DENTSPLY INTERNATIONAL INC /DE/
Form 10-K
February 20, 2013

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

FORM 10-K

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

For the fiscal year ended December 31, 2012
Commission File Number 0-16211

DENTSPLY International Inc.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	39-1434669 (I.R.S. Employer Identification No.)
221 West Philadelphia Street, York, PA (Address of principal executive offices)	17405-0872 (Zip Code)

Registrant's telephone number, including area code: (717) 845-7511

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $.01 per share	The NASDAQ Stock Market LLC

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

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 o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes o No x

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 o
Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes x No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. 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 o Non-accelerated filer o Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act)
Yes o No x

The aggregate market value of the voting common stock held by non-affiliates of the registrant computed by reference to the closing price as of the last business day of the registrants most recently completed second quarter June 30, 2012, was $5,576,831,322.

The number of shares of the registrant's Common Stock outstanding as of the close of business on February 14, 2013 was 142,849,900.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the definitive Proxy Statement of DENTSPLY International Inc. (the “Proxy Statement”) to be used in connection with the 2013 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K to the extent provided herein. Except as specifically incorporated by reference herein the Proxy Statement is not deemed to be filed as part of this Form 10-K.

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PART I

FORWARD-LOOKING STATEMENTS

This report contains information that may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Generally, the use of terms such as “may,” “could,” “expect,” “intend,” “believe,” “plan,” “estimate,” “forecast,” “project,” “anticipate,” and similar expressions identify forward-looking statements. All statements that address operating performance, events or developments that DENTSPLY International Inc. (“DENTSPLY” or the “Company”) expects or anticipates will occur in the future are forward-looking statements. Forward-looking statements are based on management's current expectations and beliefs, and are inherently susceptible to uncertainty, risks, and changes in circumstances that could cause actual results to differ materially from the Company's historical experience and our present expectations or projections. These risks and uncertainties include, but are not limited to, those described in Part I, Item 1A (“Risk Factors”) and elsewhere in this report and those described from time to time in our future reports filed with the Securities and Exchange Commission. The Company undertakes no duty and has no obligation to update forward-looking statements as a result of future events or developments.

PART I

Item 1. Business

History and Overview

DENTSPLY, a Delaware corporation which dates its history to 1899, believes it is the world's largest designer, developer, manufacturer and marketer of a broad range of consumable dental products for the professional dental market. The Company also manufactures and markets other consumable medical device products. The Company's principal product categories are dental consumable products, dental laboratory products, dental specialty products and consumable medical device products. The Company's worldwide headquarters and executive offices are located in York, Pennsylvania.

Consolidated net sales, excluding precious metal content, of the Company's dental products accounted for approximately 88% of DENTSPLY's consolidated net sales, excluding precious metal content, for the year ended December 31, 2012. The remaining consolidated net sales, excluding precious metal content, is related to consumable medical device products and materials sold to the investment casting industry. The presentation of net sales, excluding precious metal content, is considered a measure not calculated in accordance with generally accepted accounting principles in the United States of America (“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 to net sales, excluding precious metal content, is provided.

Throughout 2012, the Company conducted its business through four operating segments. During the first quarter of 2012, the Company realigned reporting responsibilities for multiple locations as a result of changes to the management structure. All of the Company's segments are primarily engaged in the design, manufacture and distribution of dental and medical products in four principal product categories: 1) dental consumable products 2) dental laboratory products 3) dental specialty products and 4) consumable medical device products.

The Company conducts its business in the United States of America (“U.S.”), as well as in over 120 foreign countries, principally through its foreign subsidiaries. DENTSPLY has a long-established presence in the European market, particularly in Germany, Sweden, Switzerland, France, Italy and the United Kingdom as well as in Canada . The Company also has a significant market presence in the countries of the Commonwealth of Independent States ("CIS"),

Central and South America and the Pacific Rim.

Geographic Information

For 2012, 2011 and 2010, the Company's net sales, excluding precious metal content, to customers outside the U.S., including export sales, accounted for approximately 67%, 66% and 63%, respectively, of consolidated net sales, excluding precious metal content. Reference is made to the information about the Company's U.S. and foreign sales by shipment origin set forth in Note 4, Segment and Geographic Information, to the consolidated financial statements in this Form 10-K.

Segment Information

Information regarding the Company's operating segments for the years ended December 31, 2012, 2011 and 2010 can be found in Note 4, Segment and Geographic Information, to the consolidated financial statements in this Form 10-K.

Principal Products

The worldwide professional dental industry encompasses the diagnosis, treatment and prevention of disease and ailments of the teeth, gums and supporting bone. DENTSPLY's principal dental product categories are dental consumable products, dental laboratory products and dental specialty products. Additionally, the Company's consumable medical device products provide for urological and surgical applications. These products are produced by the Company in the U.S. and internationally and are distributed throughout the world under some of the most well-established brand names and trademarks in the industry, including ANKYLOS, AQUASIL, AQUASIL ULTRA, ASTRA TECH, ATLANTIS, BELLOVAC ABT, CALIBRA, CAULK, CAVITRON, CERAMCO, CERCON, CITANEST, DELTON, DENTSPLY, DETREY, DYRACT, ECLIPSE, ELEPHANT, ESTHET.X, FRIADENT, FRIALIT, GENIE, GOLDEN GATE, IN-OVATION, INTERACTIVE MYSTIQUE, LOFRIC, MAILLEFER, MIDWEST, NUPRO, ORAQIX, OSSEOSPEED, PEPGEN P-15, POLOCAINE, PORTRAIT, PRIME & BOND, PROFILE, PROTAPER, RINN, SANI-TIP, SHADEPILOT, STYLUS, SULTAN, SUREFIL, THERMAFIL, TRUBYTE, WELLSPECT, XENO, XIVE, XYLOCAINE and ZHERMACK .

Dental Consumable Products

Dental consumable products consist of dental sundries and small equipment used in dental offices for the treatment of patients. Net sales of dental consumable products, excluding precious metal content, accounted for approximately 28%, 33% and 35% of the Company's consolidated net sales, excluding precious metal content, for the years ended December 31, 2012, 2011 and 2010, respectively.

DENTSPLY's dental sundry products in the dental consumable products category include dental anesthetics, prophylaxis paste, dental sealants, impression materials, restorative materials, tooth whiteners and topical fluoride. The Company manufactures thousands of different dental sundry consumable products marketed under more than one hundred brand names.

Small equipment products in the dental consumable products category consist of various durable goods used in dental offices for the treatment of patients. DENTSPLY's small equipment products include high and low speed handpieces, intraoral curing light systems, dental diagnostic systems and ultrasonic scalers and polishers.

Dental Laboratory Products

Dental laboratory products are used in the preparation of dental appliances by dental laboratories. Net sales of dental laboratory products, excluding precious metal content, accounted for approximately 11%, 14% and 16% of the Company's consolidated net sales, excluding precious metal content, for the years ended December 31, 2012, 2011 and 2010, respectively.

DENTSPLY's products in the dental laboratory products category include dental prosthetics, including artificial teeth, precious metal dental alloys, dental ceramics and crown and bridge materials. Equipment in this category includes computer aided machining (CAM) ceramic systems and porcelain furnaces.

Dental Specialty Products

Dental specialty products are specialized treatment products used within the dental office and laboratory settings. Net sales of dental specialty products, excluding precious metal content, accounted for approximately 48%, 46% and 46% of the Company's consolidated net sales, excluding precious metal content, for the years ended December 31, 2012, 2011 and 2010, respectively. DENTSPLY's products in this category include endodontic (root canal) instruments and materials, implants and related products, bone grafting materials, 3D digital implantology, dental lasers and orthodontic appliances and accessories.

Consumable Medical Device Products

Consumable medical device products consist mainly of urological products including catheters, certain surgical products, medical drills and other non-medical products. Net sales of consumable medical device products, excluding precious metal content, accounted for approximately 13%, 7% and 3% of the Company's consolidated net sales, excluding precious metal content, for the years ended December 31, 2012, 2011 and 2010, respectively.

Markets, Sales and Distribution

The Company believes that the market for its products will grow over the long-term based on the following factors:

- Increasing worldwide population.

- Growth of the population 65 or older - The percentage of the U.S., European, Japanese and other regions population over age 65 is expected to nearly double by the year 2030. In addition to having significant needs for dental care and healthcare, the elderly in these regions are well positioned to pay for the required procedures since they control sizable amounts of discretionary income.

- Natural teeth are being retained longer - Individuals with natural teeth are much more likely to visit a dentist in a given year than those without any natural teeth remaining.

- The changing dental practice in North America and Western Europe - Dentistry in North America and Western Europe has been transformed from a profession primarily dealing with pain, infections and tooth decay to one with increased emphasis on preventive care and cosmetic dentistry.

- The demands for patient comfort and ease of product use and handling.

- Per capita and discretionary incomes are increasing in emerging nations - As personal incomes continue to rise in the emerging nations of the Pacific Rim, CIS and Latin America, healthcare, including dental services, is a growing priority. Many surveys indicate the middle class population will expand significantly within these emerging markets.

- The Company's business is less susceptible than other industries to general downturns in the economies in which it operates. Many of the products the Company offers relate to dental procedures and health conditions that are considered necessary by patients regardless of the economic environment. Dental specialty products and products that support discretionary dental procedures are the most susceptible to recessionary conditions.

DENTSPLY believes that demand in a given geographic market for its dental and medical products vary according to the stage of social, economic and technical development of the particular market. Geographic markets for DENTSPLY's dental and medical products can be categorized into the following two stages of development:

Developed Markets
The U.S., Canada, Western Europe, Japan, Australia and certain other countries are highly developed markets that demand the most advanced dental and health products and have the highest level of expenditures for dental and medical care. These markets account for approximately 80% to 85% of the Company's net sales. In these markets, dental care is increasingly focused upon preventive care and specialized dentistry, in addition to basic procedures, such as excavation of teeth and filling of cavities, tooth extraction and denture replacement. These markets require varied and complex dental products, utilize sophisticated diagnostic and imaging equipment and demand high levels of attention to protect against infection and patient cross-contamination. A broader segment of the population in these markets can afford higher end treatments in both dental and medical care.

Developing Markets
In certain countries in Central America, South America, Eastern Europe, Pacific Rim, Middle East and Africa, most dental care is often limited to excavation of teeth and filling of cavities and other restorative techniques, reflecting more modest per capita expenditures for dental and medical care. These markets account for approximately 15% to 20% of the Company's net sales. These markets demand diverse products and broader alternatives to address patient and professional needs. However, there is also a portion of the population in these markets that receive excellent

dental and medical care similar to that received in developed countries. As such our higher end products are actively sold into all of these regions.

The Company offers products and equipment for use in markets at both of these stages of development. The Company believes that demand for more technically advanced products will increase as each of these markets develop. The Company also believes that its recognized brand names, high quality and innovative products, technical support services and strong international distribution capabilities position it well, to benefit from opportunities in virtually any market.

Dental

DENTSPLY distributes approximately half of its dental products through distributors and importers. However, certain highly technical products such as precious metal dental alloys, dental ceramics, crown and bridge porcelain products, endodontic instruments and materials, orthodontic appliances, implants, and bone substitute and grafting materials are sold directly to the dental laboratory or dental professionals in some markets. During 2012, the Company did not have any single customer that represented ten percent or more of DENTSPLY's consolidated net sales. In both 2011 and 2010, one customer, Henry Schein Incorporated, a dental distributor, accounted for 11% of DENTSPLY's consolidated net sales. No other single customer, represented ten percent or more of DENTSPLY's consolidated net sales during 2011 or 2010.

Although many of its dental sales are made to distributors, dealers and importers, DENTSPLY focuses its marketing efforts on the dentists, dental hygienists, dental assistants, dental laboratories and dental schools which are the end-users of its products. As part of this end-user “pull through” marketing approach, DENTSPLY employs approximately 3,650 highly trained, product-specific sales and technical staff to provide comprehensive marketing and service tailored to the particular sales and technical support requirements of the distributors, dealers and the end-users. The Company conducts extensive distributor, dealer and end-user marketing programs. Additionally, the Company trains laboratory technicians, dental hygienists, dental assistants and dentists in the proper use of its products and introduces them to the latest technological developments at its educational courses conducted throughout the world. The Company also maintains ongoing relationships with various dental associations and recognized worldwide opinion leaders in the dental field, although there is no assurance that these influential dental professionals will continue to support the Company's products in the future.

Medical

The Company's urology products business operates directly in 15 countries throughout Europe and North America, with distributors in 22 additional markets. The largest markets include Germany, UK, France and Italy. Sales channels target urologists, urology nurses, general practitioners and direct-to-patients.

The surgery products business operates directly in 11 countries throughout Europe and Australia, with distributors in 25 additional markets. The largest markets include UK, Italy and Australia. Sales channels target surgeons, hospital nurses, physiotherapists, hospital purchasing departments and medical supply distributors.

Historical reimbursement levels within Europe are higher for hydrophilic catheters which explain a greater patient usage of hydrophilic products in that market. In the U.S., the reimbursement environment has improved since 2008 as the infection control cost benefits of disposable catheters gain acceptance among payers.

The Company also maintains ongoing relationships with various medical associates, professional and key opinion leaders to help promote our products, although there are no assurances that they will continue to support the Company's products in the future.

Product Development

Technological innovation and successful product development are critical to strengthening the Company's prominent position in the dental and medical markets that it serves. It is also required to maintain and grow its leadership positions in product categories where it has a high market share and to grow market share in other product categories. While many of DENTSPLY's existing products undergo brand extensions, the Company also continues to focus efforts on successfully launching innovative products that represent fundamental change.

New advances in technology are also anticipated to have a significant influence on future products in dentistry and in select areas of healthcare. As a result, the Company pursues research and development initiatives to support this technological development, including collaborations with external research institutions, dental and medical schools. Through its own internal research centers as well as through its collaborations with external research institutions, dental and medical schools, the Company directly invested $85.4 million, $66.7 million and $49.4 million in 2012, 2011 and 2010, respectively, in connection with the development of new products, improvement of existing products and advances in technology. The continued development of these areas is a critical step in meeting the Company's strategic goal as a leader in defining the future of dentistry and in select areas in health care.

In addition to the direct investment in product development and improvement, the Company also invests in these activities through acquisitions, and by entering into licensing agreements with third parties as well as purchasing technologies developed by third parties.

Acquisition Activities

DENTSPLY believes that the dental products industry continues to experience consolidation with respect to both product manufacturing and distribution, although it remains fragmented thereby creating a number of acquisition opportunities. DENTSPLY also seeks to expand its position in consumable medical device products through acquisitions.

The Company views acquisitions as a key part of its growth strategy. These acquisition activities are intended to supplement the Company's core growth and assure ongoing expansion of its business, including new technologies, additional products and geographic breadth.

Operating and Technical Expertise

DENTSPLY believes that its manufacturing capabilities are important to its success. The manufacturing process of the Company's products requires substantial and varied technical expertise. Complex materials technology and processes are necessary to manufacture the Company's products. The Company continues to automate its global manufacturing operations in order to lower costs.

Financing

Information about DENTSPLY's working capital, liquidity and capital resources is provided in “Management's Discussion and Analysis of Financial Condition and Results of Operations” in this Form 10-K.

Competition

The Company conducts its operations, both domestic and foreign, under highly competitive market conditions. Competition in the dental and medical products industries is based primarily upon product performance, quality, safety and ease of use, as well as price, customer service, innovation and acceptance by professionals, technicians and patients. DENTSPLY believes that its principal strengths include its well-established brand names, its reputation for high quality and innovative products, its leadership in product development and manufacturing, its commitment to customer satisfaction and support of the Company's products by dental and medical professionals.

The size and number of the Company's competitors vary by product line and from region to region. There are many companies that produce some, but not all, of the same types of products as those produced by the Company.

Regulation

The Company's products are subject to regulation by, among other governmental entities, the U.S. Food and Drug Administration (the “FDA”). In general, if a dental or medical “device” is subject to FDA regulation, compliance with the FDA's requirements constitutes compliance with corresponding state regulations. In order to ensure that dental and medical products distributed for human use in the U.S. are safe and effective, the FDA regulates the introduction, manufacture, advertising, labeling, packaging, marketing and distribution of, and record-keeping for, such products. The introduction and sale of dental and medical products of the types produced by the Company are also subject to government regulation in the various foreign countries in which they are produced or sold. DENTSPLY believes that it is in substantial compliance with the FDA and foreign regulatory requirements that are applicable to its products and manufacturing operations.

Dental and medical devices of the types sold by DENTSPLY are generally classified by the FDA into a category that renders them subject only to general controls that apply to all medical devices, including regulations regarding

alteration, misbranding, notification, record-keeping and good manufacturing practices. In the European Union, DENTSPLY's products are subject to the medical devices laws of the various member states, which are based on a Directive of the European Commission. Such laws generally regulate the safety of the products in a similar way to the FDA regulations. DENTSPLY products in Europe bear the CE mark showing that such products adhere to European regulations.

All dental amalgam filling materials, including those manufactured and sold by DENTSPLY, contain mercury. Various groups have alleged that dental amalgam containing mercury is harmful to human health and have actively lobbied state and federal lawmakers and regulators to pass laws or adopt regulatory changes restricting the use, or requiring a warning against alleged potential risks, of dental amalgams. The FDA's Dental Devices Classification Panel, the National Institute of Health and the U.S. Public Health Service have each indicated that no direct hazard to humans from exposure to dental amalgams has been demonstrated. In response to concerns raised by certain consumer groups regarding dental amalgam, the FDA formed an advisory committee in 2006 to review peer-reviewed scientific literature on the safety of dental amalgam. In July 2009, the FDA concluded its review

of dental amalgam, confirming its use as a safe and effective restorative material. Also, as a result of this review, the FDA classified amalgam and its component parts, elemental mercury and powder alloy, as a Class II medical device. Previously there was no classification for encapsulated amalgam and dental mercury (Class I) and alloy (Class II) were classified separately. This new regulation places encapsulated amalgam in the same class of devices as most other restorative materials, including composite and gold fillings, and makes amalgam subject to special controls by FDA. In that respect, FDA recommended that certain information about dental amalgam be provided, which includes information indicating that dental amalgam releases low levels of mercury vapor, that studies on people age six and over and FDA estimated exposures of children under six, have not indicated any adverse health risk associated with the use of dental amalgam. After the FDA issued this regulation, several petitions were filed asking the FDA to reconsider its position. Another advisory panel was established by the FDA to consider these petitions. Hearings of the advisory panel were held in December 2010. The FDA has taken no action as of the filing date of this Form 10-K from this latest advisory panel meeting.

In Europe, particularly in Scandinavia and Germany, the contents of mercury in amalgam filling materials have been the subject of public discussion. As a consequence, in 1994 the German health authorities required suppliers of dental amalgam to amend the instructions for use of amalgam filling materials to include a precaution against the use of amalgam for children less than eighteen years of age and to women of childbearing age. Additionally, some groups have asserted that the use of dental amalgam should be prohibited because of concerns about environmental impact from the disposition of mercury within dental amalgam, which has resulted in the sale of mercury containing products being banned in Sweden and severely curtailed in Norway. DENTSPLY also manufactures and sells non-amalgam dental filling materials that do not contain mercury.

Sources and Supply of Raw Materials and Finished Goods

The Company manufactures the majority of the products sold by the Company. Most of the raw materials used by the Company in the manufacture of its products are purchased from various suppliers and are typically available from numerous sources. No single supplier accounts for more than 10% of DENTSPLY's requirements.

Intellectual Property

Products manufactured by DENTSPLY are sold primarily under its own trademarks and trade names. DENTSPLY also owns and maintains more than 2,500 patents throughout the world and is licensed under a small number of patents owned by others.

DENTSPLY's policy is to protect its products and technology through patents and trademark registrations both in the U.S. and in significant international markets. The Company carefully monitors trademark use worldwide and promotes enforcement of its patents and trademarks in a manner that is designed to balance the cost of such protection against obtaining the greatest value for the Company. DENTSPLY believes its patents and trademark properties are important and contribute to the Company's marketing position but it does not consider its overall business to be materially dependent upon any individual patent or trademark.

Employees

As of December 31, 2012, the Company and its subsidiaries employed approximately 11,900 employees. Of these employees, approximately 3,500 were employed in the United States and 8,400 in countries outside of the United States. Less than 5% of employees in the United States are covered by collective bargaining agreements. Some employees outside of the United States are covered by collective bargaining, union contract or other similar type program. The Company believes that it has a positive relationship with its employees.

Environmental Matters

DENTSPLY believes that its operations comply in all material respects with applicable environmental laws and regulations. Maintaining this level of compliance has not had, and is not expected to have, a material effect on the Company's capital expenditures or on its business.

Other Factors Affecting the Business

Approximately two-thirds of the Company's sales are located in regions outside the U.S., and the Company's consolidated net sales can be impacted negatively by the strengthening or positively by the weakening of the U.S. dollar. Additionally, movements in certain foreign exchange rates may unfavorably or favorably impact the Company's results of operations, financial condition and liquidity.

The Company's business is subject to quarterly fluctuations of consolidated net sales and net income. The Company typically

implements most of its price changes in the beginning of the first or fourth quarter. Price changes, other marketing and promotional programs as well as the management of inventory levels by distributors and the implementation of strategic initiatives, may impact sales levels in a given period. Sales for the industry and the Company are generally strongest in the second and fourth calendar quarters and weaker in the first and third calendar quarters, due to the effects of the items noted above and due to the impact of summer holidays and vacations, particularly throughout Europe.

The Company maintains short lead times within its manufacturing, as such, the backlog on products is not material to the financial statements.

Securities and Exchange Act Reports

The U.S. Securities and Exchange Commission ("SEC") maintains a website that contains reports, proxy and information statements, and other information regarding issuers, including the Company, that file electronically with the SEC. The public can obtain any documents that the Company files with the SEC at http://www.sec.gov. The Company files annual reports, quarterly reports, proxy statements and other documents with the SEC under the Securities Exchange Act of 1934, as amended ("Exchange Act"). The public may read and copy any materials the Company files with the SEC at its Public Reference Room at the following address:

The Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

The public may obtain information on the operation of this Public Reference Room by calling the SEC at 1-800-SEC-0330.

DENTSPLY also makes available free of charge through its website at www.DENTSPLY.com its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after such materials are filed with or furnished to the SEC.

Item 1A. Risk Factors

The following are the significant risk factors that could materially impact DENTSPLY's business, financial condition or future results. The order in which these factors appear should not be construed to indicate their relative importance or priority.

Negative changes could occur in the dental markets, the general economic environments, or government reimbursement or regulatory programs of the regions in which the Company operates.

The success of the Company is largely dependent upon the continued strength of dental markets and is also somewhat dependent upon the general economic environments of the regions in which DENTSPLY operates. Negative changes to these markets and economies could materially impact the Company's results of operations and financial condition. In addition, many of the Company's markets are affected by government reimbursement and regulatory programs. In certain markets, particularly in the European Union, government and regulatory programs have a more significant impact than other markets. Changes to these programs could have a positive or negative impact on the Company's results.

Prolonged negative economic conditions in domestic and global markets may adversely affect the Company's suppliers and customers and consumers, which could harm the Company's financial position.

Prolonged negative changes in domestic and global economic conditions or disruptions of either or both of the financial and credit markets may affect the Company's supply chain and the customers and consumers of the Company's products and may have a material adverse effect on the Company's results of operations, financial condition and liquidity.

Due to the Company's international operations, the Company is exposed to the risk of changes in foreign exchange rates.

Due to the international nature of DENTSPLY's business, movements in foreign exchange rates may impact the consolidated statements of operations. With approximately two-thirds of the Company's sales located in regions outside the U.S., and the Company's consolidated net sales are impacted negatively by the strengthening or positively by the weakening of the U.S. dollar. Additionally, movements in certain foreign exchange rates may unfavorably or favorably impact the Company's results of operations, financial condition and liquidity.

