

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, 2008**

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

None

Name of each exchange on which registered

Not applicable

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

Common Stock, par value \$.01 per share (Title of class)

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

Yes No

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 No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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.

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

Yes No

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, 2008, was \$5,741,814,318.

The number of shares of the registrant's Common Stock outstanding as of the close of business on February 19, 2009 was 148,601,036.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the definitive Proxy Statement of DENTSPLY International Inc. to be used in connection with the 2009 Annual Meeting of Stockholders (the "Proxy Statement") are incorporated by reference into Part III of this Annual Report on 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 Annual Report on Form 10-K.

Item 1. Business

The nature and geographic scope of the Company's business subjects it to changing economic, competitive, regulatory and technological risks and uncertainties. In accordance with the "Safe Harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Company provides the following cautionary remarks regarding important factors, which, among others, could cause future results to differ materially from the forward-looking statements, expectations and assumptions expressed or implied herein. All forward-looking statements made by the Company are subject to risks and uncertainties and are not guarantees of future performance. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance and achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These statements are identified by the use of such terms as "may," "could," "expect," "intend," "believe," "plan," "estimate," "forecast," "project," "anticipate" or words of similar import.

Investors are cautioned that forward-looking statements involve risks and uncertainties which may materially affect the Company's business and prospects, and should be read in conjunction with the risk factors and uncertainties discussed within Item 1A, Part I of this Annual Report on Form 10-K as filed on February 20, 2009. Investors are further cautioned that the risk factors in Item 1A, Part I of this Annual Report on Form 10-K may not be exhaustive and that many of these factors are beyond the Company's ability to control or predict. Accordingly, forward-looking statements should not be relied upon as a prediction of actual results. The Company undertakes no duty and has no obligation to update forward-looking statements.

History and Overview

DENTSPLY International Inc. ("DENTSPLY" or the "Company"), a Delaware corporation, was created in 1899 as a manufacturer and distributor of artificial teeth, dental equipment and dental consumable products. Today, the Company continues to primarily focus on dental consumable products, dental laboratory products and dental specialty products.

DENTSPLY believes it is the world's largest designer, developer, manufacturer and marketer of a broad range of products for the dental market. The Company's worldwide headquarters and executive offices are located in York, Pennsylvania.

Sales of the Company's dental products accounted for approximately 97% of DENTSPLY's consolidated net sales, excluding precious metal content, for the year ended December 31, 2008. The remaining 3% of consolidated net sales are related to materials sold to the investment casting industry and various medical products. The presentation of net sales, excluding precious metal content, is considered a measure not calculated in accordance with generally accepted accounting principles ("GAAP"), and is therefore considered a non-GAAP measure. This non-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.

Through the year ended December 31, 2008, the Company conducted its business through four operating segments, all of which were primarily engaged in the design, manufacture and distribution of dental products in three principal categories: 1) dental consumable products, 2) dental laboratory products and 3) dental specialty products.

In addition to the United States ("U.S."), the Company conducts its business in over 120 foreign countries, principally through its foreign subsidiaries. DENTSPLY has a long-established presence in Canada and in the European market, particularly in Germany, Switzerland, France, Italy and the United Kingdom. The Company also has a significant market presence in Central and South America, South Africa and the Pacific Rim. DENTSPLY has also established marketing activities in Moscow, Russia to serve the countries of the former Soviet Union.

For 2008, 2007 and 2006, the Company's net sales, excluding precious metal content, to customers outside the U.S., including export sales, accounted for approximately 62%, 59% and 58%, respectively. 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 Annual Report on 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. 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(TM), AQUASIL ULTRA(TM), BIOPURE®, CAULK®, CAVITRON®, CERAMCO®, CERCON®, CITANEST®, DELTON®, DENTSPLY®, DETREY®, ELEPHANT®, ESTHET.X®, FRIADENT®, FRIALIT®, GENIE®, GOLDEN GATE®, IN-OVATION®, INTERACTIVE MYSTIQUE®, MAILLEFER®, MIDWEST®, NUPRO®, ORAQIX®, PEPGEN P-15®, POLOCAINE®, PRIME & BOND®, PROFILE®, PROTAPER®, RINN®, R&R®, SANI-TIP®, SEAL&PROTECT(TM), SHADEPILOT(TM), SULTAN®, THERMAFIL®, TRUBYTE®, XENO®, XIVE®, XYLOCAINE®, and ZHERMACK®.

Dental Consumable Products

Dental consumable products consist of dental sundries and small equipment used in dental offices in the treatment of patients. Sales of dental consumable products, excluding precious metal content, accounted for approximately 34%, 35% and 40% of the Company's consolidated sales for the years ended December 31, 2008, 2007 and 2006, 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 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. Sales of dental laboratory products, excluding precious metal content, accounted for approximately 18%, 19% and 19% of the Company's consolidated sales for each of the years ended December 31, 2008, 2007 and 2006, 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. Sales of dental specialty products, excluding precious metal content, accounted for approximately 45%, 43% and 38% of the Company's consolidated sales for the years ended December 31, 2008, 2007 and 2006, respectively. DENTSPLY's products in this category include endodontic (root canal) instruments and materials, implants and related products, bone grafting materials, 3D digital implantology and orthodontic appliances and accessories.

Markets, Sales and Distribution

DENTSPLY distributes approximately 56% of its dental products through domestic and foreign distributors, dealers 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 professional in some markets. During 2008, 2007 and 2006, one customer, Henry Schein Incorporated, a dental distributor, accounted for 11%, 12% and 11%, respectively, of DENTSPLY's consolidated net sales. No other single customer represented ten percent or more of DENTSPLY's consolidated net sales during 2008, 2007 or 2006.

Reference is made to the information about the Company's foreign and domestic operations and export sales set forth in Note 4, Segment and Geographic Information, to the consolidated financial statements in this Annual Report on Form 10-K.

Although many of its 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 who are the end users of its products.

As part of this end-user “pull through” marketing approach, DENTSPLY employs approximately 2,700 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 dealers and the end users. The Company conducts extensive distributor and end-user marketing programs and trains laboratory technicians and dentists in the proper use of its products, introducing them to the latest technological developments at its educational centers located 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.

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

The U.S., Canada, Western Europe, Japan, Australia, and certain other countries are highly developed markets that demand the most advanced dental procedures and products and have the highest level of expenditures on dental care. In these markets, the focus of dental care is increasingly upon preventive care and specialized dentistry. In addition to basic procedures such as the excavation and filling of cavities and tooth extraction and denture replacement, dental professionals perform an increasing volume of preventive and cosmetic procedures. 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.

In certain countries in Central America, South America, Eastern Europe, Pacific Rim, Middle East, and Africa, most dental care is often limited to the excavation and filling of cavities and other restorative techniques, reflecting more modest per capita expenditures for dental care. These markets demand diverse products such as high and low speed handpieces, restorative compounds, finishing devices, custom restorative devices, basic surgical instruments, bridgework and artificial teeth for dentures.

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 take advantage of any opportunities for growth in all of the markets that it serves.

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, the elderly 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.
- Per capita and discretionary incomes are increasing in emerging nations – As personal incomes continue to rise in the emerging nations of the Pacific Rim, Commonwealth of Independent States (“CIS”) and Latin America, healthcare, including dental services, are a growing priority.
- 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 that are considered necessary by patients regardless of the economic environment. Specialty products and products that support discretionary dental procedures are the most susceptible to recessionary conditions.

Product Development

Technological innovation and successful product development are critical to strengthening the Company's prominent position in worldwide dental markets, maintaining its leadership positions in product categories where it has a high market share and increasing market share in product categories where gains are possible. While many of DENTSPLY's existing products undergo evolutionary improvements, the Company also continues to successfully launch innovative products that represent fundamental change.

New advances in technology are also anticipated to have a significant influence on future products in dentistry. As a result, the Company pursues research and development initiatives to support this technological development, including partnerships and collaborations with various research institutions and dental schools. Through its own internal research centers as well as through its collaborations and partnerships with external research institutions and dental schools, the Company directly invested approximately \$52.3 million, \$46.8 million and \$44.4 million for 2008, 2007 and 2006, 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.

In addition to the direct investment in product development and improvement, the Company also invests in these activities through acquisitions, by entering into licensing agreements and by 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 continues to be fragmented creating a number of acquisition opportunities. As a result, the Company has made several acquisitions in 2008, including a 60% ownership in Zhermack S.p.A., a dental consumable products manufacturer and distributor; E.S. Holding N.V., a manufacturer and sales and marketing organization of dental laboratory products; Dental Depot Lomberg B.V., a sales and marketing organization of orthodontic products; and Apollonia & Fama Impant S.r.l., a sales and marketing organization of dental implant products. The Company also purchased an additional interest in Materialise Dental in 2008. In 2007, the Company acquired one manufacturer of dental consumable products, one manufacturer of endodontic materials, two sales and marketing organizations for dental implant products, and one manufacturer of small dental diagnostic equipment.

The Company continues to view 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 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. The Company continues to automate its global manufacturing operations in order to remain a low cost producer.

Financing

DENTSPLY's total debt at December 31, 2008 and 2007 was \$427.7 million and \$482.3 million, respectively, and the ratios of long-term debt to total capitalization were 21.2% and 24.1%. DENTSPLY defines total capitalization as the sum of total long-term debt, including the current portion, plus total stockholders' equity. DENTSPLY may incur additional debt in the future, including, but not limited to, the funding of additional acquisitions and capital expenditures.

The Company's cash, cash equivalents and short-term investments decreased by \$112.1 million during the year ended December 31, 2008 to \$204.2 million. In 2008, the Company's net borrowings decreased by \$54.6 million. This change included a net reduction in borrowings of \$86.3 million during the year ended 2008, plus an increase of \$31.7 million due to exchange rate fluctuations on debt denominated in foreign currencies. The Company also repurchased \$112.6 million in treasury stock in 2008.

