

 **HENRY SCHEIN®**

ANNUAL REPORT 2007



About Henry Schein

Henry Schein, Inc., a FORTUNE 500® company and a member of the NASDAQ-100® Index, is the largest distributor of healthcare products and services to office-based practitioners in the combined North American and European markets. The Company has been named “Most Admired” in its industry in FORTUNE’s list of America’s Most Admired Companies, and number one in social responsibility for four consecutive years.

Henry Schein is recognized for its excellent customer service and highly competitive prices. The Company’s four business groups—Dental, Medical, International and Technology—serve more than 550,000 customers worldwide, including:

- Approximately 85% of the estimated 136,000 U.S. and Canadian office-based dental practices, as well as dental laboratories;
- Approximately 45% of the estimated 250,000 U.S. office-based physician practices, as well as surgical centers and other alternate-care sites;
- Over 75% of the estimated 27,000 animal health clinics in the United States;
- Approximately 240,000 office-based dental, medical and animal health clinics outside of North America, primarily in Europe, Australia and New Zealand; and
- Government and other institutions providing healthcare services.

The Company operates through a centralized and automated distribution network, which provides customers in more than 200 countries with a comprehensive selection of more than 90,000 national and Henry Schein private-brand products in stock, as well as more than 100,000 additional products available as special-order items.

Henry Schein also offers a wide range of innovative value-added practice solutions for healthcare professionals, such as ARUBA®, the Company’s electronic catalog and ordering system. Its leading practice-management software solutions have a user base of more than 52,000 practices, including DENTRIX®, Easy Dental®, Oasis® and EXACT® for dental practices, MicroMD® for physician practices, and AVImark® for animal health clinics.

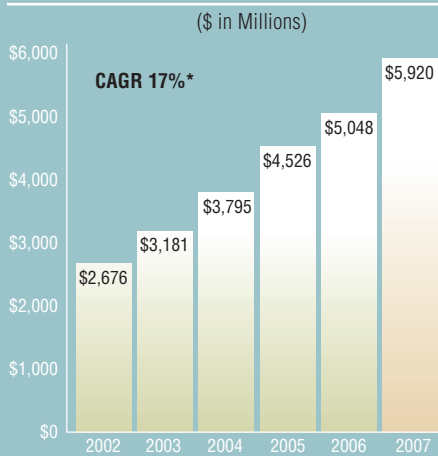
Headquartered in Melville, New York, Henry Schein employs more than 12,000 people and has operations or affiliates in 20 countries.

The Company’s net sales reached a record \$5.9 billion in 2007. For more information, visit the Henry Schein Web site at www.henryschein.com.

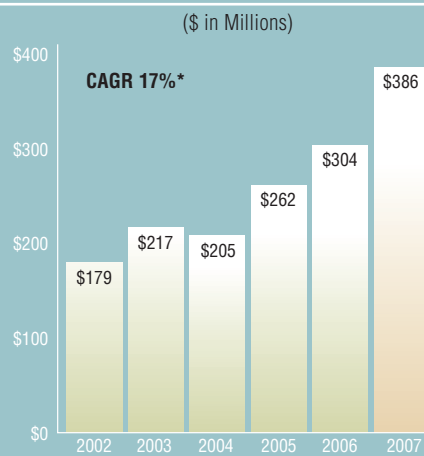


Financial Highlights

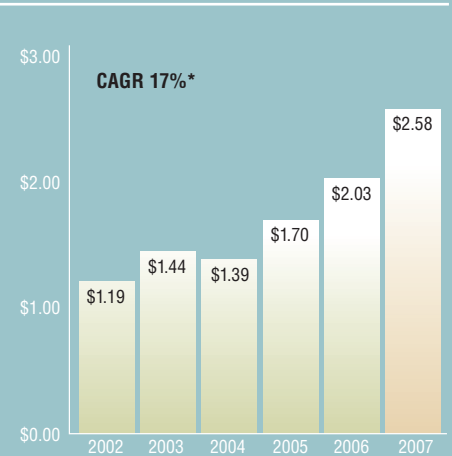
NET SALES
from Continuing Operations



OPERATING INCOME
from Continuing Operations (1)

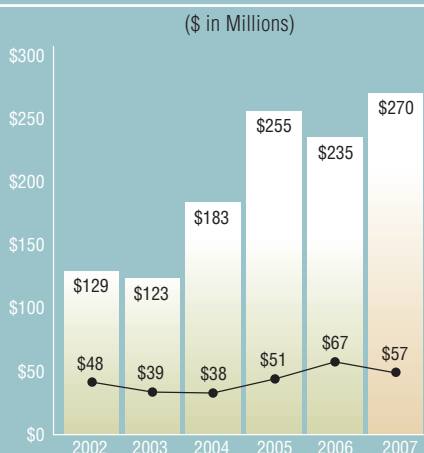


EARNINGS PER DILUTED SHARE
from Continuing Operations (1)

