distribution	4,547,674	3,814,943	3,119,750
Technology			
Software and related products and other value-added products (7)	88,255	83,542	74,281
Total	$ 4,635,929	$ 3,898,485	$ 3,194,031

(1) Adjusted to reflect the effects of discontinued operations.

(2) Includes x-ray products, infection-control products, handpieces, preventatives, impression materials, composites and anesthetics.

(3) Includes dental chairs, delivery units and lights, x-ray, equipment repair and high-tech equipment.

(4) Includes teeth, dental implants, composites, gypsum, acrylics, articulators and abrasives.

(5) Includes branded and generic pharmaceuticals, vaccines, surgical products, diagnostic tests, infection-control products, x-ray products, equipment and vitamins.

(6) Includes branded and generic pharmaceuticals, surgical products and dental products.

(7) Includes software and related products and other value-added products, including financial products and continuing education.

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

Note 10 — Segment and Geographic Data — (Continued)

The following table presents information about us by geographic area as of, and for the three years ended, December 31, 2005. Net sales by geographic area are based on the respective locations of our subsidiaries. No other country, except for the United States and Germany, generated net sales greater than 10% of consolidated net sales. There were no material amounts of sales or transfers among geographic areas and there were no material amounts of export sales.

	2005		2004		2003	
	Net Sales	Long-Lived Assets	Net Sales (1)	Long-Lived Assets	Net Sales (1)	Long-Lived Assets
United States	$ 3,189,428	$ 441,301	$ 2,889,087	$ 421,197	$ 2,548,421	$ 407,112
Germany	592,716	249,770	440,186	280,631	229,155	118,973
Other	853,785	249,749	569,212	230,776	416,455	64,558
Consolidated total	$ 4,635,929	$ 940,820	$ 3,898,485	$ 932,604	$ 3,194,031	$ 590,643

(1) Reclassified to conform to current year presentation, including adjustments reflecting the effects of discontinued operations.

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

Note 11 — Stockholders' Equity

On January 31, 2005, we announced that our Board of Directors approved a two-for-one stock split effected in the form of a dividend. This stock split became effective on February 28, 2005 and has been retroactively reflected for all periods presented in the accompanying financial statements and footnotes.

Effective May 25, 2005, we increased our authorized common shares from 120,000,000 to 240,000,000 in connection with the above stock split.

Common Stock Purchase Rights

On November 30, 1998, our Board of Directors adopted a Stockholder Rights Plan (the "Rights Plan"), and declared a dividend under the Rights Plan of one common stock purchase right (a "Right") on each outstanding share of our common stock. Until the occurrence of certain events, each share of common stock that is issued will also have attached to it a Right. The Rights provide, in substance, that should any person or group acquire 15% or more of our outstanding common stock after the date of adoption of the Rights Plan, each Right, other than Rights held by the acquiring person or group, would entitle its holder to purchase a certain number of shares of common stock for 50% of the then-current market value of the common stock. Unless a 15% acquisition has occurred, we may redeem the Rights at any time prior to the termination date of the Rights Plan. This Right to purchase the common stock at a discount will not be triggered by a person's or group's acquisition of 15% or more of the common stock pursuant to a tender or exchange offer which is for all outstanding shares at a price and on terms that the Board of Directors determines (prior to acquisition) to be adequate and in the stockholders' best interests. In addition, the Right will not be triggered by the positions of existing shareholders.

Certain business combinations involving an acquiring person or its affiliates will trigger an additional feature of the Rights. Each Right, other than Rights held by the acquiring person or group, will entitle its holder to purchase a certain number of shares of common stock of the acquiring person at a price equal to 50% of the market value of such shares at the time of exercise. Initially, the Rights will be attached to, and trade with, the certificates representing our outstanding shares of common stock and no separate certificates representing the Rights will be distributed. The Rights will become exercisable only if a person or group acquires, or commences a tender or exchange offer for, 15% or more of our common stock.

The Board of Directors may, at its option, redeem all, but not less than all of the then outstanding Rights at a redemption price of $0.01 per Right at any time prior to the earlier of (a) any person or group acquiring 15% or more of our common stock or (b) the final expiration date of November 30, 2008.

Note 12 — Employee Benefit Plans

Stock Options

We established the 1994 Stock Incentive Plan (the "Plan") for the benefit of certain employees. As amended and restated effective as of April 1, 2004, pursuant to this plan we may issue up to approximately 20,159,270 shares of our common stock. The Plan provides for two classes of options: Class A options and Class B options. A total of 475,794 Class A options were issued to certain executive management in 1995, all of which were exercised as of December 31, 2005. Both incentive and non-qualified stock options may be issued under the Plan.

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

Note 12 — Employee Benefit Plans — (Continued)

The exercise price of all Class B options issued has been equal to the market price on the date of grant, and accordingly, no compensation cost has been recognized. Substantially all Class B options issued prior to 2004 vest evenly over three years from the date of grant; however shares exercised in the second and third year after the date of grant may not be sold until the third anniversary of the date of grant. Substantially all Class B options issued in 2004 and 2005 vest evenly over four years; however shares exercised in the second and third years may not be sold until the third anniversary of the date of grant. Class B options expire on the tenth anniversary of the date of issuance, subject to acceleration upon termination of employment.

A summary of the status of our stock option plans, including the Assumed Plans, is presented below:

	Years ended					
	December 31, 2005		December 25, 2004		December 27, 2003	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	9,055,486	$ 22.13	8,467,412	$ 17.08	8,562,850	$ 14.60
Granted	1,716,745	39.58	2,319,100	35.14	2,192,100	20.15
Exercised	(1,723,095)	17.11	(1,520,728)	14.09	(2,156,150)	10.37
Forfeited	(166,579)	27.79	(210,298)	19.97	(131,388)	16.74
Outstanding at end of year	8,882,557	26.37	9,055,486	22.13	8,467,412	17.08
Options exercisable at end of year	6,180,073	21.82	6,406,137	18.98	5,990,766	15.78

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

Note 12 — Employee Benefit Plans — (Continued)

The following table summarizes information about stock options outstanding at December 31, 2005:

Range of Exercise Prices			Options Outstanding			Options Exercisable	
			Number Outstanding	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 5.91	to	$ 9.88	443,316	2.9	$ 7.13	443,316	$ 7.13
10.08	to	15.03	746,621	4.2	13.34	746,621	13.34
16.10	to	22.80	3,546,782	6.0	19.61	3,448,389	19.62
22.98	to	43.19	4,145,838	8.6	36.55	1,541,747	35.07
			8,882,557	6.9	26.37	6,180,073	21.82

401(k) Plans

We offer qualified, 401(k) plans to substantially all our domestic full-time employees. As determined by our Board of Directors, matching contributions to these plans are equal to 100% of the participants' contributions up to 7% of their base compensation. Matching contributions include both cash and our common stock. Forfeitures attributable to participants whose employment terminates prior to becoming fully vested are used to reduce our matching contributions.

Assets of the 401(k) and other defined contribution plans are held in self-directed accounts enabling participants to choose from various investment fund options. Matching contributions to these plans charged to operations during 2005, 2004 and 2003 amounted to $12.4 million, $10.3 million and $7.4 million.

Supplemental Executive Retirement Plan

We offer an unfunded, non-qualified supplemental executive retirement plan to eligible employees. This plan generally covers officers and certain highly-compensated employees after they have reached the maximum IRS allowed pre-tax 401(k) contribution limit. Our contributions to this plan are equal to the 401(k) employee-elected contribution percentage applied to base compensation for the portion of the year in which such employees are not eligible to make pre-tax contributions to the 401(k) plan. The amounts charged to operations during 2005, 2004 and 2003 amounted to $1.4 million, $566 and $839.

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

Note 13 — Commitments and Contingencies

Operating Leases

We lease facilities and equipment under non-cancelable operating leases expiring through 2020. We expect that in the normal course of business, leases will be renewed or replaced by other leases.

Future minimum annual rental payments under our non-cancelable operating leases as of December 31, 2005 were:

2006	43,192
2007	36,594
2008	28,213
2009	20,952
2010	15,992
Thereafter	61,473
Total minimum operating lease payments	$ 206,416

Total rental expense from continuing operations for 2005, 2004 and 2003 was $41.2 million, $33.8 million, and $26.2 million.

Capital Leases

We lease certain equipment under capital leases. Future minimum annual lease payments under our capital leases together with the present value of the minimum capital lease payments as of December 31, 2005 were:

2006	$ 6,627
2007	2,292
2008	1,274
2009	1,222
2010	957
Thereafter	5,601
Total minimum capital lease payments	17,973
Less: Amount representing interest at 3.2% to 10.0%	(845)
Total present value of minimum capital lease payments	$ 17,128

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

Note 13 — Commitments and Contingencies — (Continued)

Capital Expenditures

We are committed to certain capital expenditures related to a new distribution center in France:

2006	$ 12,000
2007	284
Total capital expenditures obligations	$ 12,284

Purchase Commitments

In our healthcare distribution business, we sometimes enter into long-term purchase commitments to ensure the availability of products for distribution. Future minimum annual payments for inventory purchase commitments as of December 31, 2005 were:

2006	$ 305,801
2007	237,953
2008	224,622
2009	190,911
2010	196,777
Thereafter	900,888
Total minimum inventory purchase commitment payments	$2,056,952

We have obligations to purchase influenza vaccine from GlaxoSmithKline Biologicals (formerly ID Biomedical Corporation) through 2014 which require us to pay an amount per dose based on the prevailing market price in each respective year. Although there are uncertainties surrounding their pending FDA approval to distribute influenza vaccine in the United States for the 2006/2007 influenza season, we have included this purchase obligation in the above table based on current market prices.