Additional 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 Annual Report on Form 10-K.

Competition

The Company conducts its operations, both domestic and foreign, under highly competitive market conditions. Competition in the dental products industry is based primarily upon product performance, quality, safety and ease of use, as well as price, customer service, innovation and acceptance by professionals and technicians. 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 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 "device" is subject to FDA regulation, compliance with the FDA's requirements constitutes compliance with corresponding state regulations. In order to ensure that dental 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 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 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 the 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 Institutes 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, in 2006 the FDA formed an advisory committee to review peer-reviewed scientific literature on the safety of dental amalgam. 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 for 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. All 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 a significant percentage of DENTSPLY's raw material requirements. In addition to those products both manufactured and sold by the Company, some finished goods products sold by the Company are purchased from third party suppliers. Of these finished goods products purchased from third party suppliers, a significant portion of the Company's injectable anesthetic products, orthodontic products and cutting instruments are purchased from a limited number of suppliers.

Intellectual Property

Products manufactured by DENTSPLY are sold primarily under its own trademarks and trade names. DENTSPLY also owns and maintains more than 2,000 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 in the U.S. and in significant international markets for its products. 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, 2008, the Company and its subsidiaries employed approximately 9,400 employees. A small percentage of the Company's employees are represented by labor unions. Hourly workers at the Company's Ransom & Randolph facility in Maumee, Ohio are represented by Local No. 12 of the International Union, United Automobile, Aerospace and Agriculture Implement Workers of America under a collective bargaining agreement that expires on January 31, 2012. Hourly workers at the Company's Midwest Dental Products facility in Des Plaines, Illinois are represented by International Association of Machinists and Aerospace Workers, AFL-CIO in Chicago under a collective bargaining agreement that expires on May 31, 2009. In Germany, approximately 45% of DeguDent employees, approximately 30% of Friadent employees, approximately 23% of VDW employees and approximately 30% of DeTrey employees are represented by labor unions. The Company provides pension and postretirement benefits to many of its employees (See Note 13, Benefits Plans, to the consolidated financial statements). The Company believes that its relationship with its employees is good.

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

The Company's business is subject to quarterly fluctuations with 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, 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.

Securities and Exchange Act Reports

DENTSPLY 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 Securities Exchange Act of 1934 as soon as reasonably practicable after such materials are filed with or furnished to, the Securities and Exchange Commission ("SEC").

The public may read and copy any materials the Company files with the SEC at its Public Reference Room at the following address:

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. In addition, since the Company is an electronic filer, the public may access reports, the proxy and information statements and other information filed or furnished by the Company at the Internet site maintained by the SEC (<http://www.sec.gov>).

Item 1A. Risk Factors

Following are the significant risk factors that could materially impact DENTSPLY's business. The order in which these factors appear should not be construed to indicate its 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 it 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, 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 changes in domestic and global economic conditions may affect the Company's suppliers, 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 interest and foreign exchange rates.

DENTSPLY, with its significant international operations, is subject to fluctuations in exchange rates of various foreign currencies and other risks associated with foreign trade and the impact of currency fluctuations in any given period can be favorable or unfavorable. The Company's balance sheet includes debt and net investment hedges that are sensitive to movements in interest and foreign exchange rates. Changes in interest rates and foreign exchange rates may have an adverse effect on the Company's statement of income.

Volatility in the capital markets or investment vehicles could limit our ability to access capital.

Although the Company has had continued solid operating cash flow, the disruption in the credit markets may reduce sources of liquidity available to us. 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 the Company requires it. The cost of or lack of available credit could impact our ability to develop sufficient liquidity to maintain or grow our business, which in turn may adversely affect the Company's businesses and results of operations.

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 will not allow the Company to recover the full principal of its investments.

The market price for the Company's common stock may be volatile.

DENTSPLY experiences fluctuations in quarterly earnings. As a result, the Company may fail to meet or exceed the expectations of securities analysts and investors, which could cause its stock price to decline. The Company's business is subject to quarterly fluctuations with net sales and operating profits historically being higher in the second and fourth quarters. The Company typically implements most of its price changes in the beginning of 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 the first and third 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 areas the Company does business.

Also, the NASDAQ National Market can experience extreme price and volume fluctuations that can be unrelated or disproportionate to the operating performance of the companies listed on 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 does the Company.

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

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, 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.

The Company may fail to comply with regulations issued by the FDA and similar foreign regulatory agencies.

DENTSPLY's business is subject to periodic review and inspection by the FDA and similar foreign authorities to monitor DENTSPLY's compliance with the regulations administered by such authorities. There can be no assurance that these authorities will not raise compliance concerns. Failure to satisfy any such requirements can result in governmental enforcement actions, including possible product seizure, injunction and/or criminal or civil proceedings.

All dental amalgam filling materials, including those manufactured and sold by DENTSPLY, contain mercury. The FDA's Dental Devices Classification Panel, the National Institutes 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. If the FDA were to reclassify dental mercury and amalgam filling materials as classes of products requiring FDA pre-market approval, there can be no assurance that the required approval would be obtained or that the FDA would permit the continued sale of amalgam filling materials pending its determination.

Also, some groups have asserted that disposal of mercury containing products may be harmful to the environment. If governmental authorities elect to place restrictions or significant regulations on the disposal of dental amalgam, that could have an adverse impact on the Company's sales of dental amalgam.

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

A significant portion of the Company's injectible anesthetic products, orthodontic products and cutting instruments are purchased from a limited number of suppliers. 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 in the future.

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 to it on terms that restrict its business or that impose additional costs that reduce its operating results.

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

The Company prepares its consolidated financial statements in accordance with accounting principles generally accepted in the U.S. ("GAAP"). These principles are subject to interpretation by the SEC and various bodies formed to interpret and create appropriate accounting principles. A change in these principles can have a significant effect on the Company's reported results and may even retroactively affect previously reported activity.

The Company's accounting principles have recently been changed by changes in the accounting principles for accounting for business combinations and related goodwill. In December 2007, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards No. 141 (revised 2007), ("SFAS 141(R)"), "Business Combinations," which changes the accounting for business combinations including the measurement of acquirer shares issued in consideration for a business combination, the recognition of contingent consideration, the accounting for pre-acquisition gain and loss contingencies, the recognition of capitalized in-process research and development, the accounting for acquisition related restructuring liabilities, the treatment of acquisition related transaction costs and the recognition of changes in the acquirer's income tax valuation allowance. SFAS 141(R) is effective for fiscal years beginning after December 15, 2008. The adoption of SFAS 141(R) will change the Company's accounting treatment for business combinations on a prospective basis beginning in the first quarter of 2009.

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

Under U.S. GAAP, the Company reviews its goodwill and amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually. Factors that may be considered a change in circumstances indicating that the carrying value of the Company's goodwill or amortizable intangible assets may not be recoverable include a decline in market capitalization or future cash flows, and slower growth rates in the dental industry. The Company may be required to record a significant charge to earnings in the Company's financial statements during the period in which any impairment of the Company's goodwill or amortizable intangible assets is determined, resulting in an impact on the Company's results of operations.

Changes in, or interpretations of, tax rules, 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, 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.

The Company's business involves a risk of product liability and other claims, and from time to time the Company is named as a defendant in these cases. 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. A successful claim brought against the Company in excess of available insurance, or any claim 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 discontinue the sale of certain products.

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 any 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 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 pertain 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 provision is triggered.

Certain provisions in the Company's governing documents may discourage third party offers to acquire DENTSPLY that might otherwise result in the Company's stockholders receiving a premium over the market price of their shares.

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 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 5% of the outstanding common stock of DENTSPLY.

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, 2008:

<u>Location</u>	<u>Function</u>	<u>Leased or Owned</u>
United States:		
Milford, Delaware (1)	Manufacture of dental consumable products	Owned
Bradenton, Florida (3)	Manufacture of orthodontic accessory products	Leased
Baldwin, Georgia (3)	Manufacture of orthodontic accessory products	Leased
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
Englewood, New Jersey (1)	Distribution of dental consumable products	Leased
Hackensack, New Jersey (1)	Distribution of dental consumable products	Leased
Bohemia, New York (3)	Manufacture and distribution of orthodontic products and materials	Leased
Maumee, Ohio (4)	Manufacture and distribution of investment casting products	Owned
Middletown, Pennsylvania (1)	Distribution of dental products	Leased
York, Pennsylvania (4)	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 (3)	Manufacture and distribution of endodontic instruments and materials	Leased
Foreign:		
Beringen, Belgium (4)	Manufacture and distribution of dental products	Owned/Leased
Leuven, Belgium (4)	Manufacture and distribution of 3D digital implantology	Leased
Catanduva, Brazil (3)	Manufacture and distribution of dental anesthetic products	Owned
Petropolis, Brazil (3)	Manufacture and distribution of artificial teeth and dental consumable products	Owned
Shanghai, China (4)	Manufacture and distribution of dental products	Leased
Tianjin, China (2)	Manufacture and distribution of dental products	Leased

Ivry Sur-Seine, France (4)	Manufacture and distribution of investment casting products	Leased
Bohmte, Germany (4)	Manufacture and distribution of dental laboratory products	Owned
Hanau, Germany (4)	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 (3)	Manufacture and distribution of endodontic instruments and materials	Owned
Radolfzell, Germany (5)	Distribution of dental products	Leased
Rosbach, Germany (4)	Manufacture and distribution of dental ceramics	Owned
Badia Polesine, Italy (1)	Manufacture and distribution of dental consumable products	Owned/Leased
Nasu, Japan (2)	Manufacture and distribution of precious metal dental alloys, dental consumable products and orthodontic products	Owned
Hoorn, Netherlands (4)	Manufacture and distribution of precious metal dental alloys and dental ceramics	Owned
HA Soest, Netherlands (3)	Distribution of orthodontic products	Leased
Warsaw, Poland (1)	Manufacture and distribution of dental consumable products	Owned
Las Piedras, Puerto Rico (4)	Manufacture of crown and bridge materials	Owned
Ballaigues, Switzerland (3)	Manufacture and distribution of endodontic instruments, plastic components and packaging material	Owned
Le Creux, Switzerland (3)	Manufacture and distribution of endodontic instruments	Owned

- (1) These properties are included in the United States, Germany, and Certain Other European Regions Consumable Businesses segment.
- (2) These properties are included in the France, United Kingdom, Italy, CIS, Middle East, Africa, Pacific Rim Businesses segment.
- (3) These properties are included in the Canada/Latin America/Endodontics/Orthodontics segment.
- (4) These properties are included in the Global Dental Laboratory Business/Implants/Non-Dental 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, Hong Kong and Melbourne. Most of these various 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

On January 5, 1999, the Department of Justice filed a Complaint against the Company in the U.S. District Court in Wilmington, Delaware alleging that the Company's tooth distribution practices violated the antitrust laws and seeking an order for the Company to discontinue its practices. This case has been concluded and the District Court, upon the direction of the Court of Appeals, issued an injunction preventing DENTSPLY from taking action to restrict its tooth dealers in the U.S. from adding new competitive teeth lines.

