DENTSPLY INTERNATIONAL INC /DE/
Form 10-Q
October 29, 2009
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2009

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to _______________

Commission File Number 0-16211

DENTSPLY International Inc.

____

(Exact name of registrant as specified in its charter)

Delaware	39-1434669

____

(State or other jurisdiction of	(I.R.S. Employer
incorporation or organization)	Identification No.)
221 West Philadelphia Street, York, PA	17405-0872
(Address of principal executive offices)	(Zip Code)

(717) 845-7511

(Registrant’s telephone number, including area code)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes X 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 X No

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 X Accelerated filer Non-accelerated filer Smaller reporting company

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

Yes No X

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date: At October 28, 2009, DENTSPLY International Inc. (the “Company”) had 148,503,212 shares of Common Stock outstanding, with a par value of $.01 per share.

DENTSPLY International Inc.

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PART I – FINANCIAL INFORMATION

Item 1 – Financial Statements

DENTSPLY INTERNATIONAL INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Net sales	$ 531,032	$ 529,953	$ 1,591,197	$ 1,685,582
Cost of products sold	258,051	249,770	764,276	804,670
Gross profit	272,981	280,183	826,921	880,912
Selling, general and administrative expenses	178,841	180,729	543,207	565,599
Restructuring, impairments and other costs (Note 9)	1,210	18,539	5,905	20,202
Operating income	92,930	80,915	277,809	295,111
Other income and expenses:				
Interest expense	5,456	9,284	16,877	25,437
Interest income	(858)	(4,669)	(4,326)	(14,564)
Other expense, net	480	1,030	1,326	4,100
Income before income taxes	87,852	75,270	263,932	280,138
Provision for income taxes	19,999	9,204	65,570	67,219
Net income	67,853	66,066	198,362	212,919
Less: Net gain (loss) attributable to the noncontrolling interests	370	19	(1,062)	45
Net income attributable to DENTSPLY International	$ 67,483	$ 66,047	$ 199,424	$ 212,874
Earnings per common share (Note 4):				
-Basic	$ 0.45	$ 0.44	$ 1.34	$ 1.43
-Diluted	$ 0.45	$ 0.44	$ 1.33	$ 1.40
Cash dividends declared per common share	$ 0.050	$ 0.045	$ 0.150	$ 0.135

Weighted average common shares outstanding (Note 4):				
-Basic	148,547	148,775	148,546	149,186
-Diluted	150,638	151,697	150,077	152,137

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

DENTSPLY INTERNATIONAL INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)
(unaudited)

Assets		September 30, 2009		December 31, 2008
Current Assets:				
Cash and cash equivalents	$	333,368	$	203,991
Short-term investments		37		258
Accounts and notes receivables-trade, net (Note 1)		356,976		319,260
Inventories, net (Note 7)		311,666		306,125
Prepaid expenses and other current assets		125,056		120,228
Total Current Assets		1,127,103		949,862
Property, plant and equipment, net		445,365		432,276
Identifiable intangible assets, net		119,344		103,718
Goodwill		1,308,824		1,277,026
Other noncurrent assets, net		66,473		67,518
Total Assets	$	3,067,109	$	2,830,400
Liabilities and Stockholders' Equity				
Current Liabilities:				
Accounts payable	$	98,125	$	104,329
Accrued liabilities		230,265		193,660
Income taxes payable		34,896		36,178
Notes payable and current portion of long-term debt (Note 13)		240,366		25,795
Total Current Liabilities		603,652		359,962
Long-term debt (Note 13)		154,842		423,679
Deferred income taxes		77,838		69,049
Other noncurrent liabilities		328,326		318,297
Total Liabilities		1,164,658		1,170,987
Commitments and contingencies (Note 14)				
Stockholders' Equity:				
Preferred stock, $.01 par value; .25 million shares authorized; no shares issued		-		-
Common stock, $.01 par value; 200 million shares authorized; 162.8 million shares issued at September 30, 2009 and December 31, 2008		1,628		1,628
Capital in excess of par value		195,781		187,154
Retained earnings		2,016,007		1,838,958
Accumulated other comprehensive income (Note 3)		95,139		39,612
Treasury stock, at cost, 14.3 million shares at September 30, 2009 and 14.2 million shares at December 31, 2008		(481,300)		(479,630)
Total DENTSPLY International Stockholders' Equity		1,827,255		1,587,722

Noncontrolling interests	75,196	71,691
Total Stockholders' Equity	1,902,451	1,659,413
Total Liabilities and Stockholders' Equity	$ 3,067,109	$ 2,830,400

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

DENTSPLY INTERNATIONAL INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(unaudited)