Volatility in the capital markets or investment vehicles could limit the Company's ability to access capital or could raise the cost of capital.

Although the Company continues to have positive operating cash flow, a disruption in the credit markets may reduce sources of liquidity available to the Company. The Company relies on multiple financial institutions to provide funding pursuant to existing and/or future credit agreements, and those institutions may not be able to provide funding in a timely manner, or at all, when required by the Company. The cost of or lack of available credit could impact the Company's ability to develop sufficient liquidity to maintain or grow the Company, which in turn may adversely affect the Company's businesses and results of operations, financial condition and liquidity.

The Company also manages cash and cash equivalents and short-term investments through various institutions. There may be a risk of loss on investments based on the volatility of the underlying instruments that would not allow the Company to recover the full principal of its investments.

The Company may not be able to access or renew its precious metal consignment facilities resulting in a liquidity constraint equal to the fair market value of the precious metal value of inventory and would subject the Company to inventory valuation risk as the value of the precious metal inventory fluctuates resulting in greater volatility to reported earnings.

The Company's quarterly operating results and market price for the Company's common stock may be volatile.

DENTSPLY experiences fluctuations in quarterly sales and earnings due to a number of factors, many of which are substantially outside of the Company's control, including:

- The timing of new product introductions by DENTSPLY and its competitors;
- Timing of industry tradeshows;
- Developments in government reimbursement policies;
- Changes in customer preferences and product mix;
- The Company's ability to supply products to meet customer demand;
- Fluctuations in manufacturing costs;

- Changes in income tax laws and incentives which could create adverse tax consequences;
- Fluctuations in currency exchange rates; and
- General economic conditions, as well as those specific to the healthcare and related industries.

As a result, the Company may fail to meet the expectations of securities analysts and investors, which could cause its stock price to decline. The quarterly fluctuations generally result in net sales and operating profits historically being higher in the second and fourth quarters. The Company typically implements most of its price changes early in the fourth quarter or beginning of the year. These price changes, other marketing and promotional programs, which are offered to customers from time to time in the ordinary course of business, the management of inventory levels by distributors and the implementation of strategic initiatives, may impact sales levels in a given period. Net sales and operating profits generally have been lower in the first and third quarters, primarily due not only to increased sales in the quarters preceding these quarters, but also due to the impact of summer holidays and vacations, particularly throughout Europe.

In addition to fluctuations in quarterly earnings, a variety of other factors may have a significant impact on the market price of DENTSPLY's common stock causing volatility. These factors include, but are not necessarily limited to, the publication of earnings estimates or other research reports and speculation in the press or investment community; changes in the Company's industry and competitors; the Company's financial condition and cash flows; any future issuances of DENTSPLY's common stock, which may include primary offerings for cash, stock splits, issuances in connection with business acquisitions, restricted stock and the grant or exercise of stock options from time to time; general market and economic conditions; and any outbreak or escalation of hostilities in geographical areas the Company does business.

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

The dental supplies market is highly competitive and there is no guarantee that the Company can compete successfully.

The worldwide market for dental supplies is highly competitive. There can be no assurance that the Company will successfully identify new product opportunities and develop and market new products successfully, or that new products and technologies introduced by competitors will not render the Company's products obsolete or noncompetitive. Additionally, the size and number of the Company's competitors vary by product line and from region to region. There are many companies that produce some, but not all, of the same types of products as those produced by the Company. Certain of DENTSPLY's competitors may have greater resources than the Company.

The Company may be unable to develop innovative products or obtain regulatory approval for new products.

The market for DENTSPLY's products is characterized by rapid and significant technological change, evolving industry standards and new product introductions. There can be no assurance that DENTSPLY's products will not become noncompetitive or obsolete as a result of such factors or that we will be able to generate any economic return on the Company's investment in product development. If the Company's products or technologies become noncompetitive or obsolete, DENTSPLY's business could be negatively affected.

DENTSPLY has identified new products as an important part of its growth opportunities. There can be no assurance that DENTSPLY will be able to continue to develop innovative products and that regulatory approval of any new products will be obtained from applicable U.S. or international government or regulatory authorities, or that if such approvals are obtained, such products will be favorably accepted in the marketplace. Additionally, there is no assurance that entirely new technology or approaches to dental treatment or competitors' new products will not be introduced that could render the Company's products obsolete.

DENTSPLY may be unable to obtain necessary product approvals and marketing clearances.

DENTSPLY must obtain certain approvals and marketing clearances from governmental authorities, including the FDA and similar health authorities in foreign countries to market and sell its products. These regulatory agencies regulate the marketing, manufacturing, labeling, packaging, advertising, sale and distribution of medical devices, including the export of medical devices to foreign countries.

The regulatory review process which must be completed prior to marketing a new medical device may delay or hinder a product's timely entry into the marketplace. There can be no assurance that the review or approval process for these products by the FDA or any other applicable governmental authority will occur in a timely fashion, if at all, or that additional regulations will not be adopted or current regulations amended in such a manner as will adversely affect the Company. The FDA also oversees the content of advertising and marketing materials relating to medical devices which have received FDA clearance. Delays or failure to receive the necessary product approvals from governmental authorities could negatively impact DENTSPLY's operations.

DENTSPLY's business is subject to extensive, complex and changing laws, regulations and orders that failure to comply with could subject us to civil or criminal penalties or other liabilities.

DENTSPLY is subject to extensive laws, regulations and orders which are administered by various international, federal and state governmental authorities, including, among others, the FDA, the Office of Foreign Assets Control of the United States Department of the Treasury ("OFAC"), the Bureau of Industry and Security of the United States Department of Commerce ("BIS"), the United States Federal Trade Commission, the United States Department of Justice and other similar domestic and foreign authorities. These regulations include, but are not limited to, the U.S. Foreign Corrupt Practices Act and similar international anti-bribery laws, the Physician Payments Sunshine Act, regulations concerning the supply of conflict minerals, various environmental regulations and regulations relating to trade, import and export controls and economic sanctions. Such laws, regulations and orders may be complex and are subject to change.

Compliance with the numerous applicable existing and new laws, regulations and orders could require us to incur substantial regulatory compliance costs. Although the Company has implemented policies and procedures to comply with applicable laws, regulations and orders, there can be no assurance that governmental authorities will not raise compliance concerns or perform audits to confirm compliance with such laws, regulations and orders. Failure to comply with applicable laws, regulations or orders could result in a range of governmental enforcement actions, including fines or penalties, injunctions and/or criminal or other civil proceedings. Any such actions could result in higher than anticipated costs or lower than anticipated revenue and could have a material adverse effect on the Company's reputation, business, financial condition and results of operations.

In 2012, the Company received subpoenas from the United States Attorney's Office for the Southern District of Indiana (the “USAO”) and from OFAC requesting documents and information related to compliance with export controls and economic sanctions regulations by certain of its subsidiaries. The Company also voluntarily contacted OFAC and BIS regarding compliance with export controls and economic sanctions regulations by certain other business units of the Company identified in an ongoing internal review by the Company. The Company is cooperating with the USAO, OFAC and BIS with respect to these matters.

Challenges may be asserted against the Company's dental amalgam product.

All dental amalgam filling materials, including those manufactured and sold by DENTSPLY, contain mercury. Some groups have asserted that amalgam should be discontinued because of its mercury content and/or that disposal of mercury containing products may be harmful to the environment. If governmental authorities elect to place restrictions or significant regulations on the sale and/or disposal of dental amalgam, that could have an adverse impact on the Company's sales of dental amalgam. DENTSPLY also manufactures and sells non-amalgam dental filling materials that do not contain mercury.

The Company may be unable to obtain a supply for certain finished goods purchased from third parties.

A significant portion of the Company's injectable anesthetic products, orthodontic products, certain dental cutting instruments, catheters, nickel titanium products and certain other products and raw materials are purchased from a limited number of suppliers and in certain cases single source suppliers, some of which may also compete with the Company. As there are a limited number of suppliers for these products, there can be no assurance that the Company will be able to obtain an adequate supply of these products and raw materials in the future. Any delays in delivery of or shortages in these products could interrupt and delay manufacturing of the Company's products and result in the cancellation of orders for these products. In addition, these suppliers could discontinue the manufacture or supply of these products to the Company at any time or supply products to competitors. DENTSPLY may not be able to identify and integrate alternative sources of supply in a timely fashion or at all. Any transition to alternate suppliers may result in delays in shipment and increased expenses and may limit the Company's ability to deliver products to customers. If the Company is unable to develop reasonably priced alternative sources in a timely manner, or if the Company encounters delays or other difficulties in the supply or manufacturing of such products and other materials internally or from third parties, the Company's business and results of operation may be harmed.

The Company has lost customers of its Orthodontics business due to the disruption in its ability to source certain orthodontic products from its key supplier located in Japan's evacuation area.

One of the Company's key suppliers, which was the source of certain orthodontic products comprising approximately 9% of the Company's 2010 consolidated net sales, excluding precious metal content, was located in the zone that was evacuated following the March 2011 tsunami in Japan. The supplier lost access to its facility and as a result, product supply was severely disrupted through the remainder of 2011. The supplier gradually restored operations in 2012. Although the Company had secured limited alternative sources of supply during the shortage, there is no assurance that customers who turned to other sources of products during the Company's period of product shortages will return to the Company's products.

The Company's expansion through acquisition involves risks and may not result in the expected benefits.

The Company continues to view acquisitions as a key part of its growth strategy. The Company continues to be active in evaluating potential acquisitions although there is no assurance that these efforts will result in completed transactions as there are many factors that affect the success of such activities. If the Company does succeed in acquiring a business or product, there can be no assurance that the Company will achieve any of the benefits that it might anticipate from such an acquisition and the attention and effort devoted to the integration of an acquired business could divert management's attention from normal business operations. If the Company makes acquisitions, it may incur debt, assume contingent liabilities or create additional expenses, any of which might adversely affect its financial results. Any financing that the Company might need for acquisitions may only be available on terms that restrict its business or that impose additional costs that reduce its operating results.

The Company may fail to successfully integrate Astra Tech or realize the benefits of the acquisition.

The success of the Company's acquisition of Astra Tech depends upon its ability to realize anticipated benefits from integrating Astra Tech's business into its operations. The Company's ongoing business could be disrupted and management's attention diverted due to integration planning activities and as a result of the actual integration of the two companies following the acquisition. The Company may fail to realize the anticipated benefits of the integration on a timely basis, or at all.

Changes in or interpretations of, accounting principles could result in unfavorable charges to operations.

The Company prepares its consolidated financial statements in accordance with US GAAP. These principles are subject to interpretation by the SEC and various bodies formed to interpret and create appropriate accounting principles. Market conditions have prompted accounting standard setters to issue new guidance which further interprets or seeks to revise accounting pronouncements related to financial instruments, structures or transactions as well as to issue new standards expanding disclosures. It is possible that future accounting standards the Company would be required to adopt could change the current accounting treatment applied to the Company's consolidated financial statements and such changes could have a material adverse effect on the Company's business, results of operations, financial condition and liquidity.

If the Company's goodwill or intangible assets become impaired, the Company may be required to record a significant charge to earnings.

Under US GAAP, the Company reviews its goodwill and intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Additionally, goodwill is required to be tested for impairment at least annually. The valuations used to determine the fair values used to test goodwill or intangible assets are dependent upon various assumptions and reflect management's best estimates. Net sales growth, discount rates,

earnings multiples and future cash flows are critical assumptions used to determine these fair values. Slower net sales growth rates in the dental industry, an increase in discount rates, unfavorable changes in earnings multiples or a decline in future cash flows, among other factors, may cause a change in circumstances indicating that the carrying value of the Company's goodwill or intangible assets may not be recoverable. The Company may be required to record a significant charge to earnings in the financial statements during the period in which any impairment of the Company's goodwill or intangible assets is determined.

Changes in or interpretations of, tax rules, operating structures, country profitability mix and regulations may adversely affect the Company's effective tax rates.

The Company is a U.S. based multinational company subject to tax in multiple U.S. and foreign tax jurisdictions. Unanticipated changes in the Company's tax rates could affect its future results of operations. The Company's future effective tax rates could be unfavorably affected by changes in, or interpretation of, tax rules and regulations in the jurisdictions in which the Company does business, by structural changes in the Company's businesses, by unanticipated decreases in the amount of revenue or earnings in countries with low statutory tax rates, by lapses of the availability of the U.S. research and development tax credit, or by changes

in the valuation of the Company's deferred tax assets and liabilities.

The Company faces the inherent risk of litigation and claims.

The Company's business involves a risk of product liability and other types of legal actions or claims, including possible recall actions affecting the Company's products. The primary risks to which the Company is exposed are related to those products manufactured by the Company. The Company has insurance policies, including product liability insurance, covering these risks in amounts that are considered adequate; however, the Company cannot provide assurance that the maintained coverage is sufficient to cover future claims or that the coverage will be available in adequate amounts or at a reasonable cost. Also, other types of claims asserted against the Company may not be covered by insurance. A successful claim brought against the Company in excess of available insurance, or another type of claim which is uninsured or that results in significant adverse publicity against the Company, could harm its business and overall cash flows of the Company.

Various parties, including the Company, own and maintain patents and other intellectual property rights applicable to the dental field. Although the Company believes it operates in a manner that does not infringe upon any third party intellectual property rights, it is possible that a party could assert that one or more of the Company's products infringe upon such party's intellectual property and force the Company to pay damages and/or discontinue the sale of certain products.

Increasing exposure to markets outside of the U.S. and Europe.

We anticipate that sales outside of the U.S. and Europe will continue to expand and account for a significant portion of DENTSPLY's revenue. Operating in such locations is subject to a number of uncertainties, including, but not limited to, the following:

- Economic and political instability;
- Import or export licensing requirements;
- Trade restrictions;
- Product registration requirements;
- Longer payment cycles;
- Changes in regulatory requirements and tariffs;
- Fluctuations in currency exchange rates;
- Potentially adverse tax consequences; and
- Potentially weak protection of intellectual property rights.

The Company's success is dependent upon its management and employees.

The Company's success is dependent upon its management and employees. The loss of senior management employees or failure to recruit and train needed managerial, sales and technical personnel, could have a material adverse effect on the Company.

The Company may be unable to sustain the operational and technical expertise that is key to its success.

DENTSPLY believes that its manufacturing capabilities are important to its success. The manufacture of the Company's products requires substantial and varied technical expertise. Complex materials technology and processes are necessary to manufacture the Company's products. There can be no assurance that the Company will be able to maintain the necessary operational and technical expertise that is key to its success.

The Company may not generate sufficient cash flow to service its debt, pay its contractual obligations and operate the business.

DENTSPLY's ability to make payments on its indebtedness and contractual obligations, and to fund its operations depends on its future performance and financial results, which, to a certain extent, are subject to general economic, financial, competitive, regulatory and other factors and the interest rate environment that are beyond its control. Although senior management believes that the Company has and will continue to have sufficient liquidity, there can be no assurance that DENTSPLY's business will generate sufficient cash flow from operations in the future to service its debt, pay its contractual obligations and operate its business.

The Company may not be able to repay its outstanding debt in the event that cross default provisions are triggered due to a breach of loan covenants.

DENTSPLY's existing borrowing documentation contains a number of covenants and financial ratios, which it is required to satisfy. The most restrictive of these covenants pertains to asset dispositions, maintenance of certain levels of net worth, and prescribed ratios of indebtedness to total capital and operating income excluding depreciation and amortization of interest expense. Any breach of any such covenants or restrictions would result in a default under the existing borrowing documentation that would permit the lenders to declare all borrowings under such documentation to be immediately due and payable and, through cross default provisions, would entitle DENTSPLY's other lenders to accelerate their loans. DENTSPLY may not be able to meet its obligations under its outstanding indebtedness in the event that any cross default provisions are triggered.

After closing the Astra Tech acquisition, DENTSPLY has a significant amount of indebtedness. A breach of the covenants under DENTSPLY's debt instruments outstanding from time to time could result in an event of default under the applicable agreement.

In connection with the financing of the acquisition of Astra Tech, the Company incurred additional debt of approximately $1.2 billion. As a consequence, after closing the Acquisition, DENTSPLY has a significant amount of indebtedness. DENTSPLY also has the ability to incur up to $500 million of indebtedness under the Revolving Credit Facility and may incur significantly more indebtedness in the future.

DENTSPLY's level of indebtedness and related debt service obligations could have negative consequences including:

- making it more difficult for the Company to satisfy its obligations with respect to its indebtedness;
- requiring DENTSPLY to dedicate significant cash flow from operations to the payment of principal and interest on its indebtedness, which would reduce the funds the Company has available for other purposes, including working capital, capital expenditures and acquisitions; and
- reducing DENTSPLY's flexibility in planning for or reacting to changes in its business and market conditions.

DENTSPLY's current indebtedness contains a number of covenants and financial ratios, which it is required to satisfy. Under the agreements governing the DENTSPLY's 4.11% Senior Notes due 2016, the Company will be required to maintain a ratio of consolidated debt to consolidated EBITDA of less than or equal to 3.50 to 1.00. The Company may need to reduce the amount of its indebtedness outstanding from time to time in order to comply with such ratio, but no assurance can be given that DENTSPLY will be able to do so. DENTSPLY's failure to maintain such ratio or a breach of the other covenants under its debt instruments outstanding from time to time could result in an event of default under the applicable agreement. Such a default may allow the creditors to accelerate the related indebtedness and may result in the acceleration of any other indebtedness to which a cross-acceleration or cross-default provision applies.

Certain provisions in the Company's governing documents may make it more difficult for third party offerors to acquire DENTSPLY.

Certain provisions of DENTSPLY's Certificate of Incorporation and By-laws and of Delaware law could have the effect of making it difficult for a third party to acquire control of DENTSPLY. Such provisions include, among others, the division of the Board of Directors of DENTSPLY into three classes, with the three-year term of a class expiring each year, a provision allowing the Board of Directors to issue preferred stock having rights senior to those of the common stock and certain procedural requirements which make it difficult for stockholders to amend DENTSPLY's By-laws and call special meetings of stockholders. In addition, members of DENTSPLY's management and participants in its Employee Stock Ownership Plan (“ESOP”) collectively own approximately 4% of the outstanding common stock of DENTSPLY.

Issues related to the quality and safety of the Company's products, ingredients or packaging could cause a product recall resulting in harm to the Company's reputation and negatively impacting the Company's operating results.

The Company's products generally maintain a good reputation with customers and end-users. Issues related to quality and safety of products, ingredients or packaging, could jeopardize the Company's image and reputation. Negative publicity related to these types of concerns, whether valid or not, might negatively impact demand for the Company's products or cause production and delivery disruptions. The Company may need to recall products if they become unfit for use. In addition, the Company could potentially be subject to litigation or government action, which could result in payment of fines or damages. Cost associated with these potential actions could negatively affect the Company's operating results, financial condition and liquidity.

The Company relies heavily on information and technology to operate its business networks, and any disruption to its technology infrastructure or the internet could harm the Company's operations.

DENTSPLY operates many aspects of its business including financial reporting and customer relationship management through

server- and web-based technologies, and stores various types of data on such servers or with third-parties who may in turn store it on servers or in the “cloud”. Any disruption to the internet or to the Company's or its service providers' global technology infrastructure, including malware, insecure coding, “Acts of God,” attempts to penetrate networks, data leakage and human error, could pose a threat to the Company's operations. While DENTSPLY has invested and continues to invest in information technology risk management and disaster recovery plans, these measures cannot fully insulate the Company from technology disruptions or data loss and the resulting adverse effect on the Company's operations and financial results.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The following is a listing of DENTSPLY's principal manufacturing and distribution locations as of December 31, 2012:

Location	Function	Leased or Owned
United States:		
Milford, Delaware (1)	Manufacture of dental consumable products	Owned
Sarasota, Florida (2)	Manufacture of orthodontic accessory products	Owned
Des Plaines, Illinois (1)	Manufacture and assembly of dental handpieces	Leased
Elgin, Illinois (1)	Manufacture of dental x-ray film holders, film mounts and accessories	Owned/Leased
Waltham, Massachusetts (4)	Manufacture and distribution of dental implant products	Leased
Bohemia, New York (2)	Manufacture and distribution of orthodontic products and materials	Leased
Maumee, Ohio (4)	Manufacture and distribution of investment casting products	Owned
Lancaster, Pennsylvania (5)	Distribution of dental products	Leased
York, Pennsylvania (1)	Manufacture and distribution of artificial teeth and other dental laboratory products	Owned
York, Pennsylvania (1)	Manufacture of small dental equipment, bone grafting products, and preventive dental products	Owned
Johnson City, Tennessee (4)	Manufacture and distribution of endodontic instruments and materials	Leased
Foreign:		

Hasselt, Belgium (4)	Manufacture and distribution of dental products	Owned
Leuven, Belgium (4)	Manufacture and distribution of 3D digital implantology	Leased
Catanduva, Brazil (4)	Manufacture and distribution of dental anesthetic products	Owned
Petropolis, Brazil (4)	Manufacture and distribution of artificial teeth, dental consumable products and endodontic material	Owned
Shanghai, China (1)	Manufacture and distribution of dental laboratory products	Leased
Tianjin, China (4)	Manufacture and distribution of dental products	Leased
Ivry Sur-Seine, France (3)	Manufacture and distribution of investment casting products	Leased

Bohmte, Germany (1)	Manufacture and distribution of dental laboratory products	Owned
Hanau, Germany (1)	Manufacture and distribution of precious metal dental alloys, dental ceramics and dental implant products	Owned
Konstanz, Germany (1)	Manufacture and distribution of dental consumable products	Owned
Mannheim, Germany (4)	Manufacture and distribution of dental implant products	Owned/Leased
Munich, Germany (4)	Manufacture and distribution of endodontic instruments and materials	Owned
Radolfzell, Germany (5)	Distribution of dental products	Leased
Rosbach, Germany (1)	Manufacture and distribution of dental ceramics	Owned
Badia Polesine, Italy (1)	Manufacture and distribution of dental consumable products	Owned/Leased
Otawara, Japan (2)	Manufacture and distribution of precious metal dental alloys, dental consumable products and orthodontic products	Owned
Mexicali, Mexico (2)	Manufacture and distribution of orthodontic products and materials	Leased
Hoorn, Netherlands (1)	Manufacture and distribution of precious metal dental alloys and dental ceramics	Owned
HA Soest, Netherlands (2)	Distribution of orthodontic products	Leased
Warsaw, Poland (1)	Manufacture and distribution of dental consumable products	Owned
Las Piedras, Puerto Rico (1)	Manufacture of crown and bridge materials	Owned
Mölndal, Sweden (4)	Manufacture and distribution of dental implant products and consumable medical devices	Owned
Ballaigues, Switzerland (4)	Manufacture and distribution of endodontic instruments, plastic components and packaging material	Owned

(1) These properties are included in the Dental Consumables and Laboratory segment.
(2) These properties are included in the Orthodontics/Canada/Mexico/Japan segment.
(3) These properties are included in the Select Distribution segment.
(4) These properties are included in the Implants/Endodontics/Healthcare/Pacific Rim segment.
(5) This property is a distribution warehouse not managed by named segments.

In addition, the Company maintains sales and distribution offices at certain of its foreign and domestic manufacturing facilities, as well as at various other U.S. and international locations. The Company maintains offices in Toronto, Mexico City, Paris, Rome, Weybridge, Mölndal, Hong Kong and Melbourne and other international locations. Most

of these sites around the world that are used exclusively for sales and distribution are leased.

The Company also owns its corporate headquarters located in York, Pennsylvania.

DENTSPLY believes that its properties and facilities are well maintained and are generally suitable and adequate for the purposes for which they are used.