Subsequent to the filing of the Department of Justice Complaint in 1999, a private party putative class action was filed based on allegations similar to those in the Department of Justice case, on behalf of dental laboratories who purchased Trubyte teeth or products containing Trubyte teeth. The District Court granted the Company's Motion on the lack of standing of the laboratory class action to pursue damage claims. The Plaintiffs appealed this decision to the Third Circuit and the Court largely upheld the decision of the District Court in dismissing the Plaintiffs' damages claims against DENTSPLY, with the exception of allowing the Plaintiffs to pursue a damage claim based on a theory of resale price maintenance between the Company and its tooth dealers. The Plaintiffs then filed an amended complaint in the District Court asserting that DENTSPLY and its tooth dealers, and the dealers among themselves, engaged in a conspiracy to violate the antitrust laws. The District Court has granted the Motions filed by DENTSPLY and the dealers, to dismiss Plaintiffs' claims, except for the resale price maintenance claims. The Plaintiffs have appealed the dismissal of these claims to the Third Circuit. Also pending is a case filed by a manufacturer of a competitive tooth line seeking unspecified damages alleged to have been incurred as a result of the Company's tooth distribution practice found to be a violation of the antitrust law.

On June 18, 2004, Marvin Weinstat, DDS and Richard Nathan, DDS filed a class action suit in San Francisco County, California alleging that the Company misrepresented that its Cavitron® ultrasonic scalers are suitable for use in oral surgical procedures. The Complaint seeks a recall of the product and refund of its purchase price to dentists who have purchased it for use in oral surgery. The Court certified the case as a class action in June 2006 with respect to the breach of warranty and unfair business practices claims. The class is defined as California dental professionals who purchased and used one or more Cavitron® ultrasonic scalers for the performance of oral surgical procedures. The Company filed a motion for decertification of the class and this motion was granted. Plaintiffs have appealed the decertification of the class to the California Court of Appeals.

On December 12, 2006, a Complaint was filed by Carole Hildebrand, DDS and Robert Jaffin, DDS in the Eastern District of PA. The case was filed by the same law firm that filed the Weinstat case in California. The Complaint asserts putative class action claims on behalf of dentists located in New Jersey and Pennsylvania. The Complaint seeks damages and asserts that the Company's Cavitron® ultrasonic scaler was negligently designed and sold in breach of contract and warranty arising from misrepresentations about the potential uses of the product because it cannot assure the delivery of potable or sterile water. Plaintiffs have filed their Motion for class certification to which the Company has filed its response.

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

Not applicable.

Executive Officers of the Registrant

The following table sets forth certain information regarding the executive officers of the Company as of February 20, 2009.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Bret W. Wise	48	Chairman of the Board and Chief Executive Officer
Christopher T. Clark	47	President and Chief Operating Officer
William R. Jellison	51	Senior Vice President and Chief Financial Officer
James G. Mosch	51	Executive Vice President
Robert J. Size	50	Senior Vice President
Albert Sterkenburg	45	Senior Vice President
Brian M. Addison	54	Vice President, Secretary and General Counsel

Bret W. Wise was named Chairman of the Board and Chief Executive Officer of the Company effective January 1, 2009. In January 2007, Mr. Wise was named Chairman of the Board, Chief Executive Officer and President of the Company. Prior to that time, Mr. Wise was President and Chief Operating Officer since January 2006 and Executive Vice President since January 2005. During his tenure as Executive Vice President, Mr. Wise oversaw two of DENTSPLY's operating groups including all business unit products that are sold through distributors in the U.S., Europe and Canada, and the laboratory business units in Europe. In addition he had direct responsibility for corporate research and business development activities. Prior to that time, he was Senior Vice President and Chief Financial Officer of the Company since November 2002. Prior to that time, Mr. Wise was Senior Vice President and Chief Financial Officer with Ferro Corporation of Cleveland, OH. Prior to joining Ferro Corporation in 1999, Mr. Wise held the position of Vice President and Chief Financial Officer at WCI Steel, Inc., of Warren, OH, from 1994 to 1999. Prior to joining WCI Steel, Inc., Mr. Wise was a partner with KPMG LLP. Mr. Wise is a Certified Public Accountant.

Christopher T. Clark was named President and Chief Operating Officer of the Company effective January 1, 2009. In January 2007, Mr. Clark was named Executive Vice President and Chief Operating Officer of the Company. Prior to that time, Mr. Clark was Senior Vice President since January 2003, with operating responsibilities over both manufacturing operations and selling organizations located in the U.S., Europe and Japan. Prior to that appointment, Mr. Clark served as Vice President and General Manager of DENTSPLY's global imaging business since June 1999, with operations in the U.S., Germany and Italy, serving markets worldwide. Prior to that time, he served as Vice President and General Manager of the Prosthetics Division since July of 1996. Prior to that, Mr. Clark was Director of Marketing of the Prosthetics Division since September 1992 when he started with the Company.

William R. Jellison was named Senior Vice President and Chief Financial Officer of the Company effective January 2005. In this position, he is responsible for Accounting, Treasury, Tax and Internal Audit. Prior to that time he was Senior Vice President since November 2002, with operating responsibilities over both manufacturing operations and selling organizations located in the U.S., Europe and Asia. From the period April 1998 to November 2002, Mr. Jellison served as Senior Vice President and Chief Financial Officer of the Company. Prior to that time, Mr. Jellison held various financial management positions including Vice President of Finance, Treasurer and Corporate Controller for Donnelly Corporation of Holland, Michigan since 1980. Mr. Jellison is a Certified Management Accountant. James G. Mosch was named Executive Vice President effective January 2009, and continues his operating responsibilities over both manufacturing operations and selling organizations located in the U.S., Europe, Australia, Brazil, Latin America and Mexico. In January 2007, he assumed responsibility for business development. Through December 2004, he was also responsible for the Company's selling location in Canada. Prior to this appointment, Mr. Mosch served as Vice President and General Manager of the DENTSPLY Professional operating unit since July 1994 when he started with the Company.

Robert J. Size was named Senior Vice President effective January 1, 2007, with operating responsibilities over both manufacturing operations and selling organizations located in the U.S. and Europe, as well as the DENTSPLY North America (DNA) sales organization and centralized distribution. Prior to this appointment, Mr. Size served as Vice President and General Manager of the Caulk division since June 2003 and was named Vice President in January 2006, with responsibility for the Caulk, DeTrey and Rinn operating units. Prior to that time, he was the CEO and President of Superior MicroPowders and held various cross-functional and international leadership positions with The Cookson Group.

Albert Sterkenburg was named Senior Vice President effective January 1, 2009, which adds the implant franchise to his current responsibilities. He continues his operating responsibilities over both manufacturing operations and selling organizations located in the U.S., Europe and Asia. Prior to this appointment, Dr. Sterkenburg served as the Vice President and General Manger of the VDW division since 2000, Vice President and General Manger of Degudent division since 2003, and was named Franchise Vice President of the Global Prosthetics group in 2006. Prior to that time, he had served in marketing and general management roles at Johnson & Johnson.

Brian M. Addison has been Vice President, Secretary and General Counsel of the Company since January 1, 1998. Prior to that, he was Assistant Secretary and Corporate Counsel since December 1994. Prior to that he was a Partner at the Harrisburg, Pennsylvania law firm of McNees, Wallace & Nurick, and prior to that he was Senior Counsel at Hershey Foods Corporation.

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

The information set forth under the caption "Supplemental Stock Information" is filed as part of this Annual Report on Form 10-K.

The Board of Directors has authorized the Company to repurchase shares under its stock repurchase program in an amount up to 17,000,000 shares of treasury 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, 2008.