	Nine Months Ended September 30, 2009	2008
Cash flows from operating activities:		
Net income	$ 198,362	$ 212,919
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	40,118	36,697
Amortization	9,227	6,703
Deferred income taxes	9,655	25,245
Share-based compensation expense	14,778	12,748
Restructuring, impairments and other costs	5,905	20,202
Stock option income tax benefit	(2,921)	(3,575)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts and notes receivable-trade, net	(23,166)	(45,344)
Inventories, net	10,670	(25,918)
Prepaid expenses and other current assets	248	(2,176)
Accounts payable	(9,699)	6,838
Accrued liabilities	(4,325)	9,026
Income tax payable	(546)	(5,636)
Other, net	(2,942)	(10,886)
Net cash provided by operating activities	245,364	236,843
Cash flows from investing activities:		
Capital expenditures	(43,282)	(55,286)
Cash paid for acquisitions of businesses, net of cash acquired	(2,986)	(43,937)
Purchases of short-term investments	-	(154,568)
Liquidation of short-term investments	219	102,091
Expenditures for identifiable intangible assets	(128)	(2,201)
Proceeds from sale of property, plant and equipment, net	2,143	702
Net cash used in investing activities	(44,034)	(153,199)
Cash flows from financing activities:		
Net change in short-term borrowings	(1,482)	1,033
Cash paid for treasury stock	(21,253)	(99,771)
Cash dividends paid	(22,383)	(20,231)
Proceeds from long-term borrowings	-	117,900
Payments on long-term borrowings	(57,150)	(205,613)
Proceeds from exercise of stock options	9,451	11,990
Excess tax benefits from share-based compensation	2,921	3,575
Net cash used in financing activities	(89,896)	(191,117)
Effect of exchange rate changes on cash and cash equivalents	17,943	(7,706)
Net increase (decrease) in cash and cash equivalents	129,377	(115,179)
Cash and cash equivalents at beginning of period	203,991	169,384
Cash and cash equivalents at end of period	$ 333,368	$ 54,205

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

DENTSPLY INTERNATIONAL INC. AND SUBSIDIARIES
Consolidated Statement of Changes in Stockholders' Equity
(In thousands)

(unaudited)	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total DENTSPLY International Stockholders' Equity	Non-controlling Interests	Total Stockholders' Equity
Balance at December 31, 2007	$ 1,628	$ 173,084	$ 1,582,683	$ 145,819	$(387,108)	$ 1,516,106	$ 296	$ 1,516,402
Purchase of subsidiary shares from noncontrolling interest	-	-	-	-	-	-	71,931	71,931
Comprehensive Income:								
Net income	-	-	283,869	-	-	283,869	(599)	283,270
Other comprehensive income (loss), net of tax:								
Foreign currency translation adjustment	-	-	-	(71,521)	-	(71,521)	63	(71,458)
Net loss on derivative financial instruments	-	-	-	(13,986)	-	(13,986)	-	(13,986)
Unrecognized losses and prior service cost, net	-	-	-	(20,700)	-	(20,700)	-	(20,700)
Comprehensive Income						177,662	(536)	177,126
Exercise of stock options	-	(7,268)	-	-	19,994	12,726	-	12,726
Tax benefit from stock options exercised	-	3,910	-	-	-	3,910	-	3,910
Share based compensation expense	-	17,290	-	-	-	17,290	-	17,290
Funding of Employee Stock Option Plan	-	62	-	-	118	180	-	180
Treasury shares purchased	-	-	-	-	(112,634)	(112,634)	-	(112,634)
RSU dividends	-	76	(76)	-	-	-	-	-
Cash dividends ($0.185 per share)	-	-	(27,518)	-	-	(27,518)	-	(27,518)
Balance at December 31, 2008	$ 1,628	$ 187,154	$ 1,838,958	$ 39,612	$(479,630)	$ 1,587,722	$ 71,691	$ 1,659,413
Comprehensive Income:								
Net income	-	-	199,424	-	-	199,424	(1,062)	198,362
Other comprehensive income (loss), net of tax:								
Foreign currency translation adjustment	-	-	-	76,518	-	76,518	4,567	81,085
Net loss on derivative financial instruments	-	-	-	(21,422)	-	(21,422)	-	(21,422)
Unrecognized losses and prior service cost, net	-	-	-	431	-	431	-	431
Comprehensive Income						254,951	3,505	258,456
Exercise of stock options	-	(8,724)	-	-	18,175	9,451	-	9,451
Tax benefit from stock options	-	2,921	-	-	-	2,921	-	2,921

exercised								
Share based compensation expense	-	14,778	-	-	-	14,778	-	14,778
Funding of Employee Stock Option Plan	-	(61)	-	-	1,408	1,347	-	1,347
Adjustments from acquisitions	-	(388)	-	-	-	(388)	-	(388)
Treasury shares purchased	-	-	-	-	(21,253)	(21,253)	-	(21,253)
RSU dividends	-	101	(101)	-	-	-	-	-
Cash dividends ($0.15 per share)	-	-	(22,274)	-	-	(22,274)	-	(22,274)
Balance at September 30, 2009	$ 1,628	$195,781	$ 2,016,007	$ 95,139	$(481,300)	$ 1,827,255	$ 75,196	$ 1,902,451

