

on the move



A heritage  
of growth through  
innovative solutions for  
healthcare professionals

 HENRY SCHEIN®

Annual Report 2004

## ABOUT HENRY SCHEIN

Henry Schein, Inc., a FORTUNE 500® company, is the largest distributor of healthcare products and services to office-based practitioners in the combined North American and European markets. The Company's sales reached a record \$4.1 billion in 2004.

The Company provides innovative solutions for healthcare professionals and is recognized for its excellent customer service and highly competitive prices. Henry Schein's four business groups—Dental, Medical, International, and Technology—serve more than 475,000 customers worldwide. Its customers include approximately:

- 80% of the estimated 135,000 U.S. and Canadian office-based dental practices and 15,000 dental laboratories;
- 50% of the estimated 250,000 U.S. office-based physician practices, as well as surgical centers and other alternate-care sites;

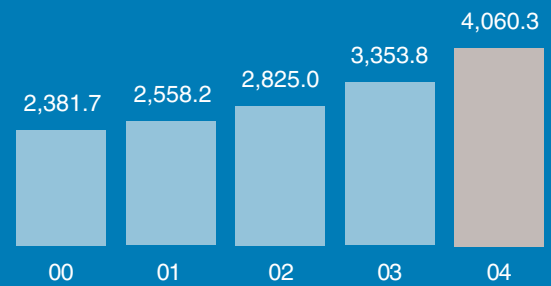
# About Henry Schein

- 70% of the estimated 27,000 U.S. veterinarian clinics;
- 210,000 office-based dental, medical, and veterinary practices outside North America, primarily in Western and Central Europe, Australia, and New Zealand; and
- Government and other institutions providing healthcare services.

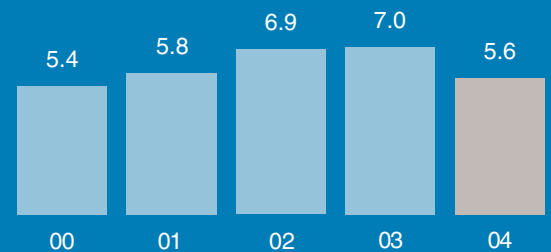
Henry Schein operates through a centralized and automated distribution network that serves customers in more than 125 countries. The Company offers a comprehensive selection of more than 160,000 national and Henry Schein private-brand products.

Henry Schein also offers a wide range of innovative value-added solutions for healthcare professionals, such as ARUBA®, the Company's electronic catalog and ordering system. Our leading practice-management software solutions have been installed in more than 50,000 practices – DENTRIX® and Easy Dental® for dental practices, and AVImark® for veterinary clinics.

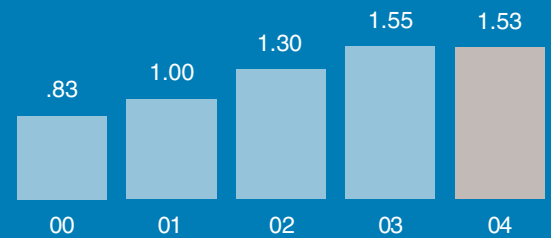
Headquartered in Melville, New York, Henry Schein employs nearly 10,000 people and has operations in 19 countries.



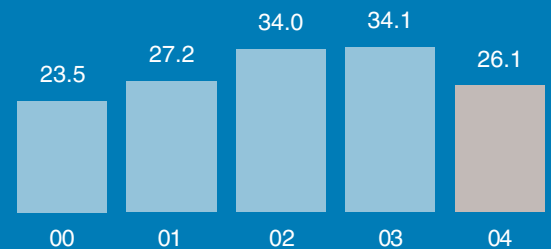
**NET SALES**  
(in millions)



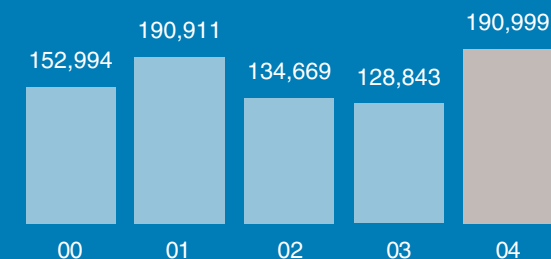
**OPERATING MARGIN**



**EARNINGS PER DILUTED SHARE  
FROM CONTINUING OPERATIONS**



**RETURN ON COMMITTED CAPITAL**



**OPERATING CASH FLOW  
FROM CONTINUING OPERATIONS**  
(in millions)

*Notes:*

2004 financial results were impacted by the absence of Fluvirin® product sales. Operating Margin and Earnings Per Diluted Share from Continuing Operations have been adjusted to exclude certain one-time items. See "Reconciliation of Certain Operating Results" on page 13. Return on Committed Capital represents operating income over average committed capital (committed capital equals inventory plus trade accounts receivables and net property, plant, and equipment less trade accounts payables).

## To Our Stockholders,



**2004 was another strong year for Henry Schein,** reflecting success with a business strategy that includes market-share gains through internal growth complemented by strategic acquisitions. It was a year of further innovation in the products and services we offer, a year of expansion through strategically important acquisitions, and another year of clear focus on serving our customers and providing solutions to the challenges faced by healthcare practitioners. The year also was one of solid top-line growth, achieving sales that placed our Company into the FORTUNE 500® for the second consecutive year.