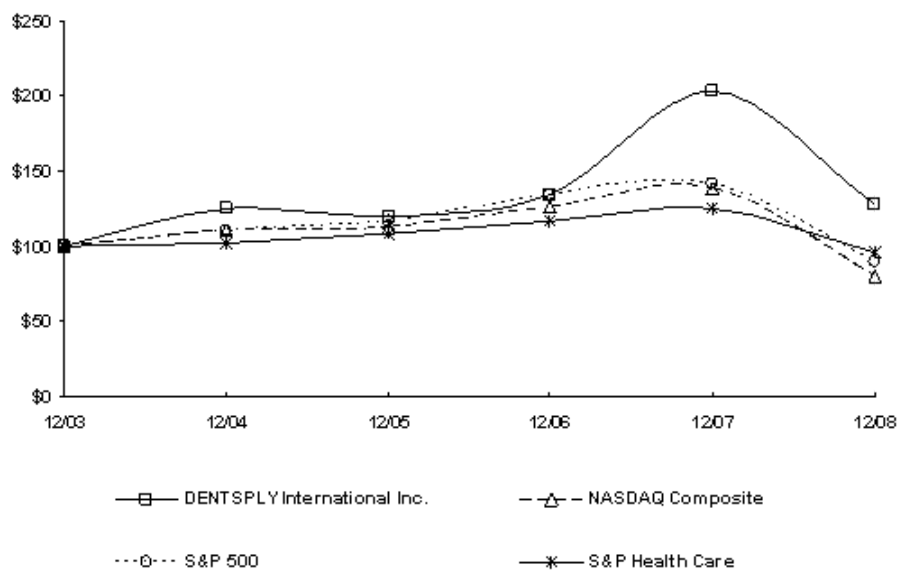
<u>Period</u>	Total Number of Shares Purchased	Average Price Paid Per Share	Total Cost of Shares Purchased	Number of Shares That May Be Purchased Under The Share Repurchase Program
	(in thousands, except per share amounts)			
October 1-31, 2008	-	-	-	3,190.1
November 1-30, 2008	450.0	28.58	12,863.2	2,751.6
December 1-31, 2008	-	-	-	2,751.6
	<u>450.0</u>	28.58	<u>\$ 12,863.2</u>	

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 Health Care Index and the Standard & Poor's 500 Index.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among DENTSPLY International Inc., The NASDAQ Composite Index,
The S&P Health Care Index And The S&P Health Care Index



*\$100 invested on 12/31/03 in stock & index including reinvestment of dividends.
Fiscal year ending December 31.

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	12/03	12/04	12/05	12/06	12/07	12/08
DENTSPLY International Inc	100	124.96	119.93	134.01	202.97	128.00
NASDAQ Composite	100	110.08	112.88	126.51	138.13	80.47
S&P 500	100	110.88	116.33	134.70	142.10	89.53
S&P Health Care	100	101.68	108.24	116.40	124.72	96.27

Item 6. Selected Financial Data

The information set forth under the caption "Selected Financial Data" is filed as part of this Annual Report on Form 10-K.

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

The information set forth under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" is filed as part of this Annual Report on Form 10-K.

Item 7A. Quantitative and Qualitative Disclosure about Market Risk

The information set forth under the caption "Quantitative and Qualitative Disclosure about Market Risk" is filed as part of this Annual Report on Form 10-K.

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 Income," "Consolidated Balance Sheets," "Consolidated Statements of Stockholders' Equity," "Consolidated Statements of Cash Flows," and "Notes to Consolidated Financial Statements" is filed as part of this Annual Report on Form 10-K.

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

Not applicable.

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.

(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 Annual Report on Form 10-K.

(c) Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting that occurred during the year ended December 31, 2008 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 Annual Report on Form 10-K and (ii) set forth under the captions “Election of Directors” and “Section 16(a) Beneficial Ownership Reporting Compliance” in the 2009 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. This Code of Business Conduct and Ethics is provided as Exhibit 14 of the Company’s Annual Report on Form 10-K as filed on February 20, 2009.

Item 11. Executive Compensation

The information set forth under the caption “Executive Compensation” in the 2009 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 2009 Proxy Statement is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions and Director Independence

The information required under this item number is presented in the 2009 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 2009 Proxy Statement is incorporated herein by reference.

Item 15. Exhibits and Financial Statement Schedule(a) Documents filed as part of this Report1 Financial Statements

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

Management's Report on Internal Control Over Financial Reporting
 Report of Independent Registered Public Accounting Firm
 Consolidated Statements of Income - Years ended December 31, 2008, 2007 and 2006
 Consolidated Balance Sheets - December 31, 2008 and 2007
 Consolidated Statements of Stockholders' Equity and Comprehensive Income - Years ended December 31, 2008, 2007 and 2006
 Consolidated Statements of Cash Flows - Years ended December 31, 2008, 2007 and 2006
 Notes to Consolidated Financial Statements

2 Financial Statement Schedule

The following financial statement schedule is filed as part of this Annual Report on 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 Annual Report on Form 10-K as filed on February 20, 2009.

<u>Exhibit Number</u>	<u>Description</u>
3.1	Restated Certificate of Incorporation (1)
3.2	By-Laws, as amended
4.1	(a) U.S. Commercial Paper Issuing and paying Agency Agreement dated as of August 12, 1999 between the Company and the Chase Manhattan Bank (2)
	(b) U.S. Commercial Paper Dealer Agreement dated as of March 28, 2002 between the Company and Salomon Smith Barney Inc. (3)
	(c) Japanese Yen Term Loan Agreement, due March 28, 2012 dated as of July 31, 2008
4.2	(a) Floating Rate Senior Notes Agreement, due March 13, 2010 dated as of March 13, 2007 (4)
4.3	(a) 5-Year Competitive Advance, Revolving Credit and Guaranty Agreements dated as of May 9, 2005 among the Company, the Initial Lenders named therein, the banks named therein, Citibank N.A. as Administrative Agent, JPMorgan Chase Bank, N.A. as Syndication Agent, Harris Trust and Savings Bank, Manufacturers and Traders Trust Company, and Wachovia Bank, N.A. as Co-Documentation Agents, and Citigroup Global Markets, Inc. and J.P. Morgan Securities Inc. as Joint Lead Arrangers and Joint Bookrunners. (5)
10.1	1998 Stock Option Plan (6)*
10.2	2002 Amended and Restated Equity Incentive Plan (4)*
10.3	Restricted Stock Unit Deferral Plan (8)*
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 (7)*
	(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 (7)*

10.5		DENTSPLY Supplemental Saving Plan Agreement dated as of December 10, 2007 (4)*
10.6		Amended and Restated Employment Agreement entered February 19, 2008 between the Company and Bret W. Wise (4)*
10.7		Amended and Restated Employment Agreement entered February 19, 2008 between the Company and Christopher T. Clark (4)*
10.8		Amended and Restated Employment Agreement entered February 19, 2008 between the Company and William R. Jellison (4)*
10.9		Amended and Restated Employment Agreement entered February 19, 2008 between the Company and Brian M. Addison (4)*
10.10		Amended and Restated Employment Agreement entered February 19, 2008 between the Company and James G. Mosch (4)*
10.11		Amended and Restated Employment Agreement entered February 19, 2008 between the Company and Robert J. Size (4)*
10.12		Amended and Restated Employment Agreement entered January 1, 2009 between the Company's subsidiary, DeguDent GMBH and Albert Sterkenburg*
10.13		DENTSPLY International Inc. Directors' Deferred Compensation Plan effective January 1, 2009, as amended*
10.14		Board Compensation Arrangement (4)*
10.15		Supplemental Executive Retirement Plan effective January 1, 2009, as amended*
10.16		Written Description of the Amended and Restated Incentive Compensation Plan*
10.17		AZ Trade Marks License Agreement, dated January 18, 2001 between AstraZeneca AB and Maillefer Instruments Holdings, S.A. (7)
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 (8)
	(b)	Precious metal inventory Purchase and Sale Agreement dated December 20, 2001 between JPMorgan Chase Bank and the Company (9)
	(c)	Precious metal inventory Purchase and Sale Agreement dated December 20, 2001 between Mitsui & Co., Precious Metals Inc. and the Company (9)
	(d)	Precious metal inventory Purchase and Sale Agreement dated December 15, 2005 between ABN AMRO NV, Australian Branch and the Company (8)
	(e)	Precious metal inventory Purchase and Sale Agreement dated January 30, 2002 between Dresdner Bank AG, Frankfurt, and the Company (4)
14		DENTSPLY International Inc. Code of Business Conduct and Ethics
21.1		Subsidiaries of the Company
23.1		Consent of Independent Registered Public Accounting Firm - PricewaterhouseCoopers LLP
31		Section 302 Certification Statements
32		Section 906 Certification Statement

* Management contract or compensatory plan.

- (1) Incorporated by reference to exhibit included in the Company's Registration Statement on Form S-8 (No. 333-101548).
(2) Incorporated by reference to exhibit included in the Company's Annual Report on 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 Annual Report on Form 10-K for the fiscal year ended December 31, 2002, File No. 0-16211.
(4) Incorporated by reference to exhibit included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007, File No. 0-16211.
(5) Incorporated by reference to exhibit included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005, File No. 0-16211.
(6) Incorporated by reference to exhibit included in the Company's Registration Statement on Form S-8 (No. 333-56093).
(7) Incorporated by reference to exhibit included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000, File No. 0-16211.
(8) Incorporated by reference to exhibit included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, File No. 0-16211.
(9) Incorporated by reference to exhibit included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, File No. 0-16211.

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS
FOR THE THREE YEARS ENDED DECEMBER 31, 2008

Description	Balance at Beginning of Period	Additions		Write-offs Net of Recoveries	Translation Adjustment	Balance at End of Period
		Charged (Credited) To Costs And Expenses	Charged to Other Accounts			

(in thousands)

Allowance for doubtful accounts:

For Year Ended December 31,

2006	\$ 14,791	\$ 2,148	\$ (416)	\$ (1,516)	\$ 1,176	\$ 16,183
2007	16,183	2,854	(182)	(1,927)	1,650	18,578
2008	18,578	3,674	(348)	(1,705)	(1,350)	18,849

Inventory valuation reserves:

For Year Ended December 31,

2006	\$ 25,107	\$ 2,211	\$ (341)	\$ (2,180)	\$ 1,508	\$ 26,305
2007	26,305	3,134	(449)	(4,525)	1,725	26,190
2008	26,190	3,261	1,938	(1,981)	(1,019)	28,389

Deferred tax asset valuation allowance:

For Year Ended December 31,

2006	\$ 35,984	\$ 12,006	\$ -	\$ (813)	\$ 2,202	\$ 49,379
2007	49,379	7,076	-	(11,124) (a)	4,919	50,250
2008	50,250	603	-	(13,203) (b)	(909)	36,741

(a) The significant increase for write-offs during 2007 is the result of a restructuring project, where-in net operating losses subject to a full valuation allowance are not available for future use.