Litigation

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

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

Note 13 — Commitments and Contingencies — (Continued)

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 December 31, 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 December 31, 2005, we were a defendant in approximately 42 product liability cases. We have obtained defense and indemnification commitments from the manufacturer in many of these cases. The manufacturer has withheld indemnification in some of these cases pending product identification.

Employment, Consulting and Non-Compete Agreements

We have employment, consulting and non-compete agreements expiring through 2010, except for a lifetime consulting agreement with a former principal stockholder, which provides for current compensation of $308 per year, increasing $25 every fifth year with the next increase in 2007. The agreements provide for varying base aggregate annual payments of approximately $4.9 million, which decrease periodically to approximately $386. In addition, some agreements have provisions for incentive and additional compensation.

Note 14 — Supplemental Cash Flow Information

Cash paid for interest and income taxes was:

	Years ended		
	December 31, 2005	December 25, 2004	December 27, 2003
Interest	$ 23,126	$ 18,344	$ 16,595
Income taxes	56,346	57,259	58,405

There was no debt assumed as a part of our $68.2 million in 2005 acquisitions. During the year ended December 31, 2005, we had $1.9 million of non-cash net unrealized gains related to foreign currency hedging activities. Additionally, in connection with our acquisition of Austrodent, as previously discussed, we reclassified $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.

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

Note 14 — Supplemental Cash Flow Information — (Continued)

During the year ended December 25, 2004, we had $2.6 million of non-cash net unrealized losses related to foreign currency hedging activities. In connection with a 2004 acquisition, we assumed $35.7 million of debt, which remained outstanding as of December 25, 2004.

During the year ended December 27, 2003, we had $1.0 million of non-cash net unrealized losses related to foreign currency hedging activities. Also in 2003, as part of $155.0 million in acquisitions, we assumed $36.8 million in liabilities, resulting in net cash payments of $118.2 million.

Note 15 — Quarterly Information (Unaudited)

The following presents certain quarterly financial data:

	Quarters ended			
	March 26, 2005 (1)	June 25, 2005 (1)	September 24, 2005 (2)	December 31, 2005
Net sales	$1,062,997	$1,104,428	$1,125,363	$1,343,141
Gross profit	301,394	321,336	316,731	377,475
Operating income	56,945	71,770	63,138	89,235
Income from continuing operations	32,818	40,736	36,380	52,454
Net income	33,225	39,974	26,427	51,700
Earnings from continuing operations per share:				
Basic	$ 0.38	$ 0.47	$ 0.42	$ 0.60
Diluted	0.37	0.46	0.41	0.59

	Quarters ended			
	March 27, 2004 (1)	June 26, 2004 (1)	September 25, 2004 (1)	December 25, 2004 (1) (3)
Net sales	$844,483	$904,780	$ 993,100	$1,156,122
Gross profit	225,479	245,416	269,240	314,330
Operating income	45,167	61,603	52,735	50,245
Income from continuing operations	27,531	37,344	31,062	29,399
Net income	28,393	38,736	31,504	29,550
Earnings from continuing operations per share:				
Basic	$ 0.31	$ 0.43	$ 0.36	$ 0.34
Diluted	0.31	0.41	0.35	0.33

(1) Adjusted to reflect the effects of discontinued operations.

(2) In the third quarter of 2005, we reached a decision to divest our Hospital Supply business, which is a component of our healthcare distribution business. This decision resulted in the recording of an impairment charge of our long-lived assets of approximately $7.0 million, net of tax, or $(0.08) per diluted share for fiscal 2005.

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

Note 15 — Quarterly Information (Unaudited)

(3) During the fourth quarter of 2004, we recorded a $13.2 million pre-tax ($8.4 million post-tax) charge, included in selling, general and administrative expenses, related to our Fluvirin® contract with Chiron Corporation. This charge, which represented the write-off of a deferred expense associated with the 2005/2006 influenza season, occurred as a result of the significant uncertainty about whether Chiron would be able to provide Fluvirin® for the 2005/2006 influenza season. The effect that this charge had on earnings per share for the year ended December 25, 2004 was $(0.10).

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 has been 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 software, equipment and 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;
- our success in selling our Hospital Supply Business;
- changes in accounting principles; and
- product recalls by manufacturers.

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 or exceed market expectations, our stock price may decline.

ITEM 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure

None.

ITEM 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of management, including our principal executive officer and principal financial officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this annual report, as such term is defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based on this evaluation, our management, including our principal executive officer and principal financial officer, concluded that our disclosure controls and procedures were effective as of the end of the period covered by this annual report to ensure that all material information required to be disclosed by us in reports that we file or submit under the Exchange Act is accumulated and communicated to them as appropriate to allow timely decisions regarding required disclosure and that all such information is recorded, processed, summarized and reported as specified in the SEC'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 our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Our internal control system is designed to provide reasonable assurance to our management and Board of Directors regarding the preparation and fair presentation of published financial statements. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control-Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO Framework"). Based on our evaluation under the COSO Framework, our management concluded that our internal control over financial reporting was effective at a reasonable assurance level as of December 31, 2005.

Our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2005 has been audited by BDO Seidman, LLP, an independent registered public accounting firm, as stated in their attestation report, which is included herein.

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.

Report of Independent Registered Public Accounting Firm

Board of Directors
Henry Schein, Inc.
Melville, New York

We have audited management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting, that Henry Schein, Inc. maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Henry Schein Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Henry Schein, Inc. maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also in our opinion, Henry Schein, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Henry Schein, Inc. as of December 31, 2005 and December 25, 2004 and the related consolidated statements of income, changes in stockholders' equity,

and cash flows for each of the three years in the period ended December 31, 2005 and our report dated February 21, 2006, except for Note 6 which is as of March 6, 2006, expressed an unqualified opinion.

/s/ BDO Seidman, LLP

New York, New York
February 21, 2006

ITEM 9B. Other Information.

None.

PART III

ITEM 10. Directors and Executive Officers of the Registrant

Information required by this item regarding our directors and executive officers is hereby incorporated by reference to the Section "Election of Directors" in our definitive 2006 Proxy Statement to be filed pursuant to Regulation 14A, with respect to directors, and to the Section "Executive Officers of the Registrant" in Part I of this report, with respect to executive officers.

Information required by this item concerning compliance with Section 16(a) of the Securities Exchange Act of 1934 is hereby incorporated by reference to the Section "Section 16(a) Beneficial Ownership Reporting Compliance" in our definitive 2006 Proxy Statement.

We have adopted a Code of Business Conduct and Ethics that applies to our Chief Executive Officer, Chief Financial Officer and Controller. Our Code of Business Conduct and Ethics is posted on our website, www.henryschein.com, under the "Corporate Information—Corporate Governance" caption. We intend to disclose on our website any amendment to, or waiver of, a provision of the Code of Business Conduct and Ethics that applies to our Chief Executive Officer, Chief Financial Officer or Controller.

ITEM 11. Executive Compensation

The information required by this item is hereby incorporated by reference to the Section entitled "Compensation of Executive Officers" in our definitive 2006 Proxy Statement to be filed pursuant to Regulation 14A.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management

We maintain several stock incentive plans for the benefit of certain officers, directors and employees. Certain plans are subject to stockholder approval, while other plans have been authorized solely by the Board of Directors. Descriptions of these plans appear in the notes to our consolidated financial statements. The following table summarizes information relating to these plans as of December 31, 2005:

	Number of Common Shares to be Issued Upon Exercise of Outstanding Options and Rights	Weighted-Average Exercise Price of Outstanding Options	Number of Common Shares Available for Future Issuances
Plans Approved by Stockholders	8,832,557	$ 26.40	3,685,171
Plans Not Approved by Stockholders	50,000	20.41	—
Total	8,882,557	$ 26.37	3,685,171

The information required by this item is hereby incorporated by reference to the section entitled “Security Ownership of Certain Beneficial Owners and Management” in our definitive 2006 Proxy Statement to be filed pursuant to Regulation 14A.

ITEM 13. Certain Relationships and Related Transactions

The information required by this item is hereby incorporated by reference to the Section entitled “Certain Relationships and Related Transactions” in our definitive 2006 Proxy Statement to be filed pursuant to Regulation 14A.