### Financial Results and Company Growth

During 2004 we posted record net sales of \$4.1 billion, an increase of 21.1% from 2003. In local currencies, our sales rose 19.0%, including

Net income from continuing operations for the year was \$128 million. This was down 8.1% from 2003 due to the absence of Fluvirin sales in 2004. Excluding a one-time charge related to the Fluvirin contract (see "Reconciliation of Certain Operating Results" on page 13), net income from continuing operations was down 1.8% compared with 2003. Earnings per diluted share from continuing operations for 2004 were \$1.43, down 7.7% (down 1.3% excluding one-time charges related to the Fluvirin contract) over the prior year earnings per share from continuing operations.

In addition to solid internal net sales growth, we grew our revenues and our organization by acquisition. Team Schein expanded to nearly 10,000 members with operations in 19 countries, with much of the increase coming from strategic purchases completed during 2004 and early 2005. The largest of these included: Demedis GmbH,

# Chairman's

## letter to stockholders

7.5% internal growth. Sales for our Dental Group in 2004 were a record \$1.6 billion. This represents a 17.4% increase over 2003, or 16.9% in local currencies, of which 14.1% was internally generated.

Our Medical Group posted record sales for 2004 of \$1.4 billion, 8.1% higher than 2003, with internal growth accounting for 1.0%. Medical Group sales were adversely affected by the well-publicized absence of Fluvirin® influenza vaccine due to supplier manufacturing issues. Henry Schein is the primary distributor of Fluvirin to the U.S. market. Excluding the \$130.2 million Fluvirin sales impact from 2003 results, Medical sales increased 19.7% over 2003, of which 11.9% was internally generated.

International Group sales in 2004 were a record \$928 million, growing by 61.0% in U.S. dollars. In local currencies international sales rose 50.0%, including 6.5% internal growth. Technology Group sales were a record \$84 million, an increase of 12.5% over 2003, 10.4% of which was internally generated.

the leading distributor of dental consumables and equipment in Germany and the Benelux countries, which furthered our strategy of being a full-service, high-value provider of products and services to European dentists; KRUGG S.p.A., Italy's premier distributor of consumable dental supplies, which provided us entrée into Europe's second-largest dental market and advanced our Pan-European strategy; the 2005 acquisition of the Canadian full-service dental distributor Ash Temple Limited, which doubled our field sales force in Canada and positioned us as the leading dental distribution company in that country; and Barton-Cyker Dental Supply, which strengthened our dental presence in the Northeast region of the United States.

### Our Role in a Rapidly Changing World

We operate in an environment that changes rapidly, yet presents numerous opportunities in the healthcare segments we serve. Medical advancements are extending life expectancy, and an aging population is increasingly utilizing healthcare services. In the United States, life

expectancy at birth has increased to 77.4 years, and by 2020 the number of people over the age of 45 is expected to increase by more than 30%. People are increasingly interested in maintaining their health, and as the population ages, many are devoting more of their personal resources to doing so. Dental service expenditures are expected to increase 5% in each of the next five years, driven by increased dental insurance coverage and a greater emphasis on cosmetic dentistry. In the medical arena, demand for physician and clinical services is expected to rise more than 6% in each of the next five years. This is good news for our dental and medical customers, and for our Company because our diverse business allows us to benefit from these numerous trends and advancements.

Yet in the midst of these positive trends, we

practitioners to relate to patients from specific cultures.

Solutions for these complex issues will require broad-based, public-private partnerships. As the largest distributor of healthcare products and services to office-based practitioners in North America and Europe, we believe that our Company plays a particularly important role in the continuum of care, and can assume a central role in addressing these issues. We help make health happen. Our size, geographic reach, breadth of product and service offerings, dedication to customer service, and commitment to corporate social responsibility set us apart from other companies.

Because of the increasing demand for healthcare services, we believe it is our role and obligation to help our customers operate a more efficient and

To this end, in 2004 we entered the dental implant category through the strategic acquisition of Camlog Holding AG of Switzerland, and began to build the market position of the top-notch Camlog product line in the United States. We extended our portfolio in the porcelain and composite markets by becoming the exclusive distributor of dental laboratory products for Pentron Laboratory Technologies LLC. We were named the exclusive distributor for Colgate's professional products to dental offices. We also became the exclusive distributor of dental products using Ondine Biopharma's PhotoDynamic Disinfection technology, and are awaiting FDA approval of the first product using this technology for the periodontal disease market. We expanded our global relationship with Sirona Dental Systems and became an authorized dealer of their full line of imaging, operator and handpiece products in

# 2004

## net sales of \$4.1 billion

face meaningful healthcare challenges. Many underserved populations do not enjoy the same access to care or medical information as do other segments of our society. In addition, as the United States continues the demographic shift that will move fully one-half of the nation's population from minority to in aggregate majority status by 2050, racial diversity in the healthcare professions lags far behind. This problem was examined in depth by the Sullivan Commission on Diversity in the Healthcare Workforce, chaired by former U.S. Secretary of Health and Human Services Louis W. Sullivan, M.D., a member of the Henry Schein board of directors. The Sullivan Commission found that lack of diversity in clinics and hospitals can make medical care uncomfortable, frustrating, or inaccessible for many people, and that this is coming at a cost to patient health. Further, the number of minority applicants to U.S. medical, nursing and dental schools, and graduates is insufficient to overcome this disparity. Attendant to diversity is the issue of cultural competency, or the ability of healthcare

profitable practice. Our strategic plan provides that we must continue to make strides in transforming our business from that of a pure distributor of products into a full-service provider of integrated products and services. This will enable us to provide the tools for our customers to be more productive, allowing them to treat more patients with the same high quality to which they are accustomed.