(b) The write-offs during 2008 are the result of a restructuring project, tax audit closures and expired tax losses.

SELECTED FINANCIAL DATA

	Year ended December 31,				
	2008	2007	2006	2005	2004
	(in thousands, except per share amounts)				
Statement of Income Data:					
Net sales	\$ 2,193,723	\$ 2,009,833	\$1,810,496	\$ 1,715,135	\$ 1,694,232
Net sales, excluding precious metal content	1,993,800	1,819,899	1,623,074	1,542,711	1,481,083
Gross profit	1,151,944	1,040,783	929,011	869,018	846,518
Restructuring, impairment and other costs (income)	32,355	10,527	7,807	232,755	(a) 7,124
Operating income	380,421	354,891	314,794	7 2,922	295,130
Income before income taxes	355,472	358,135	314,837	71,038	274,155
Net income from continuing operations	\$ 283,869	\$ 259,654	\$ 223,718	\$ 45,413	\$ 210,286
Net income from discontinued operations (b)	-	-	-	-	42,879
Total net income	\$ 283,869	\$ 259,654	\$ 223,718	\$ 45,413	\$ 253,165
Earnings per common share:					
Basic	\$ 1.90	\$ 1.71	\$ 1.44	\$ 0.29	\$ 1.31
Discontinued operations	-	-	-	-	0.27
Total earnings per common share - basic	\$ 1.90	\$ 1.71	\$ 1.44	\$ 0.29	\$ 1.58
Earnings per common share - diluted:					
Diluted	\$ 1.87	\$ 1.68	\$ 1.41	\$ 0.28	\$ 1.28
Discontinued operations	-	-	-	-	0.26
Total earnings per common share - diluted	\$ 1.87	\$ 1.68	\$ 1.41	\$ 0.28	\$ 1.54
Cash dividends declared per common share					
	\$ 0.18500	\$ 0.16500	\$ 0.14500	\$ 0.12500	\$ 0.10875
Weighted Average Common Shares Outstanding:					
Basic	149,069	151,707	155,229	159,191	160,775
Diluted	151,679	154,721	158,271	162,017	164,028
Balance Sheet Data:					
Cash, cash equivalents and short-term investments	\$ 204,249	\$ 316,323	\$ 65,143	\$ 434,525	\$ 506,369
Property, plant and equipment, net	432,276	371,409	329,616	316,218	399,880
Goodwill and other intangibles, net	1,380,744	1,203,587	1,063,030	1,001,827	1,261,993
Total assets	2,830,400	2,675,569	2,181,350	2,410,373	2,798,145
Total debt and notes payable	449,474	483,307	370,156	682,316	852,819
Stockholders' equity	1,587,722	1,516,106	1,273,835	1,246,596	1,443,973
Return on average stockholders' equity	18.3%	18.6%	17.8%	3.4%	19.7%
Long-term debt to total capitalization	21.2%	24.1%	22.4%	35.3%	37.1%
Other Data:					
Depreciation and amortization	\$ 56,929	\$ 50,289	\$ 47,434	\$ 50,560	\$ 49,296
Cash flows from operating activities	335,981	387,697	271,855	232,769	306,259
Capital expenditures	76,440	64,163	50,616	45,293	52,036
Interest expense (income), net	15,438	(2,645)	(1,683)	8,768	19,629
Inventory days	100	95	96	90	92
Receivable days	54	51	57	53	47
Operational tax rate (c)	25.9%	30.4%	30.6%	29.4%	30.0%
(a)	The Company recorded \$230.8 million of impairment and restructuring charges related to the closing of the pharmaceutical manufacturing facility outside of Chicago.				
(b)	The Company sold the assets and related liabilities of the Gendex business in 2004.				
(c)	Operational tax rate is considered a non-GAAP measure, refer to reconciliation in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of this Form 10-K.				

The nature and geographic scope of the Company's business subjects it to changing economic, competitive, regulatory and technological risks and uncertainties. In accordance with the "Safe Harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Company provides the following cautionary remarks regarding important factors, which, among others, could cause future results to differ materially from the forward-looking statements, expectations and assumptions expressed or implied herein. All forward-looking statements made by the Company are subject to risks and uncertainties and are not guarantees of future performance. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance and achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These statements are identified by the use of such terms as "may," "could," "expect," "intend," "believe," "plan," "estimate," "forecast," "project," "anticipate" or words of similar import.

Investors are cautioned that forward-looking statements involve risks and uncertainties which may materially affect the Company's business and prospects, and should be read in conjunction with the risk factors and uncertainties discussed within Item 1A, Part I of this Annual Report on Form 10-K as filed on February 20, 2009. Investors are further cautioned that the risk factors in Item 1A, Part I of this Annual Report on Form 10-K may not be exhaustive and that many of these factors are beyond the Company's ability to control or predict. Accordingly, forward-looking statements should not be relied upon as a prediction of actual results. The Company undertakes no duty and has no obligation to update forward-looking statements.

OVERVIEW

DENTSPLY International Inc. believes it is the world's largest designer, developer, manufacturer and marketer of professional dental products. The Company is headquartered in the United States ("U.S.") and operates in more than 120 other countries, principally through its foreign subsidiaries. The Company also has strategically located distribution centers to enable it to better serve its customers and increase its operating efficiency. While the U.S. and Europe are the Company's largest markets, the Company serves all of the major professional dental markets worldwide.

The principal benchmarks used by the Company in evaluating its business are: (1) internal growth in the U.S., Europe and all other regions; (2) operating margins of each reportable segment; (3) the development, introduction and contribution of innovative new products; (4) growth through acquisition; and (5) continued focus on controlling costs and enhancing efficiency. 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) the net sales, for a period of twelve months following the transaction date, of businesses that have been acquired or divested.

Management believes that an average overall internal growth rate of 4-6% is a long-term sustainable rate for the Company. The internal growth rate may vary outside of this range based on weaker or stronger economic conditions. Management expects the Company to operate below this range in the near future due to the current adverse economic conditions; however, history shows that growth in the dental industry typically performs better than the overall economy. Management expects this trend to continue in light of the current economic environment, although to a lesser degree. The Company typically implements most of its price changes in the beginning of the fourth quarter or beginning of the year. These 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 levels in a given period.

During 2008, the Company's overall internal growth was approximately 3.8% compared to 6.4% in 2007. The decrease in internal growth rate in the U.S. (37.8% of sales) was (0.9%) in 2008 compared to 4.2% in 2007. The internal growth rate in Europe (41.2% of sales) was 7.0% in 2008 compared to 7.3% in 2007. The internal growth rate in all other regions (21.0% of sales) was 7.0% in 2008 compared to 9.4% in 2007. There can be no assurance that the Company's assumptions concerning the growth rates in its markets or the dental market generally 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.

Due to the international nature of DENTSPLY's business, movements in global foreign exchange rates may impact the statement of income. With over 60% of the Company's sales located in regions outside the U.S., the Company's sales are significantly impacted by the strengthening or weakening of the U.S. dollar.

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. As a result, the Company continues to pursue several research and development initiatives to support this technological development, including partnerships and 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 products, they involve new technologies and there can be no assurance that commercialized products will be developed.

Although the professional dental market in which the Company operates has experienced consolidation, it is still a fragmented industry. The Company continues to focus on opportunities to expand the Company's product offerings through acquisition. Management believes that there will continue to be adequate opportunities to participate as a consolidator in the industry for the foreseeable future (See also Acquisition Activity in Part I, Item 1 of this Annual Report on Form 10-K). As further discussed in Note 3, Business Acquisitions, to the consolidated financial statements, during 2008, the Company purchased several businesses.

The Company has always maintained its focus on minimizing costs and achieving operational efficiencies. In response to the recent credit crisis and the recessionary economic conditions, management is concentrating on cost containment that focuses the business on creating and maintaining operational and financial flexibility through control of both fixed and variable costs. Management expects to continue to consolidate operations or functions and reduce the cost of those operations and functions while improving service levels. 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 opportunities will improve the cost structure and offset areas of rising costs such as energy, employee benefits, and regulatory oversight and compliance.

FACTORS IMPACTING COMPARABILITY BETWEEN YEARS

Adoption of SFAS 157, Fair Value Measurement

In 2008, the Company adopted the provisions of Statement of Financial Accounting Standards No. 157, ("SFAS 157") Fair Value Measurement, which requires the Company to define fair value, establish a framework for measuring fair value in accordance with U.S. generally accepted accounting principles ("GAAP"), and expand disclosures about fair value measurements. As part of the provisions, the Company is required to determine the impact of credit risk on its financial instruments recorded at fair value. As a result, the Company recognized pretax income of \$1.8 million during 2008.

Revisions in Classification

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

RESULTS OF CONTINUING OPERATIONS, 2008 COMPARED TO 2007

Net Sales

The discussion below summarizes the Company's total sales growth, excluding precious metal content, into the following components: (1) internal growth; (2) net acquisition growth; and (3) the impact of 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 precious metal content of the Company's sales is largely a pass-through to customers and has minimal effect on earnings, DENTSPLY reports 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, since 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 GAAP, and is therefore considered a non-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,		\$ Change	% Change
	2008	2007		
		(in millions)		
Net Sales	\$ 2,193.7	\$ 2,009.8	\$ 183.9	9.2%
Less: precious metal content of net sales	199.9	189.9	10.0	5.3%
Net sales, excluding precious metal content	\$ 1,993.8	\$ 1,819.9	\$ 173.9	9.6%

The net sales growth, excluding precious metal content, of 9.6% was comprised of 3.8% of internal growth, 3.7% of foreign currency translation and 2.1% related to acquisitions. The 3.8% internal growth was comprised of (0.9%) in the U.S., 7.0% in Europe and 7.0% for all other regions combined.