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

DENTSPLY International Inc. and Subsidiaries

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying Unaudited Interim Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”) and the rules of the Securities and Exchange Commission (“SEC”). The year-end condensed consolidating balance sheet data was derived from audited financial statements, but does not include all disclosures required by US GAAP. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair statement of the results for interim periods have been included. Results for interim periods should not be considered indicative of results for a full year. These financial statements and related notes contain the accounts of DENTSPLY International Inc. and Subsidiaries (the “Company”) on a consolidated basis and should be read in conjunction with the Consolidated Financial Statements and Notes included in the Company’s most recent Annual Report on Form 10-K/A for the year ended December 31, 2008.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Company, as applied in the interim condensed consolidated financial statements presented herein are substantially the same as presented in the Company’s Annual Report on Form 10-K/A for the year ended December 31, 2008, except as indicated below:

Accounts and Notes Receivable-Trade

Accounts and notes receivables – trade, net are stated net of allowances for doubtful accounts and trade discounts, which were $21.8 million and $19.4 million at September 30, 2009 and December 31, 2008, respectively.

Business Acquisitions

During the first quarter of 2009, the Company adopted the new accounting guidance for business combinations. The new guidance establishes principles and requirements for transactions that represent business combinations to be accounted for under the acquisition method. It provides guidance regarding the recognition and measurement of assets acquired, liabilities assumed, goodwill, noncontrolling interest in the acquiree and financial statement disclosure requirements. Additionally, it provides guidance for identifying a business combination, measuring the acquisition date and defining the measurement period for adjusting provisional amounts recorded. The implementation of this standard did not impact the Company’s net income attributable to DENTSPLY International.

Noncontrolling Interests

On January 1, 2009, the Company adopted the new accounting guidance for reporting noncontrolling interest ("NCI") in a subsidiary. As a result, the Company reported NCI as a separate component of Stockholders' Equity in the Condensed Consolidated Balance Sheet. Additionally, the Company reported the portion of net income and comprehensive income (loss) attributed to the Company and NCI separately in the Condensed Consolidated Statement of Operations. The Company also included a separate column for NCI in the Consolidated Statement of Changes in Equity. All related disclosures have been adjusted accordingly. Prior year amounts associated with NCI in the financial statements and accompanied footnotes have been retrospectively adjusted to conform to the adoption. The implementation of this new standard did not impact the Company's net income attributable to DENTSPLY International in the current or prior period.

Fair Value Measurement

During the first quarter of 2009, the Company adopted the new guidance for fair value measurement. The new guidance changed the effective date for recognizing and disclosing the fair value for non-financial assets and liabilities except for items recognized or disclosed in the financial statements on a recurring basis. The implementation of this new guidance did not impact the Company's financial statements in the current or prior periods. The new guidance also required additional disclosure about the fair value of financial instruments for interim reporting periods in addition to annual financial statements. The Company has disclosed the required information in Note 13, Financing Arrangements.

FASB Accounting Standards Codification

In June 2009, the FASB issued The FASB Accounting Standards Codification™ (the "Codification") as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with generally accepted accounting principles in the United States. All guidance contained in the Codification carries an equal level of authority. On the effective date, the Codification will supersede all then-existing non-SEC accounting and reporting standards. All other nongrandfathered non-SEC accounting literature not included in the Codification will become nonauthoritative. The Codification is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Company has updated all of its disclosures to be consistent with the Codification and has determined that the implementation of the Codification did not have a significant impact on its financial results.

Subsequent Events

In May 2009, a new accounting guidance was issued for disclosures about subsequent events. The new guidance requires the Company to disclose the date through which it has evaluated subsequent events and whether the date represents the date the financial statements were issued or were available to be issued. The Company has evaluated subsequent events through October 29, 2009, which is the date the financial statements have been filed with the SEC.

Recent Accounting Pronouncements

In December 2008, the Financial Accounting Standards Board ("FASB") issued new guidance for disclosures about postretirement benefit plans ("the Plans"). The objective of this new guidance is to provide financial statement users additional information concerning the Plans' investment policies and strategies and how allocation decisions are made. Additionally, disclosures are to be made concerning categories of the Plans' assets, the valuation technique used in regard to the fair value measurement of the Plans' assets and concentrations of risk within the Plans' assets. The new guidance is effective for fiscal years ending after December 15, 2009 with early application permitted. The revised disclosures are not required to be applied to earlier periods that are presented for comparative periods. The Company is currently evaluating the impact of adopting this standard on its disclosures.