Item 3. Legal Proceedings

Incorporated by reference to Part II, Item 8, Note 17, Commitments and Contingencies, to the Consolidated Financial Statements in this Form 10-K.

Executive Officers of the Registrant

The following table sets forth certain information regarding the executive officers of the Company as of February 24, 2013.

Name	Age	Position
Bret W. Wise	52	Chairman of the Board and Chief Executive Officer
Christopher T. Clark	51	President and Chief Operating Officer
William R. Jellison	55	Senior Vice President and Chief Financial Officer
James G. Mosch	55	Executive Vice President
Robert J. Size	54	Senior Vice President
Albert J. Sterkenburg	49	Senior Vice President
Deborah M. Rasin	46	Vice President, Secretary and General Counsel

Bret W. Wise has served as Chairman of the Board and Chief Executive Officer of the Company since January 1, 2007 and also served as President in 2007 and 2008. Prior to that time, Mr. Wise served as President and Chief Operating Officer in 2006, as Executive Vice President in 2005 and Senior Vice President and Chief Financial Officer from December 2002 through December 2004. Prior to that time, Mr. Wise was Senior Vice President and Chief Financial Officer with Ferro Corporation of Cleveland, OH (1999 - 2002), Vice President and Chief Financial Officer at WCI Steel, Inc., of Warren, OH, (1994 - 1999) and prior to that he was a partner with KPMG LLP. During 2012, Mr. Wise was elected a member of the Board of Directors of the Pall Corporation. Mr. Wise is a Certified Public Accountant.

Christopher T. Clark has served as Chief Operating Officer of the Company since January 1, 2007, also serving as President since January 1, 2009 and as Executive Vice President in 2007 and 2008. Prior to that time, Mr. Clark served as Senior Vice President (2003 - 2005), as Vice President and General Manager of DENTSPLY's global imaging business (1999 - 2002), as Vice President and General Manager of the Prosthetics Division (1996 - 1999), and as Director of Marketing of DENTSPLY'S Prosthetics Division (1992 - 1996). Prior to September 1992, Mr. Clark held various brand management positions with Proctor & Gamble.

William R. Jellison has served as Senior Vice President and Chief Financial Officer of the Company since January 2005, a position he also held from April 1998 until November 2002. From November 2002 until January 2005, Mr. Jellison served as a Senior Vice President with operating responsibilities. Prior to April 1998, Mr. Jellison held various financial management positions including Vice President of Finance, Treasurer and Corporate Controller for Donnelly Corporation of Holland, Michigan since 1980.

James G. Mosch has served as Executive Vice President since January 1, 2009, and prior to that as Senior Vice President since 2003. Prior to that, Mr. Mosch served as Vice President and General Manager of DENTSPLY's Professional division, beginning in July 1994 when, he started with the Company. Prior to 1994, Mr. Mosch served in general management and marketing positions with Baxter International and American Hospital Supply Corporation.

Robert J. Size has served as Senior Vice President since January 1, 2007. Prior to that, Mr. Size served as a Vice President (2006) and as Vice President and General Manager of DENTSPLY's Caulk division beginning June 2003 through December 31, 2005. Prior to that time, he was the Chief Executive Officer and President of Superior MicroPowders and held various cross-functional and international leadership positions with The Cookson Group.

Albert J. Sterkenburg, D.D.S. has served as Senior Vice President since January 1, 2009. Prior to that, Dr. Sterkenburg served as Vice President (2006 - 2009), Vice President and General Manager of the DeguDent division (2003 - 2006) and Vice President and General Manager of the VDW division beginning in 2000. Prior to that time, he served in marketing and general management roles at Johnson & Johnson.

Deborah M. Rasin has served as Vice President, Secretary and General Counsel of the Company since March 7, 2011. Prior to that, she served since 2006 as Vice President, General Counsel and Secretary of Samsonite Corporation, where she oversaw all legal, compliance and corporate governance matters of a Delaware-incorporated global consumer goods company. Prior to joining Samsonite, Ms. Rasin served as a senior corporate attorney at General Motors Corporation, and as an associate at various international law firms. Ms. Rasin received her J.D. from Harvard Law School in 1992.

Item 4. Removed and Reserved

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PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Quarterly Stock Market and Dividend Information

The Company's common stock is traded on the NASDAQ National Market under the symbol “XRAY.” The following table shows, for the periods indicted, the high, low, closing sale prices and cash dividends declared of the Company's common stock as reported on the NASDAQ National Market:

	Market Range of Common Stock		Period-end Closing Price	Cash Dividend Declared
	High	Low		
2012				
First Quarter	$40.32	$34.77	$40.13	$0.055
Second Quarter	41.38	35.88	37.81	0.055
Third Quarter	39.27	35.04	38.14	0.055
Fourth Quarter	40.82	35.83	39.61	0.055
2011				
First Quarter	$38.49	$34.00	$36.99	$0.050
Second Quarter	40.16	34.76	38.08	0.050
Third Quarter	39.94	30.41	30.69	0.050
Fourth Quarter	40.37	28.35	34.99	0.055

The Company estimates, based on information supplied by its transfer agent, that there are 352 holders of record of the Company’s common stock. Approximately 65,900 holders of the Company’s common stock are “street name” or beneficial holders, whose shares are held of record by banks, brokers and other financial institutions.

Stock Repurchase Program

The Board of Directors has authorized the Company to repurchase shares under its stock repurchase program in an amount up to 34.0 million shares of common stock. The table below contains certain information with respect to the repurchase of shares of the Company's common stock during the quarter ended December 31, 2012:

(in thousands, except per share amounts)

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Cost of Shares Purchased	Number of Shares that May Yet be Purchased Under the Share Repurchase Program
October 1-31, 2012	—	$—	$—	13,209.1
November 1-30, 2012	—	—	—	13,374.7
December 1-31, 2012	—	—	—	13,546.8
	—	$—	$—	

Stock Authorized for Issuance Under Equity Compensation Plans

The following table provides information about the Company's common stock that may be issued under equity compensation plans at December 31, 2012:

(in thousands, except share price)

Plan Category	Securities to Be Issued Upon Exercise of Outstanding Options	Weighted Average Exercise Price per Share	Securities Available for Future Issuance
Equity compensation plans approved by security holders	10,940	$33.48	10,468
Total	10,940	$33.48	10,468

Performance Graph

The following graph compares the Company's cumulative total stockholder return (Common Stock price appreciation plus dividends, on a reinvested basis) over the last five fiscal years with the NASDAQ Composite Index, the Standard & Poor's S&P 500 Index and the Standard & Poor's S&P Health Care Index.

	12/07	12/08	12/09	12/10	12/11	12/12
DENTSPLY International Inc.	100.00	63.07	79.06	77.28	79.60	90.63
NASDAQ Composite	100.00	59.03	82.25	97.32	98.63	110.78
S&P 500	100.00	63.00	79.67	91.67	93.61	108.59
S&P Health Care	100.00	77.19	92.40	95.08	107.18	126.35

Item 6. Selected Financial Data

DENTSPLY INTERNATIONAL INC. AND SUBSIDIARIES
SELECTED FINANCIAL DATA
(in thousands, except per share amounts, days and percentages)

	Year ended December 31,				
	2012	2011 (a)	2010	2009	2008
Statement of Operations Data:					
Net sales	$2,928,429	$2,537,718	$2,221,014	$2,159,378	$2,191,465
Net sales, excluding precious metal content	2,714,698	2,332,589	2,031,757	1,990,666	1,991,542
Gross profit	1,556,387	1,273,440	1,130,158	1,106,363	1,147,900
Restructuring and other costs	25,717	35,865	10,984	6,890	32,355
Operating income	381,939	300,728	380,273	381,243	380,461
Income before income taxes	330,679	256,111	357,656	363,356	354,873
Net Income	318,489	247,446	267,335	274,412	283,270
Net income attributable to DENTSPLY International	$314,213	$244,520	$265,708	$274,258	$283,869
Earnings per common share:					
Basic	$2.22	$1.73	$1.85	$1.85	$1.90
Diluted	$2.18	$1.70	$1.82	$1.83	$1.87
Cash dividends declared per common share	$0.220	$0.205	$0.200	$0.200	$0.185
Weighted Average Common Shares Outstanding:					
Basic	141,850	141,386	143,980	148,319	149,069
Diluted	143,945	143,553	145,985	150,102	151,679
Balance Sheet Data:					
Cash and cash equivalents	$80,132	$77,128	$540,038	$450,348	$204,249
Property, plant and equipment, net	614,705	591,445	423,105	439,619	432,276
Goodwill and other intangibles, net	3,041,595	2,981,163	1,381,798	1,401,682	1,380,744
Total assets	4,972,297	4,755,398	3,257,951	3,087,932	2,830,400
Total debt, current and long-term portions	1,520,998	1,766,711	611,769	469,325	449,474
Equity	2,249,443	1,884,151	1,909,912	1,906,958	1,659,413
Return on average equity	15.2 %	12.9 %	13.9 %	15.4 %	17.9 %
Total net debt to total capitalization (b)	39.0 %	47.3 %	3.6 %	1.0 %	12.9 %
Other Data:					
Depreciation and amortization	$129,199	$85,035	$65,912	$65,175	$56,929
Cash flows from operating activities	369,685	393,469	377,461	362,489	335,981
Capital expenditures	92,072	71,186	44,236	56,481	76,440

Interest expense (income), net	48,091	35,577	20,835	16,864	15,438
Inventory days	106	100	100	99	103
Receivable days	53	54	54	55	54
Effective tax rate	2.7 %	4.3 %	25.0 %	24.5 %	20.2 %

(a) Includes the results of the Astra Tech acquisition from September 1, 2011 through December 31, 2011.
(b)The Company defines net debt as total debt, including current and long-term portions, less cash and cash equivalents and total capitalization as the sum of net debt plus equity.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The following Management’s Discussion and Analysis of Financial Conditions and Results of Operations (“MD&A”) is intended to help the reader understand the Company’s operations and business environment. MD&A is provided as a supplement to, and should be read in conjunction with, the Consolidated Financial Statements and Notes to Consolidated Financial Statements contained in Item 8 of this Form 10-K. The following discussion includes forward-looking statements that involve certain risks and uncertainties. See “Forward-Looking Statements” in the beginning of this Form 10-K. The MD&A includes the following sections:

- Business – a general description of DENTSPLY’s business and how performance is measured;
- Results of Operations – an analysis of the Company’s consolidated results of operations for the three years presented in the consolidated financial statements;
- Critical Accounting Estimates – a discussion of accounting policies that require critical judgments and estimates; and
- Liquidity and Capital Resources – an analysis of cash flows; debt and other obligations; and aggregate contractual obligations.

Significant Developments in 2012

- For the year ended December 31, 2012, sales grew by 15.4% on a US GAAP reported basis and grew 16.4%, excluding precious metal content. The sales growth excluding precious metal content was driven by acquisition growth of 16.2%, while internal growth added 4.0%, and currency translation was negative 3.8%. This internal growth was comprised of growth in the United States of 3.6%, Europe of 2.6% and rest of world of 7.2%.

- During 2012 the Company established DENTSPLY Implants, combining the Astra Tech implant business and the Company's implant brands. This new business enables DENTSPLY to offer a complete product line of all implant choices and solutions throughout most of the world under the DENTSPLY Implants platform.

- The Company branded the former Astra Tech medical business as Wellspect Healthcare.

BUSINESS

DENTSPLY International Inc. is a leading manufacturer and distributor of dental and other consumable medical device products. The Company believes it is the world's largest manufacturer of consumable dental products for the professional dental market. For over 110 years, DENTSPLY's commitment to innovation and professional collaboration has enhanced its portfolio of branded consumables and small equipment. Headquartered in the United States, the Company has global operations with sales in more than 120 countries. The Company also has strategically located distribution centers to enable it to better serve its customers and increase its operating efficiency. While the United States and Europe are the Company's largest markets, the Company serves all major markets worldwide.

Principal Measurements

The principal measurements used by the Company in evaluating its business are: (1) internal growth by geographic region; (2) constant currency growth by geographic region; (3) operating margins of each reportable segment

including product pricing and cost controls; (4) the development, introduction and contribution of innovative new products; and (5) growth through acquisition.

The Company defines “internal growth” as the increase or decrease in net sales from period to period, excluding (1) precious metal content; (2) the impact of changes in currency exchange rates; and (3) net acquisition growth. The Company defines “net acquisition growth” as the net sales, excluding precious metal content, for a period of twelve months following the transaction date of businesses that have been acquired, less the net sales, excluding precious metal content, for a period of twelve months prior to the transaction date of businesses that have been divested. The Company defines “constant currency growth” as internal growth plus net acquisition growth.

Management believes that internal growth in the range of 3% to 6% is a long-term targeted rate for the Company. The internal growth rate may vary outside of this range based on economic conditions. Historical trends show that growth in the dental industry generally performs better than the overall economy; however, it typically lags the economic trend going into and coming out of slower growth or recessionary periods. There can be no assurance that the Company's assumptions concerning the growth rates in its markets will continue in the future. If such rates are less than expected, the Company's projected growth rates and results of operations may be adversely affected.

Price changes, other marketing and promotional programs offered to customers from time to time, the management of inventory levels by distributors and the implementation of strategic initiatives may impact sales and inventory levels in a given period.

The Company has a focus on minimizing costs and achieving operational efficiencies. Management continues to evaluate the consolidation of operations or functions to reduce costs. In addition, the Company remains focused on enhancing efficiency through expanded use of technology and process improvement initiatives. The Company believes that the benefits from these initiatives will improve the cost structure and help offset areas of rising costs such as energy, employee benefits and regulatory oversight and compliance.

Product innovation is a key component of the Company's overall growth strategy. New advances in technology are anticipated to have a significant influence on future products in dentistry and consumable medical device markets in which the Company operates. As a result, the Company continues to pursue research and development initiatives to support technological development, including collaborations with various research institutions and dental schools. In addition, the Company licenses and purchases technologies developed by third parties. Although the Company believes these activities will lead to new innovative dental and consumable medical device products, they involve new technologies and there can be no assurance that commercialized products will be developed.

The Company will continue to pursue opportunities to expand the Company's product offerings through acquisitions. Although the professional dental and the consumable medical device markets in which the Company operates has experienced consolidation, it is still a fragmented industry. Management believes that there will continue to be adequate opportunities to participate as a consolidator in the industry for the foreseeable future, however it will be very focused in the near-term on the integration of its recent acquisitions and associated debt reduction.

Impact of the Natural Disaster in Japan and Orthodontic Recovery

The Company's Orthodontic and Japanese businesses have been negatively impacted as a result of the natural disaster that occurred in Japan in March of 2011. The impact for the year ended December 31, 2012 on the Company's sales of orthodontic products was a slight increase in net sales and earnings as compared with 2011, resulting in a positive $0.01 impact to the period's year-over-year earnings per diluted share.

Impact of Foreign Currencies

Due to the international nature of DENTSPLY's business, movements in foreign exchange rates may impact the consolidated statements of operations. With 65% to 70% of the Company's net sales located in regions outside the U.S., the Company's consolidated net sales are impacted negatively by the strengthening or positively by the weakening of the U.S. dollar. Additionally, movements in certain foreign exchange rates may unfavorably or favorably impact the Company's results of operations, financial condition and liquidity.

Reclassification of Prior Year Amounts

Certain reclassifications have been made to prior years' data in order to conform to current year presentation. Specifically, during the first quarter of 2012, the Company realigned reporting responsibilities for multiple locations as a result of changes to the management structure. The segment information below reflects the revised structure for all periods shown.

RESULTS OF OPERATIONS

2012 Compared to 2011

Net Sales

The discussion below summarizes the Company’s sales growth, excluding precious metal content, into the following components: (1) constant currency, which includes internal growth and acquisition growth, and (2) foreign currency

translation. These disclosures of net sales growth provide the reader with sales results on a comparable basis between periods.

Management believes that the presentation of net sales, excluding precious metal content, provides useful information to investors because a significant portion of DENTSPLY's net sales is comprised of sales of precious metals generated through sales of the Company's precious metal dental alloy products, which are used by third parties to construct crown and bridge materials. Due to the fluctuations of precious metal prices and because the cost of the precious metal content of the Company's sales is largely passed through to customers and has minimal effect on earnings, DENTSPLY reports net sales both with and without precious metal content to show the Company's performance independent of precious metal price volatility and to enhance comparability of performance between periods. The Company uses its cost of precious metal purchased as a proxy for the precious metal content of sales, as the precious metal content of sales is not separately tracked and invoiced to customers. The Company believes that it is reasonable to use the cost of precious metal content purchased in this manner since precious metal dental alloy sale prices are typically adjusted when the prices of underlying precious metals change.

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. The Company provides the following reconciliation of net sales to net sales, excluding precious metal content. The Company's definitions and calculations of net sales, excluding precious metal content, and other operating measures derived using net sales, excluding precious metal content, may not necessarily be the same as those used by other companies.

	Year Ended December 31,				
(in millions)	2012	2011	$ Change	% Change	
Net sales	$2,928.4	$2,537.7	$390.7	15.4	%
Less: Precious metal content of sales	213.7	205.1	8.6	4.2	%
Net sales, excluding precious metal content	$2,714.7	$2,332.6	$382.1	16.4	%

In 2012, net sales, excluding precious metal content increased $382.1 million from 2011. The 16.4% increase in net sales, excluding precious metal content, included constant currency growth of 20.2%, and currency translation, which decreased net sales, excluding precious metal content, by 3.8%. The constant currency sales growth was comprised of internal growth of 4.0% and acquisition growth of 16.2%.

Constant Currency Sales Growth

The following table includes growth rates for net sales, excluding precious metal content.

	Year Ended December 31, 2012							
	United States		Europe		All Other Regions		Worldwide	
Internal growth	3.6	%	2.6	%	7.2	%	4.0	%
Net acquisition growth	10.2	%	24.9	%	8.7	%	16.2	%
Constant currency sales growth	13.8	%	27.5	%	15.9	%	20.2	%

Internal growth excluding the Japanese market and Orthodontic business was substantially the same and varied by no more than one percentage point in any region.

United States

During 2012, net sales, excluding precious metal content, increased by 13.8% on a constant currency basis, including 10.2% of acquisition growth. The internal growth rate was 3.6% due to increased demand across all product categories.

Europe

During 2012, net sales, excluding precious metal content, increased by 27.5% on a constant currency basis, including 24.9% of acquisition growth. The internal growth rate was 2.6% and was primarily driven by sales growth in the dental specialty, dental consumable and consumable medical device products partially offset by decreased demand for precious metal alloy products within the dental laboratory products category.

All Other Regions

During 2012, net sales, excluding precious metal content, increased 15.9% on a constant currency basis, which includes 8.7% of acquisition growth. The internal growth was 7.2%, driven by sales growth in all dental product categories.

Gross Profit

(in millions)	Year Ended December 31, 2012	2011	$ Change	% Change
Gross profit	$1,556.4	$1,273.4	$283.0	22.2 %
Gross profit as a percentage of net sales, including precious metal content	53.1 %	50.2 %		
Gross profit as a percentage of net sales, excluding precious metal content	57.3 %	54.6 %		

Gross profit as a percentage of net sales, excluding precious metal content, increased 2.7% during 2012 compared to 2011. The gross profit rate was positively impacted by improved product pricing, favorable product mix primarily associated with recent acquisitions as well as a favorable rate impact from changes in foreign currency translation rates offset by higher manufacturing costs. In 2011, the gross profit rate was negatively impacted by approximately two percentage points from expensing inventory for the fair value adjustments associated with acquisitions.

Expenses

Selling, General and Administrative (“SG&A”) Expenses

(in millions)	Year Ended December 31, 2012	2011	$ Change	% Change
SG&A expenses	$1,148.7	$936.8	$211.9	22.6 %
SG&A expenses as a percentage of net sales, including precious metal content	39.2 %	36.9 %		
SG&A expenses as a percentage of net sales, excluding precious metal content	42.3 %	40.2 %		

SG&A expenses as a percentage of net sales, excluding precious metal content, was 2.1% higher than in 2011. Increased SG&A expenses as a percent of net sales, excluding precious metal content, was a result of the higher expense rate of the Astra Tech business and $30.9 million of amortization primarily associated with 2011 acquisitions as well as key global marketing events.

Restructuring and Other Costs

(in millions)	Year Ended December 31, 2012	2011	$ Change	% Change
Restructuring and other costs	$25.7	$35.9	$(10.2)	(28.4 %)

The Company recorded net restructuring and other costs of $25.7 million in 2012 compared to $35.9 million in 2011. In 2012, restructuring cost of $17.8 million were related to the implant integration activity as well as the closure and consolidation of facilities in an effort to streamline the Company's operations and better leverage the Company's resources. Restructuring and other costs also include $5.2 million related to an impairment of previously acquired technology.

In 2011, these costs were related to expenses associated with the acquisition of Astra Tech of $18.0 million, legal settlement cost of $12.6 million as well as restructuring costs primarily related to the orthodontic business. Also, the Company recorded

certain other costs of $1.5 million related to an impairment of an intangible asset.

The benefits associated with the 2011 and 2012 restructuring plans were immaterial to the current period. The Company estimates the future annual savings related to these plans to be in the range of $10 million to $15 million to be realized over the next three to five years. There is no assurance that future savings will be fully achieved.

Other Income and Expenses

	Year Ended December 31,		
(in millions)	2012	2011	$ Change
Net interest expense	$48.1	$35.6	$12.5
Other expense, net	3.2	9.0	(5.8)
Net interest and other expense	$51.3	$44.6	$6.7

Net Interest Expense

The change in net interest expense in 2012 compared to 2011 was primarily the result of higher average debt levels and lower cash levels as a result of financing the $1.8 billion Astra Tech acquisition in 2011. Interest expense increased $13.0 million over 2011.

Other Expense, Net

Other expense in the 2012 period included approximately $2.7 million of currency transaction losses and $0.5 million of other non-operating expense. Other expense in the 2011 period included approximately $1.7 million of currency transaction losses, $2.9 million of interest rate swap terminations, $3.8 million of Treasury rate lock ineffectiveness, and $0.6 million of other non-operating expense.

Income Taxes and Net Income

	Year Ended December 31,		
(in millions, except per share amounts)	2012	2011	$ Change
Effective income tax rate	2.7 %	4.3 %	
Equity in net income (loss) of unconsolidated affiliated company	$(3.3)	$2.4	$(5.7)
Net income attributable to noncontrolling interests	$4.3	$2.9	$1.4
Net income attributable to DENTSPLY International	$314.2	$244.5	$69.7
Diluted earnings per common share	$2.18	$1.70	

Provision for Income Taxes

During 2012, the Company entered into various legal entity restructuring activities to complete the integration of the Astra Tech business acquired in August 2011. In addition to the specific tax integration of the Astra Tech subsidiaries with legacy DENTSPLY subsidiaries, the Company also realigned much of its foreign legal entity structure to better align operations and cash management activities. As a part of this restructuring, the Company was able to capture an overall net benefit from anticipated tax losses of $57.7 million. Most of the cash flow benefit from this tax matter, including utilization of an existing credit carryforward of approximately $49.6 million will be realized over the next

several years. Also, the Company recognized $12.0 million of tax benefit from a reduction in foreign tax rates and separately recorded a valuation allowance on previously recognized assets of $10.4 million. During 2011, the Company recorded a tax benefit from the release of a valuation allowance on previously unrecognized tax loss carryforwards of approximately $46.7 million. Further information regarding the details of income taxes is presented in Note 12, Income Taxes, to the consolidated financial statements in this Form 10-K.