### Commitment to Our Customers and to Society

Central to this transformation is our core commitment to superior customer service. We strive to be a valuable business partner to our customers. We do this by offering our customers a comprehensive selection of more than 160,000 national and Henry Schein private-brand products, including many product exclusives, as well as important value-added products and services, such as software, electronic claims processing, consultative selling organizations and more.

the United States. We signed an exclusive distribution agreement for D4D's Evolution 4D, a leading-edge CAD-CAM dental restoration product. In addition, we continued to provide our customers with the latest technology to enhance the clinical and business sides of their practices, much of which we showcased in the "Tomorrow's Dental Office – Today!" exhibit we created in conjunction with the American Dental Association (ADA).

On the Medical side, we have been developing multiple opportunities for sourcing influenza vaccine in future years. We entered into a multi-year distribution agreement with ID Biomedical Corporation for Fluviral® influenza vaccine, and extended our exclusive U.S. distributorship of MedImmune Inc.'s FluMist® intranasal vaccine. During 2004, we also distributed the Sanofi-Pasteur Fluzone® vaccine, and will continue to pursue an expansion of this relationship during 2005 and beyond. We also are in active discussions with other companies seeking approval to sell influenza vaccine in the

United States. Our current agreement with Chiron to distribute Fluvirin influenza vaccine expires at the end of the 2005 influenza season. We remain hopeful that Chiron will resume Fluvirin manufacturing in 2005 and that we can complete a new agreement with the company for 2006 and beyond.

Our commitment to our customers extends to philanthropic issues that concern practitioners and the healthcare profession, as well. Through Henry Schein Cares, our global corporate citizenship program, we strive to address access to care, diversity, cultural competency, and other challenges. As such, we once again served as exclusive provider of professional products for "Give Kids a Smile," the ADA's annual one-day initiative to provide underserved children with free dental treatment. Last year we recruited

As we move forward, we will continue our focus on service, our pursuit of innovation, and our commitment to address today's important healthcare issues in partnership with our customers. Our goal is to build upon a heritage of growth by providing innovative solutions to healthcare practitioners—a goal that we pursue with great optimism and confidence that our best years are yet to come.

Sincerely,

Stanley M. Bergman  
 Chairman, Chief Executive Officer  
 and President



51 manufacturers and supplied products to 200 clinics nationwide, where 38,000 dental volunteers treated more than one million children. We also are a founding corporate sponsor of the ADA Diversity in Leadership Institute, which seeks to foster leadership training and a mentorship network in the dental community. We partnered with the New York State Dental Association and its Foundation last year to host the first Diversity Meeting and Educational Seminar in New York. We are proud that our commitment in this area has been publicly recognized: in the 2005 "Most Admired" Survey of FORTUNE 500® companies, Henry Schein was ranked number one among our peers for corporate responsibility.

Our favorable outlook for our industry and our Company is reflected in our decision to effect a 2-for-1 stock split, that we completed in February 2005. With this split—our first ever as a publicly traded company—we recognize the value we have created for shareholders, and aim to make equity ownership in Henry Schein more accessible, in particular for individual investors.

*Henry Schein Executive Management Committee meeting. L-R (all pictures): Stanley Komaroff, Stanley Bergman, Steven Paladino, Mark Mlotek, Leonard David, James Breslawski, Michael Zack, Gerald Benjamin, and Michael Racioppi.*

*A young girl in rural Tanzania receives free dental treatment through Henry Schein's global corporate citizenship program, Henry Schein Cares, which has supported the oral healthcare outreach efforts of over 70 nonprofit groups providing services to populations in the United States and abroad.*

***FACT: Henry Schein ships approximately 9.5 million orders each year. In the U.S. and Canadian markets, 99% of our orders are shipped the same day the order is placed, are delivered within two days of placement, and are shipped with virtually 100% accuracy.***

**475,000**  
customers in 125 countries

Henry Schein's world-class centralized infrastructure enables us to meet virtually all of the practice needs of more than 475,000 customers. We have more than 2.3 million square feet of distribution space at 22 strategically located distribution centers in North America, Europe, and Australia. We operate in 19 countries—the United States, Canada, the United Kingdom, the Netherlands, Belgium, Germany, France, Austria, Spain, the Czech Republic, Luxembourg, Italy, Ireland, Switzerland, Portugal, Australia, New Zealand, Israel and Iceland – where we typically enjoy a leadership position. In addition, we serve healthcare practitioners in 125 countries

through Schein Direct, which provides rapid door-to-door air package delivery. Our strong international presence provides us with significant economies of scale, enabling us to add value to our customers through the sharing of best practices and operational efficiencies.

Because our infrastructure offers additional capacity at a relatively fixed cost, we are able to leverage our investment and increase operating efficiency by channeling more sales through this infrastructure. In addition, we strategically invest in technology to manage everything from inventory to information, ensuring that we continue to

lead the industry. Special capabilities also distinguish us from our competitors. We have state-of-the-art cold-chain distribution capabilities and a nearly 15-year track record of success in distributing influenza vaccine. Additionally, our drug order monitoring system tracks pharmaceutical purchases by our customers as a safeguard.



At each of our distribution centers, we have streamlined the work process to the greatest degree, using state-of-the-art technology and powerful hardware to speed our customers' packages on their way.