ITEM 14. Principal Accountant Fees and Services

The information required by this item is hereby incorporated by reference to the Sections entitled “Audit Fees,” “Audit-Related Fees,” “Tax Fees,” and “All Other Fees” in our definitive 2006 Proxy Statement to be filed pursuant to Regulation 14A.

PART IV

ITEM 15. Exhibits and Financial Statement Schedules

1. Financial Statements:
   Our Consolidated Financial Statements filed as a part of this report are listed on the index on page 45.
2. Financial Statement Schedules:
   Schedule II
   No other schedules are required.
3. Exhibits:
   The exhibits required by Item 601 of Regulation S-K and filed herewith are listed in the Exhibit List immediately preceding the exhibits.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Melville, State of New York, on March 10, 2006.

Henry Schein, Inc.

By: /s/ STANLEY M. BERGMAN
Stanley M. Bergman
Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Capacity	Date
/s/ STANLEY M. BERGMAN Stanley M. Bergman	Chairman, Chief Executive Officer and Director (principal executive officer)	March 10, 2006
/s/ STEVEN PALADINO Steven Paladino	Executive Vice President, Chief Financial Office and Director (principal financial and accounting officer)	March 10, 2006
/s/ JAMES P. BRESLAWSKI James P. Breslawski	President, Chief Operating Officer and Director	March 10, 2006
/s/ GERALD A. BENJAMIN Gerald A. Bejamin	Director	March 10, 2006
/s/ MARK E. MLOTEK Mark E. Mlotek	Director	March 10, 2006
/s/ BARRY J. ALPERIN Barry J. Alperin	Director	March 10, 2006
/s/ PAUL BRONS Paul Brons	Director	March 10, 2006
/s/ MARGARET A. HAMBURG, MD Margaret A. Hamburg, MD	Director	March 10, 2006
/s/ DONALD J. KABAT Donald J. Kabat	Director	March 10, 2006
/s/ PHILIP A. LASKAWY Philip A. Laskawy	Director	March 10, 2006
/s/ NORMAN S. MATTHEWS Norman S. Matthews	Director	March 10, 2006
/s/ MARVIN H. SCHEIN Marvin H. Schein	Director	March 10, 2006
/s/ LOUIS W. SULLIVAN, MD Louis W. Sullivan, MD	Director	March 10, 2006

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Henry Schein, Inc.
Melville, New York

The audits referred to in our report dated February 21, 2006, except for Note 6, which is as of March 6, 2006, relating to the consolidated financial statements of Henry Schein, Inc., which is contained in Item 8 of the Form 10-K included the audit of the financial statement schedule listed in the accompanying index. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement schedule based upon our audits.

In our opinion the financial statement schedule presents fairly, in all material respects, the information set forth therein.

/s/ BDO SEIDMAN, LLP

New York, New York
February 21, 2006

Schedule II
Valuation and Qualifying Accounts

Description	Balance at beginning of period	Additions		Deductions	Balance at end of period
		Charged to statement of income	Charged to other accounts (1)		
Year ended December 31, 2005:					
Allowance for doubtful accounts, sales returns and other	$ 44,852	6,524	1,683	(751)	$ 52,308
Year ended December 25, 2004:					
Allowance for doubtful accounts, sales returns and other	$ 43,203	3,820	4,383	(6,554)	$ 44,852
Year ended December 27, 2003:					
Allowance for doubtful accounts, sales returns and other	$ 36,200	6,469	1,209	(675)	$ 43,203

(1) Relates to allowances arising from business acquisitions.

Unless otherwise indicated, exhibits are incorporated by reference to the exhibits in our Registration Statement on Form S-1 (Reg. No. 33-96528).

3.1 Amended and Restated Certificate of Incorporation.

3.2 Amendment dated November 13, 1997 to Amended and Restated Certificate of Incorporation (Incorporated by reference to Exhibit 3.3 to our Annual Report on Form 10-K for the fiscal year ended December 27, 1997).

3.3 Amendment dated June 19, 1998 to Amended and Restated Certificate of Incorporation (Incorporated by reference to Exhibit 3.3 to our Registration Statement on Form S-3, Reg. No. 333-59793).

3.4 Amendment dated May 25, 2005 to Amended and Restated Certificate of Incorporation (Incorporated by reference to Exhibit 3.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended June 25, 2005).

3.5 Amended and Restated By-laws dated as of May 22, 1997.

3.6 Amendments to Amended and Restated By-Laws adopted July 15, 1997 (Incorporated by reference to Exhibit 3.3 to our Registration Statement on Form S-4, Reg. No. 33-36081).

4.1 Rights Agreement dated as of November 30, 1998, between us and Continental Stock Transfer and Trust Co. (Incorporated by reference to Exhibit 4.1 to our Registration Statement on Form 8-A, filed December 21, 1998).

4.2 Indenture by and between us and The Bank of New York, as trustee, dated as of August 9, 2004, including form of Note (Incorporated by reference to Exhibit 4.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended September 25, 2004).

4.3 Registration Rights Agreement dated as of August 9, 2004 among us, Lehman Brothers, Inc. and J.P. Morgan Securities Inc. as Initial Purchasers (Incorporated by reference to Exhibit 4.3 to our Quarterly Report of Form 10-Q for the fiscal quarter ended September 25, 2004).

10.1 Henry Schein, Inc. 1994 Stock Incentive Plan, as amended and restated effective as of April 1, 2004 (Incorporated by reference from our definitive 2004 Proxy Statement on Schedule 14A filed on April 27, 2004).**

10.2 Henry Schein, Inc. Supplemental Executive Retirement Plan, amended and restated effective March 1, 2005. + **

10.3 Henry Schein, Inc. 1996 Non-Employee Director Stock Incentive Plan, as amended effective as of May 25, 2004 (Incorporated by reference from our definitive 2004 Proxy Statement on Schedule 14A filed on April 27, 2004).**

10.4 2001 Henry Schein, Inc. Section 162(m) Cash Bonus Plan effective as of June 6, 2001. (Incorporated by reference from our definitive 2001 Proxy Statement on Schedule 14A, filed on April 30, 2001).**

10.5 Amendment No. 1 to 2001 Henry Schein, Inc. Section 162(m) Cash Bonus Plan effective as of May 24, 2005. (Incorporated by reference from our definitive 2005 Proxy Statement on Schedule 14A, filed on April 22, 2005).**

10.6	Henry Schein, Inc. 2001 Non-Employee Director Stock Option Plan (Incorporated by reference to Exhibit 10.14 to our Annual Report on Form 10-K for the fiscal year ended December 28, 2002).**
10.7	Henry Schein, Inc. 2004 Employee Stock Purchase Plan, effective as of May 25, 2004 (Incorporated by reference from our definitive 2004 Proxy Statement on Schedule 14A, filed on April 27, 2004).**
10.8	Henry Schein Management Team 2004 Performance Incentive Plan Summary. +**
10.9	Henry Schein Management Team 2005 Performance Incentive Plan Summary. +**
10.10	Consulting Agreement dated September 30, 1994 between us and Marvin H. Schein.**
10.11	Employment Agreement dated as of January 1, 2003 between us and Stanley M. Bergman (Incorporated by reference to Exhibit 10.25 to our Annual Report on Form 10-K for the fiscal year ended December 28, 2002).**
10.12	Amendment dated December 16, 2005 to Employment Agreement between us and Stanley M. Bergman (Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on December 19, 2005).**
10.13	Letter Agreement dated October 10, 2003 between us and Stanley Komaroff (Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended September 27, 2003).**
10.14	Form of Amended and Restated Change in Control Agreements dated January 1, 2003 between us and Gerald Benjamin, James Breslawski, Leonard David, Larry Gibson, Mark Mlotek, Steven Paladino, Michael Racioppi and Michael Zack, respectively (Incorporated by reference to Exhibit 10.14 to our Annual Report on Form 10-K for the fiscal year ended December 28, 2002).**
10.15	Lease Agreement dated December 23, 1997, between First Industrial Pennsylvania, L.P. and us (Incorporated by reference to Exhibit 10.103 to our Annual Report on Form 10-K for the fiscal year ended December 26, 1998).
10.16	Form of Note Purchase Agreements between us and the Purchasers listed on Schedule A thereto relating to an aggregate of $100,000,000 in principal amount of our 6.66% Senior Notes due July 15, 2010 (Incorporated by reference to Exhibit 10.111 to our Quarterly Report on Form 10-Q for the quarter ended September 26, 1998).
10.17	Form of the Note Purchase Agreements between us and the Purchasers listed on Schedule A thereto relating to an aggregate of $130,000,000 in principal amount of our 6.94% Senior Notes due June 30, 2009 (Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended June 26, 1999).
10.18	Distribution Agreement, dated as of December 2, 2004, by and between us and ID Biomedical Corporation. (Incorporated by reference to Exhibit 10.31 to our Annual Report on form 10-K for the year ended December 25, 2004).