The Company's effective tax rate for 2012 and 2011 was 2.7% and 4.3%, respectively. In 2012, the Company's effective tax rate included the impact of amortization of purchased intangible assets, integration and restructuring and other costs as well as various income tax adjustments which impacted income before taxes and the provisions for income taxes by $91.7 million and $90.0 million, respectively. In 2011, the Company's effective income tax rate included the impact of acquisition related activity, restructuring and other costs, amortization on purchased intangibles from acquisitions and the release of the valuation allowance and various income tax adjustments, which impacted income before income taxes and the provision for income taxes by $123.8 million and $75.4 million, respectively.

Equity in net income (loss) of unconsolidated affiliated company

The Company's 17% ownership investment of DIO Corporation resulted in a net loss of $3.3 million on an after-tax basis for 2012. The equity earnings of DIO includes the result of mark-to-market changes related to the derivative accounting for the convertible bonds issued by DIO to DENTSPLY. The Company's portion of the mark-to-market net loss incurred by DIO was approximately $3.1 million. In 2011, equity in net income was $2.4 million on an after-tax basis and the Company's portion of the mark-to-market net gain incurred by DIO was approximately $2.2 million.

Net income attributable to noncontrolling interests

The portion of consolidated net income attributable to noncontrolling interests increased $1.4 million from 2012 to 2011 due to higher earnings.

Net income attributable to DENTSPLY International

In addition to the results reported in accordance with US GAAP, the Company provides adjusted net income attributable to DENTSPLY International and adjusted earnings per diluted common share. These adjusted amounts consist of US GAAP amounts excluding, net of tax (1) acquisition related costs, (2) restructuring and other costs, (3) amortization of purchased intangible assets, (4) Orthodontic business continuity costs, (5) income related to credit risk adjustments, (6) certain fair value adjustments at an unconsolidated affiliated company, and (7) income tax related adjustments. Adjusted earnings per diluted common share is calculated by dividing adjusted net income attributable to DENTSPLY International by diluted weighted-average common shares outstanding. Adjusted net income attributable to DENTSPLY International and adjusted earnings per diluted common share are considered measures not calculated in accordance with US GAAP, and therefore are non-US GAAP measures. These non-US GAAP measures may differ from other companies. Income tax related adjustments may include the impact to adjust the interim effective income tax rate to the expected annual effective tax rate.

The Company believes that the presentation of adjusted net income attributable to DENTSPLY International and adjusted earnings per diluted common share provides important supplemental information to management and investors seeking to understand the Company's financial condition and results of operations. The non-US GAAP financial information should not be considered in isolation from, or as a substitute for, measures of financial performance prepared in accordance with US GAAP.

	Year Ended December 31, 2012	
(in thousands, except per share amounts)	Net Income	Per Diluted Common Share
Net income attributable to DENTSPLY International	$314,213	$2.18
Amortization on purchased intangible assets, net of tax	33,612	0.23
Restructuring and other costs, net of tax	18,549	0.13

Acquisition related activities, net of tax	9,299	0.07
Loss on fair value adjustment at an unconsolidated affiliated company, net of tax	2,927	0.02
Orthodontic business continuity costs, net of tax	600	—
Income tax related adjustments	(59,992)	(0.41)
Adjusted non-US GAAP earnings	$319,208	$2.22

(in thousands, except per share amounts)	Year Ended December 31, 2011 Net Income	Per Diluted Common Share
Net income attributable to DENTSPLY International	$244,520	$1.70
Acquisition related activities, net of tax	62,723	0.44
Amortization on purchased intangible assets, net of tax	14,428	0.10
Restructuring and other costs, net of tax	11,395	0.08
Orthodontic business continuity costs, net of tax	2,128	0.01
Credit risk adjustment to outstanding derivatives, net of tax	(783)	—
Gain on fair value adjustment at an unconsolidated affiliated company, net of tax	(2,486)	(0.02)
Income tax related adjustments	(41,053)	(0.28)
Adjusted non-US GAAP earnings	$290,872	$2.03

Operating Segment Results

The Company's operating businesses are combined into operating groups, which have overlapping product offerings, geographic 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. Each of these operating groups covers a wide range of product categories and geographic regions. The product categories and geographic regions often overlap across the groups. Further information regarding the details of each group is presented in Note 4, Segment and Geographic Information, to the consolidated financial statements in this Form 10-K. The management of each group is evaluated for performance and incentive compensation purposes on net third party sales, excluding precious metal content, and segment operating income.

Net Sales, Excluding Precious Metal Content

(in millions)	Year Ended December 31, 2012	2011	$ Change	% Change
Dental Consumable and Laboratory Businesses	$792.0	$794.7	$(2.7)	(0.3%)
Orthodontics/Canada/Mexico/Japan	$297.9	$289.5	$8.4	2.9%
Select Distribution Businesses	$288.3	$292.1	$(3.8)	(1.3%)
Implants/Endodontics/Healthcare/Pacific Rim	$1,340.1	$961.3	$378.8	39.4%

Segment Operating Income (Loss)

(in millions)	Year Ended December 31, 2012	2011	$ Change	% Change
Dental Consumable and Laboratory Businesses	$227.9	$210.2	$17.7	8.4%
Orthodontics/Canada/Mexico/Japan	$16.6	$15.8	$0.8	5.1%
Select Distribution Businesses	$(0.3)	$2.5	$(2.8)	(112.0%)
Implants/Endodontics/Healthcare/Pacific Rim	$282.4	$210.9	$71.5	33.9%

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Dental Consumable and Laboratory Businesses

Net sales, excluding precious metal content, decreased $2.7 million during the year ended December 31, 2012 as compared to 2011. On a constant currency basis, net sales, excluding precious metals content, increased 2.6%, which was driven primarily by increased sales in the dental consumable businesses partially offset by lower sales in the dental laboratory businesses.

Operating income increased $17.7 million during the year ended December 31, 2012 compared to 2011. Operating income was positively impacted by an increase in gross profit of approximately $10 million despite unfavorable currency translation of approximately $13 million, the increase was mainly the result of product mix. SG&A expenses decreased approximately $7 million, primarily due to favorable currency translation.

Orthodontics/Canada/Mexico/Japan

Net sales, excluding precious metal content, increased $8.4 million, or 2.9%, during the year ended December 31, 2012 compared to 2011. On a constant currency basis, net sales, excluding precious metal content, increased 5.0%. The increase was due to the recovery of the orthodontics business and sales growth in Canada.

Operating income increased $0.8 million during the year ended December 31, 2012 compared to 2011. Gross profit increased $1 million mainly due to higher sales despite approximately $2 million of unfavorable currency translation. SG&A expenses were unchanged as compared to 2011, including favorable foreign currency translation and expenses related to the relaunch of the orthodontics businesses.

Select Distribution Businesses

Net sales, excluding precious metal content, decreased $3.8 million, or 1.3%, during the year ended December 31, 2012 compared to 2011. On a constant currency basis, net sales, excluding precious metal content, increased by 7.0% primarily driven by sales demand in all dental product categories with the largest increase in dental specialty products.

Operating income decreased $2.8 million during the year ended December 31, 2012 compared to 2011. Gross profit decreased approximately $6 million primarily due to unfavorable currency translation. SG&A expenses decreased by approximately $3 million, primarily due to favorable foreign currency translation offset by increased selling expense.

Implants/Endodontics/Healthcare/Pacific Rim

Net sales, excluding precious metal content, increased $378.8 million, or 39.4%, during the year ended December 31, 2012 compared to 2011. On a constant currency basis, net sales, excluding precious metal content, increased 43.2% over prior year mostly as a result of the full year of Astra Tech financial results. The 2011 net sales, excluding precious metal content, only included four months of Astra Tech financial results. On a constant currency basis, net sales, excluding precious metal content grew in all businesses.

Operating income increased $71.5 million, or 33.9% during the year ended December 31, 2012 compared to 2011. Gross margin increased approximately $289 million primarily due to acquisitions partially offset by approximately $41 million of unfavorable foreign currency translation. SG&A expenses increased approximately $217 million primarily due to acquisitions and favorable foreign currency translation of approximately $26 million.

RESULTS OF OPERATIONS

2011 Compared to 2010

Net Sales

(in millions)	Year Ended December 31, 2011	2010	$ Change	% Change	
Net sales	$2,537.7	$2,221.0	$316.7	14.3	%
Less: Precious metal content of sales	205.1	189.2	15.9	8.4	%
Net sales, excluding precious metal content	$2,332.6	$2,031.8	$300.8	14.8	%

The 14.8% increase in net sales, excluding precious metal content, included constant currency growth of 11.2%, and currency translation, which increased net sales, excluding precious metal content, by 3.6%. The constant currency sales growth was comprised of internal growth of 0.4% and acquisition growth of 10.8%. Excluding sales in the Japanese market and Orthodontic business, the internal growth rate was 3.9% in 2011.

Constant Currency Sales Growth

The following tables includes growth rates for net sales, excluding precious metal content.

	Year Ended December 31, 2011			
	United States	Europe	All Other Regions	Worldwide
Internal growth	(0.4)%	(0.4)%	3.0 %	0.4 %
Net acquisition growth	5.3 %	18.3 %	6.4 %	10.8 %
Constant currency sales growth	4.9 %	17.9 %	9.4 %	11.2 %

United States

During 2011, net sales, excluding precious metal content, increased by 4.9% in the U. S. on a constant currency basis, including 5.3% of acquisition growth. Excluding the Orthodontic business, the internal growth rate was 3.6% due primarily to increases in dental consumable, non-dental product and dental specialty sales, partially offset by lower dental laboratory product sales. Internal growth was significantly impacted by product supply disruption in the Orthodontic business.

Europe

During 2011, net sales, excluding precious metal content, increased by 17.9% on a constant currency basis, including 18.3% of acquisition growth. Excluding the Orthodontic business, the internal growth rate was a positive 2.2% and was primarily driven by growth in the dental specialty, dental consumable and non-dental products and growth in the CIS markets partially offset by dental laboratory products. The increase in sales was further offset by lower volumes in precious metal alloy products. Internal growth was impacted by product supply disruption in the Orthodontic business.

All Other Regions

During 2011, net sales, excluding precious metal content, increased 9.4% on a constant currency basis, which includes 6.4% of acquisition growth. Excluding the Japanese market and Orthodontic business, internal growth was 7.8%, driven primarily by growth in dental specialty and dental consumable products, partially offset by lower sales in dental laboratory products.

Gross Profit

	Year Ended December 31,			
(in millions)	2011	2010	$ Change	% Change
Gross profit	$1,273.4	$1,130.2	$143.2	12.7 %
	50.2 %	50.9 %		

Gross profit as a percentage of net sales, including precious metal content				
Gross profit as a percentage of net sales, excluding precious metal content	54.6	%	55.6	%

Gross profit as a percentage of net sales, excluding precious metal content, declined 1% during 2011 compared to 2010. The gross profit rate was negatively impacted by approximately two percentage points from the expensing of inventory fair value adjustments associated with acquisitions and from foreign exchange transaction impacts. These impacts were partially offset by favorable product mix from the Astra Tech acquisition and product price increases.

Expenses

Selling, General and Administrative ("SG&A") Expenses

(in millions)	Year Ended December 31, 2011	2010	$ Change	% Change
SG&A expenses	$936.8	$738.9	$197.9	26.8 %
SG&A expenses as a percentage of net sales, including precious metal content	36.9 %	33.3 %		
SG&A expenses as a percentage of net sales, excluding precious metal content	40.2 %	36.4 %		

The increase in SG&A expenses as a percentage of net sales, excluding precious metal content, was 3.8% higher than in 2010. The increase included approximately a full percentage point for acquisition related expenses, legal and other charges in the year. The rate also increased by approximately two percentage points to support the higher cost structure of recent acquisitions and costs to support our orthodontic business as it experienced a significant supply disruption caused by the natural disaster in Japan (also referred to hereafter as "Orthodontic business continuity costs"). The Company also had higher expenses in support of its strong new product launches occurring in many key categories throughout the year.

Restructuring and Other Costs

(in millions)	Year Ended December 31, 2011	2010	$ Change	% Change
Restructuring and other costs	$35.9	$11.0	$24.9	226.4 %

The Company recorded net restructuring and other costs of $35.9 million in 2011 compared to $11.0 million in 2010. These costs were related to expenses associated with the acquisition of Astra Tech of $18.0 million, legal settlement cost of $12.6 million as well as restructuring costs primarily related to the orthodontic business. Also, the Company recorded certain other costs of $1.5 million related to an impairment of previously acquired technology. Additionally in 2011, the Company incurred certain other costs of $5.2 million of which $3.7 million was related to legal matters and an impairment of an intangible asset. In 2010, the Company incurred $5.8 million in restructuring costs related to several plans.

The 2010 and 2011 restructuring plans and ongoing benefits associated with these plans were immaterial to the current period as well as future periods. While certain restructuring plans continue to be executed, the future benefits of these plans on the Company's financial results would be immaterial in the period realized.

Other Income and Expenses

(in millions)	Year Ended December 31, 2011	2010	$ Change
Net interest expense	$35.6	$20.8	$14.8
Other expense, net	9.0	1.8	7.2
Net interest and other expense	$44.6	$22.6	$22.0

Net Interest Expense

The change in net interest expense in 2011 compared to 2010 was primarily the result of higher average debt levels in the U.S., and lower cash levels resulting from financing the $1.8 billion Astra Tech acquisition utilizing cash of $650.0 million and new debt of $1.2 billion. Interest expense increased $19.2 million due to higher debt levels as a result of the acquisitions and stock repurchases combined with stronger average euro and Swiss franc exchange rates and higher average euro interest rates on the Company's net investment hedges. Interest income increased $5.2 million on interest earned on an investment in convertible

bonds and a positive impact relating to credit risk on derivatives versus the prior year. Average interest rates on euro investment balances were 50 basis points higher in the current year than the prior year and the U.S. dollar was 5% weaker against the euro. The impact of the Company's net investment hedges typically move in the opposite direction of currency movements, reducing some of the volatility caused by movement in exchange rates on the Company's income and equity.

Other Expense, Net

Other expense in the 2011 period included approximately $1.7 million of currency transaction losses, $2.9 million of interest rate swap terminations, $3.8 million of Treasury rate lock ineffectiveness, and $0.6 million of other non-operating expense. The 2010 period included approximately $3.3 million of currency transaction losses and $1.5 million of other non-operating income.

Income Taxes and Net Income

	Year Ended December 31,		
(in millions, except per share amounts)	2011	2010	$ Change
Effective income tax rate	4.3 %	25.0 %	
Equity in net income (loss) of unconsolidated affiliated company	$2.4	$(1.1)	$3.5
Net income attributable to noncontrolling interests	$2.9	$1.6	$1.3
Net income attributable to DENTSPLY International	$244.5	$265.7	$(21.2)
Diluted earnings per common share	$1.70	$1.82	

Provision for Income Taxes

During 2011, the Company recorded a tax benefit from the release of a valuation allowance on previously unrecognized tax loss carryforwards of approximately $46.7 million. In addition, the effective tax rate was favorably impacted by the Company's change in the mix of consolidated earnings.

The Company's effective income tax rates for 2011 and 2010 were 4.3% and 25.0%, respectively. In 2011, the Company's effective income tax rate included the impact of acquisition related activity, restructuring and other costs, amortization on purchased intangibles from acquisitions and the release of the valuation allowance and various income tax adjustments, which impacted income before income taxes and the provision for income taxes by $123.8 million and $75.4 million, respectively. In 2010, the Company's effective income tax rate included the impact of restructuring and other costs, acquisition related activity, provisions for a credit risk adjustment to outstanding derivatives and various income tax adjustments, which impacted income before income taxes and the provision for income taxes by $14.9 million and $3.3 million, respectively.

Equity in net income (loss) of unconsolidated affiliated company

The Company's 17% ownership investment of DIO Corporation on December 9, 2010 resulted in a net income of $2.4 million on an after-tax basis for 2011. The equity earnings of DIO includes the result of mark-to-market changes related to the derivative accounting for the convertible bonds issued by DIO to DENTSPLY. The Company's portion of the mark-to-market net gain incurred by DIO was approximately $2.2 million. The 2010, equity loss of $1.1 million on an after-tax basis was primarily the result of the mark-to-market loss incurred by DIO.

Net income attributable to noncontrolling interests

The portion of consolidated net income attributable to noncontrolling interests increased $1.3 million from 2010 to 2011, due to higher earnings in 2011.

Net income attributable to DENTSPLY International

In addition to the results reported in accordance with US GAAP, the Company provides adjusted net income attributable to

DENTSPLY International and adjusted earnings per diluted common share. These adjusted amounts consist of US GAAP amounts excluding, net of tax (1) acquisition related costs and expensing of purchase price adjustments at an unconsolidated affiliated company, (2) restructuring and other costs, (3) amortization of purchased intangible assets, (4) Orthodontic business continuity costs, (5) income related to credit risk adjustments, (6) certain fair value adjustments at an unconsolidated affiliated company, and (7) income tax related adjustments. Adjusted earnings per diluted common share is calculated by dividing adjusted net income attributable to DENTSPLY International by diluted weighted-average common shares outstanding. Adjusted net income attributable to DENTSPLY International and adjusted earnings per diluted common share are considered measures not calculated in accordance with US GAAP, and therefore are non-US GAAP measures. These non-US GAAP measures may differ from other companies. Income tax related adjustments may include the impact to adjust the interim effective income tax rate to the expected annual effective tax rate.

The Company believes that the presentation of adjusted net income attributable to DENTSPLY International and adjusted earnings per diluted common share provides important supplemental information to management and investors seeking to understand the Company's financial condition and results of operations. The non-US GAAP financial information should not be considered in isolation from, or as a substitute for, measures of financial performance prepared in accordance with US GAAP.

	Year Ended December 31, 2011	
(in thousands, except per share amounts)	Net Income	Per Diluted Common Share
Net income attributable to DENTSPLY International	$244,520	$1.70
Acquisition related activities, net of tax and noncontrolling interests	62,723	0.44
Amortization on purchased intangible assets, net of tax	14,428	0.10
Restructuring and other costs, net of tax and noncontrolling interests	11,395	0.08
Orthodontic business continuity costs, net of tax	2,128	0.01
Credit risk adjustment to outstanding derivatives, net of tax	(783)	—
Gain on fair value adjustment at an unconsolidated affiliated company, net of tax	(2,486)	(0.02)
Income tax related adjustments	(41,053)	(0.28)
Adjusted non-US GAAP earnings	$290,872	$2.03

	Year Ended December 31, 2010	
(in thousands, except per share amounts)	Net Income	Per Diluted Common Share
Net income attributable to DENTSPLY International	$265,708	$1.82
Restructuring and other costs, net of tax and noncontrolling interests	7,138	0.05
Amortization on purchased intangible assets, net of tax	5,990	0.04
Acquisition related activities, net of tax and noncontrolling interests	2,152	0.01
Loss on derivative at an unconsolidated affiliated company	1,131	0.01
Income tax related adjustments	1,073	0.01
Credit risk adjustment to outstanding derivatives, net of tax	732	—
Adjusted non-US GAAP earnings	$283,924	$1.94

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Operating Segment Results

Net Sales, Excluding Precious Metal Content (in millions)	Year Ended December 31,			
	2011	2010	$ Change	% Change
Dental Consumable and Laboratory Businesses	$794.7	$750.9	$43.8	5.8 %
Orthodontics/Canada/Mexico/Japan	$289.5	$332.0	$(42.5)	(12.8 %)
Select Distribution Businesses	$292.1	$264.7	$27.4	10.4 %
Implants/Endodontics/Healthcare/Pacific Rim	$961.3	$687.4	$273.9	39.8 %

Segment Operating Income (in millions)	Year Ended December 31,			
	2011	2010	$ Change	% Change
Dental Consumable and Laboratory Businesses	$210.2	$208.9	$1.3	0.6 %
Orthodontics/Canada/Mexico/Japan	$15.8	$42.1	$(26.3)	(62.5 %)
Select Distribution Businesses	$2.5	$12.2	$(9.7)	(79.5 %)
Implants/Endodontics/Healthcare/Pacific Rim	$210.9	$209.4	$1.5	0.7 %

Dental Consumable and Laboratory Businesses

Net sales, excluding precious metal content, increased $43.8 million, or 5.8% during the year ended December 31, 2011 compared to 2010. On a constant currency basis, net sales, excluding precious metals content, increased 4.0%, which was driven by increased demand in dental consumables business.

Operating income increased $1.3 million during the year ended December 31, 2011 compared to 2010. Operating income was positively impacted by gross profit of approximately $13 million, which was a result of higher net sales and favorable foreign currency translation partially offset by unfavorable product mix in the dental laboratory business. Additionally, SG&A expenses increased approximately $12 million from 2010, primarily due to increased selling expenses and unfavorable foreign currency translation.

Orthodontics/Canada/Mexico/Japan

Net sales, excluding precious metal content, decreased $42.5 million, or 12.8%, respectively, during the year ended December 31, 2011 compared to 2010. Net sales, excluding precious metal content, were negatively impacted by the Orthodontics business as a result of the natural disaster in Japan.

Operating income decreased $26.3 million during the year ended December 31, 2011 compared to 2010. Gross profit decreased $17 million mainly due to lower orthodontic sales. SG&A expenses increase $9 million mostly due to the Orthodontic business continuity costs during the period of lower sales activity, higher marketing and selling expenses for product launches, and the negative impact impact of foreign currency translation.

Select Distribution Businesses

Net sales, excluding precious metal content, increased $27.4 million, or 10.4%, during the year ended December 31, 2011 compared to 2010. On a constant currency basis, net sales, excluding precious metal content, increased by 5.7% primarily driven

by sales growth in dental specialty products.

Operating income decreased $9.7 million during the year ended December 31, 2011 compared to 2010. Gross profit increased $2 million due to favorable currency translation partially offset by unfavorable sales mix within the segment and negative foreign currency transaction impact. SG&A expenses increased $11 million compared to 2010, which was mainly due to unfavorable currency translation and higher marketing and selling expenses particularly in emerging markets.

Implants/Endodontics/Healthcare/Pacific Rim

Net sales, excluding precious metal content, increased $273.9 million, or 39.8%, during the year ended December 31, 2011 compared to 2010. On a constant currency basis, net sales, excluding precious metal content, increased 34.7% primarily driven by the Astra Tech acquisition.

Operating income increased $1.5 million during the year ended December 31, 2011 compared to 2010. Gross profit increased $143 million which was primarily attributed to the acquisition of Astra Tech and favorable currency translation. Gross profit was negatively impacted by $33 million from the expensing of inventory fair value adjustment associated with the Astra Tech acquisition. SG&A expenses increased $141 million, which included $9 million of acquisition related costs for Astra Tech. Additionally, increased SG&A expenses also include operating expenses for the Astra Tech business and the negative impact of foreign currency translation.

CRITICAL ACCOUNTING JUDGMENTS AND POLICIES

The preparation of the Company's consolidated financial statements in conformity with US GAAP requires the Company to make estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and accompanying notes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results could differ from those estimates, and such differences may be material to the consolidated financial statements. The process of determining significant estimates is fact specific and takes into account factors such as historical experience, current and expected economic conditions, product mix and in some cases, actuarial techniques. The Company evaluates these significant factors as facts and circumstances dictate. Some events as described below could cause results to differ significantly from those determined using estimates. The Company has identified the following accounting estimates as those which are critical to its business and results of operations.

Business Acquisitions

The Company acquires businesses as well as partial interests in businesses. Acquired businesses are accounted for using the acquisition method of accounting which requires the Company to record assets acquired and liabilities assumed at their respective fair values with the excess of the purchase price over estimated fair values recorded as goodwill. The assumptions made in determining the fair value of acquired assets and assumed liabilities as well as asset lives can materially impact the results of operations.