With our industry-leading infrastructure and special capabilities, Henry Schein is a national resource in times of emergency medical response. We are able to receive large quantities of products in our distribution centers, efficiently and accurately subdivide them into smaller tailor-made shipments and quickly get these packages into the hands of healthcare practitioners around the country. Our expertise in distributing medical resources during emergencies has made us a partner in the U.S. government's emergency disaster relief team. Following the September 11, 2001 attacks, we delivered emergency medical supplies to New York area trauma hospitals and Ground Zero within 90 minutes of receiving the call. We supplied badly needed medical supplies to numerous relief organizations in the wake of December's catastrophic tsunamis. We also ship 50% of the U.S. doses for the Vaccines for Children program and provide products and services for many other governmental projects.

Each day at our distribution centers strategically located throughout North America, Europe, and Australia, we fill approximately 37,000 orders and ship more than 86,000 cartons with superior efficiency and accuracy.

Henry Schein's unique cold-chain distribution expertise ensures the integrity of the vaccines and other injectables we provide to our customers.



**FACT:** *Through the wide range of products and value-added services that we offer, and the high level of customer service that we provide, we help healthcare practitioners operate more efficient and profitable practices, enabling them to deliver the highest possible quality of care to their patients.*

# 50,000

## installed practice-management solutions

At Henry Schein, providing a one-stop shop for all our customers' practice needs is our first priority. As we transition our Company from being a pure distributor of products to a provider of integrated products and services, we remain dedicated to delivering the best possible service to a growing customer base. We are committed to strengthening our relationship with our customers by continually expanding and cross-selling our offering of value-added products and services that help improve practice profitability, efficiency, and quality of care.

We serve practitioners through approximately 2,000 field sales consultants and equipment sales specialists, 1,200 telesales representatives and more than 630 equipment service technicians in more than 250 locations worldwide. Our ProRepair® offering is the leading handpiece and small equipment repair service to office-based practitioners around the world.

We offer our customers more than 160,000 quality products and services, including

approximately 110,000 products to our customers outside of North America, plus a broad array of Henry Schein private-brand products, all at competitive prices. This includes important exclusive offerings, such as FluMist®, the intranasal influenza vaccine; Pentron Laboratory's products for dental laboratories; and partnerships, such as our agreement to distribute Colgate's oral care products to U.S. dental offices. Our customers can order from us 24/7 via telephone, fax, CD-ROM, or the Internet. In 2004, our Internet sales increased more than 45% over the previous year.

To benefit our customers, we infuse innovation into all facets of our Company—from ordering options to the products and services we offer. More than 44,000 dental practices have purchased our award-winning DENTRIX® or Easy Dental® practice-management software systems, the heart of the digital dental office, and more than 6,000 veterinary practices rely on our exclusive AVImark® software.

We are one of the dental industry's largest processors of electronic claims, with more than 28 million processed in 2004. Through Henry Schein Financial Services, we offer low rates for equipment leasing and financing, patient-financing options, electronic credit card processing, and lines of credit. We provide a full range of office design services. And through Henry Schein's Continuing Education for Healthcare Professionals program, our customers can access fully accredited courses in person, in print or online.

More than 21,500 dental practitioners have already enrolled in our Privileges™ customer loyalty program. We effectively serve our customers by making every interaction they have with Henry Schein as productive as possible. We constantly gather and analyze information to help us better understand our customers' needs, and use our extensive customer database to focus our marketing efforts, which included more than 34 million direct marketing pieces in 2004.





Ranked by an independent dental products research laboratory as being first in customer satisfaction with the fastest growing user base and superior clinical features, the DENTRIX® proprietary, digital dental office technology provides seamless integration of all the information that drives a dental practice.



Technology continues to reshape healthcare, and Henry Schein stands at the forefront of this evolution. In the dental profession, for example, we demonstrated how technology can revolutionize patient care and practice productivity through "Tomorrow's Dental Office – Today!" This traveling interactive exhibit, created in partnership with the American Dental Association, enables dentists to see integrated technology at work in real operatories focusing on hygiene, diagnostics, and treatment. Visitors also conduct computerized self-assessments to discover how they can enhance their own practices through technology. By investing in technology and demonstrating its value, we are building ongoing customer loyalty as we provide critical practice-enhancing tools.



"Tomorrow's Dental Office – Today!" was unveiled at the 2004 ADA Annual Session in Orlando, Florida and subsequently began touring the United States. The exhibit, which continues to make stops around the country throughout 2005, has been seen by thousands of dental team members, and will also be used to treat patients in underserved areas in the United States.

Our AVImark® veterinary management system has been ranked number one in customer satisfaction in a recent survey conducted by the American Animal Hospital Association.



**FACT:** In the 2005 “Most Admired” survey of FORTUNE 500® companies, Henry Schein was ranked number one among our peers for corporate responsibility.

# 10,000 Team Schein Members

Henry Schein is a values-based company that engenders an atmosphere of mutual respect and cooperation. Mutual responsibility, ethical behavior, creativity, and open communication are all guiding principles for our Company, and the contributions of each Team Schein Member are valued as integral toward reaching our goals. As our Company has grown to include nearly 10,000 Team Schein Members, the values that define our culture are as strong today as at any point in our 73-year history.