Internal Sales Growth

United States

The decrease in internal sales growth of (0.9%), excluding precious metal content, in the U.S. was negatively impacted by the supply issues with injectible anesthetics and softness in dental consumables businesses and in the dental specialty businesses in the fourth quarter, as the economy in the U.S. contracted.

Europe

In Europe, the internal sales growth of 7.0%, excluding precious metal content, was driven by strong performance in the dental specialty businesses and growth in the dental consumables businesses partially offset by softness in the dental laboratory businesses due to lower equipment and alloy product sales.

All Other Regions

During 2008, the internal growth of 7.0%, excluding precious metal content, was largely the result of strong growth in the dental specialty category. Asia, Australia, the Middle East and Latin America experienced strong growth.

Gross Profit

	Year Ended December 31,		\$ Change	% Change
	2008	2007		
	(in millions)			
Gross profit	\$ 1,151.9	\$ 1,040.8	\$ 111.1	10.7%
Gross profit as a percentage of net sales, including precious metal content	52.5%	51.8%		
Gross profit as a percentage of net sales, excluding precious metal content	57.8%	57.2%		

The 2008 gross profit as a percentage of net sales, excluding precious metal content, was favorably impacted by product pricing, product mix and operational improvements.

Expenses

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

	Year Ended December 31,		\$ Change	% Change
	2008	2007		
	(in millions)			
SG&A expenses	\$ 739.2	\$ 675.4	\$ 63.8	9.4%
SG&A expenses as a percentage of net sales, including precious metal content	33.7%	33.6%		
SG&A expenses as a percentage of net sales, excluding precious metal content	37.1%	37.1%		

The 9.4% increase in SG&A expenses reflects additional SG&A expenses of \$15.7 million from acquired companies and increases from currency translation of approximately \$24.6 million. The remaining increase in SG&A expenses is primarily a result of increased expenditures to support growth in the dental specialty businesses and higher growth regions as well as continued investment in research and development.

Restructuring, Impairment and Other Costs

	Year Ended December 31,		\$ Change	% Change
	2008	2007		
	(in millions)			
Restructuring, impairment and other costs	\$ 32.4	\$ 10.5	\$ 21.9	NM

During 2008, the Company recorded net restructuring, impairment and other costs of \$32.4 million. The Company recorded costs of \$24.2 million related to legal settlements and impairments of long-lived assets. Additionally, the Company initiated several restructuring plans primarily related to the closure and consolidation of certain production and selling facilities in the U.S., Europe and Asia in order to better leverage the Company's resources by reducing costs and obtaining operational efficiencies. These restructuring plans included charges of \$5.9 million. Additionally, the Company expensed \$2.3 million for the fair value of in-process research and development associated with acquired businesses (See Note 14, Restructuring, Impairment and Other Costs, to the consolidated financial statements).

During 2007, the Company recorded net restructuring, impairment and other costs of \$10.5 million. Several restructuring plans were initiated during 2007, primarily related to the closure and consolidation of certain production and selling facilities in the U.S., Europe, Asia and South America in order to better leverage the Company's resources by reducing costs and obtaining operational efficiencies. These restructuring plans included charges of \$5.4 million. Additionally, the Company also recorded a total of \$5.0 million in expenses related to several legal claims and \$0.1 million of impairments of long-lived assets.

Other Expense and Income, Net

	Year Ended December 31,		\$ Change
	2008	2007	
	(in millions)		
Net interest expense (income)	\$ 15.4	\$ (2.6)	\$ 18.0
Other expense (income), net	9.5	(0.6)	10.1
Net interest and other expense (income)	\$ 24.9	\$ (3.2)	\$ 28.1

Net Interest Expense (Income)

The change from net interest income in 2007 to net interest expense in 2008 was mainly the result of the sharp divergence of lower U.S. dollar interest rates versus increased Euro and Swiss franc interest rates, combined with weaker U.S. dollar average exchange rates against both currencies. This resulted in net interest expense in 2008 versus net interest income in 2007 on the Euro and Swiss franc net investment hedges executed in the form of cross currency swaps. 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. Partially offsetting the net investment hedge impact was higher average investment balances in Euros and lower average interest rates on U.S. dollar debt.

Other Expense (Income), Net

Other Expense (Income), net, in the 2008 period included \$8.9 million of currency transaction losses and \$0.6 million of other non-operating losses. The 2007 period included \$0.5 million of currency transaction gains and \$0.1 million of other non-operating gains. Currency exchange rate volatility was extremely high, especially during the fourth quarter of 2008, and global currencies weakened versus the U.S. dollar. The Company incurred transaction losses, mostly in the fourth quarter of 2008, on settlement of intercompany and third party transactions.

Income Taxes and Net Income

	Year Ended December 31,		\$ Change
	2008	2007	
	(dollars in millions, except per share data)		
Income tax rates	20.1%	27.5%	
Net income	\$ 283.9	\$ 259.7	\$ 24.2
Fully diluted earnings per common share	\$ 1.87	\$ 1.68	

Income Taxes

Management believes that the presentation of an operational tax rate, excluding certain one-time charges, provides useful information to investors to allow a better comparison between reporting periods. The presentation of an operational tax rate is considered a measure not calculated in accordance with GAAP, and is therefore considered a non-GAAP measure. The Company provides the following reconciliation of its effective tax rate, a GAAP measure, to the Company's operational tax rate, a non-GAAP measure. The Company's definitions and calculations of its operating tax rate may not necessarily be the same as those used by other companies.

Twelve Months Ended December 31, 2008	Pre-tax	Income	Percentage
	Income	Taxes	of Pre-tax Income
	(in thousands)		
As reported – GAAP operating results	\$ 355,472	\$ (71,603)	20.1%
Provisions of SFAS157, net of tax	(1,839)	710	
Restructuring and other costs	30,069	(11,294)	
In-process research & development	1,623	(629)	
Income tax related adjustments		(17,055)	
As adjusted – non-GAAP operating results	<u>\$ 385,325</u>	<u>\$ (99,871)</u>	25.9%

Twelve Months Ended December 31, 2007	Pre-tax	Income	Percentage
	Income	Taxes	of Pre-tax Income
	(in thousands)		
As reported – GAAP operating results	\$ 358,135	\$ (98,481)	27.5%
Restructuring and other costs	10,527	(3,852)	
Income tax related adjustments		(9,893)	
As adjusted – non-GAAP operating results	<u>\$ 368,662</u>	<u>\$ (112,226)</u>	30.4%

The Company's effective tax rates for 2008 and 2007 were 20.1% and 27.5%, respectively. The Company's operating tax rates for 2008 and 2007 were 25.9% and 30.4%, respectively. The Company benefited from various tax adjustments of \$17.1 million and \$9.9 million in 2008 and 2007, respectively. The 2008 and 2007 tax related adjustments primarily resulted from payments and settlements and expiration of statutes.

Net Income

Fully diluted earnings per share from continuing operations during 2008 were \$1.87 compared to \$1.68 during the same period in 2007. Net income in 2008 includes an after tax impact from restructuring costs and charges related to in-process research and development of \$19.8 million, or \$0.13 per diluted share, a net tax benefit of \$17.1 million, or \$0.11 per diluted share due to tax related adjustments, and an after tax impact from provisions of a SFAS 157 adjustment of \$1.1 million, or \$0.01 per diluted share. Net income for 2007 includes an after tax impact from restructuring costs of \$6.7 million, or \$0.04 per diluted share and a net tax benefit of \$9.9 million, or \$0.06 per diluted share due to tax related adjustments.

Operating Segment Results

In January 2007, the Company reorganized its operating group structure expanding into four operating groups from the three groups under the prior management structure. These operating groups are considered the Company's reportable segments under SFAS131 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. 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

	Year Ended December 31,		\$ Change	% Change
	2008	2007		
	(in millions)			
United States, Germany, and Certain Other European Regions Consumable Businesses	\$ 466.4	\$ 433.9	\$ 32.5	7.5%
France, United Kingdom, Italy, CIS, Middle East, Africa, Pacific Rim Businesses	\$ 403.6	\$ 352.0	\$ 51.6	14.7%
Canada/Latin America/Endodontics/Orthodontics	\$ 628.9	\$ 583.9	\$ 45.0	7.7%
Global Dental Laboratory Business/Implants/Non-Dental	\$ 498.1	\$ 453.7	\$ 44.4	9.8%

Segment Operating Income

	Year Ended December 31,		\$ Change	% Change
	2008	2007		
	(in millions)			
United States, Germany, and Certain Other European Regions Consumable Businesses	\$ 162.9	\$ 138.9	\$ 24.0	17.3%
France, United Kingdom, Italy, CIS, Middle East, Africa, Pacific Rim Businesses	\$ 9.3	\$ 7.2	\$ 2.1	29.2%
Canada/Latin America/Endodontics/Orthodontics	\$ 200.1	\$ 180.9	\$ 19.2	10.6%
Global Dental Laboratory Business/Implants/Non-Dental	\$ 128.4	\$ 115.3	\$ 13.1	11.4%

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

Net sales, excluding precious metal content, increased 7.5% during the year ended December 31, 2008 compared to 2007. This increase was driven by acquisition related growth and positive currency translation. Supply issues with injectible anesthetics as well as softness in the U.S. dental consumables businesses in the fourth quarter due to a weakening economy hindered the growth within the segment.