The Company obtains information during due diligence and through other sources to get respective fair values. Examples of factors and information that the Company uses to determine the fair values include: tangible and intangible asset evaluations and appraisals; evaluations of existing contingencies and liabilities and product line integration information. If the initial valuation for an acquisition is incomplete by the end of the quarter in which the acquisition occurred, the Company will record a provisional estimate in the financial statements. The provisional estimate will be finalized as soon as information becomes available but will only occur up to one year from the acquisition date.

Goodwill and Other Long-Lived Assets

Goodwill and Indefinite-Lived Assets

The Company follows the accounting standards for goodwill and indefinite-lived intangibles, which require an annual test for impairment to goodwill using a fair value approach. In addition to minimum annual impairment tests, the Company also requires that impairment assessments be made more frequently if events or changes in circumstances indicate that the goodwill or indefinite-lived assets might be impaired. If impairment related to goodwill is identified, the resulting charge is determined by recalculating goodwill through a hypothetical purchase price allocation of the fair value and reducing the current carrying value to the extent it exceeds the recalculated goodwill. If the carrying amount of an indefinite-lived intangible asset exceeds its fair value, an impairment loss is recognized.

Other Long-Lived Assets

Other long-lived assets, such as definite-lived intangible assets and fixed assets, are amortized or depreciated over their estimated useful lives. In accordance with US GAAP, these assets are reviewed for impairment whenever events or circumstances provide evidence that suggest that the carrying amount of the asset may not be recoverable based upon an evaluation of the identifiable undiscounted cash flows. If impaired based on the identifiable undiscounted cash flows, the asset's fair value is determined using the discounted cash flow and market participant assumptions. The resulting charge reflects the excess of the asset's carrying cost over its fair value.

Impairment Assessment

Assessment of the potential impairment of goodwill and other long-lived assets is an integral part of the Company's normal ongoing review of operations. Testing for potential impairment of these assets is significantly dependent on numerous assumptions and reflects management's best estimates at a particular point in time. The dynamic economic environments in which the Company's businesses operate and key economic and business assumptions with respect to projected selling prices, increased competition and introductions of new technologies can significantly affect the outcome of impairment tests. Estimates based on these assumptions may differ significantly from actual results. Changes in factors and assumptions used in assessing potential impairments can have a significant impact on the existence and magnitude of impairments, as well as the time at which such impairments are recognized. If there are unfavorable changes in these assumptions, particularly changes in the Company's discount rates, earnings multiples and future cash flows, the Company may be required to recognize impairment charges. Information with respect to the Company's significant accounting policies on goodwill and other long-lived assets are included in Note 1, Significant Accounting Policies, to the consolidated financial statements in this Form 10-K.

Annual Goodwill Impairment Testing

Goodwill is not amortized; instead, it is tested for impairment annually or more frequently if indicators of impairment exist or if a decision is made to sell a business. The valuation date for annual impairment testing is April 30. A significant amount of judgment is involved in determining if an indicator of impairment has occurred. Such indicators may include a decline in expected cash flows, a significant adverse change in legal factors or in the business climate, unanticipated competition or slower growth rates, among others. It is important to note that fair values that could be realized in an actual transaction may differ from those used to evaluate the impairment of goodwill.

Goodwill is allocated among and evaluated for impairment at the reporting unit level, which is defined as an operating segment or one level below an operating segment. The Company has several reporting units contained within each operating segment.

The evaluation of impairment involves comparing the current fair value of each reporting unit to its net book value, including goodwill. The Company uses a discounted cash flow model ("DCF model") to estimate the current fair value of its reporting units when testing for impairment, as management believes forecasted operating cash flows are the best indicator of such fair value. A number of significant assumptions and estimates are involved in the application of the DCF model to forecast operating cash flows, including future sales growth, operating margin growth, benefits from restructuring initiatives, tax rates, capital spending, business initiatives, and working capital changes. These assumptions may vary significantly among the reporting units. Operating cash flow forecasts are based on approved business-unit operating plans for the early years and historical relationships and projections in later years. The weighted average cost of capital ("WACC") rate is estimated for geographic regions and applied to the reporting units located within the regions. The Company has not materially changed its methodology for goodwill impairment testing for the years presented. Due to the many variables inherent in the estimation of a reporting unit's fair value and the relative size of the Company's recorded goodwill, differences in assumptions may have a material effect on the results

of the Company's impairment analysis.

The performance of the Company's 2012 annual impairment tests did not result in any impairment of the Company's goodwill. The WACC rates utilized in the 2012 analysis ranged from 8.5% to 10.5%. Excluding the Company's Healthcare reporting unit discussed below, if the fair value of each of the Company's other reporting units had been hypothetically reduced by 5% at April 30, 2012 the fair value of those reporting units would still exceed their net book value. If the fair value of each of the Company's reporting units been hypothetically reduced by 10% at April 30, 2012, one reporting unit within the Implants/Endodontics/Healthcare/Pacific Rim segment would have a net book value exceeding its fair value by less than $1.0 million. Goodwill for this reporting unit totals $24.1 million. Had the WACC rate of each of the Company's reporting units been hypothetically increased by 50 basis points at April 30, 2012, the fair value of all reporting units except for the Company's Healthcare reporting unit would still exceed their net book value. The Company's Healthcare reporting unit, a component of the Implants/Endodontics/Healthcare/Pacific Rim operating segment, was created as a part of the Astra Tech acquisition on August 31, 2011. At the date of acquisition, the fair value of the business equaled book value with goodwill for the reporting unit totaling $279.0 million. Given the limited

time since the acquisition date, the reporting unit fair value approximates the book value of the reporting unit.

Should the Company's analysis in the future indicate an increase in discount rates or a degradation in the overall markets served by these reporting units, it could result in impairment of the carrying value of goodwill to its implied fair value. There can be no assurance that the Company's future goodwill impairment testing will not result in a charge to earnings.

Litigation

The Company and its subsidiaries are from time to time parties to lawsuits arising out of their respective operations. The Company records liabilities when a loss is probable and can be reasonably estimated. These estimates are typically in the form of ranges, and the Company records the liabilities at the low point of the ranges, when no other point within the ranges are a better estimate of the probable loss. The ranges established by management are based on analysis made by internal and external legal counsel who consider information known at the time. If the Company determines a liability to be only reasonably possible, it considers the same information to estimate the possible exposure and discloses any material potential liability. These loss contingencies are monitored regularly for a change in fact or circumstance that would require an accrual adjustment. The Company believes it has estimated liabilities for probable losses well in the past; however, the unpredictability of litigation and court decisions could cause a liability to be incurred in excess of estimates. Legal costs related to these lawsuits are expensed as incurred.

Income Taxes

Income taxes are determined using the liability method of accounting for income taxes. The Company's tax expense includes the U.S. and international income taxes plus the provision for U.S. taxes on undistributed earnings of international subsidiaries not deemed to be permanently invested.

The Company applies a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Company recognizes in the financial statements, the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position.

Certain items of income and expense are not reported in tax returns and financial statements in the same year. The tax effect of such temporary differences is reported as deferred income taxes. Deferred tax assets are recognized if it is more likely than not that the assets will be realized in future years. The Company establishes a valuation allowance for deferred tax assets for which realization is not likely. As of December 31, 2012, the Company recorded a valuation allowance of $179.7 million against the benefit of certain deferred tax assets of foreign and domestic subsidiaries.

The Company operates within multiple taxing jurisdictions and in the normal course of business is examined in various jurisdictions. The reversal of accruals is recorded when examinations are completed, statutes of limitation are closed or tax laws are changed.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operating activities during the year ended December 31, 2012 were $369.7 million compared to $393.5 million during the year ended December 31, 2011. Net income increased $71.0 million in the period ended December 31, 2012, which was due to improved operational performance and an additional benefit from a non-cash tax item. Increased net income was offset by working capital uses of $111.7 million in 2012 when compared to 2011, largely from higher inventory and lower accrued liabilities somewhat offset by deferred taxes. The Company's cash, cash equivalents and short-term investments increased by $3.0 million during the year ended December 31, 2012 to

$80.1 million.

For the year ended December 31, 2012, the number of days for sales outstanding in accounts receivable improved by one day to 53 days as compared to 54 days in 2011. On a constant currency basis, the number of days of sales in inventory increased by six days at 106 and 100 days for the years ended December 31, 2012 and 2011, respectively, most of the increase was associated with Orthodontic products as supply was replenished.

Investing activities during 2012 include capital expenditures of $92.1 million. Investments of $7.4 million relate to the acquisition of a business and contingent payments on previous acquisitions.

At December 31, 2012, the Company had authorization to maintain up to 34.0 million shares of treasury stock under its stock repurchase program as approved by the Board of Directors. Under this program, the Company purchased approximately 1.0 million shares, or approximately 0.7% of average diluted shares outstanding, during 2012 at an average price of $38.90. As of December

31, 2012 and 2011, the Company held 20.5 million and 21.1 million shares of treasury stock, respectively. The Company also received proceeds of $34.2 million primarily as a result of 1.4 million stock options exercised during the year ended December 31, 2012.

Total debt decreased by $245.7 million for the year ended December 31, 2012. The Company repaid $221.8 million of short-term commercial paper using free cash flow. DENTSPLY's long-term debt, including the current portion, at December 31, 2012 and 2011 was $1,472.9 million and $1,491.4 million, respectively. The Company's long-term borrowings decreased by a net of $18.5 million during the year ended December 31, 2012. This net change included a net decrease in borrowings of $2.1 million during the year ended 2012, plus a decrease of $16.4 million due to exchange rate fluctuations on debt denominated in foreign currencies. During the year ended December 31, 2012, the Company's ratio of net debt to total capitalization decreased to 39.0% compared to 47.3% at December 31, 2011. DENTSPLY defines net debt as total debt, including current and long-term portions, less cash and cash equivalents and total capitalization as the sum of net debt plus total equity.

On May 18, 2012, the Company extended 56.6 million Swiss francs of maturing cross currency basis swaps until May 18, 2015. This net investment hedge was traded at an exchange rate of approximately 0.93 Swiss franc per U.S. dollar. The Company will receive three-month U.S. dollar LIBOR and pay three-month Swiss franc LIBOR minus 37.8 basis points.

On August 21, 2012, the Company's unused $250.0 million 364-day revolving credit facility expired. The $500.0 million five year revolving credit facility which expires July 2016, also serves as a backstop to the commercial paper facility.

On December 20, 2012, the Company dedesignated 160.0 million Swiss francs of its net investment hedges and entered into 81.4 million Swiss francs of new cross currency basis swaps maturing December 27, 2013. The combination of these trades total 241.4 million Swiss francs and offset an intercompany Swiss franc note receivable at a U.S. dollar functional entity that was created by a Swiss franc net dividend of 241.4 million Swiss francs. The dedesignated cross currency swaps mature in April 2013. On January 17, 2013 management extended the hedge to June 2015 with two new forward starting swaps totaling160 million Swiss francs. The Company will pay three-month Swiss franc LIBOR minus 22.1 basis points and receive three-month U.S. dollar LIBOR. The hedges amortize and are intended to offset currency revaluation of the intercompany Swiss note receivable for as long as it is outstanding.

On January 10, 2013, the Company entered into 347.8 million euro of cross currency basis swaps maturing at various times between 2015 and 2018 to hedge a balance sheet liability resulting from a legal entity restructuring pursuant to the Company's acquisition integration plans. The hedges have an original exchange rate of approximately 1.32 U.S. dollar per euro and will offset currency revaluation of a euro note payable by a U.S. dollar functional company for as long as it is outstanding. The Company will receive three-month Euro Inter-Bank Offered Rate ("EURIBOR") minus 33.2 basis points and pay three-month U.S. dollar LIBOR.

On January 17, 2013, the Company extended 295.5 million Swiss francs of cross currency basis swaps maturing in February, March and April of 2013 with five new forward starting swaps totaling 295.5 million Swiss francs maturing in February 2016, March 2017 and April 2018. These net investment hedges were traded at an exchange rate of approximately 0.93 Swiss franc per U.S. dollar which results in additional investment totaling $55.2 million into the hedge value in February, March, and April of 2013. The Company will receive three-month U.S. dollar LIBOR and pay three-month Swiss franc LIBOR minus 31.6 basis points.

The Company also has access to $72.4 million in uncommitted short-term financing under lines of credit from various financial institutions. The lines of credit have no major restrictions and are provided under demand notes between the Company and the lending institutions. At December 31, 2012, $3.0 million was outstanding under these short-term

lines of credit. At December 31, 2012, the Company had total unused lines of credit related to the revolving credit agreement and the uncommitted short-term lines of credit of $527.4 million.

At December 31, 2012, the Company held $126.6 million of precious metals on consignment from several financial institutions. These consignment agreements allow the Company to acquire the precious metal at market rates at a point in time, which is approximately the same time, and for the same price as alloys are sold to the Company's customers. In the event that the financial institutions would discontinue offering these consignment arrangements, and if the Company could not obtain other comparable arrangements, the Company may be required to obtain third party financing to fund an ownership position in the required precious metal inventory levels.

The following table presents the Company's scheduled contractual cash obligations at December 31, 2012:

Contractual Obligations (in thousands)	Less Than 1 Year	1-3 Years	3-5 Years	Greater Than 5 Years	Total
Long-term borrowings	$250,878	$320,751	$447,760	$450,622	$1,470,011
Operating leases	37,778	51,810	36,553	24,772	150,913
Interest on long-term borrowings, net of interest rate swap agreements	41,363	70,345	44,063	67,359	223,130
Postretirement obligations	9,894	22,764	24,758	73,726	131,142
Cross currency swaps	128,579	57,446	—	—	186,025
Precious metal consignment agreements	129,845	—	—	—	129,845
Other commitments	—	81,366	—	—	81,366
	$598,337	$604,482	$553,134	$616,479	$2,372,432

Due to the uncertainty with respect to the timing of future cash flows associated with the Company's unrecognized tax benefits at December 31, 2012, the Company is unable to make reasonably reliable estimates of the period of cash settlement with the respective taxing authority; therefore, $18.4 million of the unrecognized tax benefit has been excluded from the contractual obligations table above (See Note 12, Income Taxes, to the consolidated financial statements in this Form 10-K).

The Company expects on an ongoing basis to be able to finance cash requirements, including capital expenditures in a range of $120 million to $130 million, stock repurchases, debt service, operating leases and potential future acquisitions, from the current cash, cash equivalents and short-term investment balances, funds generated from operations and amounts available under its existing credit facilities, which is further discussed in Note 10, Financing Arrangements, to the consolidated financial statements. The Company intends to finance the current portion of long term debt due in 2013 utilizing the available Commercial Paper and the revolving credit facilities. As noted in the Company's Consolidated Statements of Cash Flows in this Form 10-K, the Company continues to generate strong cash flows from operations, which is used to finance the Company's activities.

NEW ACCOUNTING PRONOUNCEMENTS

Refer to Note 1, Significant Accounting Policies, to the Consolidated Financial Statements in this Form 10-K for a discussion of recent accounting guidance and pronouncements.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company's major market risk exposures are changing interest rates, movements in foreign currency exchange rates and potential price volatility of commodities used by the Company in its manufacturing processes. The Company's policy is to manage interest rates through the use of floating rate debt and interest rate swaps to adjust interest rate exposures when appropriate, based upon market conditions. The Company employs foreign currency denominated debt and currency swaps which serve to partially offset the Company's exposure on its net investments in subsidiaries denominated in foreign currencies. The Company's policy generally is to hedge major foreign currency transaction exposures through foreign exchange forward contracts. These contracts are entered into with major financial institutions thereby minimizing the risk of credit loss. In order to limit the unanticipated earnings fluctuations from volatility in commodity prices, the Company selectively enters into commodity swaps to convert variable raw material costs to fixed costs. The Company does not hold or issue derivative financial instruments for speculative or trading purposes. The Company is subject to other foreign exchange market risk exposure in addition to the risks on

its financial instruments, such as possible impacts on its pricing and production costs, which are difficult to reasonably predict, and have therefore not been included below.

Foreign Exchange Risk Management

The Company enters into derivative financial instruments to hedge the foreign exchange revaluation risk associated with recorded assets and liabilities that are denominated in a non-functional currency. The gains and losses on these derivative transactions offset the gains and losses generated by the revaluation of the underlying non-functional currency balances. The Company primarily uses forward foreign exchange contracts and cross currency basis swaps to hedge these risks.

The Company uses a layered hedging program to hedge select anticipated foreign currency cash flows to reduce volatility in both cash flows and reported earnings of the consolidated Company. The Company accounts for the forward foreign exchange contracts as cash flow hedges.

The Company has numerous investments in foreign subsidiaries. The net assets of these subsidiaries are exposed to volatility in currency exchange rates. Currently, the Company uses both non-derivative financial instruments, including foreign currency denominated debt held at the parent company level and cross currency basis swaps to hedge some of this exposure. Translation gains and losses related to the net assets of the foreign subsidiaries are offset by gains and losses in the non-derivative and derivative financial instruments designated as hedges of net investments.

At December 31, 2012, a 10% strengthening of the U.S. dollar against all other currencies would reduce the fair value asset associated with the forward foreign exchange contracts by approximately $7.7 million and reduce the fair value liability associated with the cross currency basis swaps by approximately $76.3 million.

Interest Rate Risk Management

The Company uses interest rate swaps to convert a portion of its variable interest rate debt to fixed interest rate debt and to convert fixed rate debt to variable rate debt. As of December 31, 2012, the Company has three groups of significant interest rate swaps. One of the groups of swaps has notional amounts totaling 12.6 billion Japanese yen, and effectively converts the underlying variable interest rates to an average fixed interest rate of 0.2% for a term of three years, ending in September 2014. Another swap has a notional amount of 65.0 million Swiss francs, and effectively converts the underlying variable interest rates to a fixed interest rate of 0.7% for a term of five years, ending in September 2016. Another swap has a notional amount of $150.0 million to effectively convert the underlying fixed interest rate of 4.1% on a portion of the Company's $250.0 million Private Placement Notes to variable rate for a term of five years, ending February 2016. The interest rates on variable rate term loan debt and commercial paper are consistent with current market conditions, therefore the fair value of these instruments approximates their carrying values.

At December 31, 2012, an increase of 1.0% in the interest rates on the variable interest rate instruments would increase the Company's interest expense by approximately $6.2 million.

Commodity Risk Management

The Company selectively enters into commodity swaps to effectively fix certain variable raw material costs. These swaps are used purely to stabilize the cost of components used in the production of certain of the Company's products. The Company generally accounts for the commodity swaps as cash flow hedges. At December 31, 2012, the Company had swaps in place to purchase 758 troy ounces of platinum bullion for use in production at an average fixed rate of $1,571 per troy ounce. In addition, the Company had swaps in place to purchase 56,712 troy ounces of silver bullion for use in production at an average fixed rate of $31 per troy ounce.

At December 31, 2012, a 10% increase in commodity prices would reduce the fair value liability associated with the commodity swaps by approximately $0.3 million.

Off Balance Sheet Arrangements

Consignment Arrangements

The Company consigns the precious metals used in the production of precious metal dental alloy products from various financial institutions. Under these consignment arrangements, the banks own the precious metal, and,

accordingly, the Company does not report this consigned inventory as part of its inventory on its consolidated balance sheet. These agreements are cancelable by either party at the end of each consignment period, which typically run for a period of one to nine months; however, because the Company typically has access to numerous financial institutions with excess capacity, consignment needs created by cancellations can be shifted among the other institutions. The consignment agreements allow the Company to take ownership of the metal at approximately the same time customer orders are received and to closely match the price of the metal acquired to the price charged to the customer (i.e., the price charged to the customer is largely a pass through).

As precious metal prices fluctuate, the Company evaluates the impact of the precious metal price fluctuation on its target gross margins for precious metal dental alloy products and revises the prices customers are charged for precious metal dental alloy products accordingly, depending upon the magnitude of the fluctuation. While the Company does not separately invoice customers for the precious metal content of precious metal dental alloy products, the underlying precious metal content is the primary component of the cost and sales price of the precious metal dental alloy products. For practical purposes, if the precious metal

prices go up or down by a small amount, the Company will not immediately modify prices, as long as the cost of precious metals embedded in the Company's precious metal dental alloy price closely approximates the market price of the precious metal. If there is a significant change in the price of precious metals, the Company adjusts the price for the precious metal dental alloys, maintaining its margin on the products.

At December 31, 2012, the Company had 186,471 troy ounces of precious metal, primarily gold, platinum, palladium and silver on consignment for periods of less than one year with a market value of $129.8 million. Under the terms of the consignment agreements, the Company also makes compensatory payments to the consignor banks based on a percentage of the value of the consigned precious metals inventory. At December 31, 2012, the average annual rate charged by the consignor banks was 0.53%. These compensatory payments are considered to be a cost of the metals purchased and are recorded as part of the cost of products sold.

Item 8. Financial Statements and Supplementary Data

The information set forth under the captions “Management’s Report on Internal Control Over Financial Reporting,” “Report of Independent Registered Public Accounting Firm,” “Consolidated Statements of Operations,” “Consolidated Statements of Comprehensive Income,” “Consolidated Balance Sheets,” “Consolidated Statements of Changes in Equity,” “Consolidated Statements of Cash Flows,” and “Notes to Consolidated Financial Statements” is filed, in Item 15 in this Form 10-K. Other information required by Item 8 is included in "Computation of Ratios of Earnings to Fixed Charges" filed as Exhibit 12.1 to this Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

(a) Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

The Company’s management, with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company’s disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report were effective to provide reasonable assurance that the information required to be disclosed by the Company in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that it is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Management’s Report on Internal Control Over Financial Reporting

Management’s report on the Company’s internal control over financial reporting is included under Item 15(a)(1) of this Form 10-K.

(c) Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting that occurred during quarter ended December 31, 2012 that have materially affected, or are likely to materially affect, its internal control over financial reporting.

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information (i) set forth under the caption “Executive Officers of the Registrant” in Part I of this Form 10-K and (ii) set forth under the captions “Election of Directors” and “Section 16(a) Beneficial Ownership Reporting Compliance” in the 2013 Proxy Statement is incorporated herein by reference.

Code of Ethics

The Company has adopted a Code of Business Conduct and Ethics that applies to the Chief Executive Officer and the Chief Financial Officer and substantially all of the Company's management level employees. A copy of the Code of Business Conduct and Ethics is available upon request without charge by writing to DENTSPLY International Inc., Attention: Investor Relations Suite 60, 221 West Philadelphia Street, York, PA 17405.

Item 11. Executive Compensation

The information set forth under the caption “Report on Executive Compensation” in the 2013 Proxy Statement is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information set forth under the caption “Security Ownership of Certain Beneficial Owners and Management” and “Securities Authorized for Issuance Under Equity Compensation Plans” in the 2013 Proxy Statement is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions and Director Independence

The information required under this item is presented in the 2013 Proxy Statement, which is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information set forth under the caption “Relationship with Independent Registered Public Accounting Firm” in the 2013 Proxy Statement is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedule

(a) Documents filed as part of this Report

1. Financial Statements

The following consolidated financial statements of the Company are filed as part of this Form 10-K:

Management's Report on Internal Control Over Financial Reporting
Report of Independent Registered Public Accounting Firm
Consolidated Statements of Operations - Years ended December 31, 2012, 2011 and 2010
Consolidated Statements of Comprehensive Income - Years ended December 31, 2012, 2011, and 2010
Consolidated Balance Sheets - December 31, 2012 and 2011
Consolidated Statements of Changes in Equity - Years ended December 31, 2012, 2011 and 2010
Consolidated Statements of Cash Flows - Years ended December 31, 2012, 2011 and 2010
Notes to Consolidated Financial Statements
Quarterly Financial Information (Unaudited)

2. Financial Statement Schedule

The following financial statement schedule is filed as part of this Form 10-K and is covered by the Report of Independent Registered Public Accounting Firm:

Schedule II — Valuation and Qualifying Accounts

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required to be included herein under the related instructions or are inapplicable and, therefore, have been omitted.