Our Team Schein culture also includes a commitment to social responsibility, which we put into action through Henry Schein Cares, our global corporate citizenship program. The mission of Henry Schein

Cares is to assist in narrowing the disparity in the delivery of healthcare services and information in underserved communities, both in the United States and abroad, by providing resources to support the programs of community-based health professionals and their organizations. This may include product donations, financial awards and contributions, volunteering our time and expertise, or delivering healthcare information.

To increase access to healthcare, we help millions of underserved children receive free dental treatment through the American Dental Association's (ADA) Give Kids a Smile initiative. We have helped extend the reach of vaccination programs by the U.S. Centers for Disease Control and Prevention through

donation of flu vaccine. We sponsor dozens of healthcare outreach missions around the world. We collaborate with federal, state, and local governments, academia, dental and medical professional associations, and organizations driving diversity and cultural competency within those professions. By seeking solutions to the healthcare issues of most concern to our customers and the professional associations to which they belong, we strive to be even more valuable business partners to healthcare practitioners.

Whether it means addressing the World Economic Forum or contributing to a community clinic, at Henry Schein we believe in the importance of speaking out and acting on our convictions.



For seven years, Henry Schein's Back-to-School Program has provided backpacks filled with terrific first-day outfits and school supplies to less fortunate children in seven states, helping them feel great when they step back into the classroom.



Part of our Team Schein culture is a commitment to education and training. This is exemplified by our Dental Career Development programs and Sullivan-Schein University (SSU), which have been designed to increase the productivity and strategic value of Team Schein Members to our customers. Intensive sales training sessions, product demonstrations, and training on proprietary sales tools equip our field sales consultants with the knowledge they need to succeed. Our SSU online learning tool includes over 60 vendor training and 30 career development modules that enable individuals to learn at their own pace. Graduates of our Career Development programs are now counseling dental practices on marketing, effective scheduling, practice management and problem solving. And these dental programs have been so successful, that the model is now being replicated in our Medical Group.

In 2004, 38,000 dental team volunteers treated more than one million underserved children on Give Kids a Smile day at clinics around the country. As exclusive distributor of professional products for the program, Henry Schein recruited 51 vendor partners to support the initiative.



Through effective public-private partnerships, Henry Schein has worked to improve access to healthcare and healthcare information, including donations of influenza vaccine to clinics around the country.



## DENTAL

## MEDICAL

# At-a-glance

our company

- 2004 sales – \$1.6 billion, 17.4% growth over 2003
- 16.5% growth consumable merchandise, 20.6% growth equipment sales and service
- Includes Sullivan-Schein and Zahn Dental laboratory supply in the United States; and Henry Schein Ash Arcona in Canada
- Approximately 34% share of estimated \$4.7 billion U.S. and Canadian dental distribution market
- Serves 80% of the estimated 135,000 U.S. and Canadian dental practices, 15,000 dental laboratories
- Product exclusives:  
A. Titan Instruments; BriteSmile To Go™; BruxGuard™; Camlog™ Implant System; Colgate Oral Care Products; DENTRIX®; Easy Dental®; Henry Schein Brand; Norad®; OralCDx®, Pentron® Laboratory Products; and ShadeVision™
- 2004 sales – \$1.4 billion, 8.1% growth over 2003 (including Vet)
- Includes Henry Schein Medical, Caligor, and General Injectables and Vaccines (GIV)
- 19% share of estimated \$7.4 billion market
- Serves 50% of the estimated 250,000 U.S. office-based physician practices
- Ships over 50% of the U.S. doses for Vaccines for Children program
- A leading supplier of vaccines and injectables to physicians and alternate care sites
- Supplier to formulary plans such as the American Medical Association and American Society of Plastic Surgeons



## VETERINARY



## INTERNATIONAL



## TECHNOLOGY

# by the numbers

- 2004 sales – \$80.4 million, 16.6% growth over 2003
- Serves 70% of the estimated 27,000 U.S. veterinary clinics
- Positive market dynamics
- Consumers willing to spend more to extend the life of their pets
- Growth in veterinary oncology and oral health
- Increase in specialty services offered by veterinarians
- Increased pet ownership by growing senior population

- 2004 sales – \$928 million, 61% growth over 2003
- 12% share of estimated \$7.4 billion Western and Central European combined dental, medical, and veterinary markets in which we operate
- Serves 210,000 practices in 17 countries outside of North America: Austria, Australia, Belgium, the Czech Republic, France, Germany, Iceland, Ireland, Israel, Italy, Luxembourg, the Netherlands, New Zealand, Portugal, Spain, Switzerland, United Kingdom
- Schein Direct™ offers rapid door-to-door air package delivery to practitioners in 125 countries

- 2004 sales – \$83.5 million, 12.5% growth over 2003
- Nearly one-third of all U.S. dental practices use DENTRIX® or Easy Dental® practice-management software
- AVImark® practice-management software installed in more than 25% of veterinary clinics in the United States
- Includes Henry Schein Financial Services and Henry Schein Continuing Education for Healthcare Professionals programs
- A leading aggregator of electronic claims for dental practitioners, processing more than 28 million claims in 2004

## 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 25, 2004, 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 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Financial Statements and Supplementary Data" in our Annual Report on Form 10-K.