10.19	Credit Agreement among us, the several lenders parties thereto, JPMorgan Chase Bank, N.A., as administrative agent, Citibank, N.A., as syndication agent, HSBC Bank USA, N.A., Lehman Commercial Paper, Inc., Mellon Bank, N.A. and Wells Fargo Bank, National Association as co- agents, dated as of May 24, 2005 (Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended June 25, 2005).
21.1	List of our Subsidiaries. +
23.1	Consent of BDO Seidman, LLP. +
31.1	Certification of our Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. +
31.2	Certification of our Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. +
32.1	Certification of our Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. +

+ Filed herewith

** Indicates management contract or compensatory plan or agreement

Exhibit 10.2

HENRY SCHEIN, INC.

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
AMENDED AND RESTATED EFFECTIVE MARCH 1, 2005

This Plan was originally established, effective as of January 1, 1994, and was amended and restated effective as of February 9, 1998, to provide deferred compensation to a select group of management and highly compensated employees of Henry Schein, Inc. and certain Associated Companies (as defined herein). The Plan is now amended and restated effective March 1, 2005 as set forth herein. The benefits are intended to supplement the benefits payable under the Qualified Plan (as defined herein).

1. **Definitions.** For purposes of this Plan, the following definitions apply:

(a) **"Associated Company"** means with respect to the Supplemental Accounts hereunder (other than the ESOP Supplemental Accounts), such corporations and other entities presently or in the future existing, which are (a) members of the controlled group which includes the Company or are under common control with the Company, as such terms are defined in Section 414 of the Code, but only during such period as such corporations or entities are members of the controlled group which includes the Company or are under common control with the Company; and (b) any other entity required to be aggregated with the Company pursuant to Section 414(m) or (o) of the Code, but only during the period the entity is required to be so aggregated. With respect to the ESOP Supplemental Accounts hereunder, Associated Company means any entity described above and any corporation which is a member of the same controlled group of corporations with the Company, as defined in Section 409(l)(4) of the Code.

(b) **"Beneficiary"** means, unless otherwise specified by the Participant in a written election filed with the Committee, the person or persons (if any) designated by the Participant under the Qualified Plan (or otherwise designated under the terms of the Qualified Plan if no such designation is made), to receive his benefits under the Qualified Plan in the event of the Participant's death.

(c) **"Board"** means the Board of Directors of the Company.

(d) **"Change of Control"** means a change of control as provided in Exhibit A hereto.

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

(f) **"Committee"** means the committee, if any, appointed by the Board to administer this Plan on its behalf. If no committee is appointed, the Board shall be deemed to be the Committee.

(g) **"Company"** means Henry Schein, Inc. and any successor by merger, consolidation, purchase or otherwise.

(h) **"Company Stock Fund"** means an investment vehicle under the Qualified Plan which is intended to invest primarily in the common stock of the Company, $.01 par value, subject to

adjustments in such common stock for changes in the Company's capital structure as provided under the Qualified Plan.

(j) **"Earnings"** means, for any Plan Year, the sum of: (i) Profit Sharing Earnings,
(ii) Matching Contribution Earnings, and (iii) ESOP Earnings, provided that any Earnings credited prior to the Restatement Date shall be determined in accordance with the terms of the Plan then in effect.

(k) **"Eligible Employee"** means an Executive specifically designated by the Committee as an Eligible Employee under this Plan.

(l) **"Employee"** means any person employed by an Employer other than an agent or independent contractor.

(m) **"Employer"** means the Company and any Associated Company which is a Member Company under the Qualified Plan and is approved as a participating employer hereunder by the Board.

(n) **"ERISA"** means the Employee Retirement Income Security Act of 1974, as amended.

(o) **"ESOP"** means the Henry Schein, Inc. Employee Stock Ownership Plan, effective as of January 1, 1994, which was merged into the Qualified Plan effective as of April 1, 1998.

(p) **"ESOP Earnings"** means, for any Plan Year, a book-entry amount to be credited as earnings or losses to a Participant's ESOP Supplemental Account equal to the earnings and losses that would be accrued by the Participant's ESOP Supplemental Account if it were invested in the Company Stock Fund under the Qualified Plan.

(q) **"ESOP Supplemental Account"** means the Participant's account with respect to contributions of Company common stock by the Employer that were specifically allocated to the ESOP Supplemental Account prior to April 1, 1998 plus any ESOP Earnings thereon.

(r) **"Excess Compensation"** means the excess, if any, of (1) the Eligible Employee's compensation for the calendar year that would constitute Base Compensation, as defined in the Qualified Plan, but for any statutory limitations on the amount of Base Compensation, over (2) the Recognized Compensation.

(s) **"Executive"** means a Top Hat Employee of an Employer with Excess Compensation or a Top Hat Employee who had Excess Compensation and participated in the Plan prior to the Restatement Date.

(t) **"Forfeiture"** means in the event a Participant incurs a Termination of Employment, any portion of the Participant's Supplemental Account to which the Participant is not then entitled pursuant to Sections 4(a) or (b) hereof shall be forfeited.

(u) **"Key Employee"** means a Participant who is a "key employee" as defined in Section 416(i) of the Code without regard to paragraph (5) thereof.

(v) **"Matching Contribution Earnings"** means, for any Plan Year, a book-entry amount to be credited as earnings or losses to a Participant's Matching Contribution Supplemental Account equal to the earnings or losses that would accrue if:

(i) forty percent (40%) of the Participant's Matching Contribution Supplemental Account were invested in the Company Stock Fund; and

(ii) sixty percent (60%) of the Participant's Matching Contribution Supplemental Account were invested in equal installments in each of the investment funds available under the Qualified Plan other than the Company Stock Fund.

(w) **"Matching Contribution Supplemental Account"** means the Participant's account with respect to matching contributions by the Employer pursuant to the terms hereof that are specifically allocated to the Matching Contribution Supplemental Account plus any Matching Contribution Earnings thereon.

(x) **"Normal Retirement Date"** means the day on which a Participant attains age sixty-five (65) while employed by the Employer.

(y) **"Participant"** means any Eligible Employee who shall have become a Participant in the Plan in accordance with the provisions of Section 2 hereof, and whose participation shall not have ceased. A Participant's participation shall cease upon such Participant's ceasing to be an Eligible Employee. Any individual for whom an ESOP Supplemental Account was established prior to April 1, 1998 shall continue to be a Participant hereunder until such individual incurs a Termination of Employment.

(z) **"Plan"** means the Henry Schein, Inc. Supplemental Executive Retirement Plan, as amended from time to time.

(aa) **"Plan Year"** means the calendar year.

(bb) **"Profit Sharing Earnings"** means, for any Plan Year, a book-entry amount to be credited as earnings or losses to a Participant's Profit Sharing Plan Supplemental Account equal to the earnings or losses that would accrue with respect to a Participant's Profit Sharing Supplemental Account if it were invested in equal amounts in each of the investment funds available under the Qualified Plan, other than the Company Stock Fund.

(cc) **"Profit Sharing Supplemental Account"** means the Participant's account with respect to profit sharing contributions by the Employer pursuant to the terms hereof that are specifically allocated to the Profit Sharing Supplemental Account plus any Profit Sharing Earnings thereon.

(dd) **"Qualified Plan"** means the Henry Schein, Inc. 401(k) Savings Plan, amended and restated effective as of January 1, 1997 and as amended from time to time.

(ee) **"Recognized Compensation"** means the dollar limitation pursuant to Code Section 402(g) for the Plan Year divided by seven percent (7%).

(ff) **"Restatement Date"** means March 1, 2005.

(gg) **"Supplemental Account"** shall mean the sum of the Participant's Matching Contribution Supplemental Account, Profit Sharing Supplemental Account and the ESOP Supplemental Account.

(hh) **"Supplemental Benefit"** means the benefit payable under this Plan, which shall be payable in a single lump sum cash payment.

(ii) **"Termination of Employment"** means termination of employment as an Employee of the Employer and all Associated Companies for any reason whatsoever, including, but not limited to, death, retirement, resignation or firing (with or without cause).

(jj) **"Top Hat Employee"** means an Employee who is a member of a select group of management or highly compensated employees of the Employer who may participate in a plan within the meaning of Section 301(a)(3) of ERISA.

(kk) **"Year of Service"** means a period of twelve (12) consecutive calendar months during which an Employee completes at least one Hour of Service (as defined in the Qualified Plan) in each consecutive calendar month.

To the extent not inconsistent with the foregoing definitions and the terms hereof, any defined terms used in this Plan shall have the same meaning as in the Qualified Plan.

2. **Participation.**

(a) Each present Participant shall continue to be a Participant in the Plan. Any other Eligible Employee that has an Employment Commencement Date on or after the Restatement Date shall become a Participant in the Plan on the first day of the calendar quarter following the Participant's completion of a Year of Service.

(b) Any Participant who is reemployed as an Eligible Employee and whose reparticipation is approved by the Committee shall become a Participant in the Plan as of the date of his or her reemployment.