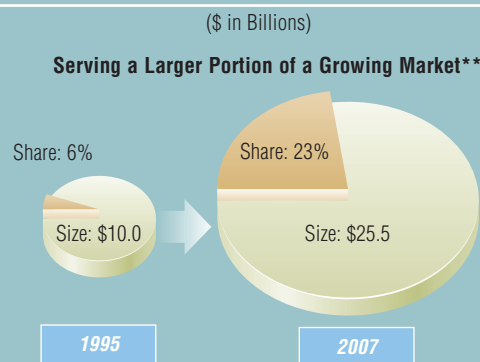


*Compound Annual Growth Rate

OPERATING CASH FLOW
AND CAPITAL EXPENDITURES



MARKET SIZE
vs. MARKET SHARE



**Market is defined as the distribution of healthcare products and services primarily to office-based practitioners in the combined North American and European markets.

NOTES:

Operating Income and Earnings Per Diluted Share from Continuing Operations have been adjusted to exclude certain one-time items. Refer to Non-GAAP Disclosures on page 9. Additionally, refer to our annual consolidated financial statements for a complete presentation of our Consolidated Statements of Cash Flows.

(1) During 2004, we recorded a non-recurring \$13.2 million pre-tax (\$8.4 million post-tax) charge related to the Fluvirin[®] contract with Chiron Corporation. The effect that this charge had on earnings per diluted share from continuing operations for the year ended December 25, 2004 was (\$0.10). Excluding this charge, our earnings per diluted share from continuing operations for 2004 was \$1.39.

Henry Schein At A Glance

DENTAL

- 2007 net sales: \$2.46 billion
- % of Company sales: 42%
- Includes Henry Schein Dental, Henry Schein Canada and Zahn Dental Laboratory
- Serves approximately 85% of the estimated 136,000 U.S. and Canadian office-based dental practices, as well as dental laboratories
- Has approximately 40% of the estimated \$6 billion U.S. and Canadian distribution market
- Offers approximately 44,000 products in stock and many more as special-order items
- Key product exclusives/semi-exclusives: Camlog™ dental implant system; Colgate® Oral Care Products; DEXIS® digital radiography products; i-CAT™ 3-D Imaging Systems; BIOLASE® dental laser systems; Milestone Single Tooth Anesthesia™ system; KaVo; Noritake dental materials; Pelton & Crane; BruxGuard™; Pentron® Laboratory Products; and ShadeVision™

MEDICAL

- 2007 net sales: \$1.56 billion (including Animal Health)
- % of Company sales: 26% (including Animal Health)
- Serves approximately 45% of the estimated 250,000 U.S. office-based physician practices, as well as surgical centers and alternate-care sites
- Has approximately 17% of the estimated \$9 billion U.S. distribution market (including Animal Health)
- Offers approximately 37,000 products in stock and many more as special-order items
- Leading supplier of vaccines (influenza, tetanus/diphtheria toxoid, pneumococcal and many others), injectables and other pharmaceuticals to physicians and alternate-care sites
- Purchase plans for the American Medical Association, the American Society of Plastic Surgeons, the American Academy of Dermatology, and the American Academy of Ophthalmology

ANIMAL HEALTH

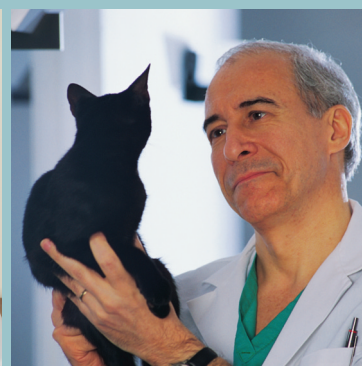
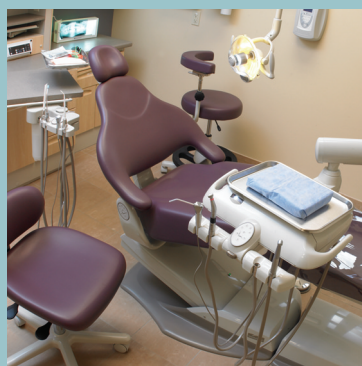
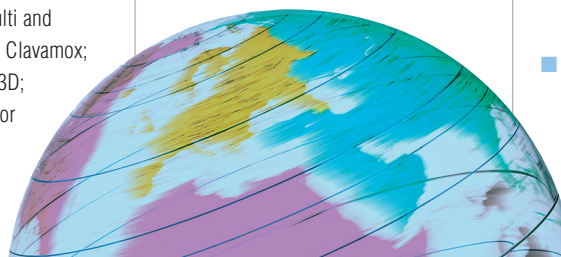
- Serves over 75% of the estimated 27,000 U.S. animal health clinics
- Offers approximately 23,000 products in stock and many more as special-order items
- Important new product introductions in 2007: Bayer's Advantage Multi and ProFender products; Pfizer's Clavamox; Summit Vet Pharm's Vectra 3D; and Fort Dodge's Promeris for Dogs and Cats