In June 2009, the FASB issued new accounting guidance for the transfer of financial assets and the effects of a transfer on its financial position, financial performance and cash flows. The new guidance eliminates the use of qualified special purpose entities, clarifies the derecognition criteria for a transfer accounted for as a sale, and expands the disclosure requirements among other things. The new guidance is effective for fiscal years beginning after November 15, 2009 and must be applied prospectively to new transfers of financial assets. The Company believes this new guidance will not have a material impact on its financial statements.

In June 2009, the FASB issued new accounting guidance for variable interest entities. The new guidance includes: (1) the elimination of the exemption from consolidation for qualifying special purpose entities, (2) a new approach for determining the primary beneficiary of a variable interest entity ("VIE"), which requires that the primary beneficiary have both (i) the power to control the most significant activities of the VIE and (ii) either the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE, and (3) the requirement to continually reassess who should consolidate a VIE. The new guidance is effective for annual reporting periods that begin after November 15, 2009 and applies to all existing and new VIEs. The Company is currently evaluating the impact of adopting this new guidance.

Revisions in Classification

Certain revisions in classification have been made to prior years' data in order to conform to current year presentation.

NOTE 2 – STOCK COMPENSATION

The Company maintains the 2002 Equity Incentive Plan (the “Plan”) under which it may grant non-qualified stock options, incentive stock options, restricted stock, restricted stock units (“RSU”) and stock appreciation rights, collectively referred to as “Awards.” Awards are granted at exercise prices that are equal to the closing stock price on the date of grant. The Company authorizes grants of 14,000,000 shares of common stock, plus any unexercised portion of cancelled or terminated stock options granted under the DENTSPLY International Inc. 1993, 1998, and 2002 Plans, subject to adjustment as follows: each January, if 7% of the total outstanding common shares of the Company exceed 14,000,000, the excess becomes available for grant under the Plan. No more than 2,000,000 shares may be awarded as restricted stock and restricted stock units, and no key employee may be granted restricted stock units in excess of 150,000 shares of common stock in any calendar year.

Stock options generally expire ten years after the date of grant under these plans and grants become exercisable, subject to a service condition, over a period of three years after the date of grant at the rate of one-third per year, except when they become immediately exercisable upon death, disability or qualified retirement. Restricted stock units vest 100% on the third anniversary of the date of grant and are subject to a service condition, which requires grantees to remain employed by the Company during the three year period following the date of grant. In addition to the service condition, certain key executives are subject to performance requirements. It is the Company’s practice to issue shares from treasury stock when options are exercised.

The Company continues to use the Black-Scholes option-pricing model to estimate the fair value of the non-qualified stock options. The assumptions used to calculate the fair value of the awards granted are evaluated and revised, as necessary, to reflect market conditions and the Company's experience.

The following table represents total stock based compensation expense and the tax related benefit for the three and nine months ended September 30, 2009 and 2008:

(in millions)	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
Stock option expense	$ 3.1	$ 2.9	$ 9.0	$ 8.6
RSU expense	1.6	1.1	4.8	3.2
Total stock based compensation expense	$ 4.7	$ 4.0	$ 13.8	$ 11.8
Total related tax benefit	$ 1.4	$ 1.1	$ 4.0	$ 2.9

The remaining unamortized compensation cost related to non-qualified stock options is $16.3 million, which will be expensed over the weighted average remaining vesting period of the options, or 1.3 years. The unamortized compensation cost related to RSUs is $10.5 million, which will be expensed over the remaining restricted period of the RSUs, or 1.5 years.

The following table reflects the non-qualified stock option transactions from December 31, 2008 through September 30, 2009:

(in thousands, except per share data)	Outstanding Shares	Outstanding Weighted Average Exercise Price	Outstanding Aggregate Intrinsic Value	Exercisable Shares	Exercisable Weighted Average Exercise Price	Exercisable Aggregate Intrinsic Value
December 31, 2008	11,285	$ 26.75	$ 41,428	8,185	$ 24.71	$ 37,796
Granted	169	28.04				
Exercised	(599)	15.77				
Forfeited	(172)	32.24				
September 30, 2009	10,683	$ 27.30	$ 88,845	7,652	$ 25.50	$ 72,450

The weighted average remaining contractual term of all outstanding options is 6.1 years and the weighted average remaining contractual term of exercisable options is 4.6 years.