3. Exhibits

The Exhibits listed below are filed or incorporated by reference as part of the Company's Form 10-K.

Exhibit Number		Description
3.1		Restated Certificate of Incorporation (5)
3.2		By-Laws, as amended (11)
4.1	(a)	United States Commercial Paper Issuing and paying Agency Agreement dated as of August 12, 1999 between the Company and the Chase Manhattan Bank (2)
	(b)	United States Commercial Paper Dealer Agreement dated as of March 28, 2002 between the Company and Salomon Smith Barney Inc. (6)
	(c)	Japanese Yen Term Loan Agreement, due March 28, 2012 dated as of July 25, 2008 (9)
	(d)	United States Commercial Paper Dealer Agreement dated as of March 28, 2002 between the Company and J.P. Morgan Chase Bank, N.A. (6)
4.4		Private Placement Note Purchase Agreement, due February 19, 2016 dated as of October 16, 2009 (10)
4.5		Swiss Franc Term Loan Agreement, due March 1, 2012 dated as of February 24, 2010 (11)
4.6		

	Credit Agreement, dated as of July 27, 2011 final maturity in July 2016, by and among the Company, the subsidiary borrowers party thereto, the lenders party thereto, JPMorgan Chase Bank, N.A. as administrative agent, Morgan Stanley Senior Funding, Inc. as Syndication Agent, Citigroup Global Markets, Inc., Bank of Tokyo-Mitsubishi UFJ, LTD and Wells Fargo Bank, N.A. as co-documentation agents, and Morgan Stanley Senior Funding, Inc. and J.P. Morgan Securities LLC, as Joint Bookrunners and Joint Lead Arrangers. (12)
4.8	Second Amendment to the Two Year Credit Agreement dated August 31, 2011 between the Company, the Lenders, and PNC Bank, National Association , as Agent (12)

4.9		Term Loan Agreement between the Company and Bank of Tokyo dated September 21, 2011 between the Company, The Bank of Tokyo as Arranger, Development Bank of Japan, Inc. as Co-Arranger, The Bank of Tokyo-Mitsubishi UFJ, Inc, as Agent, and the Bank of Tokyo-Mitsubishi UFJ, LTD, Development Bank of Japan, Inc., The Shinkumi Federation Bank, Mitsui Sumitomo Insurance Company, Limited, and The Chiba Bank, LTD as Lenders. (12)
10.1		1998 Stock Option Plan (1)
10.2		2002 Amended and Restated Equity Incentive Plan (8)
10.3		Restricted Stock Unit Deferral Plan (7)
10.4	(a)	Trust Agreement for the Company's Employee Stock Ownership Plan between the Company and T. Rowe Price Trust Company dated as of November 1, 2000 (3)
	(b)	Plan Recordkeeping Agreement for the Company's Employee Stock Ownership Plan between the Company and T. Rowe Price Trust Company dated as of November 1, 2000 (3)
10.5		DENTSPLY Supplemental Saving Plan Agreement dated as of December 10, 2007 (8)
10.6		Amended and Restated Employment Agreement entered February 19, 2008 between the Company and Bret W. Wise* (8)
10.7		Amended and Restated Employment Agreement entered February 19, 2008 between the Company and Christopher T. Clark* (8)
10.8		Amended and Restated Employment Agreement entered February 19, 2008 between the Company and William R. Jellison* (8)
10.10		Amended and Restated Employment Agreement entered February 19, 2008 between the Company and James G. Mosch* (8)
10.11		Amended and Restated Employment Agreement entered February 19, 2008 between the Company and Robert J. Size* (8)
10.12		Amended and Restated Employment Agreement entered January 1, 2009 between the Company’s subsidiary, DeguDent GMBH and Albert Sterkenburg* (9)
10.13		DENTSPLY International Inc. Directors' Deferred Compensation Plan effective January 1, 2007, as amended* (9)
10.14		Board Compensation Arrangement*(Filed herewith)
10.15		Supplemental Executive Retirement Plan effective January 1, 1999, as amended January 1, 2008* (9)
10.16		Incentive Compensation Plan, amended and restated* (12)
10.17		AZ Trade Marks License Agreement, dated January 18, 2001 between AstraZeneca AB and Maillefer Instruments Holdings, S.A. (3)
10.18	(a)	Precious metal inventory Purchase and Sale Agreement dated November 30, 2001, as amended October 10, 2006 between Bank of Nova Scotia and the Company (7)
	(b)	Precious metal inventory Purchase and Sale Agreement dated December 20, 2001 between JPMorgan Chase Bank and the Company (4)
	(c)	Precious metal inventory Purchase and Sale Agreement dated December 20, 2001 between Mitsui & Co., Precious Metals Inc. and the Company (4)
	(d)	Precious metal inventory Purchase and Sale Agreement dated December 15, 2005 between ABN AMRO NV, Australian Branch and the Company (7)
	(e)	Precious metal inventory Purchase and Sale Agreement dated January 30, 2002 between Dresdner Bank AG, Frankfurt, and the Company (8)
10.19		Executive Change in Control Plan for foreign executives, as amended December 31, 2008* (10)
10.20		2010 Equity Incentive Plan, amended and restated (12)
10.21		Employment Agreement between the Company and Deborah M. Rasin* (12)
12.1		Computation of Ratio of Earnings to Fixed Charges (Filed herewith)
21.1		Subsidiaries of the Company (Filed herewith)
23.1		Consent of Independent Registered Public Accounting Firm - PricewaterhouseCoopers LLP
31		Section 302 Certification Statements

32	Section 906 Certification Statement
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

*Management contract or compensatory plan.

(1) Incorporated by reference to exhibit included in the Company's Registration Statement on Form S-8 dated June 4, 1998 (No. 333-56093).

(2) Incorporated by reference to exhibit included in the Company's Form 10-K for the fiscal year ended December 31, 1999, File No. 0-16211.

(3) Incorporated by reference to exhibit included in the Company's Form 10-K for the fiscal year ended December 31, 2000, File No. 0-16211.

(4) Incorporated by reference to exhibit included in the Company's Form 10-K for the fiscal year ended December 31, 2001, File No. 0-16211.

(5) Incorporated by reference to exhibit included in the Company's Registration Statement on Form S-8 dated November 27, 2002 (No. 333-101548).

(6) Incorporated by reference to exhibit included in the Company's Form 10-K for the fiscal year ended December 31, 2002, File No. 0-16211.

(7) Incorporated by reference to exhibit included in the Company's Form 10-K for the fiscal year ended December 31, 2006, File no. 0-16211.

(8) Incorporated by reference to exhibit included in the Company's Form 10-K for the fiscal year ended December 31, 2007, File No. 0-16211.

(9) Incorporated by reference to exhibit included in the Company's Form 10-K for the fiscal year ended December 31, 2008, File No. 0-16211

(10) Incorporated by reference to exhibit included in the Company's Form 10-K for the fiscal year ended December 31, 2009, File no. 0-16211.

(11) Incorporated by reference to exhibit included in the Company's Form 10-K for the fiscal year ended December 31, 2010, File no. 0-16211.

(12) Incorporated by reference to exhibit included in the Company's Form 10-K for the fiscal year ended December 31, 2011, File no. 0-16211.

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 and 2010

(in thousands) Description	Balance at Beginning of Period	Additions Charged (Credited) To Costs And Expenses	Charged to Other Accounts	Write-offs Net of Recoveries	Translation Adjustment	Balance at End of Period
Allowance for doubtful accounts:						
For Year Ended December 31,						
2010	$12,235	$(233)	$111	$(2,611)	$(682)	$8,820
2011	8,820	469	7,930 (a)	(1,373)	(941)	14,905
2012	14,905	2,409	115	(3,798)	16	13,647
Inventory valuation reserves:						
For Year Ended December 31,						
2010	$31,932	$6,590	$760	$(3,652)	$(161)	$35,469
2011	35,469	3,325	697 (b)	(3,924)	(463)	35,104
2012	35,104	2,500	(78)	(4,673)	(292)	32,561
Deferred tax asset valuation allowance:						
For Year Ended December 31,						
2010	$51,809	$47,304	$—	$—	$(6,059)	$93,054
2011	93,054	(22,400)	2,174 (c)	—	(1,070)	71,758
2012	71,758	107,995	—	—	(54)	179,699

(a) Amount includes $7.8 million allowance for Astra Tech opening balance at August 31, 2011.
(b) Amount includes $1.1 million reserve for Astra Tech opening balance at August 31, 2011.
(c) Amount related to opening balance sheet valuation allowance for Astra Tech at August 31, 2011.

Management's Report on Internal Control Over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities and Exchange Act of 1934, as amended. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. A Company’s internal control over financial reporting includes those policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company’s assets that could have a material effect on the financial statements.

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

Management of the Company has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2012. In making its assessment, management used the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Based on its assessment management concluded that, as of December 31, 2012, the Company’s internal control over financial reporting was effective based on the criteria established in Internal Control – Integrated Framework issued by the COSO.

The effectiveness of the Company’s internal control over financial reporting as of December 31, 2012 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report, which appears herein.

/s/	Bret W. Wise Bret W. Wise Chairman of the Board and Chief Executive Officer February 20, 2013	/s/	William R. Jellison William R. Jellison Senior Vice President and Chief Financial Officer February 20, 2013

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
of DENTSPLY International Inc.

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of DENTSPLY International Inc. and its subsidiaries at December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and the financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in “Management's Report on Internal Control over Financial Reporting” appearing under Item 15(a)(1). Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 20, 2013

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

	Year Ended December 31,		
	2012	2011	2010
Net sales	$2,928,429	$2,537,718	$2,221,014
Cost of products sold	1,372,042	1,264,278	1,090,856
Gross profit	1,556,387	1,273,440	1,130,158
Selling, general and administrative expenses	1,148,731	936,847	738,901
Restructuring and other costs	25,717	35,865	10,984
Operating income	381,939	300,728	380,273
Other income and expenses:			
Interest expense	56,851	43,814	25,089
Interest income	(8,760)	(8,237)	(4,254)
Other expense (income), net	3,169	9,040	1,782
Income before income taxes	330,679	256,111	357,656
Provision for income taxes	8,920	11,016	89,225
Equity in net (loss) income of unconsolidated affiliated company	(3,270)	2,351	(1,096)
Net income	318,489	247,446	267,335
Less: Net income attributable to noncontrolling interests	4,276	2,926	1,627
Net income attributable to DENTSPLY International	$314,213	$244,520	$265,708
Earnings per common share:			
Basic	$2.22	$1.73	$1.85
Diluted	$2.18	$1.70	$1.82
Weighted average common shares outstanding:			
Basic	141,850	141,386	143,980
Diluted	143,945	143,553	145,985

The accompanying notes are an integral part of these financial statements.

DENTSPLY INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	Year Ended December 31,		
	2012	2011	2010
Net Income	$318,489	$247,446	$267,335
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	93,775	(208,009)	(54,111)
Net (loss) gain on derivative financial instruments	(25,752)	9,258	(12,848)
Net unrealized holding gain (loss) on available-for-sale securities	18,338	(11,545)	11,029
Pension liability adjustments	(39,196)	(3,164)	(8,048)
Total other comprehensive income (loss)	47,165	(213,460)	(63,978)
Total comprehensive income (loss)	365,654	33,986	203,357
Less: Comprehensive income (loss) attributable to noncontrolling interests	4,671	2,730	(2,965)
Comprehensive income (loss) attributable to DENTSPLY International	$360,983	$31,256	$206,322

The accompanying notes are an integral part of these financial statements

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DENTSPLY INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands)

	December 31, 2012	2011
Assets		
Current Assets:		
Cash and cash equivalents	$80,132	$77,128
Accounts and notes receivable-trade, net	442,412	427,709
Inventories, net	402,940	361,762
Prepaid expenses and other current assets	185,612	146,304
Total Current Assets	1,111,096	1,012,903
Property, plant and equipment, net	614,705	591,445
Identifiable intangible assets, net	830,642	791,100
Goodwill, net	2,210,953	2,190,063
Other noncurrent assets, net	204,901	169,887
Total Assets	$4,972,297	$4,755,398
Liabilities and Equity		
Current Liabilities:		
Accounts payable	$165,290	$149,117
Accrued liabilities	424,336	289,201
Income taxes payable	39,191	9,054
Notes payable and current portion of long-term debt	298,963	276,701
Total Current Liabilities	927,780	724,073
Long-term debt	1,222,035	1,490,010
Deferred income taxes	232,641	249,822
Other noncurrent liabilities	340,398	407,342
Total Liabilities	2,722,854	2,871,247
Commitments and contingencies		
Equity:		
Preferred stock, $.01 par value; .25 million shares authorized; no shares issued	—	—
Common stock, $.01 par value; 200.0 million shares authorized; 162.8 million shares issued at December 31, 2012 and 2011, respectively	1,628	1,628
Capital in excess of par value	246,548	229,687
Retained earnings	2,818,461	2,535,709
Accumulated other comprehensive income (loss)	(144,200)	(190,970)
Treasury stock, at cost, 20.5 million shares at December 31, 2012 and 21.1 million shares at December 31, 2011	(713,739)	(727,977)
Total DENTSPLY International Equity	2,208,698	1,848,077
Noncontrolling Interests	40,745	36,074
Total Equity	2,249,443	1,884,151
Total Liabilities and Equity	$4,972,297	$4,755,398

The accompanying notes are an integral part of these financial statements.

DENTSPLY INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in thousands)

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total DENTSPLY International Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2009	$1,628	$195,495	$2,083,459	$ 83,542	$(532,019)	$1,832,105	$ 74,853	$1,906,958
Net income	—	—	265,708	—	—	265,708	1,627	267,335
Other comprehensive income	—	—	—	(59,386)	—	(59,386)	(4,592)	(63,978)
Exercise of stock options	—	(10,107)	—	—	40,296	30,189	—	30,189
Tax benefit from stock options exercised	—	4,663	—	—	—	4,663	—	4,663
Share based compensation expense	—	18,803	—	—	—	18,803	—	18,803
Funding of Employee Stock Option Plan	—	208	—	—	1,132	1,340	—	1,340
Treasury shares purchased	—	—	—	—	(223,993)	(223,993)	—	(223,993)
Dividends from noncontrolling interests	—	—	—	—	—	—	(1,362)	(1,362)
RSU distributions	—	(4,313)	—	—	2,934	(1,379)	—	(1,379)
RSU dividends	—	153	(153)	—	—	—	—	—
Cash dividends ($0.200 per share)	—	—	(28,664)	—	—	(28,664)	—	(28,664)
Balance at December 31, 2010	$1,628	$204,902	$2,320,350	$ 24,156	$(711,650)	$1,839,386	$ 70,526	$1,909,912
Net income	—	—	244,520	—	—	244,520	2,926	247,446
Other comprehensive income	—	—	—	(213,264)	—	(213,264)	(196)	(213,460)

Acquisition of noncontrolling interest	—	22,782	—	(1,862)	—	20,920	(37,008)	(16,088)
Exercise of stock options	—	(14,677)	—	—	56,952	42,275	—	42,275
Tax benefit from stock options exercised	—	1,039	—	—	—	1,039	—	1,039
Share based compensation expense	—	20,947	—	—	—	20,947	—	20,947
Funding of Employee Stock Option Plan	—	379	—	—	2,595	2,974	—	2,974
Treasury shares purchased	—	—	—	—	(79,500)	(79,500)	—	(79,500)
Dividends from noncontrolling interests	—	—	—	—	—	—	(174)	(174)
RSU distributions	—	(5,872)	—	—	3,626	(2,246)	—	(2,246)
RSU dividends	—	187	(187)	—	—	—	—	—
Cash dividends ($0.205 per share)	—	—	(28,974)	—	—	(28,974)	—	(28,974)
Balance at December 31, 2011	$1,628	$229,687	$2,535,709	$(190,970)	$(727,977)	$1,848,077	$36,074	$1,884,151
Net income	—	—	314,213	—	—	314,213	4,276	318,489
Other comprehensive income	—	—	—	46,770	—	46,770	395	47,165
Exercise of stock options	—	(10,482)	—	—	44,665	34,183	—	34,183
Tax benefit from stock options exercised	—	13,009	—	—	—	13,009	—	13,009
Share based compensation expense	—	22,187	—	—	—	22,187	—	22,187
Funding of Employee Stock Option Plan	—	370	—	—	3,271	3,641	—	3,641
Treasury shares purchased	—	—	—	—	(38,837)	(38,837)	—	(38,837)
RSU distributions	—	(8,453)	—	—	5,139	(3,314)	—	(3,314)
RSU dividends	—	230	(230)	—	—	—	—	—
	—	—	(31,231)	—	—	(31,231)	—	(31,231)

Cash dividends ($0.220 per share)								
Balance at December 31, 2012	$1,628	$246,548	$2,818,461	$ (144,200)	$(713,739)	$2,208,698	$ 40,745	$2,249,443

The accompanying notes are an integral part of these financial statements.

DENTSPLY INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	Year Ended December 31,		
	2012	2011	2010
Cash flows from operating activities:			
Net income	$318,489	$247,446	$267,335
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	79,456	64,039	56,868
Amortization of intangible and other assets	49,743	20,996	9,044
Amortization of deferred financing costs	7,045	8,023	428
Deferred income taxes	(65,527)	(88,402)	15,119
Share based compensation expense	22,187	20,947	18,803
Restructuring and other costs - non-cash	20,229	2,460	379
Stock option income tax benefit	(13,009)	(1,039)	(4,663)
Net interest expense on derivatives with an other-than-insignificant financing element	1,108	3,853	1,635
Equity in earnings from unconsolidated affiliates	3,270	(2,351)	1,096
Other non-cash (income) expense	(15,564)	20,938	6,153
Loss on disposal of property, plant and equipment	808	570	113
Changes in operating assets and liabilities, net of acquisitions:			
Accounts and notes receivable-trade, net	(12,591)	1,469	5,115
Inventories, net	(36,792)	21,503	(9,309)
Prepaid expenses and other current assets	(15,126)	(933)	(3,705)
Other noncurrent assets	853	(1,560)	(1,154)
Accounts payable	12,843	10,816	2,165
Accrued liabilities	(2,084)	38,365	9,004
Income taxes	22,105	26,139	2,786
Other noncurrent liabilities	(7,758)	190	249
Net cash provided by operating activities	369,685	393,469	377,461
Cash flows from investing activities:			
Cash paid for acquisitions of businesses and equity investments	(4,861)	(1,787,516)	(35,556)
Capital expenditures	(92,072)	(71,186)	(44,236)
Purchase of convertible debt issued by affiliate	—	—	(49,654)
Purchase of company owned life insurance policies	(1,577)	—	(2,000)
Payments on settlement of net investment hedges	(14,221)	(25,575)	(34,978)
Expenditures for identifiable intangible assets	(3,329)	(3,068)	(1,606)
Liquidations of short-term investments	—	6	—
Proceeds from sale of property, plant and equipment	1,039	497	3,562
Net cash used in investing activities	(115,021)	(1,886,842)	(164,468)
Cash flows from financing activities:			

Proceeds from long-term borrowings, net of deferred financing costs	—	1,106,514	368,611
Payments on long-term borrowings	—	(251,932)	(242,137)
(Decrease) increase in short-term borrowings	(228,912)	270,209	(9,657)
Payments on terminated derivative instruments	—	(34,628)	—
Proceeds from exercise of stock options	34,183	42,275	30,189
Excess tax benefits from share based compensation	13,009	1,039	4,663
Cash paid for contingent consideration on prior acquisitions	(2,519)	(3,023)	—
Cash paid for acquisition of noncontrolling interests of consolidated subsidiaries	—	(16,088)	—
Cash paid for treasury stock	(38,837)	(79,500)	(223,993)
Cash dividends paid	(31,425)	(28,632)	(29,077)
Net interest payments on derivatives with an other-than-insignificant financing element	(1,108)	(3,853)	(1,635)
Net cash (used in) provided by financing activities	(255,609)	1,002,381	(103,036)
Effect of exchange rate changes on cash and cash equivalents	3,949	28,082	(20,267)
Net increase (decrease) in cash and cash equivalents	3,004	(462,910)	89,690
Cash and cash equivalents at beginning of period	77,128	540,038	450,348
Cash and cash equivalents at end of period	$80,132	$77,128	$540,038
Supplemental disclosures of cash flow information:			
Interest paid, net of amounts capitalized	$60,166	$34,048	$21,856
Income taxes paid	$109,544	$58,646	$64,787

The accompanying notes are an integral part of these financial statement

DENTSPLY INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Description of Business

DENTSPLY International Inc. (“DENTSPLY” or the “Company”), designs, develops, manufactures and markets a broad range of consumable dental products for the professional dental market. The Company believes that it is the world's leading manufacturer and distributor of dental prosthetics, endodontic instruments and materials, and ultrasonic scalers; the leading U.S. manufacturer and distributor of denture teeth, dental handpieces, dental x-ray film holders, film mounts and prophylaxis paste; and a leading worldwide manufacturer or distributor of dental injectable anesthetics, impression materials, orthodontic appliances, dental cutting instruments, dental implants and restorative dental materials, dental sealants, and crown and bridge materials. The Company also manufacturers and distributes consumable medical device products consisting mainly of urological catheters and certain surgical products. The Company distributes its products in over 120 countries under some of the most well established brand names in the industry.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America (“US GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates, and such differences may be material to the consolidated financial statements.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company. The Company also consolidates all variable interest entities (“VIE”) where the Company has determined that it has the power to direct the activities that most significantly impact the VIE's economic performance and shares in either the significant risks or rewards of the VIE. The Company continually reassesses its VIE to determine if consolidation is appropriate. All significant intercompany accounts and transactions are eliminated in consolidation.

Investments in nonconsolidated affiliates (20-50 percent owned companies, joint ventures and partnerships as well as less than 20 percent ownership positions where the Company maintains significant influence over the subsidiary) are accounted for using the equity method.

The accompanying audited consolidated statements of operations for the year ended December 31, 2011 include the results of operations for Astra Tech AB (“Astra Tech”) for the period September 1, 2011 to December 31, 2011.

Cash and Cash Equivalents

Cash and cash equivalents include deposits with banks as well as highly liquid time deposits with maturities at the date of purchase of ninety days or less.

Short-term Investments

Short-term investments are highly liquid time deposits with original maturities at the date of purchase greater than ninety days and with remaining maturities of one year or less.

Accounts and Notes Receivable-Trade

The Company sells dental and certain medical products through a worldwide network of distributors and directly to end users. For customers on credit terms, the Company performs ongoing credit evaluation of those customers' financial condition and generally does not require collateral from them. The Company establishes allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The Company records a provision for doubtful accounts, which is included in “Selling, general and administrative expenses" in the Consolidated Statements of Operations.

Accounts receivable – trade is stated net of these allowances that were $13.6 million and $14.9 million at December 31, 2012 and 2011, respectively. For the years ended December 31, 2012 and 2011, the Company wrote-off $3.8 million and $1.4 million, respectively, of accounts receivable that were previously reserved. The Company increased the provision for doubtful accounts by $2.4 million and $0.5 million during 2012 and 2011, respectively.

Additionally, notes receivable – trade is stated net of these allowances that were $0.9 million and $0.9 million at December 31, 2012 and 2011, respectively. The Company recorded provisions for doubtful accounts on notes receivable – trade of $0.1 million for 2012 and $1.0 million for 2011. Additionally, the Company wrote-off $0.2 million and $0.9 million in 2012 and 2011, respectively.

Inventories

Inventories are stated at the lower of cost or market. At December 31, 2012 and 2011, the cost of $6.3 million and $7.1 million, 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.

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 December 31, 2012 and 2011 by $5.9 million and $5.6 million, respectively.