INTERNATIONAL

- 2007 net sales: \$1.77 billion
- % of total Company sales: 30%
- Has approximately 17% of the estimated \$10.5 billion combined dental, medical and animal health market in the European countries in which we operate
- Serves approximately 240,000 office-based dental, medical and animal health clinics through operations or affiliates in 18 countries outside of North America: Australia, Austria, Belgium, the Czech Republic, France, Germany, Iceland, Ireland, Israel, Italy, Luxembourg, the Netherlands, New Zealand, Portugal, Spain, Switzerland, the United Arab Emirates, the United Kingdom
- Schein Direct provides direct air package delivery service to practitioners in more than 200 countries around the world
- Key 2007 acquisition: W&J Dunlop Ltd. (U.K., animal health)

TECHNOLOGY AND VALUE-ADDED SERVICES

- 2007 net sales: \$132 million
- % of total Company sales: 2%
- Doing business as Henry Schein Practice Solutions for dental and Henry Schein Medical Systems for medical
- Practice management and electronic medical records systems user base of more than 52,000 dental, medical and animal health clinics
- Key products include: DENTRIX®, Easy Dental®, DentalVision®, Oasis®, and EXACT® for dental practices; MicroMD® for physician practices; LabNet® for dental laboratories; and AVImark® for animal health clinics
- Value-added services include: repair services through ProRepair® and COMPLETEcare; office design services; continuing education for healthcare professionals; electronic health claims processing (41 million claims processed in 2007); Office Automation Technology Solutions; 24/7 ordering capability through the ArueA® Web-based electronic catalog; Financial Services such as equipment leasing and financing, patient financing, electronic credit card processing and credit facilities; and the Privileges™ customer loyalty program
- Key 2007 acquisition: Software of Excellence International Ltd. (U.K., Australia, New Zealand, dental software)





To Our Stockholders

In 2007, our 75th year of operations, we celebrated our commitment to the five constituencies that have led to this important business milestone and our ongoing success—our investors, customers, Team Schein, supplier partners and society. This steadfast commitment helped make 2007 the most successful year in our Company's history.

Record Results and Innovation

Our commitment to our investors was seen in the record financial results we posted for the year. Our net sales for 2007 reached a record \$5.9 billion, an increase of 17.3% over the prior year. This increase includes 14.3% local currency growth (7.3% internally generated and 7.0% from acquisitions, net of divestiture) and 3.0% related to foreign currency exchange. Income from continuing operations for 2007 was \$235 million, or \$2.58 per diluted share, an increase of 28.6% and 27.1%, respectively, compared with 2006. Each of our four business groups posted double-digit sales gains for the year with net sales of \$2.46 billion for Dental, \$1.56 billion for Medical (including Animal Health), \$1.77 billion for International, and \$132 million for Technology.

Additionally we achieved many operational milestones throughout the year, with the continued implementation of global corporate programs in human resources, information technology, inventory management, distribution and other key areas. We rolled out innovative programs to leverage our strengths, and our use of technology was recognized publicly as Henry Schein ranked 81st in InformationWeek's Most Innovative Business Technology Companies.

Growth

Our Company added important new resources to better serve our customers and expand Team Schein, our greatest asset, to more than 12,000 members. We acquired the full-service and special markets business of Becker-Parkin Dental Supply, increasing our dental penetration in several important U.S. markets. W&J Dunlop Ltd., a leading supplier of animal health products and services to animal health clinics in the United Kingdom, joined the Henry Schein family of companies. We also acquired Software of Excellence International Ltd., a New Zealand-based supplier of dental practice management systems and software in the United Kingdom, Australia and New Zealand.