The following table summarizes the unvested restricted stock unit and restricted stock unit dividend transactions from December 31, 2008 through September 30, 2009:

	Unvested Restricted Stock and Stock Dividend Units		
(in thousands, except per share data)	Shares		Weighted Average Grant Date Fair Value
Unvested at December 31, 2008	400	$	36.11
Granted	298		26.39
Vested	(2)		26.23
Forfeited	(20)		32.88
Unvested at September 30, 2009	676	$	31.96

NOTE 3 – COMPREHENSIVE INCOME

The changes to balances included in accumulated other comprehensive income ("AOCI") in the consolidated balance sheets are as follows:

	Three Months Ended September 30,				Nine Months Ended September 30,			
(in thousands)		2009		2008		2009		2008
Net income	$	67,853	$	66,066	$	198,362	$	212,919
Other comprehensive income:								
Foreign currency translation adjustments, net of tax		69,933		(160,667)		81,085		(62,846)
Amortization of unrecognized (gains) losses and prior year service cost, net of tax		(697)		(871)		431		(990)
Pension liability adjustments		-		(395)		-		3,318
Net (loss) gain on derivative financial instruments, net of tax		(29,053)		69,126		(21,422)		6,481
Total other comprehensive income (loss), net of tax		40,183		(92,807)		60,094		(54,037)
Total Comprehensive income		108,036		(26,741)		258,456		158,882
Less: Comprehensive income attributable to the noncontrolling interests		3,692		19		3,505		45
Comprehensive income attributable to DENTSPLY International	$	104.344	$	(26,760)	$	254,951	$	158.837

During the quarter ended September 30, 2009, foreign currency translation adjustments included currency translation gains of $81.3 million partially offset by losses of $7.7 million on the Company's loans designated as hedges of net investments. During the quarter ended September 30, 2008, foreign currency translation adjustments included currency translation losses of $166.4 million partially offset by gains of $5.8 million on the Company's loans designated as hedges of net investments. During the nine months ended September 30, 2009, foreign currency translation adjustments included currency translation gains of $86.9 million offset by losses of $2.3 million on the Company's loans designated as hedges of net investments. During the nine months ended September 30, 2008, foreign currency translation adjustments included currency translation losses of $58.3 million and losses of $4.5 million on the Company's loans designated as hedges of net investments. These foreign currency translation adjustments were offset by net gains on derivatives financial instruments, which are discussed in Note 10, Financial Instruments and Derivatives.

The balances included in AOCI in the consolidated balance sheets are as follows:

(in thousands)		September 30, 2009		December 31, 2008
Foreign currency translation adjustments	$	246,068	$	169,550
Unrecognized losses and prior service cost, net		(29,667)		(30,098)
Net loss on derivative financial instruments		(121,262)		(99,840)
	$	95,139	$	39,612

The cumulative foreign currency translation adjustments included translation gains of $356.9 million and $278.1 million as of September 30, 2009 and December 31, 2008, respectively, offset by losses of $110.8 million and $108.5 million, respectively, on loans designated as hedges of net investments. These foreign currency translation adjustments were offset by net losses on derivatives financial instruments, which are discussed in Note 10, Financial Instruments and Derivatives.

NOTE 4 - EARNINGS PER COMMON SHARE

The dilutive effect of outstanding options and restricted stock is reflected in diluted earnings per share by application of the treasury stock method. The following table sets forth the computation of basic and diluted earnings per common share:

Basic Earnings Per Common Share Computation (in thousands, except per share amounts)		Three Months Ended September 30, 2009		2008		Nine Months Ended September 30, 2009		2008
Net income attributable to DENTSPLY International	$	67,483	$	66,047	$	199,424	$	212,874
Common shares outstanding		148,547		148,775		148,546		149,186
Earnings per common share - basic	$	0.45	$	0.44	$	1.34	$	1.43
Diluted Earnings Per Common Share Computation								
(in thousands, except per share amounts)								
Net income attributable to DENTSPLY International	$	67,483	$	66,047	$	199,424	$	212,874
Common shares outstanding		148,547		148,775		148,546		149,186
Incremental shares from assumed exercise of dilutive options		2,091		2,922		1,531		2,951
Total shares		150,638		151,697		150,077		152,137
Earnings per common share - diluted	$	0.45	$	0.44	$	1.33	$	1.40

Options to purchase 1.5 million and 4.5 million shares of common stock that were outstanding during the three and nine months ended September 30, 2009, respectively, were not included in the computation of diluted earnings per share since the options' exercise prices were greater than the average market price of the common shares and, therefore, the effect would be antidilutive. Antidilutive shares during the three and nine months ended September 30, 2008, were 1.3 million and 1.4 million, respectively.