3. **Contributions and Amount of Supplemental Benefits.**

(a) If an Employer makes an employer profit sharing contribution to the Qualified Plan for the Plan Year on behalf of a Participant, the Employer shall make a book-entry

contribution to the Profit Sharing Supplemental Account, in the manner indicated below, of each Participant employed by that Employer in an amount equal to the same percentage of Excess Compensation as the contribution under the Qualified Plan was with respect to Recognized Compensation; provided that no contribution shall be made to the Profit Sharing Supplemental Account for any Participant for such Plan Year unless either (i) the Participant is employed by the Employer or an Associated Company on the last day of the Plan Year and has completed one thousand (1,000) Hours of Service (as defined in the Qualified Plan) during the Plan Year or (ii) the Participant retired at or after his or her Normal Retirement Date, died or incurred (and satisfied all of the requirements for) a Disability (as defined in the Qualified Plan) during the Plan Year.

(b) If a Participant elects to make the maximum 401(k) savings plan contribution to the Qualified Plan for a Plan Year as permitted under the Code and the terms of the Qualified Plan, the Employer shall make a book-entry contribution to the Supplemental Matching Contribution Account of such Participant in the manner indicated below, in an amount equal to (i) the matching contribution percentage made on behalf of the Participant under the Qualified Plan multiplied by the sum of the Participant's Excess Compensation plus Recognized Compensation, less (ii) the matching contribution made by the Employer under the Qualified Plan; provided that no contribution shall be made to the Matching Contribution Supplemental Account for any calendar quarter for any Participant who is not a participant under the Qualified Plan during such calendar quarter.

(c) A Participant's Supplemental Benefit shall consist of the vested balance in his Supplemental Account.

(d) The Employer shall allocate the book-entry contribution to the Profit Sharing Supplemental Account and the Matching Contribution Supplemental Account on the same basis as profit sharing contributions and matching contributions, as applicable, are made to the Qualified Plan for the Plan Year. Any amounts allocated to an ESOP Supplemental Account prior to April 1, 1998 shall be deemed to purchase shares of common stock of the Company at the same price per share as the ESOP's most recent purchase of Company common stock.

(e) Notwithstanding anything herein to the contrary, the Employer shall account for the portion of a Participant's Supplemental Benefit that was vested as of December 31, 2004 and Earnings thereon separately from the remaining portion of a Participant's Supplemental Benefit.

4. **Vesting and Forfeitures.**

(a) The portion of the Supplemental Account attributable to contributions made prior to January 1, 2005, with regard to a Participant who is credited with an Hour of Service (as defined in the Qualified Plan) prior to February 9, 1998, shall become vested and nonforfeitable when and to the extent that the Participant shall have completed the number of Years of Service set forth below.

Vesting Schedule

Completed Years of Service	Vested Percentage
Less than 1 year	0%
1 year but less than 2 years	10%
2 years but less than 3 years	20%
3 years but less than 4 years	30%
4 years but less than 5 years	40%
5 or more years	100%

The portion of the Supplemental Account attributable to contributions made prior to January 1, 2005, with regard to a Participant who is first credited with an Hour of Service (as defined under the Qualified Plan) on or after February 9, 1998, shall become vested and nonforfeitable when and to the extent that the Participant shall have completed the number of Years of Service set forth below.

Vesting Schedule

Completed Years of Service	Vested Percentage
Less than 4 years	0%
4 years	30%
5 years	100%

The portion of the Supplemental Account of a Participant attributable to contributions made on or after January 1, 2005, shall become vested and nonforfeitable when and to the extent that the Participant shall have completed the number of Years of Service set forth below.

Completed Years of Service	Vested Percentage
Less than 1 year	0%
1 year but less than 2 years	0%
2 years but less than 3 years	20%
3 years but less than 4 years	40%
4 years but less than 5 years	60%
5 or more years	100%

(b) Notwithstanding the provisions of paragraph (a) to the contrary, if while a Participant is an Employee (i) the Participant shall attain his or her Normal Retirement Date, (ii) the Participant shall die or incur a Disability (as defined in the Qualified Plan) or (iii) there shall be a Change of Control, the Participant’s entire interest in his or her Supplemental Account shall become non-forfeitable.

(c) A Forfeiture shall be deemed to take place upon the Termination of Employment.

(d) If an Employee whose Supplemental Account was forfeited in its entirety pursuant to subsection (c) above upon Termination of Employment again becomes employed by a participating Employer or an Associated Company, the amount of the Employee's Forfeiture shall only be restored to his or her Supplemental Account to the extent determined by the Committee, and any credit for Years of Service prior to such reemployment shall be as fixed by the Committee and, if not so fixed, shall not be recognized.

5. **Payment of Supplemental Benefit.**

(a) A Participant's Supplemental Benefit shall be paid in a single lump sum cash payment (as described in subsection (d) below) as soon as practicable following Termination of Employment (other than as a result of death), provided that upon the Termination of Employment (other than as a result of death) of a Key Employee, payment of the Participant's Supplemental Benefit shall not be paid until six months after such Participant's Termination of Employment.

(b) A Participant's Supplemental Benefit shall be paid to the Participant's Beneficiary in a single lump sum cash payment (as described in subsection (d) below) as soon as administratively feasible following the Participant's death while employed or while awaiting payment under (a) above.

(c) Notwithstanding the above, upon the occurrence of a Change of Control, each Participant's then accrued vested Supplemental Benefit shall be promptly paid in a lump sum cash payment (as described in subsection (d) below) to such Participant.

(d) Any payment of a Participant's Supplemental Benefit shall be made in a single lump sum cash payment in an amount equal to the vested portion of the Participant's Account.

6. **Claims Procedure.**

(a) Any claim by a Participant or former Participant or Beneficiary ("Claimant") with respect to eligibility, participation, contributions, benefits or other aspects of the operation of the Plan shall be made in writing to the Committee for such purpose. The Committee shall provide the Claimant with the necessary forms and make all determinations as to the right of any person to a disputed benefit. If a Claimant is denied benefits under the Plan, the Committee shall notify the Claimant in writing of the denial of the claim within ninety (90) days after the Committee receives the claim, provided that in the event of special circumstances such period may be extended. The ninety (90) day period may be extended up to ninety (90) days (for a total of one hundred eighty (180) days).

If the initial ninety (90) day period is extended, the Committee shall notify the Claimant in writing within ninety (90) days of receipt of the claim. The written notice of extension shall indicate the special circumstances requiring the extension of time and provide the date by which

the Committee expects to make a determination with respect to the claim. If the extension is required due to the Claimant's failure to submit information necessary to decide the claim, the period for making the determination will be tolled from the date on which the extension notice is sent to the Claimant until the earlier of: (i) the date on which the Claimant responds to the Committee's request for information; or (ii) expiration of the forty-five (45) day period commencing on the date that the Claimant is notified that the requested additional information must be provided. If notice of the denial of a claim is not furnished within the required time period described herein, the claim shall be deemed denied as of the last day of such period.

If the claim is wholly or partially denied, the notice to the Claimant shall set forth:

(i) The specific reason or reasons for the denial;

(ii) Specific reference to pertinent Plan provisions upon which the denial is based;

(iii) A description of any additional material or information necessary for the Claimant to complete the claim request and an explanation of why such material or information is necessary;

(iv) Appropriate information as to the steps to be taken and the applicable time limits if the Claimant wishes to submit the adverse determination for review; and

(v) A statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse determination on review.

(b) If the claim has been wholly or partially denied, the Claimant may submit the claim for review by the Committee. Any request for review of a claim must be made in writing to the Committee no later than sixty (60) days after the Claimant receives notification of denial or, if no notification was provided, the date the claim is deemed denied. The Claimant or his duly authorized representative may:

(i) Upon request and free of charge, be provided with reasonable access to, and copies of, relevant documents, records, and other information relevant to the Claimant's claim; and

(ii) Submit written comments, documents, records, and other information relating to the claim. The review of the claim determination shall take into account all comments, documents, records, and other information submitted by the Claimant relating to the claim, without regard to whether such information was submitted or considered in the initial claim determination.

(c) The decision of the Committee shall be made within sixty (60) days after receipt of the Claimant's request for review, unless special circumstances (including, without limitation, the need to hold a hearing) require an extension. In the event of special circumstances, the sixty (60) day period may be extended for a period of up to one hundred twenty (120) days.

If the initial sixty (60) day period is extended, the Committee shall, within sixty (60) days of receipt of the claim for review, notify the Claimant in writing. The written notice of extension shall indicate the special circumstances requiring the extension of time and provide the date by which the Committee expects to make a determination with respect to the claim upon review. If the extension is required due to the Claimant's failure to submit information necessary to decide the claim, the period for making the determination will be tolled from the date on which the extension notice is sent to the Claimant until the earlier of: (i) the date on which the Claimant responds to the Plan's request for information; or (ii) expiration of the forty-five (45) day period commencing on the date that the Claimant is notified that the requested additional information must be provided. If notice of the decision upon review is not furnished within the required time period described herein, the claim on review shall be deemed denied as of the last day of such period.

The Committee, in its sole discretion, may hold a hearing regarding the claim and request that the Claimant attend. If a hearing is held, the Claimant shall be entitled to be represented by counsel.