	Years ended				
	December 25, 2004	December 27, 2003	December 28, 2002	December 29, 2001	December 30, 2000
	(in thousands, except per share data)				
<b>Statements of Operations Data:</b>					
Net sales	\$4,060,266	\$3,353,805	\$2,825,001	\$2,558,243	\$2,381,721
Gross profit	1,076,406	927,194	794,904	699,324	647,901
Selling, general, and administrative expenses <sup>(1)</sup>	863,319	693,475	598,635	551,574	520,288
Merger, integration, and restructuring (credits) costs <sup>(2)</sup>	-	-	(734)	-	15,024
Operating income	213,087	233,719	197,003	147,750	112,589
Other expense, net	(9,713)	(7,943)	(6,574)	(7,399)	(16,055)
Income before taxes, minority interest, equity in earnings (losses) of affiliates and loss on sale of discontinued operation	203,374	225,776	190,429	140,351	96,534
Taxes on income from continuing operations	(75,404)	(84,378)	(70,510)	(51,930)	(36,150)
Minority interest in net income of subsidiaries	(1,486)	(2,807)	(2,591)	(1,462)	(1,757)
Equity in earnings (losses) of affiliates	1,699	931	659	414	(1,878)
Net income from continuing operations	128,183	139,522	117,987	87,373	56,749
Loss on sale of discontinued operation, net of tax <sup>(3)</sup>	-	(2,012)	-	-	-
Net income	\$ 128,183	\$ 137,510	\$ 117,987	\$ 87,373	\$ 56,749
Earnings from continuing operations per share:					
Basic	\$ 1.47	\$ 1.60	\$ 1.36	\$ 1.03	\$ 0.69
Diluted	1.43	1.55	1.31	1.00	0.68
Earnings per share:					
Basic	\$ 1.47	\$ 1.57	\$ 1.36	\$ 1.03	\$ 0.69
Diluted	1.43	1.53	1.31	1.00	0.68
Weighted-average common shares outstanding:					
Basic	87,253	87,417	86,978	84,732	82,488
Diluted	89,462	89,975	89,744	87,090	84,014
<b>Net Sales by Market Data:</b>					
Healthcare Distribution: <sup>(4)</sup>					
Dental <sup>(5)</sup>	\$1,602,457	\$1,364,812	\$1,227,273	\$1,121,394	\$1,087,073
Medical <sup>(6)</sup>	1,446,060	1,338,084	1,093,956	982,569	851,301
International <sup>(7)</sup>	928,207	576,628	437,046	398,071	389,946
Total Healthcare Distribution	3,976,724	3,279,524	2,758,275	2,502,034	2,328,320
Technology <sup>(8)</sup>	83,542	74,281	66,726	56,209	53,401
Total	\$4,060,266	\$3,353,805	\$2,825,001	\$2,558,243	\$2,381,721
<b>Balance Sheet data:</b>					
Total assets	\$2,433,670	\$1,819,370	\$1,558,052	\$1,385,428	\$1,231,068
Long-term debt	525,682	247,100	242,561	242,169	266,224
Minority interest	12,438	11,532	6,748	6,786	7,996
Stockholders' equity	1,106,053	1,004,118	861,217	680,457	579,060

(1) Reflects a \$13.2 million pre-tax (\$8.4 million post-tax) one time charge, recorded in the fourth quarter of 2004, related to the Fluvirin<sup>®</sup> 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 will be able to provide Fluvirin<sup>®</sup> 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).

(2) In 2002, we revised our original estimates of our 2000 anticipated merger, integration, and restructuring costs. This change in estimates is attributable to facts and circumstances that arose subsequent to the original charges. As a result, we recorded additional expenses and reversed certain of our previously recorded expenses. Merger, integration, and restructuring costs consisted primarily of investment banking, legal, accounting and advisory fees; severance costs and benefits; facility costs; write-offs of duplicate management information systems; and other assets. This credit is included in selling, general and administrative expenses elsewhere in this Annual Report.

(3) 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. Due to immateriality, we have not reflected the operating results of PMA Bode separately as a discontinued operation for any of the periods presented.

(4) Consists of consumable products, small equipment, laboratory products, large dental equipment, branded and generic pharmaceuticals, surgical products, diagnostic tests, vaccines, 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, that are sold primarily to healthcare providers in the United States and Canada.

## RECONCILIATION OF CERTAIN OPERATING RESULTS

The following table sets forth, for the periods indicated, a reconciliation of Operating income and Net income, as reported to Adjusted operating income and Adjusted net income. The diluted earnings per share and weighted-average common shares outstanding information reflects a two-for-one stock split effected in the form of a dividend that became effective on February 28, 2005.

	Years ended				
	December 25, 2004	December 27, 2003	December 28, 2002	December 29, 2001	December 30, 2000
	(in thousands, except per share data)				
Operating income, as reported	\$ 213,087	\$ 233,719	\$ 197,003	\$ 147,750	\$ 112,589
Adjustments:					
Merger, integration, and restructuring (credits) costs	-	-	(734)	-	15,024
One-time charge related to influenza vaccine contract	13,246				
Adjusted operating income	226,333	233,719	196,269	147,750	127,613
Adjusted operating margin	5.6%	7.0%	6.9%	5.8%	5.4%
Net income, as reported	128,183	137,510	117,987	87,373	56,749
Adjustments, net of tax:					
Merger, integration, and restructuring (credits) costs	-	-	(734)	-	9,855
Gain on real estate transactions	-	(454)	(890)	-	-
Loss on sale of Novocol	-	-	-	-	1,925
Loss on sale of UK Technology Business	-	-	-	-	1,618
Loss on sale of discontinued operation –PMA Bode	-	2,012	-	-	-
One-time charge related to influenza vaccine contract	8,358	-	-	-	-
Adjusted net income	\$ 136,541	\$ 139,068	\$ 116,363	\$ 87,373	\$ 70,147
Diluted earnings per share:					
As reported	\$ 1.43	\$ 1.53	\$ 1.31	\$ 1.00	\$ 0.68
Adjusted	1.53	1.55	1.30	1.00	0.83
Diluted weighted-average common shares outstanding:	89,462	89,975	89,744	87,090	84,014