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following:

(in thousands)	December 31, 2012	2011
Deferred taxes	80,903	67,159
Prepaid expenses	54,881	32,899
Other current assets	49,828	46,246
	185,612	146,304

Valuation of Goodwill and Other Long-Lived Assets

Assessment of the potential impairment of goodwill and other long-lived assets is an integral part of the Company's normal ongoing review of operations. Testing for potential impairment of these assets is significantly dependent on assumptions and reflects management's best estimates at a particular point in time. The dynamic economic environments in which the Company's businesses operate and key economic and business assumptions with respect to projected selling prices, increased competition and introductions of new technologies can significantly affect the outcome of impairment tests. Estimates based on these assumptions may differ significantly from actual results. Changes in factors and assumptions used in assessing potential impairments can have a significant impact on the existence and magnitude of impairments, as well as the time at which such impairments are recognized. If there are unfavorable changes in these assumptions, future cash flows, a key variable in assessing the impairment of these assets, may decrease and as a result the Company may be required to recognize impairment charges. Future changes in the environment and the economic outlook for the assets being evaluated could also result in additional impairment charges being recognized. The following information outlines the Company's significant accounting policies on long-lived assets by type.

Goodwill

Goodwill is the excess of the purchase price over the fair value of identifiable net assets acquired and liabilities assumed in a business combination. Goodwill is not amortized. Goodwill is tested for impairment annually, during the Company's second quarter, or when indications of potential impairment exist. The Company monitors for the existence of potential impairment throughout the year. This impairment assessment includes an evaluation of various reporting units, which is an operating segment or one reporting level below the operating segment. The Company performs impairment tests using a fair value approach. The Company compares the fair value of each reporting unit to its carrying amount to determine if there is potential goodwill impairment. If impairment is identified on goodwill, the resulting charge is determined by recalculating goodwill through a hypothetical purchase price allocation of the fair value and reducing the current carrying value to the extent it exceeds the

recalculated goodwill.

The Company's fair value approach involves using a discounted cash flow model with market-based support as its valuation technique to measure the fair value for its reporting units. The discounted cash flow model uses five-year forecasted cash flows plus a terminal value based on a multiple of earnings. In addition, the Company applies gross profit and operating expense assumptions consistent with its historical trends. The total cash flows were discounted based on market participant data, which included the Company's weighted-average cost of capital. The Company considered the current market conditions when determining its assumptions. Lastly, the Company reconciled the aggregate fair values of its reporting units to its market capitalization, which included a reasonable control premium based on market conditions. Additional information related to the testing for goodwill impairment is provided in Note 8, Goodwill and Intangible Assets.

Indefinite-Lived Intangible Assets

Indefinite-lived intangible assets consist of tradenames and are not subject to amortization. Valuations of identifiable intangibles assets acquired are based on information and assumptions available at the time of acquisition, using income and market model approaches to determine fair value. In-process research and development assets are not subject to amortization until the product associated with the research and development is substantially complete and is a viable product. At that time, the useful life to amortize the intangible asset is determined by identifying the period in which substantially all the cash flows are expected to be generated and the asset is moved to definite-lived.

These assets are reviewed for impairment annually or whenever events or circumstances suggest that the carrying amount of the asset may not be recoverable. The Company uses an income approach, more specifically a relief from royalty method. Significant management judgment is necessary to determine key assumptions, including projected revenue, royalty rates and appropriate discount rates. Royalty rates used are consistent with those assumed for the original purchase accounting valuation. Other assumptions are consistent with those applied to goodwill impairment testing. If the carrying value exceeds the fair value, an impairment loss in the amount equal to the excess is recognized.

Identifiable Definite-Lived Intangible Assets

Identifiable definite-lived intangible assets, which primarily consist of patents, trademarks, brand names, non-compete agreements and licensing agreements, are amortized on a straight-line basis over their estimated useful lives. Valuations of identifiable intangibles assets acquired are based on information and assumptions available at the time of acquisition, using income and market model approaches to determine fair value.

These assets are reviewed for impairment whenever events or circumstances suggest that the carrying amount of the asset may not be recoverable. The Company closely monitors certain intangible assets related to new and existing technologies for indicators of impairment as these assets have more risk of becoming impaired. Impairment is based upon an initial evaluation of the identifiable undiscounted cash flows. If the initial evaluation identifies a potential impairment, a fair value is determined by using a discounted cash flows valuation. If impaired, the resulting charge reflects the excess of the asset’s carrying cost over its fair value.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation. Except for leasehold improvements, depreciation for financial reporting purposes is computed by the straight-line method over the following estimated useful lives: buildings - generally 40 years and machinery and equipment - 4 to 15 years. The cost of leasehold improvements is amortized over the shorter of the estimated useful life or the term of the lease. Maintenance and

repairs are expensed as incurred to the statement of operations; replacements and major improvements are capitalized. These assets groups are reviewed for impairment whenever events or circumstances suggest that the carrying amount of the asset group may not be recoverable. Impairment is based upon an evaluation of the identifiable undiscounted cash flows. If impaired, the resulting charge reflects the excess of the asset group's carrying cost over its fair value.

Marketable Securities

The Company's marketable securities consist of debt instruments that are classified as available-for-sale in "Other noncurrent assets, net" on the Consolidated Balance Sheets as the instruments mature in December 2015. The Company determined the appropriate classification at the time of purchase and will re-evaluate such designation as of each balance sheet date. In addition, the Company reviews the securities each quarter for indications of possible impairment. Once identified, the determination of whether the impairment is temporary or other-than-temporary requires significant judgment. The primary factors that the Company

considers in classifying the impairment include the extent and time the fair value of each investment has been below cost and the existence of a credit loss. If a decline in fair value is judged other-than-temporary, the basis of the securities is written down to fair value and the amount of the write-down is included as a realized loss.

Derivative Financial Instruments

The Company records all derivative instruments on the consolidated balance sheet at fair value and changes in fair value are recorded each period in the consolidated statements of operations or accumulated other comprehensive income ("AOCI").

The Company employs derivative financial instruments to hedge certain anticipated transactions, firm commitments, and assets and liabilities denominated in foreign currencies. Additionally, the Company utilizes interest rate swaps to convert floating rate debt to fixed rate, fixed rate debt to floating rate, cross currency basis swaps to convert debt denominated in one currency to another currency, and commodity swaps to fix its variable raw materials costs.

Pension and Other Postretirement Benefits

Some of the employees of the Company and its subsidiaries are covered by government or Company-sponsored defined benefit plans. Many of the employees have available to them defined contribution plans. Additionally, certain union and salaried employee groups in the United States are covered by postretirement healthcare plans. Costs for Company-sponsored defined benefit and postretirement benefit plans are based on expected return on plan assets, discount rates, employee compensation increase rates and health care cost trends. Expected return on plan assets, discount rates and health care cost trend assumptions are particularly important when determining the Company's benefit obligations and net periodic benefit costs associated with postretirement benefits. Changes in these assumptions can impact the Company's earnings before income taxes. In determining the cost of postretirement benefits, certain assumptions are established annually to reflect market conditions and plan experience to appropriately reflect the expected costs as actuarially determined. These assumptions include medical inflation trend rates, discount rates, employee turnover and mortality rates. The Company predominantly uses liability durations in establishing its discount rates, which are observed from indices of high-grade corporate bond yields in the respective economic regions of the plans. The expected return on plan assets is the weighted average long-term expected return based upon asset allocations and historic average returns for the markets where the assets are invested, principally in foreign locations. The Company reports the funded status of its defined benefit pension and other postretirement benefit plans on its consolidated balance sheets as a net liability or asset. Additional information related to the impact of changes in these assumptions is provided in Note 13, Benefit Plans.

Accruals for Self-Insured Losses

The Company maintains insurance for certain risks, including workers' compensation, general liability, product liability and vehicle liability, and is self-insured for employee related healthcare benefits. The Company accrues for the expected costs associated with these risks by considering historical claims experience, demographic factors, severity factors and other relevant information. Costs are recognized in the period the claim is incurred, and the financial statement accruals include an estimate of claims incurred but not yet reported. The Company has stop-loss coverage to limit its exposure to any significant exposure on a per claim basis.

Litigation

The Company and its subsidiaries are from time to time parties to lawsuits arising out of their respective operations. The Company records liabilities when a loss is probable and can be reasonably estimated. These estimates are typically in the form of ranges, and the Company records the liabilities at the low point of the ranges, when no other

point within the ranges are a better estimate of the probable loss. The ranges established by management are based on analysis made by internal and external legal counsel who considers information known at the time. If the Company determines a liability to be only reasonably possible, it considers the same information to estimate the possible exposure and discloses any material potential liability. These loss contingencies are monitored regularly for a change in fact or circumstance that would require an accrual adjustment. The Company believes it has estimated liabilities for probable losses appropriately in the past; however, the unpredictability of litigation and court decisions could cause a liability to be incurred in excess of estimates. Legal costs related to these lawsuits are expensed as incurred.

Accumulated Other Comprehensive Income

AOCI includes foreign currency translation adjustments related to the Company's foreign subsidiaries, net of the related changes in certain financial instruments hedging these foreign currency investments. In addition, changes in the Company's fair value of certain derivative financial instruments, net unrealized holding gain on available-for-sale securities and pension liability

adjustments and prior service costs, net are recorded in AOCI. These changes are recorded in AOCI net of any related tax adjustments. For the years ended December 31, 2012, 2011 and 2010, these tax adjustments were $185.6 million, $167.5 million and $158.7 million, respectively, primarily related to foreign currency translation adjustments.

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

(in thousands)	December 31, 2012	2011
Foreign currency translation adjustments	$54,302	$(39,078)
Net loss on derivative financial instruments	(143,142)	(117,390)
Net unrealized holding (loss) gain on available for-sale securities	17,822	(516)
Pension liability adjustments	(73,182)	(33,986)
	$(144,200)	$(190,970)

The cumulative foreign currency translation adjustments included translation gains of $177.7 million and $94.4 million as of December 31, 2012 and 2011, respectively, were offset by losses of $123.4 million and $133.5 million, respectively, on loans designated as hedges of net investments.

Foreign Currency Translation

The functional currency for foreign operations, except for those in highly inflationary economies, generally has been determined to be the local currency.

Assets and liabilities of foreign subsidiaries are translated at foreign exchange rates on the balance sheet date; revenue and expenses are translated at the average year-to-date foreign exchange rates. The effects of these translation adjustments are reported in Equity within AOCI of the consolidated balance sheets. During the year ended December 31, 2012, the Company had gains of $10.1 million on its loans designated as hedges of net investments and translation gains of $83.3 million. During the year ended December 31, 2011, the Company had losses of $9.6 million on its loans designated as hedges of net investments and translation losses of $200.1 million.

Foreign exchange gains and losses arising from transactions denominated in a currency other than the functional currency of the entity involved and remeasurement adjustments in countries with highly inflationary economies are included in income. Net foreign exchange transaction losses of $2.7 million, $1.7 million and $3.3 million in 2012, 2011, and 2010, respectively, are included in “Other expense (income), net” on the Consolidated Statements of Operations.

Revenue Recognition

Revenue, net of related discounts and allowances, is recognized when the earnings process is complete. This occurs when products are shipped to or received by the customer in accordance with the terms of the agreement, title and risk of loss have been transferred, collectability is reasonably assured and pricing is fixed or determinable. Net sales include shipping and handling costs collected from customers in connection with the sale. Sales taxes, value added taxes and other similar types of taxes collected from customers in connection with the sale are recorded by the Company on a net basis and are not included in the consolidated statement of operations.

Certain of the Company's customers are offered cash rebates based on targeted sales increases. Estimates of rebates are based on the forecasted performance of the customer and their expected level of achievement within the rebate programs. In accounting for these rebate programs, the Company records an accrual as a reduction of net sales as sales take place over the period the rebate is earned. The Company revises the accruals for these rebate programs as actual

results and revised forecasts impact the estimated achievement for customers within the rebate programs.

A portion of the Company's net sales is comprised of sales of precious metals generated through its precious metal dental alloy product offerings. As the precious metal content of the Company's sales is largely a pass-through to customers, the Company uses its cost of precious metal purchased as a proxy for the precious metal content of sales, as the precious metal content of sales is not separately tracked and invoiced to customers. The Company believes that it is reasonable to use the cost of precious metal content purchased in this manner since precious metal alloy sale prices are typically adjusted when the prices of underlying precious metals change. The precious metals content of sales was $213.7 million, $205.1 million and $189.2 million for 2012, 2011 and 2010, respectively.

Cost of Products Sold

Cost of products sold represents costs directly related to the manufacture and distribution of the Company's products. Primary costs include raw materials, packaging, direct labor, overhead, shipping and handling, warehousing and the depreciation of manufacturing, warehousing and distribution facilities. Overhead and related expenses include salaries, wages, employee benefits, utilities, lease costs, maintenance and property taxes.

Warranties

The Company provides warranties on certain equipment products. Estimated warranty costs are accrued when sales are made to customers. Estimates for warranty costs are based primarily on historical warranty claim experience. Warranty costs are included in "Cost of products sold" in the Consolidated Statements of Operations.

Selling, General and Administrative Expenses

Selling, general and administrative expenses represent costs incurred in generating revenues and in managing the business of the Company. Such costs include advertising and other marketing expenses, salaries, employee benefits, incentive compensation, research and development, travel, office expenses, lease costs, amortization of capitalized software and depreciation of administrative facilities.

Research and Development Costs

Research and development ("R&D") costs relate primarily to internal costs for salaries and direct overhead expenses. In addition, the Company contracts with outside vendors to conduct R&D activities. All such R&D costs are charged to expense when incurred. The Company capitalizes the costs of equipment that have general R&D uses and expenses such equipment that is solely for specific R&D projects. The depreciation expense related to this capitalized equipment is included in the Company's R&D costs. R&D costs are included in "Selling, general and administrative expenses" in the Consolidated Statements of Operations and amounted to $85.4 million, $66.7 million and $49.4 million for 2012, 2011 and 2010, respectively.

Stock Compensation

The Company recognizes the compensation cost relating to share-based payment transactions in the financial statements. The cost of share-based payment transactions is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the employee's requisite service period (generally the vesting period of the equity awards). The compensation cost is only recognized for the portion of the awards that are expected to vest.

Income Taxes

The Company's tax expense includes U.S. and international income taxes plus the provision for U.S. taxes on undistributed earnings of international subsidiaries not deemed to be permanently invested. Tax credits and other incentives reduce tax expense in the year the credits are claimed. Certain items of income and expense are not reported in tax returns and financial statements in the same year. The tax effect of such temporary differences is reported as deferred income taxes. Deferred tax assets are recognized if it is more likely than not that the assets will be realized in future years. The Company establishes a valuation allowance for deferred tax assets for which realization is not likely.

The Company applies a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Company recognizes in the financial statements, the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position.

Earnings Per Share

Basic earnings per share are calculated by dividing net earnings by the weighted average number of shares outstanding for the period. Diluted earnings per share is calculated by dividing net earnings by the weighted average number of shares outstanding for the period, adjusted for the effect of an assumed exercise of all dilutive options outstanding at the end of the period.

Business Acquisitions

The Company acquires businesses as well as partial interests in businesses. Acquired businesses are accounted for using the acquisition method of accounting which requires the Company to record assets acquired and liabilities assumed at their respective fair values with the excess of the purchase price over estimated fair values recorded as goodwill. The assumptions made in determining the fair value of acquired assets and assumed liabilities as well as asset lives can materially impact the results of operations.

The Company obtains information during due diligence and through other sources to establish respective fair values. Examples of factors and information that the Company uses to determine the fair values include: tangible and intangible asset evaluations and appraisals; evaluations of existing contingencies and liabilities and product line information. If the initial valuation for an acquisition is incomplete by the end of the quarter in which the acquisition occurred, the Company will record a provisional estimate in the financial statements. The provisional estimate will be finalized as soon as information becomes available but will only occur up to one year from the acquisition date.

Equity Method Investments

Investments in partnerships, joint ventures and less-than-majority-owned subsidiaries in which the Company has significant influence are accounted for under the equity method.

Equity investments are carried at original cost adjusted for the proportionate share of the investees' income, losses and distributions. The Company assesses the carrying value of its equity investments when an indicator of a loss in value is present and record a loss in value of the investment when the assessment indicates that an other-than-temporary decline in the investment exists.

The Company classifies its equity in net earnings of unconsolidated affiliates in the Consolidated Statements of Operations under the title of "Equity in net income (loss) of unconsolidated affiliated company."

Noncontrolling Interests

The Company reports noncontrolling interest ("NCI") in a subsidiary as a separate component of Equity in the Consolidated Balance Sheets. Additionally, the Company reports the portion of net income and comprehensive income (loss) attributed to the Company and NCI separately in the Consolidated Statements of Operations. The Company also includes a separate column for NCI in the Consolidated Statements of Changes in Equity.

Variable Interest Entities

The Company consolidates all VIE where the Company has determined that it has the power to direct the activities that most significantly impact the VIE's economic performance and shares in either the significant risks or rewards of the VIE. The Company continually reassesses VIE to determine if consolidation is appropriate. The Company continues to believe that it is the primary beneficiary of one entity under the accounting guidance.

Segment Reporting

The Company has numerous operating businesses covering a wide range of products and geographic regions, primarily serving the professional dental market and to a lesser extent the consumable medical device market. Professional dental products represented approximately 89%, 93%, and 97% of sales in 2012, 2011 and 2010, respectively. The Company has four reportable segments and a description of the activities of these segments is included in Note 4, Segment and Geographic Information.

During the first quarter of 2012, the Company realigned reporting responsibilities for multiple locations as a result of changes to the management structure. These changes also helped the Company gain operating efficiencies and effectiveness. The segment information below reflects the revised structure for all periods shown.

Fair Value Measurement

Recurring Basis

The Company records certain financial assets and liabilities at fair value in accordance with the accounting guidance, which defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the

principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The accounting guidance establishes a hierarchal disclosure framework associated with the level of pricing observability utilized in measuring financial instruments at fair value. The three broad levels defined by the fair value hierarchy are as follows:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reported date.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reported date. The nature of these financial instruments include, derivative instruments whose fair value have been derived using a model where inputs to the model are directly observable in the market, or can be derived principally from, or corroborated by observable market data.

Level 3 - Instruments that have little to no pricing observability as of the reported date. These financial instruments do not have two-way markets and are measured using management's best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation.

The degree of judgment utilized in measuring the fair value of certain financial assets and liabilities generally correlates to the level of pricing observability. Pricing observability is impacted by a number of factors, including the type of financial instrument. Financial assets and liabilities with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of pricing observability and a lesser degree of judgment utilized in measuring fair value. Conversely, financial assets and liabilities rarely traded or not quoted will generally have less, or no pricing observability and a higher degree of judgment utilized in measuring fair value.

The Company primarily applies the market approach for recurring fair value measurements and endeavors to utilize the best available information. Accordingly, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Additionally, the Company considers its credit risks and its counterparties' credit risks when determining the fair values of its financial assets and liabilities. The Company has presented the required disclosures in Note 16, Fair Value Measurement.

Non-Recurring Basis

When events or circumstances require an asset or liability to be fair valued that otherwise is generally recorded based on another valuation method, such as, net realizable value, the Company will utilize the valuation techniques described above.

Reclassification of Prior Year Amounts

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

New Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board (“FASB”) amended its rules regarding the presentation of comprehensive income. The objective of this amendment was to improve the comparability, consistency and transparency of financial reporting and to increase the prominence of items reported in other comprehensive income. Specifically, this amendment requires that all non-owner changes in shareholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The new rules became effective during interim and annual periods beginning after December 15, 2011, with the exception of the requirement to present reclassification adjustments from other comprehensive income to net income on the face of

the financial statements, which has been deferred pending further deliberation by the FASB. Because the standard only impacted the presentation of comprehensive income and does not impact what is included in comprehensive income, the standard did not have a significant impact on the Company's consolidated financial statements. The Company adopted this accounting standard during the quarter ended March 31, 2012.

In September 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-08, “Intangibles - Goodwill and Other (Topic 350): Testing Goodwill for Impairment”. This newly issued accounting standard is intended to reduce the cost and complexity of the annual goodwill impairment test by providing entities an option to perform a "qualitative" assessment to determine whether further impairment testing is necessary. Under the revised standard, an entity has the option to first assess qualitative factors to determine whether it is necessary to perform the current two-step impairment test. If an entity believes, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required; otherwise, no further testing is required. Prior to the issuance of the revised standard, an entity was required to perform step one of the impairment test at least annually by calculating and comparing the fair value of a reporting

unit to its carrying amount. Under the revised standard, if an entity determines that step one is necessary and the fair value of the reporting unit is less than its carrying amount, then step two of the test will continue to be required to measure the amount of the impairment loss, if any. These amendments do not change the current guidance for testing other indefinite-lived intangible assets for impairment. This ASU is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The Company adopted this standard for the quarter ended June 30, 2012 and it did not impact the Company's financial position or results from operations.

In July 2012, the FASB issued ASU No. 2012-02, "Intangibles - Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment". This newly issued accounting standard is intended to reduce the cost and complexity of the annual indefinite-lived intangible asset impairment test by providing entities an option to perform a qualitative assessment to determine whether further impairment testing is necessary. Under the revised standard, an entity has the option to first assess qualitative factors to determine whether it is necessary to perform the current two-step impairment test. If an entity believes, as a result of its qualitative assessment, that it is more-likely-than-not that an indefinite-lived intangible asset is less than its carrying amount, the quantitative impairment test is required; otherwise, no further testing is required. Prior to the issuance of the revised standard, an entity was required to perform step one of the impairment test at least annually by calculating and comparing the fair value of an indefinite-lived intangible asset to its carrying amount. Under the revised standard, if an entity determines that step one is necessary and the indefinite-lived intangible asset is less than its carrying amount, then step two of the test will continue to be required to measure the amount of the impairment loss, if any. This ASU is effective for annual and interim indefinite-lived intangible asset impairment tests performed for fiscal years beginning after September 15, 2012. The Company expects to adopt this standard for the quarter ended March 31, 2013. The adoption of this standard is not expected to impact the Company's financial position or results from operations.

NOTE 2 - EARNINGS PER COMMON SHARE

The following table sets forth the computation of basic and diluted earnings per common share:

(in thousands, except for per share amounts)	Net income attributable to DENTSPLY International	Shares	Earnings per common share
Year Ended December 31, 2012			
Basic	$314,213	141,850	$2.22
Incremental shares from assumed exercise of dilutive options	—	2,095	
Diluted	$314,213	143,945	$2.18
Year Ended December 31, 2011			
Basic	$244,520	141,386	$1.73
Incremental shares from assumed exercise of dilutive options	—	2,167	
Diluted	$244,520	143,553	$1.70
Year Ended December 31, 2010			
Basic	$265,708	143,980	$1.85
Incremental shares from assumed exercise of dilutive options	—	2,005	
Diluted	$265,708	145,985	$1.82

Options to purchase 4.1 million, 3.2 million and 3.1 million shares of common stock that were outstanding during the years ended 2012, 2011 and 2010, respectively, were not included in the computation of diluted earnings per common share since the options' exercise prices were greater than the average market price of the common shares and, therefore, the effect would be antidilutive.

NOTE 3 - BUSINESS ACQUISITIONS AND INVESTMENTS IN AFFILIATES

Business Acquisitions

2012 Acquisitions

The acquisition related activity for the year ended December 31, 2012 was $7.4 million, which was related to one acquisition and one earn-out payment for a prior period acquisition.

The Company had one acquisition for the year ended December 31, 2012. The results of operations for this business have been included in the accompanying financial statements as of the effective date of the respective transactions. The purchase price has been assigned on the basis of preliminary estimates of the fair values of assets acquired and liabilities assumed. This transaction was immaterial to the Company's net sales and net income attributable to DENTSPLY.