Operating income increased \$24.0 million during the year ended December 31, 2008 compared to 2007. The increase was due to improved margins due to favorable product mix across most of the segment and acquisitions.

France, United Kingdom, Italy, CIS, Middle East, Africa, Pacific Rim Businesses

Net sales, excluding precious metal content, increased 14.7%, including the favorable impact of currency translation, during the year ended December 31, 2008 compared to 2007. Strong growth occurred across many regions within the segment.

Operating income increased \$2.1 million during the year ended December 31, 2008 compared to 2007. The increase in income was related to sales growth and leveraging of expenses.

Canada/Latin America/Endodontics/Orthodontics

Net sales, excluding precious metal content, increased 7.7%, including acquisition growth and favorable currency translation, during the year ended December 31, 2008 compared to 2007. Strong growth occurred in the Orthodontic, Endodontic and Latin American businesses.

Operating income increased \$19.2 million during the year ended December 31, 2008 compared to 2007. The increase in operating income was driven primarily by sales growth and leveraging of expenses.

Global Dental Laboratory Business/Implants/Non-Dental

Net sales, excluding precious metal content, increased 9.8%, including favorable impact of currency translation, during the year ended December 31, 2008 compared to 2007. Strong growth occurred in the Implants business and from acquisition related activity.

Operating income increased \$13.1 million during the year ended December 31, 2008 compared to 2007. The increase in operating income was driven primarily by sales growth in the Implants business and leveraging of expenses in the global dental laboratory businesses.

RESULTS OF CONTINUING OPERATIONS, 2007 COMPARED TO 2006

Net Sales

The discussion below summarizes the Company's sales growth, excluding precious metal content, from internal growth and net acquisition growth and highlights the impact of foreign currency translation. These disclosures of net sales growth provide the reader with sales results on a comparable basis between periods.

	Year Ended December 31,		\$ Change	% Change
	2007	2006		
		(in millions)		
Net sales	\$ 2,009.8	\$ 1,810.5	\$ 199.3	11.0%
Less: precious metal content of net sales	189.9	187.4	2.5	1.3%
Net sales, excluding precious metal content	\$ 1,819.9	\$ 1,623.1	\$ 196.8	12.1%

The net sales growth, excluding precious metal content, of 12.1% was comprised of 6.4% of internal growth, 4.1% of foreign currency translation and 1.6% related to acquisitions. The 6.4% internal growth was comprised of 4.2% in the U.S., 7.3% in Europe and 9.4% for all other regions combined.

Internal Sales Growth

United States

The internal sales growth of 4.2%, excluding precious metal content, in the U.S. was a result of continued growth in the dental specialty category, and improved growth in the dental laboratory and dental consumable product categories.

Europe

In Europe, the internal sales growth of 7.3%, excluding precious metal content, was driven by the continued strong sales growth in the dental specialty category and partially offset by lower internal growth in the dental consumables and dental laboratory categories. Additionally, the Company believes that a significant contraction in the alloy products market occurred, in part, due to the dramatic increase in the price of alloy metals and to the shift toward all ceramic products in the past few years.

All Other Regions

The internal growth of 9.4% in all other regions was largely the result of strong growth in the dental specialty category. In addition, during 2007, the Pacific Rim, Canada, Middle East and Australia regions experienced strong internal growth.

Gross Profit

	Year Ended December 31,		\$ Change	% Change
	2007	2006		
	(in millions)			
Gross profit	\$ 1,040.8	\$ 929.0	\$ 111.8	12.0%
Gross profit as a percentage of net sales, including precious metal content	51.8%	51.3%		
Gross profit as a percentage of net sales, excluding precious metal content	57.2%	57.2%		

The 2007 gross profit as a percentage of net sales, excluding precious metal content, was unfavorably impacted by recent business acquisitions and unfavorable purchase price variances related to the weakening U.S. dollar, offset by cost improvements through the Company's lean manufacturing initiatives.

Expenses

Selling, General and Administrative Expenses

	Year Ended December 31,		\$ Change	% Change
	2007	2006		
	(in millions)			
SG&A expenses	\$ 675.4	\$ 606.4	\$ 69.0	11.4%
SG&A expenses as a percentage of net sales, including precious metal content	33.6%	33.5%		
SG&A expenses as a percentage of net sales, excluding precious metal content	37.1%	37.4%		

The 11.4% increase in SG&A expenses reflects additional SG&A expenses of \$9.4 million from acquired companies and increases from unfavorable currency translation impacts of approximately \$25.7 million. The remaining increase in SG&A expenses is primarily a result of increased sales and marketing expenditures to support growth in the dental specialty businesses and higher growth regions, partially offset by lower stock compensation expense as a result of accelerated vesting in 2006. SG&A expenses as a percentage of net sales, excluding precious metal content, decreased from 37.4% in 2006 to 37.1% in 2007. The 2007 expense ratio was favorably impacted by lower stock based compensation and improved leverage on the investments in strategic initiatives.

Restructuring, Impairment and Other Costs

	Year Ended December 31,		\$ Change	% Change
	2007	2006		
	(in millions)			
Restructuring, impairment and other costs	\$ 10.5	\$ 7.8	\$ 2.7	34.6%

During 2007, the Company recorded net restructuring, impairment and other costs of \$10.5 million. The Company initiated several restructuring plans primarily related to the closure and consolidation of certain production and selling facilities in the U.S., Europe, Asia and South America in order to better leverage the Company's resources by reducing costs and obtaining operational efficiencies. These restructuring plans included charges of \$5.4 million. Additionally, the Company also recorded a total of \$5.0 million in expenses related to several legal claims and \$0.1 million of impairments of long-lived assets. (See also Note 14, Restructuring, Impairment and Other Costs, to the consolidated financial statements).

During 2006, the Company recorded net restructuring, impairment and other costs of \$7.8 million. The net costs of \$7.8 million were primarily for additional restructuring costs incurred related to the decision to shut down the pharmaceutical manufacturing facility in Chicago, Illinois and costs related to the consolidation of certain U.S. and European selling and production facilities. These restructuring costs were partially offset by the gain of \$2.9 million on the sale of the assets previously associated with the pharmaceutical manufacturing facility, which the Company had announced in early 2006 that it would be closing. Additionally, these costs were further offset by the gain of \$1.0 million on the sale of assets associated with a German manufacturing facility, which was closed down in 1998 as part of a restructuring plan.

Other Expense and Income, Net

	Year Ended December 31,		\$ Change
	2007	2006	
	(in millions)		
Net interest (income) expense	\$ (2.6)	\$ (1.6)	\$ (1.0)
Other expense (income), net	(0.6)	1.6	(2.2)
Net interest & other (income) expense	\$ (3.2)	\$ -	\$ (3.2)

Net Interest (Income) Expense

The change in net interest income in 2007 compared to 2006 was mainly the result of lower average debt and investment levels following the Euro 350.0 million Eurobond maturity in December, 2006, offset somewhat by higher average interest rates. In addition, higher average interest rates on Euro and Swiss franc basis swaps combined with weaker U.S. dollar average exchange rates against both currencies resulted in lower net interest received on the Company's net investment hedges (See also Note 5, Other (Expense) Income, to the consolidated financial statements).

Other Expense and Income, Net

Other (Income) Expense in the 2007 period included \$0.5 million of currency transaction gains and \$0.1 million of other non-operating gains. The 2006 period included \$0.1 million of currency transaction losses and \$1.5 million of other non-operating losses.

Income Taxes and Net Income

	Year Ended December 31,		\$ Change
	2007	2006	
	(in millions, except per share data)		
Income tax rates	27.5%	28.9%	
Net income	\$ 259.7	\$ 223.7	\$ 36.0
Fully diluted earnings per common share	\$ 1.68	\$ 1.41	

Income Taxes

The Company provides the following reconciliation of its effective tax rate, a GAAP measure, to the Company's operational tax rate, a non-GAAP measure.

	Pre-tax	Income	Percentage
	Income	Taxes	of Pre-tax Income
Twelve Months Ended December 31, 2007	(in thousands)		
As reported – GAAP operating results	\$ 358,135	\$ (98,481)	27.5%
Restructuring and other costs	10,527	(3,852)	
Income tax related adjustments		(9,893)	
As adjusted – non-GAAP operating results	<u>\$ 368,662</u>	<u>\$ (112,226)</u>	30.4%
Twelve Months Ended December 31, 2006	(in thousands)		
As reported – GAAP operating results	\$ 314,835	\$ (91,119)	28.9%
Restructuring and other costs	7,807	(2,790)	
Income tax related adjustments		(4,765)	
As adjusted – non-GAAP operating results	<u>\$ 322,642</u>	<u>\$ (98,674)</u>	30.6%

The Company's effective tax rates for 2007 and 2006 were 27.5% and 28.9%, respectively. The Company's operating tax rates for 2007 and 2006 were 30.4% and 30.6%, respectively. The Company benefited from various tax adjustments of \$9.9 million and \$4.8 million in 2007 and 2006, respectively (see also Note 12, Income Taxes, to the consolidated financial statements).

Net Income

Fully diluted earnings per share from continuing operations during 2007 were \$1.68 compared to \$1.41 during the same period in 2006. Net income for the 2007 period included the after tax impact from restructuring costs of \$6.7 million, or \$0.04 per diluted share and a net tax benefit of \$9.9 million, or \$0.06 per diluted share due to tax related adjustments. The net income for the 2006 period included the after tax impact from restructuring costs of \$5.0 million, or \$0.03 per diluted share and a net tax benefit of \$4.8 million, or \$0.03 per diluted share due to tax related adjustments.