NOTE 5 - BUSINESS ACQUISITIONS

During the first nine months of 2009, the Company paid $3.0 million, net of cash acquired, primarily related to a payment for an additional purchase price related to an acquisition completed in 2007. The payment was related to provisions in the purchase agreement that allow for additional payments based on the post closing performance of the individual business.

NOTE 6 - SEGMENT INFORMATION

The Company has numerous operating businesses covering a wide range of products and geographic regions, primarily serving the professional dental market. Professional dental products represented approximately 97% of sales for the periods ended September 30, 2009 and 2008.

The operating businesses are combined into operating groups, which have overlapping product offerings, geographical presence, customer bases, distribution channels, and regulatory oversight. These operating groups are considered the Company's reportable segments as the Company's chief operating decision-maker regularly reviews financial results at the operating group level and uses this information to manage the Company's operations. The accounting policies of the groups are consistent with those described in the Company's most recently filed Annual Report on Form10-K/A in the summary of significant accounting policies. The Company measures segment income for reporting purposes as net operating income before restructuring, impairments and other cost, interest expense, interest income, other (income) expense and taxes.

In January 2009, the Company moved several locations between segments which resulted in a change to the management structure and helped the Company gain operating efficiencies and effectiveness. The segment information below reflects this revised structure for all periods shown.

United States, Germany, and Certain Other European Regions Consumable Businesses

This business group includes responsibility for the design, manufacturing, sales and distribution for certain small equipment and chairside consumable products in the United States, Germany, and certain other European regions. It also has responsibility for the sales and distribution of certain Endodontic products in Germany.

France, United Kingdom, Italy and Certain Other European Countries, CIS, Middle East, Africa, Pacific Rim Businesses

This business group includes responsibility for the sales and distribution for certain small equipment, chairside consumable products, certain laboratory products and certain Endodontic products in France, United Kingdom, Italy, the Commonwealth of Independent States ("CIS"), Middle East, Africa, Asia (excluding Japan), Japan and Australia, as well as the sale and distribution of implant products and bone substitute/grafting materials in Italy, Asia and Australia. This business group also includes the responsibility for sales and distribution for certain laboratory products, implants products and bone substitution/grafting materials for Austria. It also is responsible for sales and distribution for certain small equipment and chairside consumable products, certain laboratory products, implant products and bone substation/grafting materials in certain other European countries. In addition this business group also includes the manufacturing and sale of Orthodontic products and certain laboratory products in Japan, and the manufacturing of certain laboratory and certain Endodontic products in Asia.

Canada/Latin America/Endodontics/Orthodontics

This business group includes responsibility for the design, manufacture, and/or sales and distribution of certain small equipment, chairside consumable products, certain laboratory products and Endodontic products in Brazil. It also has responsibility for the sales and distribution of most of the Company's dental products sold in Latin America and Canada. This business group also includes the responsibility for the design and manufacturing for Endodontic products in the United States, Switzerland and Germany and is responsible for the sales and distribution of the

Company's Endodontic products in the United States, Canada, Switzerland, Benelux, Scandinavia, Austria, Latin America and Eastern Europe, and for certain Endodontic products in Germany. This business group is also responsible for the world-wide sales and distribution, excluding Japan, as well as some manufacturing of the Company's Orthodontic products. In addition, this business group is also responsible for sales and distribution in the United States for implant and bone substitute/grafting materials and the sales and distribution of implants in Brazil. This business group is also responsible for the manufacture and sale of certain products in the Company's non-dental business.

Dental Laboratory Business/Implants/Non-Dental

This business group includes the responsibility for the design, manufacture, sales and distribution for most laboratory products, excluding certain countries mentioned previously, and the design, manufacture, and/or sales and distribution of the Company's dental implant products and bone substitute/grafting materials, excluding sales and distribution of implants and bone substitute/grafting materials in the United States; Italy, Austria, and certain other Eastern European countries; Asia; and Australia. This business group is also responsible for most of the Company's non-dental business.

Significant interdependencies exist among the Company's operations in certain geographic areas. Inter-group sales are at prices intended to provide a reasonable profit to the manufacturing unit after recovery of all manufacturing costs and to provide a reasonable profit for purchasing locations after coverage of marketing and general and administrative costs.

Generally, the Company evaluates performance of the operating groups based on the groups' operating income, excluding restructuring, impairments and other costs, and net third party sales, excluding precious metal content.