(d) The Committee's decision upon review on the Claimant's claim shall be communicated to the Claimant in writing. If the claim upon review is denied, the notice to the Claimant shall set forth:

(i) The specific reason or reasons for the decision, with references to the specific Plan provisions on which the determination is based;

(ii) A statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to the claim; and

(iii) A statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA.

(e) The Committee shall have the full power and authority to interpret, construe and administer this Plan in its sole discretion based on the provisions of the Plan and to decide any questions and settle all controversies that may arise in connection with the Plan. Both the Committee's and the Board's interpretations and construction thereof, and actions thereunder, made in the sole discretion of the Committee and the Board, including any valuation of the Supplemental Plus Benefit, any determination under this Section 6, or the amount of the payment to be made hereunder, shall be final, binding and conclusive on all persons for all persons. No member of the Board or Committee shall be liable to any person for any action taken or omitted in connection with the interpretation and administration of this Plan.

(f) No officer, member or former member of the Committee shall be liable for any action or determination made with respect to the Plan or any benefit under it. To the maximum extent permitted by applicable law or the Certificate of Incorporation or By-Laws of the Company and to the extent not covered by insurance, each officer, member or former member of

the Committee shall be indemnified and held harmless by the Company against any cost or expense (including reasonable fees of counsel) or liability (including any sum paid in settlement of a claim), and advanced amounts necessary to pay the foregoing at the earliest time and to the fullest extent permitted, arising out of any act or omission to act in connection with the Plan, except to the extent arising out of such officer's, member's or former member's own fraud. Such indemnification shall be in addition to any rights of indemnification the officers, members or former members may have as directors under applicable law or under the Certificate of Incorporation or By-Laws of the Company or any subsidiary of the Company.

(g) The claims procedures set forth in this section are intended to comply with United States Department of Labor Regulation § 2560.503-1 and should be construed in accordance with such regulation. In no event shall it be interpreted as expanding the rights of Claimants beyond what is required by United States Department of Labor Regulation § 2560.503-1. The Committee may at any time alter the claims procedure set forth above, so long as the revised claims procedure complies with ERISA, and the regulations issued thereunder.

(h) A Claimant must fully exercise all appeal rights provided herein prior to commencing a civil action under Section 502(a) of ERISA.

7. **Construction of Plan.**

(a) Nothing contained in this Plan and no action taken pursuant to the provisions of this Plan shall create or be construed to create a trust of any kind, or a fiduciary relationship between any Employer and the Participants, their Beneficiaries or any other person. Any funds which may be invested under the provisions of this Plan shall continue for all purposes to be part of the general funds of the applicable Employer and no person other than the applicable Employer shall by virtue of the provisions of this Plan have any interest in such funds. To the extent that any person acquires a right to receive payments from any Employer under this Plan, such right shall be no greater than the right of any unsecured general creditor of the Employer.

(b) Each Employer shall be liable for the obligations hereunder only with respect to its own employees, and not with respect to the employees of any other Employer. If a Participant works for more than one Employer in the same calendar year, then the Participant's Excess Compensation for the calendar year shall be allocated pro-rata to each such Employer in proportion to the Participant's Base Compensation (including both Recognized Compensation and Excess Compensation) for the calendar year.

(c) All expenses incurred in administering the Plan shall be paid by the Employers.

8. **Minors and Incompetents**. If the Committee shall find that any person to whom payment is payable under this Plan is unable to care for his affairs because of illness or accident, or is a minor, any payment due (unless a prior claim therefore shall have been made by a duly appointed guardian, committee or other legal representative) may be paid to the spouse, a child, parent, or brother or sister, or to any person deemed by the Committee to have incurred expense for such person otherwise entitled to payment, in such manner and proportions as the Committee

may determine it its sole discretion. Any such payment shall be a complete discharge of the liabilities of the Employer, the Committee and the Board under this Plan.

9. **Limitation of Rights.** Nothing contained herein shall be construed as conferring upon an Employee the right to continue in the employ of any Employer as an executive or in any other capacity or to interfere with the Employer's right to discharge him or her at any time for any reason whatsoever.

10. **Payment Not Salary.** Any Supplemental Benefit payable under this Plan shall not be deemed salary or other compensation to the Employee for the purposes of computing benefits to which he or she may be entitled under any pension plan or other arrangement of any Employer for the benefit of its employees.

11. **Severability.** In case any provision of this Plan shall be illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced as if such illegal and invalid provision never existed. To the extent applicable, this Plan is intended to comply with the applicable requirements of Section 409A of the Code (and the regulations thereunder) and shall be limited, construed and interpreted in a manner so as to comply therewith. Notwithstanding anything herein to the contrary, any provision in this Plan that is inconsistent with Section 409A of the Code (and the regulations thereunder) shall be deemed to be amended to comply with Section 409A (and the regulations thereunder) and to the extent such provision cannot be amended to comply therewith, such provision shall be null and void.

12. **Withholding**. Each Employer shall have the right to make such provisions as it deems necessary or appropriate to satisfy any obligations it may have to withhold federal, state or local income or other taxes incurred by reason of payments pursuant to this Plan.

13. **Assignment.** This Plan shall be binding upon and inure to the benefit of the Employers, their successors and assigns and the Participants and their heirs, executors, administrators and legal representatives. In the event that any Employer sells all or substantially all of the assets of its business and the acquirer of such assets assumes the obligations hereunder, the Employer shall be released from any liability imposed herein and shall have no obligation to provide any benefits payable hereunder.

14. **Non-Alienation of Benefits.** The benefits payable under this Plan shall not be subject to alienation, transfer, assignment, garnishment, execution or levy of any kind, and any attempt to cause any benefits to be so subjected shall not be recognized.

15. **Governing Law.** To the extent legally required, the Code and ERISA shall govern this Plan and, if any provision hereof is in violation of any applicable requirement thereof, the Company reserves the right to retroactively amend this Plan to comply therewith. To the extent not governed by the Code and ERISA, this Plan shall be governed by the laws of the State of New York.

16. **Amendment or Termination of Plan.** The Board or an authorized committee under the Company's Bylaws (including the Committee) may, in its sole and absolute discretion, amend this Plan from time to time in any respect, prospectively or retroactively, and may at any time terminate the Plan in its entirety. Each Employer may withdraw from this Plan at any time, in which case it shall be deemed to maintain a separate plan for Participants who are its employees identical to this Plan except that such Employer shall be deemed to be the Company for all purposes. Each Employer shall be liable for the vested obligations hereunder with respect to its employees. No amendment, termination or withdrawal shall reduce or terminate the then vested benefit (as determined pursuant to Section 4 of the Plan) of any Participant, provided that the Plan may be amended at any time retroactively or otherwise to comply with applicable law, including Section 409A of the Code. Upon a termination or withdrawal, Participants' accounts shall be distributed in accordance with the terms of the Plan.

17. **Non-Exclusivity.** The adoption of the Plan by an Employer shall not be construed as creating any limitations on the power of the Employer to adopt such other supplemental retirement income arrangements as it deems desirable, and such arrangements may be either generally applicable or limited in application.

18. **Gender and Number.** Wherever used in this Plan, the masculine shall be deemed to include the feminine and the singular shall be deemed to include the plural, unless the context clearly indicates otherwise.

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

IN WITNESS WHEREOF, the Company has caused this Plan to be executed this 1st day of March, 2005.

HENRY SCHEIN, INC.

By: /s/ Michael S. Ettinger
Name: Michael S. Ettinger
Title: Vice President, Secretary and General Counsel

EXHIBIT A

Change of Control

For purposes of this Plan, a "Change of Control" shall be deemed to have occurred if: (i) any person (as defined in Section 3(a)(9) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and as used in Sections 13(d) and 14(d) thereof)), excluding the Company, any subsidiary thereof, any employee benefit plan sponsored or maintained by the Company, or any subsidiary thereof (including any trustee of any such plan acting in his or her capacity as trustee) and any person who (or group which includes a person who) is the beneficial owner (as defined in Rule 13(d)-3 under the Exchange Act) of at least 15% of the common stock of the Company (but less than 35%) becomes the beneficial owner (as defined in Rule 13(d)-3 under the Exchange Act) of shares of the Company having at least 35% of the total number of votes that may be cast for the election of directors of the Company; (ii) the stockholders of the Company shall approve any merger or other business combination of the Company, sale of all or substantially all of the Company's assets or combination of the foregoing transactions, provided that such transaction constitutes an acquisition of more than 50% of the total fair market value or total voting power of the stock of the Company, or, with respect to a sale of assets, results in the sale of 40% or more of the total gross fair market value of all of the assets of the Company (as determined in accordance with Section 409A of the Code) immediately prior to such acquisition (a "Transaction"), other than a Transaction involving only the Company and one or more of its subsidiaries, or a Transaction immediately following which the stockholders of the Company immediately prior to the Transaction continue to have a majority of the voting power in the resulting entity (excluding for this purpose any stockholder owning directly or indirectly more than 10% of the shares of the other company involved in the Transaction if such stockholder is not the beneficial owner (as defined in Rule 13(d)-3 under the Exchange Act) of at least 15% of the common stock of the Company); or (iii) within any 12-month period beginning on or after the date hereof, the persons who were directors of the Company immediately before the beginning of such period (the "Incumbent Directors") shall cease (for any reason other than death) to constitute at least a majority of the board of directors of the Company or the board of directors of any successor to the Company, provided that, any director who was not a director as of the date hereof shall be deemed to be an Incumbent Director if such director was elected to the Board by, or on the recommendation of or with the approval of, at least a majority of the directors who then qualified as Incumbent Directors either actually or by prior operation of the foregoing unless such election, recommendation or approval was the result of an actual or threatened election contest of the type contemplated by Regulation 14a-11 promulgated under the Exchange Act or any successor provision. Notwithstanding the foregoing, no Change of Control of the Company shall be deemed to have occurred for purposes of this Plan: (1) by reason of any Transaction that has been approved by action or vote of a majority of the Incumbent Directors; or (2) if, for purposes of Section 409A of the Code, such event would not be considered to be a "change in control event" under Section 409A of the Code.