# Board of Directors



**Stanley M. Bergman**  
*Chairman, Chief Executive Officer  
and President*



**Barry J. Alperin** <sup>(1) (2) (3)</sup>  
*Retired Vice Chairman,  
Hasbro, Inc.*



**Gerald A. Benjamin**  
*Executive Vice President and  
Chief Administrative Officer*



**James P. Breslawski**  
*Executive Vice President*



**Paul Brons\***  
*Former Member, Board of  
Management, Akzo Nobel N.V.*



**Margaret A. Hamburg, M.D.** <sup>(4)</sup>  
*Former Assistant Secretary for  
Planning and Evaluation, U.S.  
Department of Health and Human  
Services and Former Commissioner  
of Health for the City of New York*



**Pamela Joseph\*\***  
*Director, MaNose Studios*



**Donald J. Kabat** <sup>(1) (2)</sup>  
*Retired Partner, Accenture*



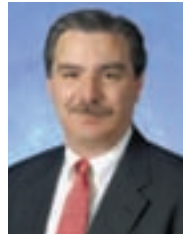
**Philip A. Laskawy** <sup>(1) (3) (4)</sup>  
*Retired Chairman, Ernst & Young*



**Norman S. Matthews** <sup>(2) (4)</sup>  
*Former President, Federated  
Department Stores*



**Mark E. Mlotek**  
*Executive Vice President,  
Corporate Business  
Development Group*



**Steven Paladino**  
*Executive Vice President  
and Chief Financial Officer*



**Marvin H. Schein**  
*Founder, Schein Dental  
Equipment Corp.*



**Irving Shafran, Esq.\*\***  
*Attorney at Law*



**Louis W. Sullivan, M.D.** <sup>(3) (4)</sup>  
*Former U.S. Secretary of Health  
and Human Services and  
Founding Dean, Director, and  
President Emeritus of the  
Morehouse School of Medicine*

# Executive Officers

**Stanley M. Bergman**  
*Chairman, Chief Executive Officer and President*

**Gerald A. Benjamin**  
*Executive Vice President and Chief Administrative Officer*

**James P. Breslawski**  
*Executive Vice President*

**Leonard A. David**  
*Vice President and Chief Compliance Officer*

**Stanley Komaroff, Esq.**  
*Senior Advisor*

**Mark E. Mlotek**  
*Executive Vice President, Business Development Group*

**Steven Paladino**  
*Executive Vice President and Chief Financial Officer*

**Michael Racioppi**  
*President, Medical Group*

**Michael Zack**  
*Senior Vice President, International Group*

(1) Member Audit Committee

(2) Member Compensation Committee

(3) Member Nominating and Governance Committee

(4) Member Strategic Advisory Committee

\* Board Member as of April 2005

\*\* Emeritus as of May 2005





**Henry Schein**  
around the globe

Austria

Australia

Belgium

Canada

the Czech Republic

France

Germany

Iceland

Ireland

Israel

Italy

Luxembourg

the Netherlands

New Zealand

Portugal

Spain

Switzerland

United Kingdom

United States

## COMMON STOCK

Henry Schein Common Stock trades on the NASDAQ Stock Market® under the symbol "HSIC."

## ANNUAL SHAREHOLDERS MEETING

Our Annual Meeting of Shareholders will be held on May 24, 2005, 9 a.m. EDT, at The Carlyle Hotel, 35 East 76th Street, New York, NY 10021.

## HENRY SCHEIN ON THE INTERNET

For more information about Henry Schein and its products and services, go to [www.henryschein.com](http://www.henryschein.com). Other Company Web sites include: [www.sullivanschein.com](http://www.sullivanschein.com); [www.caligor.com](http://www.caligor.com); [www.giv.com](http://www.giv.com); [www.dentrix.com](http://www.dentrix.com); [www.easydental.com](http://www.easydental.com); [www.labnet.com](http://www.labnet.com); [www.digitaldentaloffice.com](http://www.digitaldentaloffice.com); [www.zahndental.com](http://www.zahndental.com); [www.studentdentist.com](http://www.studentdentist.com); and [www.avimark.com](http://www.avimark.com).

## SHAREHOLDER REPORTS AND INVESTOR INQUIRIES

For shareholder inquiries, including requests for quarterly and annual reports, contact our Investor Relations department at (631) 843-5611/5562, or e-mail your request to [investor@henryschein.com](mailto:investor@henryschein.com). Printed materials can also be requested through the Company's Web site.

# Corporate information

## FORM 10-K

A copy of the Company's annual report on Form 10-K for the fiscal year ended December 25, 2004, is available without charge to shareholders upon request to the Company's Investor Relations department. The report also is available on the Company's Web site.

## INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

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New York, New York 10017

## LEGAL COUNSEL

Proskauer Rose LLP  
1585 Broadway  
New York, New York 10036

## STOCK TRANSFER AGENT

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Continental Stock Transfer & Trust Company  
17 Battery Place  
New York, New York 10004  
(212) 509-4000

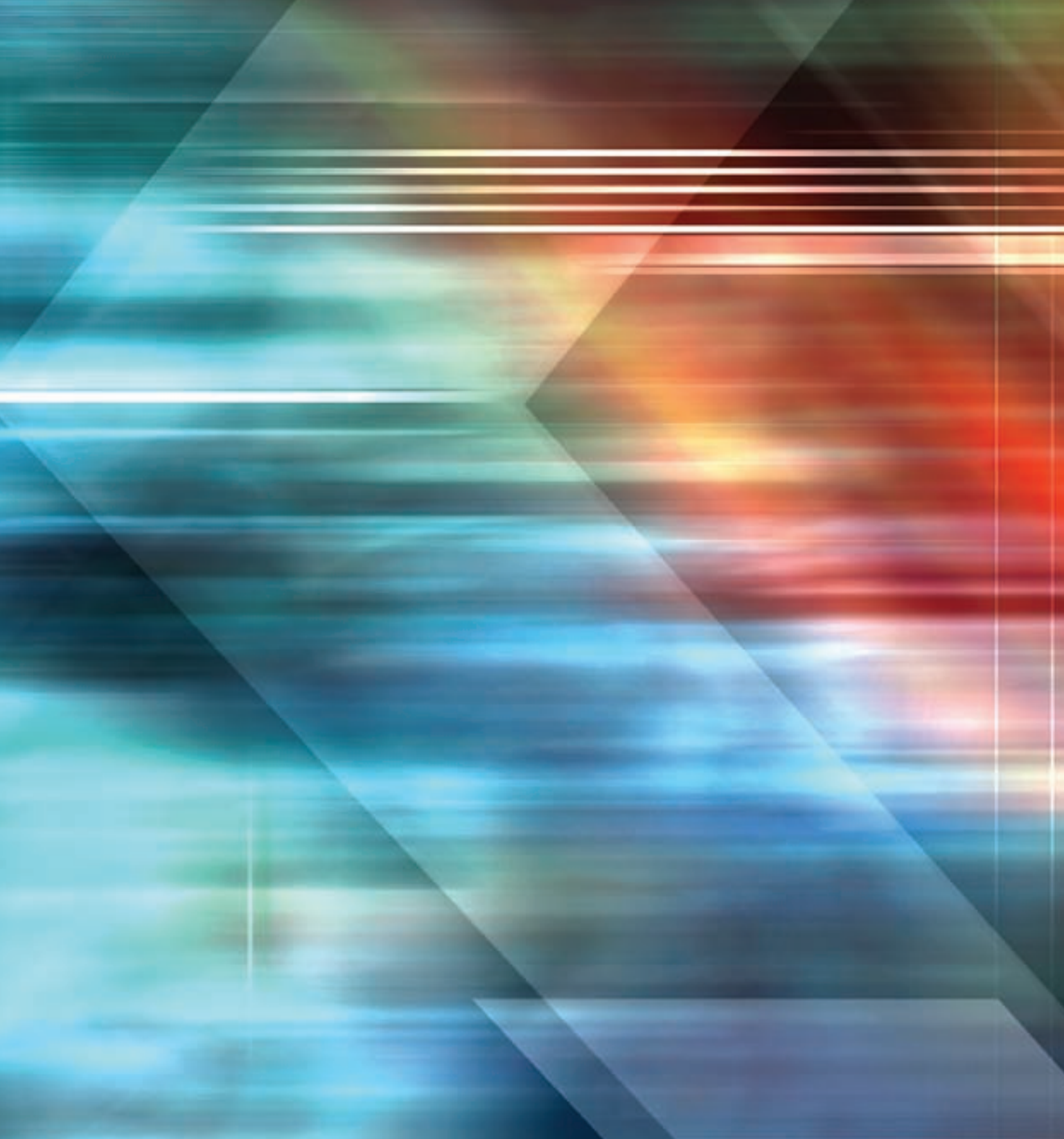
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*In accordance with the "Safe Harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Company provides the following cautionary remarks regarding important factors which, among others, could cause future results to differ materially 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 which may cause the Company's 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," "anticipate," "intend," "believe," "plan," "estimate," "forecast," "project," or other comparable terms. A full discussion of the Company's operations and financial condition, including factors that may affect its business and future prospects, is contained in documents the Company has filed with the SEC and will be contained in all subsequent periodic filings made with the SEC. These documents identify, in detail, important risk factors that could cause the Company's actual performance to differ materially from current expectations.*

*Risk factors and uncertainties which 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 the Company; financial risks associated with the Company's international operations; fluctuations in quarterly earnings; transitional challenges associated with acquisitions; regulatory and litigation risks; the dependence on the Company's continued product development, technical support and successful marketing in the technology segment; the Company's dependence upon sales personnel and key customers; the Company's dependence on its senior management; the Company's dependence on third parties for the manufacture and supply of its products; possible increases in the cost of shipping the Company's products or other service trouble with the Company's third-party shippers; risks from rapid technological change; and risks from potential increases in variable interest rates.*

*The order in which these factors appear should not be construed to indicate their relative importance or priority. The Company cautions that these factors may not be exhaustive and that many of these factors are beyond the Company's ability to control or predict. Accordingly, forward-looking statements should not be relied upon as a prediction of actual results. The Company undertakes no duty and has no obligation to update forward-looking statements.*





#### CORPORATE MISSION

To be the worldwide leader  
in providing the best quality  
and value in products and services  
for our healthcare customers.