The following tables set forth information about the Company's operating groups for the three and nine months ended September 30, 2009 and 2008:

Third Party Net Sales

(in thousands)	Three Months Ended September 30, 2009	2008	Nine Months Ended September 30, 2009	2008
U.S., Germany, and Certain Other European Regions Consumable Businesses	$ 142,983	$ 126,525	$ 407,495	$ 371,589
France, U.K., Italy, and Certain Other European Countries, CIS, Middle East, Africa, Pacific Rim Businesses	108,493	106,724	323,810	349,311
Canada/Latin America/Endodontics/ Orthodontics	149,907	155,634	451,893	477,983
Dental Laboratory Business/ Implants/Non-Dental	130,462	141,715	409,983	489,507
All Other (a)	(813)	(645)	(1,984)	(2,808)
Total	$ 531,032	$ 529,953	$ 1,591,197	$ 1,685,582

Third Party Net sales, excluding precious metal content

The presentation of net sales, excluding precious metal content, is considered a measure not calculated in accordance with US GAAP, and is therefore considered a non-US GAAP measure. This non-US GAAP measure is discussed further in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and a reconciliation of net sales, excluding precious metal content, to net sales is provided below.

(in thousands)	Three Months Ended September 30, 2009	2008	Nine Months Ended September 30, 2009	2008
U.S., Germany, and Certain Other European Regions Consumable Businesses	$ 142,983	$ 126,525	$ 407,495	$ 371,589
France, U.K., Italy, and Certain Other European Countries, CIS, Middle East, Africa, Pacific Rim Businesses	100,304	99,541	298,724	325,441
Canada/Latin America/Endodontics/				

Orthodontics	149,219	154,868	449,815	475,310
Dental Laboratory Business/ Implants/Non-Dental	101,954	107,797	317,158	357,075
All Other (a)	(813)	(645)	(1,984)	(2,808)
Total excluding precious metal content	493,647	488,086	1,471,208	1,526,607
Precious metal content	37,385	41,867	119,989	158,975
Total including precious metal content	$ 531,032	$ 529,953	$ 1,591,197	$ 1,685,582

(a) Includes: amounts recorded at Corporate headquarters.

Inter-segment Net Sales

(in thousands)	Three Months Ended September 30, 2009	2008	Nine Months Ended September 30, 2009	2008
U.S., Germany, and Certain Other European Regions Consumable Businesses	$ 27,759	$ 34,310	$ 74,488	$ 99,025
France, U.K., Italy, and Certain Other European Countries, CIS, Middle East, Africa, Pacific Rim Businesses	2,590	3,740	9,037	12,556
Canada/Latin America/Endodontics/ Orthodontics	24,424	26,205	77,241	81,033
Dental Laboratory Business/ Implants/Non-Dental	25,477	26,502	75,403	83,449
All Other (a)	42,914	40,879	124,261	136,553
Eliminations	(123,164)	(131,636)	(360,430)	(412,616)
Total	$ -	$ -	$ -	$ -

Segment Operating Income

(in thousands)	Three Months Ended September 30, 2009	2008	Nine Months Ended September 30, 2009	2008
U.S., Germany, and Certain Other European Regions Consumable Businesses	$ 49,034	$ 50,455	$ 125,780	$ 138,403
France, U.K., Italy, and Certain Other European Countries, CIS, Middle East, Africa, Pacific Rim Businesses	3,637	1,873	10,531	9,432
Canada/Latin America/Endodontics/ Orthodontics	39,543	46,841	135,068	153,181
Dental Laboratory Business/ Implants/Non-Dental	19,138	25,608	65,959	92,410
All Other (b)	(17,212)	(25,323)	(53,624)	(78,113)
Segment Operating Income	94,140	99,454	283,714	315,313
Reconciling Items:				
Restructuring, impairments and other costs	(1,210)	(18,539)	(5,905)	(20,202)
Interest expense	(5,456)	(9,284)	(16,877)	(25,437)
Interest income	858	4,669	4,326	14,564
Other expense, net	(480)	(1,030)	(1,326)	(4,100)
Income before income taxes	$ 87,852	$ 75,270	$ 263,932	$ 280,138

(a) Includes: amounts recorded at Corporate headquarters and one distribution warehouse not managed by named segments.

(b) Includes: the results of Corporate headquarters, inter-segment eliminations and one distribution warehouse not managed by named segments.

Assets

(in thousands)		September 30, 2009		December 31, 2008
U.S., Germany, and Certain Other European Regions Consumable Businesses	$	576,034	$	556,125
France, U.K., Italy, and Certain Other European Countries, CIS, Middle East, Africa, Pacific Rim Businesses		390,737		385,050
Canada/Latin America/Endodontics/ Orthodontics		779,231		763,479
Dental Laboratory Business/ Implants/Non-Dental		994,660		942,504
All Other (a)		326,447		183,242
Total	$	3,067,109	$	2,830,400

(a) Includes: assets of Corporate headquarters, inter-segment eliminations and one distribution warehouse not managed by named segments.