Strong partnerships with our suppliers resulted in a growing number of important product exclusives and semi-exclusives, which now include the Camlog™ dental implant system; Colgate® Oral Care Products; DEXIS® digital radiography products; i-CAT™ 3-D Imaging Systems; BIOLASE® dental laser systems; Milestone Single Tooth Anesthesia™ system; KaVo; Noritake dental materials; Pelton & Crane; Siemens refurbished ultrasound equipment; BruxGuard™; Pentron® Laboratory Products; ShadeVision™; and others.

A Commitment to Caring

Our commitment to society and our reputation for corporate citizenship continues to grow as Henry Schein has been ranked “Most Admired” in our industry in FORTUNE’s list of America’s Most Admired Companies, and number one in social responsibility for four consecutive years.

*Through Henry Schein Cares,
our global social responsibility
program, we are
“Helping Health Happen.”*

We recognize that corporate social responsibility means much more than simply writing a check for charity—it includes a commitment to good corporate governance, to environmental responsibility and to philanthropic community support.

In 2007, in the area of corporate governance, Ethisphere™ Magazine awarded Henry Schein an “A”—the only one in our industry—for our Code of Conduct, with particular praise for our commitment to stakeholders and the presentation and style of information. Our ongoing environmental commitment

is seen in our use of recycled and environmentally-friendly products in our catalogs, sales flyers, buyers’ guide and business cards, as well as this annual report; in our Global Reflections offering of all-natural and recycled products; in the use of energy-efficient products throughout our facilities; and in our new Henry Schein Dental trade show booth, which incorporates innovations that makes 60% of the booth’s construction environmentally-friendly.

We also are committed to using our core competencies to enhance healthcare advocacy and education; increase access to healthcare among underserved populations; strengthen community wellness programs and volunteer activities; and further humanitarian relief and disaster response. We achieve this goal through the many activities we support through Henry Schein Cares, our global social responsibility program that is “helping health happen.”

Our Henry Schein Cares activities throughout the year were as diverse as the Team Schein Members who drove their success. With our supplier partners, we once again supported thousands of dental team volunteers who provided free treatment to more than 750,000 underserved U.S. children for the ADA’s fifth annual Give Kids A Smile® day. We expanded our Healthy Children, Healthy Lifestyles program to five U.S. cities. In 10 years, our Back to School



program has supported more than 7,000 children in nine U.S. states and Canada. And our Holiday Cheer for Children program again made the holidays a bit brighter for those who are less fortunate.

In addition to these broad initiatives, Team Schein supported countless community-based programs throughout 2007. We cleaned up parks in New Zealand; Denver, Pennsylvania; Jacksonville, Florida; and Indianapolis, Indiana. We built homes in Reno, Nevada, and constructed children's playgrounds on Long Island, New York. We expanded dental outreach programs in Australia, Germany, the Philippines, Mongolia, the Ukraine, and across the African continent. We supported an orphanage in Ethiopia and helped the homeless in New York. We also provided humanitarian relief around the world through our support of MedShare International, Direct Relief International and other organizations.

Henry Schein uses its core competencies—our distribution expertise and our relationships with suppliers and healthcare professionals—to create public-private partnerships that can expand the scale and scope of any program. We encourage non-governmental organizations; local, state and Federal governments; professional associations; educators; and others in industry to pool their resources with a common goal.

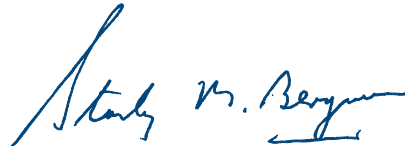
Looking Ahead

2007 will be remembered as a milestone year in our Company's history. We are confident that we can achieve even more by focusing on the five key priorities detailed in our three-year strategic plan:

- Share best practices and services across borders and business functions
- Consistently deliver superior integrated solutions—consisting of innovative technology and services—to meet our customers' needs in managing their practices
- Become trusted consultants and advisors to our customers
- Develop the strategic Henry Schein global brand
- Ensure that Team Schein Members continue to be our number one asset

By addressing these priorities and maintaining our strong commitment to our constituencies, we are confident that our best years are yet to come. On behalf of our Board of Directors and my Team Schein colleagues, we thank you for your continued support.

Sincerely,



Stanley M. Bergman
Chairman and Chief Executive Officer





Board of Directors

Stanley M. Bergman
Chairman and Chief Executive Officer

Barry J. Alperin ^{(1) (2) (3)}
Retired Vice Chairman, Hasbro, Inc.

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

James P. Breslawski
President and Chief Operating Officer

Paul Brons ⁽⁴⁾
*Former Member, Board of Management,
 Akzo Nobel, N.V.*

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

Donald J. Kabat ^{(1) (2)}
Retired Partner, Accenture, Ltd.