Exhibit 10.8

Management Team

2004

Performance Incentive

Plan Summary

1. *Introduction*

Congratulations on being designated a participant in the Performance Incentive Plan ("PIP," or the "Plan"), Henry Schein's incentive-based cash compensation program for its management team. Plan participants include the entire management team of directors and vice presidents. The Plan has been designed to bind all participants together in a concerted effort to drive our business toward achieving common objectives that benefit the Company as a whole, the management team and each participant. The Plan is specifically designed to:

- Provide each participating management team member ("Participant") with an annual cash bonus opportunity;
- Foster achievement of specific corporate, business unit and individual performance goals ("Goals");
- Recognize and reward Participants for individual and group team achievements;

The PIP cash bonus award, in conjunction with a Participant's base compensation, is intended to provide Participants with competitive total annual cash compensation that is at or above the median for comparable positions at companies in our industry and at other organizations of our size.

This program was reviewed and approved by the Compensation Committee of the Board of Directors.

2. *Eligibility*

The Chief Executive Officer ("CEO") annually determines eligibility for participation in the Plan. Participation is intended to be ongoing. However, changes in assignments may result in a Participant's being ineligible to participate in the Plan. Team Schein Members will be notified at the beginning of each year regarding their eligibility to participate in the Plan.

3. *PIP Awards*

PIP awards are based on:

- The Company's annual profitability, specifically measured against earnings per share ("EPS"), net income or other predetermined profitability Goals;
- The participant's business unit or functional area's level of achievement in financial and other performance goals.
- The participant's achievement of his or her individual goals.

4. Individual Performance Goals

A Participant's individual performance Goals are classified into three categories:

- Company financial performance
- Functional area financial performance
- MBO performance

The Company Financial Performance Goals are based on annual earnings per share (EPS) achievement. The Functional Financial Performance Goal and the MBO Performance Goal evaluation and analysis are conducted annually, unless otherwise specified. The PIP award payouts corresponding to levels of achievement of Company Financial Performance Goals are set forth on Exhibit A. The PIP award payouts for meeting or exceeding Functional Area Financial Goals and each Participant's individualized MBO Performance Goals are set forth on Exhibits B and C, respectively.

The CEO and the person to whom the Participant reports ("Manager") will determine the Participant's Goals at the start of each year. There will be an ongoing review of these goals. Any changes during the year must be approved by the Manager and, if appropriate, by the CEO. Each Participant and his or her Manager are encouraged to have performance evaluations during the year to monitor progress and, if necessary, to modify Goals (with the approval of the CEO, if appropriate) for the balance of the year.

The following table illustrates performance Goals for different types of management positions:

Performance Goals Based on Position and Role

	Range of Performance Goal Categories		
Management Segment	**Functional Financial Performance**	**Company Financial Performance**	**MBO Performance**
Corporate Management Participants (e.g. Finance, Supply Chain TSM's, etc)	10% - 40%	15% - 40%	30% - 50%
Major Business Unit Participants (e.g. Dental Group, Medical Group, Veterinary Group TSM's, etc.)	55% - 65%	15% - 35%	10% - 25%
Supporting Corporate Function Participants (e.g. Legal Department, Human Resources Department TSM's, etc.)	10% - 20%	15% - 35%	40% - 60%

Note: This schedule is intended to provide guidelines for development of a specific performance plan for each Participant. Final weighting of performance Goals for each Participant will be determined by the Participant's Manager and, if appropriate, approved by the CEO.

5. Company Financial Performance Goals

The Company net income goal will be set for the entire Management Team based on the annually set EPS target. The internally developed EPS base Goal is determined by the Compensation Committee of the Board of Directors with input from the Executive Management team. The Compensation committee will make adjustments to the 2004 EPS goal for acquisitions based on information provided to them by the Executive Management team. Changes to the goal will be provided to the participants.

See Exhibit A for PIP award payouts for achieving Company Financial Performance Goals.

6. Functional Area Financial Performance Goals

For Participants managing areas that impact a P&L, these Goals are based on the business unit's financial performance measured against annual financial budgets, in the following areas:

- Group/ Divisional gross profit goals.
- Group/Divisional contribution dollars.
- Group/Divisional Pre-Tax income after "service charges."
- Group/Divisional net income Goals.
- Pre-Tax Income of operating subsidiaries — sales, gross profit and operating income Goals.

For Participants with infrastructure or supporting responsibilities, these Goals are based on expense performance relative to the budget and other quantitative goals versus the budget.

See Exhibit B for PIP award payouts for achieving levels of the Functional Area Financial Goals.

7. MBO Performance Goals

Specific, measurable MBO Performance Goals will be developed for each Participant. These MBO Performance Goals should drive toward and support five enterprise-wide initiatives: Profitability; Process Excellence; Customer Satisfaction, Strategic Planning, and organizational Development.

q **Profitability** — e.g., reduce expenses as a percent of sales; increase business unit sales; reduce inventory.

q **Process Excellence** — e.g., implement a new policy; reduce errors to customers; reduce DSO's; increase inventory turns.

q **Customer Satisfaction** - e.g., increase frequency of salesperson to customer contacts; implement project to develop computer screens to aid in positive customer interactions; support internal customer by completing all recruits within a reasonable predetermined time period; develop customer feedback program, such as surveys and focus groups.

q **Strategic Planning** - e.g., develop strategic plan based on individual responsibilities; benchmark Participant's unit against similar companies' functions.

q **Organizational Development** - e.g. personal business development, succession planning, diversity goals, staff development, recruitment goals.

See Exhibit C for PIP award payouts for achieving and exceeding MBO Performance Goals.

8. Acquisitions, New Business Ventures

Functional Financial and MBO goals will be adjusted for acquisitions and new business ventures that were not initially considered when developing the original Company target. *Also, as discussed in the Company Financial Performance Goals area, the Compensation Committee of the Board of Directors will also make adjustments to the budgeted EPS for unbudgeted acquisitions.*

9. Plan Awards

During the first fiscal quarter of each year, individual performance for the previous year is evaluated relative to Goals. PIP awards are determined for each performance category, as applicable. A Participant's total Plan award will equal the sum of the awards earned in each category for the previous year's performance.

In order to receive any PIP award, Participants must be actively employed on March 15 of the year the Plan award is to be paid out. A prorated Plan award may be available, at the discretion of the CEO, if a Participant in the Plan dies, becomes permanently disabled, retires at the normal retirement age during the Plan year, or in other special circumstances.

PIP awards, less applicable withholdings, will generally be made by the end of the first fiscal quarter of each year.

This summary is a general description of the Henry Schein, Inc. Performance Incentive Plan for the Management Team as of January 1, 2004. This summary is not intended to, nor does it constitute, a contract or guarantee of continued employment. The Company reserves the right to change or terminate the Plan at any time without notice.

Exhibit 10.9

Management Team

2005

Performance Incentive Plan Summary

1. *Introduction*

Congratulations on being designated a participant in the Performance Incentive Plan ("PIP," or the "Plan"), Henry Schein's incentive-based cash compensation program for its management team. Plan participants include the entire management team of directors and vice presidents. The Plan has been designed to bind all participants together in a concerted effort to drive our business toward achieving common objectives that benefit the Company as a whole, the management team and each participant. The Plan is specifically designed to:

- Provide each participating management team member ("Participant") with an annual cash bonus opportunity;
- Foster achievement of specific corporate, business unit and individual performance goals ("Goals");
- Recognize and reward Participants for individual and group team achievements;

The PIP cash bonus award, in conjunction with a Participant's base compensation, is intended to provide Participants with competitive total annual cash compensation that is at or above the median for comparable positions at companies in our industry and at other organizations of our size.

This program was reviewed and approved by the Compensation Committee of the Board of Directors.