NOTE 7 - INVENTORIES

Inventories are stated at the lower of cost or market. At September 30, 2009 and December 31, 2008, the cost of $9.3 million, or 3.0%, and $9.6 million, or 3.1%, respectively, of inventories was determined by the last-in, first-out ("LIFO") method. The cost of other inventories was determined by the first-in, first-out ("FIFO") or average cost methods. The Company establishes reserves for inventory estimated to be obsolete or unmarketable equal to the difference between the cost of inventory and estimated market value based upon assumptions about future demand and market conditions. The inventory valuation reserves were $32.7 million and $28.4 million as of September 30, 2009 and December 31, 2008, respectively.

If the FIFO method had been used to determine the cost of LIFO inventories, the amounts at which net inventories are stated would be higher than reported at September 30, 2009 and December 31, 2008 by $3.7 million and $3.5 million, respectively.

Inventories, net of inventory valuation reserves, consist of the following:

(in thousands)		September 30, 2009		December 31, 2008
Finished goods	$	191,501	$	184,226
Work-in-process		55,345		58,123
Raw materials and supplies		64,820		63,776
	$	311,666	$	306,125

NOTE 8 - BENEFIT PLANS

The following sets forth the components of net periodic benefit cost of the Company’s benefit plans and for the Company’s other postretirement employee benefit plans for the three and nine months ended September 30, 2009 and September 30, 2008, respectively:

Defined Benefit Plans

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2009	2008	2009	2008
Service cost	$ 2,144	$ 1,920	$ 6,211	$ 5,336
Interest cost	2,059	1,638	5,957	6,073
Expected return on plan assets	(1,012)	(1,022)	(2,951)	(3,387)
Amortization of transition obligation	61	59	177	183
Amortization of prior service cost	34	85	103	174
Amortization of net loss (gain)	423	(12)	1,241	50
Settlement gain	-	(2,313)	-	(2,313)
Net periodic benefit cost	$ 3,709	$ 355	$ 10,738	$ 6,116

Other Postretirement Plans

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2009	2008	2009	2008
Service cost	$ 13	$ 12	$ 40	$ 37
Interest cost	156	163	467	476
Amortization of net loss	50	52	151	126
Net periodic benefit cost	$ 219	$ 227	$ 658	$ 639

The following sets forth the information related to the funding of the Company’s benefit plans for 2009:

(in thousands)	Pension Benefits	Other Postretirement Benefits

Actual, September 30, 2009	$ 7,845	$ 489
Projected for the remainder of the year	2,337	596
Total for year	$ 10,182	$ 1,085

NOTE 9 – RESTRUCTURING, IMPAIRMENT AND OTHER COSTS

Restructuring Costs

During the three months ended September 30, 2009 and September 30, 2008, the Company recorded net restructuring costs of $0.0 million and $0.9 million, respectively. During the nine months ended September 30, 2009 and September 30, 2008, the Company recorded restructuring costs of $4.3 million and $1.7 million, respectively. These costs are recorded in “Restructuring, impairments and other costs” in the statement of operations and the associated liabilities are recorded in accrued liabilities in the condensed consolidated balance sheet. These costs consist of employee severance benefits, payments due to contracts terminations and other restructuring costs.

During 2009 and 2008, the Company initiated several restructuring plans primarily related to the integration, reorganization and closure or consolidation of certain production and selling facilities in order to better leverage the Company’s resources by minimizing costs and obtaining operational efficiencies.

As of September 30 2009, the Company’s restructuring accruals were as follows:

		Severance						
(in thousands)		2007 and Prior Plans		2008 Plans		2009 Plans		Total
Balance, December 31, 2008	$	664	$	2,806	$	-	$	3,470
Provisions and adjustments		(183)		2,454		1,698		3,969
Amounts applied		(77)		(203)		(954)		(1,234)
Balance, September 30, 2009	$	404	$	5,057	$	744	$	6,205

		Lease/Contract Terminations		
(in thousands)		2007 and Prior Plans		Total
Balance, December 31, 2008	$	1,271	$	1,271
Provisions and adjustments		(339)		(339)
Amounts applied		(38)		(38)
Balance, September 30, 2009	$	894	$	894

		Other Restructuring Costs						
(in thousands)		2007 and Prior Plans		2008 Plans		2009 Plans		Total
Balance, December 31, 2008	$	108	$	56	$	-	$	164
Provisions and adjustments		112		545		6		663
Amounts applied		(150)		(592)		(6)		(748)
Balance, September 30, 2009	$	70	$	9	$	-	$	79

The following table provides the year-to-date changes in the restructuring accruals by segment:

(in thousands)	December 31, 2008	Provisions and Adjustments	Amounts Applied	September 30,