Philip A. Laskawy ^{(1) (3) (4)}
Retired Chairman, Ernst & Young LLP

Norman S. Matthews ^{(2) (4)}
*Former President, Federated
 Department Stores, Inc.*

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

Steven Paladino
*Executive Vice President and
 Chief Financial Officer*

Marvin H. Schein
Founder, Schein Dental Equipment Corp.

Louis W. Sullivan, M.D. ^{(3) (4)}
*Former U.S. Secretary of Health
 and Human Services;
 Founding Dean, Director and President
 Emeritus of the Morehouse School
 of Medicine*

Standing Row, left to right:
 Mark E. Mlotek,
 Steven Paladino,
 Paul Brons,
 Louis W. Sullivan,
 Norman S. Matthews,
 Philip A. Laskawy,
 Donald J. Kabat,
 Gerald A. Benjamin

Seated Row, left to right:
 Barry J. Alperin,
 Margaret A. Hamburg,
 Stanley M. Bergman,
 James P. Breslawski,
 Marvin H. Schein

- (1) Member Audit Committee
- (2) Member Compensation Committee
- (3) Member Nominating and Governance Committee
- (4) Member Strategic Advisory Committee

Executive Officers



Stanley M. Bergman
*Chairman and
 Chief Executive Officer*



James P. Breslawski
*President and
 Chief Operating Officer*



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



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



James Harding
*Senior Vice President
 and Corporate Chief
 Technology Officer*



Stanley Komaroff
Senior Advisor



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



Steven Paladino
*Executive Vice President and
 Chief Financial Officer*



Michael Racioppi
*Senior Vice President and
 Chief Merchandising Officer*



Michael Zack
*President,
 International Group*

Henry Schein is Committed to its Five Key Constituencies

Customers	Supplier Partners
<p>for whom we seek to be a trusted advisor and consultant in building the efficiency and success of their practices.</p>	<p>with whom we will achieve mutual business success.</p>
Team Schein	
<p>for whom we will continue to foster an entrepreneurial environment marked by dignity, respect, and opportunities for personal and professional growth.</p>	
Investors	Society
<p>for whom we will achieve continued growth and profitability and deliver an excellent return on investment.</p>	<p>in which we will remain a responsible corporate citizen, using our core competencies to give back to the communities in which we operate.</p>



Non-GAAP Disclosures

The following table sets forth, for the periods indicated, a reconciliation of operating income (loss) and income (loss) from continuing operations adjusted to reflect the effects of discontinued operations, as reported to adjusted operating income and adjusted income from continuing operations. The diluted earnings (loss) from continuing operations 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 30, 1995
	December 25, 2004	December 27, 2003	December 28, 2002	
	(in thousands, except per share data)			
Operating income (loss), as reported	\$ 191,949	\$ 217,432	\$ 179,623	\$ (1,474)
Adjustments:				
Merger, integration, and restructuring credits	-	-	(734)	-
Special management compensation costs	-	-	-	20,797
One-time charge related to influenza vaccine contract	13,246	-	-	-
Adjusted operating income	205,195	217,432	178,889	19,323
Adjusted operating margin	5.4%	6.8%	6.7%	3.1%
Income (loss) from continuing operations, as reported	114,129	128,759	107,271	(10,479)
Adjustments, net of tax:				
Merger, integration, and restructuring credits	-	-	(734)	-
Special management compensation costs	-	-	-	19,623
Gains on real estate transactions	-	(454)	(890)	-
One-time charge related to influenza vaccine contract	8,358	-	-	-
Adjusted income from continuing operations	\$ 122,487	\$ 128,305	\$ 105,647	\$ 9,144
Diluted earnings (loss) from continuing operations per share:				
As reported	\$ 1.29	\$ 1.45	\$ 1.21	\$ (0.39)
Adjusted	1.39	1.44	1.19	0.34
Diluted weighted-average common shares outstanding:	88,646	89,099	89,007	26,894

USE OF NON-GAAP MEASURES

The above information includes financial measures that are not calculated and presented in accordance with accounting principles generally accepted in the United States ("GAAP").

The above table reconciles operating income (loss), income (loss) from continuing operations and diluted earnings (loss) from continuing operations per share, our most directly comparable measure calculated and presented in accordance with GAAP, to comparable amounts as adjusted to eliminate the effect of one-time items.

We eliminated the effect of such one-time items to assist in evaluating the underlying operational performance of our business, excluding such one-time items, over the periods presented. We believe that this presentation is appropriate and facilitates such an evaluation by us, investors and analysts. These measures should be considered supplemental to, and not a substitute for or superior to, financial measures calculated in accordance with GAAP.

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 HENRY SCHEIN®