The Compensation Committee or the Chief Executive Officer (the "CEO") (solely with respect to Participants other than executive officers) has the authority to adopt, alter and repeal such administrative rules, guidelines and practices governing the PIP and to construe and interpret the terms and provisions of the PIP and any award issued under the PIP.

Any decision, interpretation or other action made or taken in good faith by or at the direction of the Compensation Committee or the CEO (solely with respect to Participants other than executive officers) will be final, binding and conclusive on Henry Schein and all Participants and their respective heirs, executors, administrators, successors and assigns.

The Compensation Committee may, in its sole discretion, delegate any of its responsibilities under the PIP with respect to the implementation of the Plan (including administrative tasks).

2. *Eligibility*

The CEO annually determines eligibility for participation in the Plan. Participation is intended to be ongoing. However, changes in assignments may result in a Participant's being ineligible to participate in the Plan. Team Schein Members will be notified at the beginning of each year regarding their eligibility to participate in the Plan.

3. *PIP Awards*

PIP awards are based on:

- The Company's annual profitability, specifically measured against earnings per share ("EPS"), net income or other predetermined profitability Goals;
- The participant's business unit or functional area's level of achievement in financial and other performance goals.
- The participant's achievement of his or her individual goals.

4. Individual Performance Goals

A Participant's individual performance Goals are classified into three categories:

- Company financial performance
- Functional area financial performance
- MBO performance

The Company Financial Performance Goals are based on annual earnings per share (EPS) achievement. The Functional Financial Performance Goal and the MBO Performance Goal evaluation and analysis are conducted annually, unless otherwise specified. The PIP award payouts corresponding to levels of achievement of Company Financial Performance Goals are set forth on Exhibit A. The PIP award payouts for meeting or exceeding Functional Area Financial Goals and each Participant's individualized MBO Performance Goals are set forth on Exhibits B and C, respectively.

The CEO or the Compensation Committee, as applicable, and the person to whom the Participant reports ("Manager") will determine the Participant's Goals at the start of each year. There will be an ongoing review of these goals. Any changes during the year must be approved by the Manager and, if appropriate, by the CEO. Each Participant and his or her Manager are encouraged to have performance evaluations during the year to monitor progress and, if necessary, to modify Goals (with the approval of the CEO, if appropriate) for the balance of the year.

The following table illustrates performance Goals for different types of management positions:

Performance Goals Based on Position and Role

	Range of Performance Goal Categories		
Management Segment	**Functional Financial Performance**	**Company Financial Performance**	**MBO Performance**
Corporate Management Participants (e.g. Finance, Supply Chain TSM's, etc)	10% - 40%	15% - 40%	30% - 50%
Major Business Unit Participants (e.g. Dental Group, Medical Group, Veterinary Group TSM's, etc.)	55% - 65%	15% - 35%	10% - 25%
Supporting Corporate Function Participants (e.g. Legal Department, Human Resources Department TSM's, etc.)	10% - 20%	15% - 35%	40% - 60%

Note: This schedule is intended to provide guidelines for development of a specific performance plan for each Participant. Final weighting of performance Goals for each Participant will be determined by the Participant's Manager and, if appropriate, approved by the CEO.

5. Company Financial Performance Goals

The Company net income goal will be set for the entire Management Team based on the annually set EPS target. The internally developed EPS base Goal is determined by the Compensation Committee of the Board of Directors with input from the Executive Management team. The Compensation Committee will make adjustments to the 2005 EPS goal for acquisitions based on information provided to them by the Executive Management team. Changes to the goal will be provided to the participants.

See Exhibit A for PIP award payouts for achieving Company Financial Performance Goals.

6. Functional Area Financial Performance Goals

For Participants managing areas that impact a P&L, these Goals are based on the business unit's financial performance measured against annual financial budgets, in the following areas:

- Group/ Divisional gross profit goals.
- Group/Divisional contribution dollars.
- Group/Divisional Pre-Tax income after "service charges."
- Group/Divisional net income Goals.
- Pre-Tax Income of operating subsidiaries — sales, gross profit and operating income Goals.

For Participants with infrastructure or supporting responsibilities, these Goals are based on expense performance relative to the budget and other quantitative goals versus the budget.

See Exhibit B for PIP award payouts for achieving levels of the Functional Area Financial Goals.

7. MBO Performance Goals

Specific, measurable MBO Performance Goals will be developed for each Participant. These MBO Performance Goals should drive toward and support five enterprise-wide initiatives: Profitability; Process Excellence; Customer Satisfaction, Strategic Planning, and Organizational Development.

§ **Profitability** — e.g., reduce expenses as a percent of sales; increase gross profit percentage and gross profit dollars; increase business unit sales; reduce inventory.

§ **Process Excellence** — e.g., implement a new policy; reduce errors to customers; reduce DSO's; increase inventory turns.

§ **Customer Satisfaction** - e.g., increase frequency of salesperson to customer contacts; implement project to develop computer screens to aid in positive customer interactions; support internal customer by completing all recruits within a reasonable predetermined time period; develop customer feedback program, such as surveys and focus groups.

§ **Strategic Planning** — e.g., develop strategic plan based on individual responsibilities; benchmark Participant's unit against similar companies' functions.

§ **Organizational Development** — e.g. personal business development, succession planning, diversity goals, staff development, recruitment goals.

See Exhibit C for PIP award payouts for achieving and exceeding MBO Performance Goals.

8. Acquisitions, New Business Ventures and Other Adjustments

Functional Financial and MBO goals will be adjusted for acquisitions and new business ventures that were not initially considered when developing the original Company target. *Also, as discussed in the Company Financial Performance Goals area, the Compensation Committee of the Board of Directors will also make adjustments to the budgeted EPS for unbudgeted acquisitions. In addition, the Compensation Committee of the Board of Directors may also make other adjustments to any goals (including, the Goals) to reflect other extraordinary events (including, without limitation, changes in accounting rules).*

9. Plan Awards

During the first fiscal quarter of each year, individual performance for the previous year is evaluated relative to Goals. PIP awards are determined for each performance category, as applicable. A Participant's total Plan award will equal the sum of the awards earned in each category for the previous year's performance.

Notwithstanding anything herein to the contrary, the Compensation Committee or the CEO (solely with respect to Participants other than executive officers) may, at any time, provide that all or a portion of a PIP award is payable: (i) upon the attainment of any goal (including the Goals), as determined by the Compensation Committee or the CEO, as applicable; or (ii) regardless of whether the applicable goals are attained, as determined by the Compensation Committee or the CEO (solely with respect to Participants other than executive officers) in their sole discretion.

In order to receive any PIP award, Participants must be actively employed on March 15 of the year the Plan award is to be paid out. A prorated Plan award may be available, at the discretion of the CEO, if a Participant in the Plan dies, becomes permanently disabled, retires at the normal retirement age during the Plan year, or in other special circumstances.

PIP awards, less applicable withholdings, will generally be made by the end of the first fiscal quarter of each year.

This summary is a general description of the Henry Schein, Inc. Performance Incentive Plan for the Management Team as of January 1, 2005. This summary is not intended to, nor does it constitute, a contract or guarantee of continued employment. The Company reserves the right to change or terminate the Plan at any time without notice.

Exhibit 21.1

List of Subsidiaries

Subsidiary	Jurisdiction of incorporation or organization
Dentrix Dental Systems, Inc.	Utah
Henry Schein Europe, Inc.	Delaware
Henry Schein Financial Services, Inc.	Delaware
HSI Service Corp.	Delaware
Henry Schein Holding GmbH[1]	Germany

1 Henry Schein Holding GmbH is the parent company of 39 consolidated wholly-owned subsidiaries, all of which operate in the dental distribution field outside the United States.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

Henry Schein, Inc.
New York, New York

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-120246, 333-120246, 333-63594, 333-05453, and 333-44270) and Form S-8 (Nos. 333-111914, 333-91778, 333-35144, 333-39893, 333-33193 and 333-05453) of Henry Schein, Inc. of our report dated February 21, 2006, except for Note 6 which is as of March 6, 2006, relating to the consolidated financial statements, and our reports dated February 21, 2006 relating to the financial statement schedule and the effectiveness of internal control over financial reporting, which appear in this Form 10-K.

/s/ BDO SEIDMAN, LLP

New York, New York
March 10, 2006

Exhibit 31.1

CERTIFICATION

I, Stanley M. Bergman, certify that:

1. I have reviewed this annual report on Form 10-K 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: March 10, 2006

Stanley M. Bergman
Chairman and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Steven Paladino, certify that:

1. I have reviewed this annual report on Form 10-K 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

Dated: March 10, 2006

Steven Paladino
Executive Vice President and
Chief Financial Officer

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 annual report on Form 10-K of Henry Schein, Inc. (the "Company") for the period ending December 31, 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.

Dated March 10, 2006

/s/ Stanley M. Bergman

Stanley M. Bergman
Chairman and Chief Executive Officer

Dated March 10, 2006

/s/ Steven Paladino

Steven Paladino
Executive Vice President and
Chief Financial Officer

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.