2011 Acquisitions

The acquisition related activity for the year ended December 31, 2011 was $1.8 billion, net of cash acquired of $23.4 million, was related to six acquisitions and two earn-out payments for prior period acquisitions.

On August 31, 2011, the Company acquired 100% of the outstanding common shares of Astra Tech using the available cash on hand and debt financing discussed in Note 10, Financing Arrangements. Astra Tech is a leading developer, manufacturer and marketer of dental implants, customized implant abutments and consumable medical devices in the urology and surgery market segments. The Astra Tech acquisition was recorded in accordance with the business combinations provisions of US GAAP.

The following table summarizes the final fair value of identifiable assets and liabilities assumed at the date of the acquisition. This table has been updated in 2012 to reflect the final fair value. The final valuation change resulted in increases to identifiable intangible assets relating mostly to customer relationships and deferred tax liabilities with a decrease to goodwill. During the fourth quarter of 2012, the Company increased goodwill by $5.0 million primarily due to an increase to the purchase price of $4.3 million resulting from the finalization of the purchase price with the seller. The Company determined that it was not necessary to retroactively revise prior period financial statements as the changes were not material to the Company's consolidated financial statements.

(in thousands)	
Inventory	$84,659
Other current assets	140,546
Property, plant, and equipment	178,495
Identifiable intangible assets	844,100
Goodwill	952,108
Other long-term assets	15,969
Total assets	2,215,877
Current liabilities	107,243
Long-term liabilities	313,594
Total liabilities	420,837
Net assets	$1,795,040

Other current assets consist primarily of trade accounts receivable of $101.2 million. Current liabilities assumed are primarily comprised of accrued and other current liabilities of $80.1 million and trade accounts payable of $27.1

million. Long-term liabilities assumed are primarily comprised of noncurrent deferred tax liabilities of $260.3 million and pension obligations of $53.3 million.

Inventory held by Astra Tech includes a fair value adjustment of $32.8 million. The Company expensed this amount by December 31, 2011 as the acquired inventory was sold.

Property, plant and equipment include a fair value adjustment of $28.7 million and consist of land, buildings, plant and equipment. Depreciable lives range 40 years for buildings and from 5 to 15 years for plant and equipment.

The fair values assigned to identifiable intangible assets were determined through the use of the income approach, specifically the relief from royalty method and the multi-period excess earnings method. Both valuation methods rely on management's judgments, including expected future cash flows resulting from existing customer relationships, customer attrition rates, contributory effects of other assets utilized in the business, peer group cost of capital and royalty rates as well as other factors.

Useful lives for identifiable intangible assets were determined based upon the remaining useful economic lives of the identifiable intangible assets that are expected to contribute to future cash flows. The acquired identifiable intangible assets are being amortized on a straight-line basis over their expected useful lives. Identifiable indefinite-lived intangible and in-process research and development ("In-process R&D") assets were not assigned lives.

Intangible assets acquired consist of the following:

(in thousands, except for useful life)	Amount	Useful Life (in years)
Customer relationships	$494,700	15 - 18
Developed technology and patents	116,500	10
Trade names and Trademarks	229,100	Indefinite
In-process R&D	3,800	—
Total	$844,100	

The $952.1 million of goodwill is attributable to the excess of the purchase price over the fair value of the net tangible and intangible assets acquired and liabilities assumed. The goodwill recognized is primarily attributable to cost savings and other synergies that the Company expects to realize through operational efficiencies. All of the goodwill has been assigned to the Company's Implants/Endodontics/Healthcare/Pacific Rim segment and is not expected to be deductible for tax purposes.

Astra Tech contributed net sales of $207.1 million and an operating loss of $18.5 million to the Company's consolidated statements of operations during the period from September 1, 2011 to December 31, 2011 and is included in the Implants/Endodontics/Healthcare/Pacific Rim segment.

The following unaudited pro forma financial information reflects the consolidated results of operations of the Company had the Astra Tech acquisition occurred on January 1, 2010. These amounts were calculated after conversion to US GAAP, applying the Company's accounting policies and adjusting Astra Tech's results to reflect the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant and equipment, inventory and intangible assets had been applied from January 1, 2010, together with the consequential tax effects at the statutory rate. These adjustments also reflect the additional interest expense incurred on the debt to finance the acquisition.

(in thousands, except per share data)	Year Ended December 31,	
	2011	2010
Net Sales	$2,918,347	$2,755,300
Net income attributable to DENTSPLY	250,363	274,962
Diluted earnings per common share	$1.74	$1.88

The pro forma financial information is based on the Company's final assignment of purchase price of the fair value of identifiable assets acquired and liabilities assumed. The Astra Tech financial information has been compiled in a

manner consistent with the accounting policies adopted by DENTSPLY. Pro forma results do not include any anticipated synergies or other anticipated benefits of the acquisition. Accordingly, the unaudited pro forma financial information is not necessarily indicative of either future results of operations or results that might have been achieved had the acquisition occurred on January 1, 2010. While the Company completed other transactions during the pro forma periods presented above, these transactions were immaterial to the Company's net sales and net income attributable to DENTSPLY.

The Company had additional acquisition related activity for the year ended December 31, 2011. The results of operations for this business have been included in the accompanying financial statements as of the effective date of the respective transactions. The purchase prices have been assigned on the basis of preliminary estimates of the fair values of assets acquired and liabilities

assumed. At December 31, 2011, the Company recorded a total of $9.7 million in goodwill related to the difference between the fair value of assets acquired and liabilities assumed and the consideration given. The goodwill is primarily associated with the Implants/Endodontics/Healthcare/Pacific Rim segment.

For the year ended December 31, 2011, in connection with pending or completed acquisitions, the Company had incurred $44.2 million of transaction related costs, primarily banking fees and amounts paid to third party advisers.

Investment in Affiliates

On December 9, 2010, the Company purchased an initial ownership interest of 17% of the outstanding shares of DIO Corporation (DIO). The Company accounts for the ownership in DIO under the equity method of accounting as it has significant influence over DIO. In addition, on December 9, 2010, the Company invested $49.7 million in the corporate convertible bonds of DIO, which may be converted into common shares at any time. The contractual maturity of the bond is in December 2015. The bonds are designated by the Company as available-for-sale securities which are reported in, “Other noncurrent assets, net,” on the Consolidated Balance Sheets and the changes in fair value are reported in AOCI. The convertible feature of the bond has not been bifurcated from the underlying bond as the feature does not contain a net-settlement feature, nor would the Company be able to achieve a hypothetical net-settlement that would substantially place the Company in a comparable cash settlement position. As such, the derivative is not accounted for separately from the bond. The cash paid by the Company is equal to the face value of the bonds issued by DIO, and therefore, the Company has not recorded any bond premium or discount on acquiring the bonds. The fair value of the DIO bond was $75.1 million and $47.8 million at December 31, 2012 and 2011, respectively. At December 31, 2012, an unrealized holding gain of $17.8 million on available-for-sale securities, net of tax, had been recorded in AOCI. At December 31, 2011 and 2010, an unrealized holding loss of $11.5 million and an unrealized holding gain of $11.0 million, respectively, was recorded on available-for-sale securities, net of tax, in AOCI.

Variable Interest Entities

During 2011, the Company completed the acquisition of the remaining share of one VIE, in which it had acquired a minority interest in 2006. This transaction was immaterial to the Company's net sales and net income attributable to DENTSPLY.

NOTE 4 - SEGMENT AND GEOGRAPHIC INFORMATION

The 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 segments are consistent with those described for the consolidated financial statements in the summary of significant accounting policies (see Note 1, Significant Accounting Policies). The Company measures segment income for reporting purposes as net operating income before restructuring, impairments, and other costs, interest and taxes. Additionally, the operating groups are measured on net third party sales, excluding precious metal content. A description of the services provided within each of the Company’s four reportable segments is provided below. The disclosure below reflects the Company’s segment reporting structure.

During the first quarter of 2012, the Company realigned reporting responsibilities for multiple locations as a result of changes to the management structure. These changes also helped the Company gain operating efficiencies and effectiveness. The segment information below reflects the revised structure for all periods shown.

Dental Consumable and Laboratory Businesses

This segment includes responsibility for the design, manufacturing, sales and distribution of 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. This segment also includes the responsibility for the design, manufacture, sales and distribution of most dental laboratory products, excluding certain countries. This segment is also responsible for most of the Company's non-dental business excluding medical products.

Orthodontics/Canada/Mexico/Japan

This segment is responsible for the world-wide manufacturing, sales and distribution of the Company's Orthodontic products. It also has responsibility for the sales and distribution of most of the Company's dental products sold in Japan, Canada and Mexico.

Select Distribution Businesses

This segment includes responsibility for the sales and distribution for most of the Company's dental products sold in France, United Kingdom, Italy, Austria and certain other European countries, Middle Eastern countries, India and Africa. Operating margins of the segment are reflective of the intercompany transfer price of products manufactured by other operating segments. Operating margins derived by the intercompany manufacture of the products are retained in those operating segments, and are not included in this group.

Implants/Endodontics/Healthcare/Pacific Rim

This segment includes the responsibility for the design, manufacture, sales and distribution of most of the Company's dental implant and related products. This segment also includes the responsibility for the design and manufacturing of Endodontic products and is responsible for the sales and distribution of the Company's Endodontic products in the United States, Switzerland, and locations not covered by other selling divisions. In addition, this business group is also responsible for sales and distribution of certain Endodontic products in Germany, Asia and other parts of the world. Additionally, this segment is responsible for the design and manufacture of certain dental consumables and dental laboratory products and the sales and distribution of most dental products sold in Brazil, Latin America (excluding Mexico), Australia and most of Asia (excluding India and Japan). This segment is also responsible for the world-wide design, manufacturing, sales and distribution of the Company's medical products (non-dental) throughout most of the world.

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 segments based on the groups' operating income, excluding restructuring and other costs, and net third party sales, excluding precious metal content.

The following table sets forth information about the Company's segments for the years ended December 31, 2012, 2011 and 2010.

Third Party Net Sales

(in thousands)	2012	2011	2010
Dental Consumable and Laboratory Businesses	$958,266	$946,464	$890,499
Orthodontics/Canada/Mexico/Japan	331,811	322,444	359,780
Select Distribution Businesses	294,643	300,544	272,622
Implants/Endodontics/Healthcare/Pacific Rim	1,347,380	973,296	701,417
All Other (a)	(3,671)	(5,030)	(3,304)
Total net sales	$2,928,429	$2,537,718	$2,221,014

(a) Includes amounts recorded at Corporate headquarters.

Third Party Net Sales, Excluding Precious Metal Content

(in thousands)	2012	2011	2010
Dental Consumable and Laboratory Businesses	$792,035	$794,736	$750,924
Orthodontics/Canada/Mexico/Japan	297,877	289,529	331,971
Select Distribution Businesses	288,348	292,087	264,743
Implants/Endodontics/Healthcare/Pacific Rim	1,340,109	961,267	687,422
All Other (b)	(3,671)	(5,030)	(3,304)

Total net sales, excluding precious metal content	$2,714,698	$2,332,589	$2,031,756
Precious metal content of sales	213,731	205,129	189,258
Total net sales, including precious metal content	$2,928,429	$2,537,718	$2,221,014

(b) Includes amounts recorded at Corporate headquarters

Intersegment Net Sales (in thousands)	2012	2011	2010
Dental Consumable and Laboratory Businesses	$220,229	$220,671	$223,504
Orthodontics/Canada/Mexico/Japan	4,000	4,065	4,105
Select Distribution Businesses	12,231	16,036	13,515
Implants/Endodontics/Healthcare/Pacific Rim	154,127	148,241	126,597
All Other (c)	221,867	211,658	179,780
Eliminations	(612,454)	(600,671)	(547,501)
Total	$—	$—	$—

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

Depreciation and Amortization (in thousands)	2012	2011	2010
Dental Consumable and Laboratory Businesses	$33,022	$34,874	$30,960
Orthodontics/Canada/Mexico/Japan	5,076	4,473	4,447
Select Distribution Businesses	1,311	1,203	1,476
Implants/Endodontics/Healthcare/Pacific Rim	87,324	41,886	22,297
All Other (d)	2,466	2,599	6,732
Total	$129,199	$85,035	$65,912

(d) Includes amounts recorded at Corporate headquarters.

Segment Operating Income (Loss) (in thousands)	2012	2011	2010
Dental Consumable and Laboratory Businesses	$227,912	$210,239	$208,873
Orthodontics/Canada/Mexico/Japan	16,596	15,753	42,106
Select Distribution Businesses	(339)	2,496	12,197
Implants/Endodontics/Healthcare/Pacific Rim	282,436	210,900	209,384
All Other (e)	(118,949)	(102,795)	(81,303)
Segment Operating Income	$407,656	$336,593	$391,257
Reconciling Items:			
Restructuring and other costs	25,717	35,865	10,984
Interest expense	56,851	43,814	25,089
Interest income	(8,760)	(8,237)	(4,254)
Other expense (income), net	3,169	9,040	1,782
Income before income taxes	$330,679	$256,111	$357,656

(e) Includes results of Corporate headquarters, inter-segment eliminations and one distribution warehouse not managed by named segments. Amount recorded in 2011 includes $31.9 million of Astra Tech acquisition costs.

Capital Expenditures

(in thousands)	2012	2011	2010
Dental Consumable and Laboratory Businesses	$18,912	$20,391	$15,639
Orthodontics/Canada/Mexico/Japan	9,071	7,494	2,432
Select Distribution Businesses	724	1,439	1,352
Implants/Endodontics/Healthcare/Pacific Rim	58,367	32,949	21,297
All Other (f)	4,998	8,913	3,516
Total	$92,072	$71,186	$44,236

(f) Includes capital expenditures of Corporate headquarters.

Assets

(in thousands)	2012	2011
Dental Consumable and Laboratory Businesses	$1,007,307	$1,180,001
Orthodontics/Canada/Mexico/Japan	294,348	328,376
Select Distribution Businesses	192,684	168,500
Implants/Endodontics/Healthcare/Pacific Rim	3,195,382	2,881,591
All Other (g)	282,576	196,930
Total	$4,972,297	$4,755,398

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

Geographic Information

The following table sets forth information about the Company's operations in different geographic areas for the years ended December 31, 2012, 2011 and 2010. Net sales reported below represent revenues for shipments made by operating businesses located in the country or territory identified, including export sales. Property, plant and equipment, net, represents those long-lived assets held by the operating businesses located in the respective geographic areas.

(in thousands)	United States	Germany	Sweden	Other Foreign	Consolidated
2012					
Net sales	$993,980	$546,092	$54,507	$1,333,850	$2,928,429
Property, plant and equipment, net	148,950	122,310	133,502	209,943	614,705
2011					
Net sales	$875,471	$515,819	$20,383	$1,126,045	$2,537,718
Property, plant and equipment, net	137,871	118,229	150,167	185,178	591,445
2010					
Net sales	$846,834	$470,953	$—	$903,227	$2,221,014
Property, plant and equipment, net	119,599	116,951	—	186,555	423,105

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Product and Customer Information

The following table presents net sales information by product category:

(in thousands)	December 31, 2012	2011	2010
Dental consumables products	$768,098	$766,385	$717,718
Dental laboratory products	518,668	525,008	511,061
Dental specialty products	1,306,217	1,078,034	925,317
Consumable medical device products	335,446	168,291	66,918
Total net sales	$2,928,429	$2,537,718	$2,221,014

Dental consumable products consist of dental sundries and small equipment products used in dental offices for the treatment of patients. DENTSPLY’s products in this category include dental anesthetics, infection control products, prophylaxis paste, dental sealants, impression materials, restorative materials, bone grafting materials, tooth whiteners and topical fluoride. The Company manufactures thousands of different consumable products marketed under more than a hundred brand names. Small equipment products consist of various durable goods used in dental offices for treatment of patients. DENTSPLY’s small equipment products include high and low speed handpieces, intraoral curing light systems and ultrasonic scalers and polishers.

Dental laboratory products are used in dental laboratories in the preparation of dental appliances. DENTSPLY’s products in this category include dental prosthetics, including artificial teeth, precious metal dental alloys, dental ceramics, crown and bridge materials, and equipment products used in laboratories consisting of computer aided machining (CAM) ceramic systems and porcelain furnaces.

Dental specialty products are specialized treatment products used within the dental office and laboratory settings. DENTSPLY’s products in this category include endodontic (root canal) instruments and materials, implants and related products, bone grafting material, 3D digital implantology, dental lasers and orthodontic appliances and accessories.

Consumable medical device products consist mainly of urological catheters, certain surgical products, medical drills and other non-medical products.

During 2012, the Company did not have any single customer that represented ten percent or more of DENTSPLY's consolidated net sales. In both 2011 and 2010, one customer, Henry Schein Incorporated, accounted for11% of DENTSPLY's consolidated net sales. Third party export sales from the U.S. are less than ten percent of consolidated net sales.

NOTE 5 - OTHER EXPENSE (INCOME), NET

Other expense (income), net, consists of the following:

(in thousands)	December 31, 2012	2011	2010
Foreign exchange transaction losses	$2,679	$1,713	$3,331
Other expense (income), net	490	7,327	(1,549)
Total other expense (income), net	$3,169	$9,040	$1,782

Other expense (income), net in 2011 included approximately $2.9 million of interest rate swap terminations, $3.8 million of Treasury rate lock ineffectiveness, and $0.6 million of other non-operating expense.

NOTE 6 - INVENTORIES, NET

Inventories, net, consist of the following:

(in thousands)	December 31, 2012	2011
Finished goods	$248,870	$218,814
Work-in-process	72,533	66,952
Raw materials and supplies	81,537	75,996
Inventories, net	$402,940	$361,762

The Company's inventory valuation reserve was $32.6 million and $35.1 million at December 31, 2012 and 2011, respectively.

NOTE 7- PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net, consist of the following:

(in thousands)	December 31, 2012	2011
Assets, at cost:		
Land	$45,561	$45,840
Buildings and improvements	409,451	372,156
Machinery and equipment	848,331	680,240
Construction in progress	50,647	42,648
	1,353,990	1,140,884
Less: Accumulated depreciation	739,285	549,439
Property, plant and equipment, net	$614,705	$591,445

NOTE 8 - GOODWILL AND INTANGIBLE ASSETS

The Company performed the required annual impairment tests of goodwill as of April 30, 2012 on thirteen reporting units. To determine the fair value of the Company's reporting units, the Company uses a discounted cash flow model with market-based support as its valuation technique to measure the fair value for its reporting units. The discounted cash flow model uses five-year forecasted cash flows plus a terminal value based on a multiple of earnings. In addition, the Company applies gross margin and operating expense assumptions consistent with historical trends. The total cash flows were discounted based on a range between 8.5% to 10.5%, which included assumptions regarding the Company's weighted-average cost of capital. The Company considered the current market conditions both in the U.S. and globally, when determining its assumptions. Lastly, the Company reconciled the aggregated fair values of its reporting units to its market capitalization, which included a reasonable control premium based on market conditions. As a result of the annual impairment tests of goodwill, no impairment was identified.

Impairments of identifiable definite-lived and indefinite-lived intangible assets for the years ended December 31, 2012, 2011 and 2010 were $5.2 million, $1.5 million and $0.4 million, respectively.

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A reconciliation of changes in the Company's goodwill is as follows:

(in thousands)	December 31, 2012	2011
Balance, beginning of the year	$2,190,063	$1,303,055
Acquisition activity	867	978,191
Additional consideration for post closing adjustments	6,574	2,833
Adjustment of provisional amounts on prior acquisition	(22,516)	—
Effect of exchange rate changes	35,965	(94,016)
Balance, end of the year	$2,210,953	$2,190,063

Goodwill by reportable segment is as follows:

(in thousands)	December 31, 2012	2011
Dental Consumable and Laboratory Businesses	$488,206	$484,779
Orthodontics/Canada/Mexico/Japan	102,065	102,950
Select Distribution Businesses	92,473	108,566
Implants/Endodontics/Healthcare/Pacific Rim	1,528,209	1,493,768
Total	$2,210,953	$2,190,063

During 2012, the Company transferred goodwill of approximately $13.2 million from the Select Distribution Businesses segment to the Implants/Endodontics/Healthcare/Pacific Rim segment due to changes in reporting units resulting from the integration of the implant businesses.

Identifiable definite-lived and indefinite-lived intangible assets consist of the following:

	December 31, 2012			December 31, 2011		
(in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Patents	$179,512	$(81,390)	$98,122	$131,252	$(17,393)	$113,859
Trademarks	83,073	(33,129)	49,944	73,413	(23,885)	49,528
Licensing agreements	30,695	(18,966)	11,729	30,444	(17,277)	13,167
Customer relationships	491,859	(50,632)	441,227	411,626	(19,066)	392,560
Total definite-lived	$785,139	$(184,117)	$601,022	$646,735	$(77,621)	$569,114
Trademarks and In-process R&D	$229,620	$—	$229,620	$221,986	$—	$221,986
Total identifiable intangible assets	$1,014,759	$(184,117)	$830,642	$868,721	$(77,621)	$791,100

Amortization expense for identifiable definite-lived intangible assets for 2012, 2011 and 2010 was $49.7 million, $21.0 million and $9.0 million, respectively. The annual estimated amortization expense related to these intangible assets for each of the five succeeding fiscal years is $46.4 million, $45.6 million, $45.5 million, $45.1 million and $44.4 million for 2013, 2014, 2015, 2016 and 2017, respectively.

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NOTE 9 - ACCRUED LIABILITIES

Accrued liabilities consist of the following:

(in thousands)	December 31, 2012	2011
Payroll, commissions, bonuses, other cash compensation and employee benefits	$96,206	$85,855
General insurance	12,204	12,164
Sales and marketing programs	32,742	34,528
Professional and legal costs	12,202	10,269
Restructuring costs	14,452	4,787
Warranty liabilities	3,693	3,765
Deferred income	5,514	6,304
Accrued vacation and holidays	29,804	28,169
Third party royalties	11,288	10,174
Current portion of derivatives	144,195	18,143
Other	62,036	75,043
	$424,336	$289,201

NOTE 10 - FINANCING ARRANGEMENTS

Short-Term Debt

Short-term debt consisted of the following:

(in thousands)	December 31, 2012 Principal Balance	Interest Rate	2011 Principal Balance	Interest Rate
Bank overdrafts	$123		$192	
Corporate commercial paper facility	45,000	0.5 %	266,828	0.5 %
European short-term loan	1,962	3.9 %	2,438	3.4 %
Brazil short-term loan	1,000	2.0 %	5,834	12.9 %
Add: Current portion of long-term debt	250,878		1,409	
Total short-term debt	$298,963		$276,701	

	2012	2011
Maximum month-end outstanding during the year	$399,931	$355,304
Average amount outstanding during the year	$248,318	$225,498
Weighted-average interest rate at year-end	0.6 %	0.8 %

Short-Term Borrowings

The Company has a $500.0 million commercial paper facility, at December 31, 2012 and 2011 amounts outstanding were $45.0 million and $266.8 million, respectively. The Company has a $500.0 million five-year revolving credit agreement that expires in July 2016, that serves as back-up credit to this commercial paper facility. Amounts outstanding under the commercial paper, if any, reduce amounts available under the revolving credit agreement. Average outstanding issued commercial paper during 2012 was $267.1 million. As of December 31, 2012, the

Company has classified the commercial paper as short-term debt, reflecting the Company's intent to repay over the next year.

On August 21, 2012 the Company's unused $250.0 million 364-day revolving credit facility expired.

Long-Term Debt

Long-term debt consisted of the following:

	December 31, 2012		2011	
(in thousands)	Principal Balance	Interest Rate	Principal Balance	Interest Rate
Floating rate senior notes $250 million due August 2013	$250,000	1.8 %	$250,000	2.0 %
Term loan Japanese yen denominated expiring September 2014				