Operating Segment Results

In January 2007, the Company reorganized its operating group structure into four operating groups from the three groups under the prior management structure. These operating groups are considered the Company's reportable segments under SFAS 131 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. 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

	Year Ended December 31,		\$ Change	% Change
	2007	2006		
	(in millions)			
United States, Germany, and Certain Other European Regions Consumable Businesses	\$ 433.9	\$ 395.0	\$ 38.9	9.8%
France, United Kingdom, Italy, CIS, Middle East, Africa, Pacific Rim Businesses	\$ 352.0	\$ 308.4	\$ 43.6	14.1%
Canada/Latin America/Endodontics/Orthodontics	\$ 583.9	\$ 520.9	\$ 63.0	12.1%
Global Dental Laboratory Business/Implants/Non-Dental	\$ 453.7	\$ 402.7	\$ 51.0	12.7%

Segment Operating Income

	Year Ended December 31,		\$ Change	% Change
	2007	2006		
	(in millions)			
United States, Germany, and Certain Other European Regions Consumable Businesses	\$ 138.9	\$ 143.5	\$ (4.6)	-3.2%
France, United Kingdom, Italy, CIS, Middle East, Africa, Pacific Rim Businesses	\$ 7.2	\$ 3.0	\$ 4.2	NM
Canada/Latin America/Endodontics/Orthodontics	\$ 180.9	\$ 171.5	\$ 9.4	5.5%
Global Dental Laboratory Business/Implants/Non-Dental	\$ 115.3	\$ 97.5	\$ 17.8	18.3%

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

Net sales, excluding precious metal content, increased 9.8% during the year ended December 31, 2007 compared to 2006. This increase was driven by positive growth, acquisition related activity and positive currency translation. The implementation of the U.S Strategic Partnership Program hindered this segment in both 2007 and 2006.

Operating income decreased \$4.6 million during the year ended December 31, 2007 compared to 2006. The decrease was due to higher expense allocation from Corporate headquarters of sales and marketing expenses to better reflect activity within the segment. This decrease was partially offset by the favorable impact from acquisition activity and currency translation.

France, United Kingdom, Italy, CIS, Middle East, Africa, Pacific Rim Businesses

Net sales, excluding precious metal content, increased 14.1%, including the favorable impact of currency translation, during the year ended December 31, 2007 compared to 2006. Strong growth occurred in CIS, Middle East, United Kingdom and Pacific Rim businesses.

Operating income increased \$4.2 million during the year ended December 31, 2007 compared to 2006. The increase was primarily related to sales growth and currency translation.

Canada/Latin America/Endodontics/Orthodontics

Net sales, excluding precious metal content, increased 12.1%, including the favorable impact of currency translation, during the year ended December 31, 2007 compared to 2006. Strong growth occurred in the Orthodontic, Endodontic and Canadian businesses.

Operating income increased \$9.4 million during the year ended December 31, 2007 compared to 2006. The increase in operating profits was driven primarily by sales growth across the segment, partially offset by the additional operational investment into the combined Endodontic/Implant businesses in the U.S. The increase was also related to positive currency translation.

Global Dental Laboratory Business/Implants/Non-Dental

Net sales, excluding precious metal content, increased 12.7%, including favorable impact of currency translation, during the year ended December 31, 2007 compared to 2006. Strong growth occurred in the Implants business, and the U.S. dental laboratory business also grew at a faster rate in 2007. Additionally, the Company believes that a significant contraction in the alloy products market occurred, in part, due to the dramatic increase in the price of precious metals and the move to all ceramic products, such as the Company's Cercon® product, in the past few years.

Operating income increased \$17.8 million during the year ended December 31, 2007 compared to 2006. The increase in operating profits was driven primarily by the sales growth in the Implants business. In addition, operating profit was positively impacted from currency translation.

FOREIGN CURRENCY

Since approximately 62% of the Company's 2008 net sales, excluding precious metal content, were generated in currencies other than the U.S. dollar, the value of the U.S. dollar in relation to those currencies affects the results of operations of the Company. The impact of currency fluctuations in any given period can be favorable or unfavorable. The impact of foreign currency fluctuations of European currencies on operating income is partially offset by sales in the U.S. of products sourced from plants and third party suppliers located overseas, principally in Germany and Switzerland.

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The Company has identified below the accounting estimates believed to be critical to its business and results of operations. These critical estimates represent those accounting policies that involve the most complex or subjective decisions or assessments.

Accounts Receivable

The Company sells dental products both 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. If the financial condition of the Company's customers were to deteriorate, their ability to make required payments may become impaired, and increases in these allowances may be required. In addition, a negative impact on sales to those customers may occur.

Inventories

Inventories are stated at the lower of cost or market. The cost of inventories is determined primarily by the first-in, first-out (“FIFO”) or average cost methods, with a small portion being determined by the last in, first-out (“LIFO”) method. 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 actual market conditions are less favorable than those anticipated, additional inventory reserves may be required.

Goodwill and Other Long-Lived Assets

The Company follows Statement of Financial Accounting Standards No. 142 (“SFAS 142”), “Goodwill and Other Intangible Assets,” which requires that at least an annual impairment test be applied to goodwill and indefinite-lived intangible assets. The Company performs impairment tests on at least an annual basis using a fair value approach. If impairment related to goodwill is identified under SFAS 142, 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 impairment is identified on indefinite-lived intangibles, the resulting charge reflects the excess of the asset’s carrying cost over its fair value.

Other long-lived assets, such as definite intangible assets and fixed assets, are amortized or depreciated over their estimated useful lives. In accordance with Statement of Financial Accounting Standards No. 144 (“SFAS 144”), “Accounting for the Impairment or Disposal of Long-Lived Assets,” 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 with impairment being based upon an evaluation of the identifiable undiscounted cash flows. If impaired, the resulting charge reflects the excess of the asset’s carrying cost over its fair value.

Assessment of the potential impairment of goodwill, indefinite-lived, definite-lived intangible assets and 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. If the overall global economy continues to experience recessionary conditions, the economic outlook for the assets being evaluated could also result in impairment charges being recognized. Information with respect to the Company’s significant accounting policies on goodwill, indefinite-lived and definite-lived intangible assets and long-lived assets are included in Note 1, Significant Accounting Policies, to the consolidated financial statements.

Derivative Financial Instruments

The Company adopted Statement of Financial Accounting Standards No. 133 (“SFAS 133”), “Accounting for Derivative Instruments and Hedging Activities,” on January 1, 2001. This standard, as amended by Statement of Financial Accounting Standards No. 138 (“SFAS 138”), “Accounting for Certain Derivative Instruments and Certain Hedging Activities,” Statement of Financial Accounting Standards No. 149 (“SFAS 149”), “Amendment of Statement 133 on Derivative Instruments and Hedging Activities,” and Statement of Financial Accounting Standards No. 155 (“SFAS 155”), “Accounting for Certain Hybrid Financial Instruments - an amendment of FASB Statements No. 133 and 140,” requires that all derivative instruments be recorded on the balance sheet at fair value and that changes in fair value be recorded each period in current earnings or accumulated other comprehensive income.

Pension and Other Postretirement Benefits

Substantially all of the employees of the Company and its subsidiaries are covered by government or Company-sponsored defined benefit or defined contribution plans. Additionally, certain union and salaried employee groups in the U.S. are covered by postretirement healthcare plans. Costs for Company-sponsored 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 pretax earnings. 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. In establishing its discount rates, the Company predominantly uses observed indices of high-grade corporate bond yields with durations that are equivalent to the expected duration of the underlying liability. The discount rate for each plan is based on observed corporate bond yield indices in the respective economic region covered by the plan. 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. Additional information related to the impact of changes in these assumptions is provided in Note 13, Benefit Plans, to the consolidated financial statements.

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 made by management are based on an analysis made by internal and external legal counsel who considers information known at the time. 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.

Accruals for Product Returns, Customer Rebates and Product Warranties

The Company makes provisions for customer returns, customer rebates and for product warranties at the time of sale. These accruals are based on past history, projections of customer purchases and sales and expected product performance in the future. Because the actual results for product returns, rebates and warranties are dependent in part on future events, these matters require the use of estimates. The Company has a long history of product performance in the dental industry and thus has an extensive knowledge base from which to draw in measuring these estimates.

Income Taxes

Income taxes are determined using the liability method of accounting for income taxes in accordance with Statement of Financial Accounting Standard No. 109 ("SFAS 109"), "Accounting for Income Taxes." Under SFAS 109, 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.

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, 2008, the Company recorded a valuation allowance of \$36.7 million against the benefit of certain net operating loss carryforwards 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 the accruals is recorded when examinations are completed, statutes of limitation are closed or tax laws are changed.

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109, Accounting for Income Taxes," which clarifies the accounting for income taxes. FIN 48 prescribes 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 Interpretation requires that the Company recognize 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. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods and disclosure.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operating activities during the year ended December 31, 2008 were \$336.0 million compared to \$387.7 million during the year ended December 31, 2007. The decrease of \$51.7 million was primarily the result of higher earnings in the 2008 period being offset by higher tax payments and unfavorable working capital changes versus the prior year. While net income from continuing operations increased by \$24.2 million to \$283.9 million, the Company had higher tax payments in 2008. The increase in tax payments versus the prior year is a result of higher earnings in the current year and utilization in 2007 of a net operating loss. Increased days in inventory and days outstanding in accounts receivable resulted in a \$44.8 million use of cash flow. For the year ended December 31, 2008, the number of days for sales outstanding in accounts receivable and days in inventory were 54 days and 100 days, respectively, compared to the previous year of 51 days and 95 days, respectively.

Investing activities during 2008 include capital expenditures of \$76.4 million. Activity related to the acquisition of businesses, for the year ended December 31, 2008, was \$117.3 million, which was primarily due to the acquisition of Zhermack S.p.A., several small companies in 2008 and final payments on three acquisitions from previous years. (See Note 3, Business Acquisitions, to the consolidated financial statements).

At December 31, 2008, the Company had authorization to maintain up to 17.0 million shares of treasury stock under its stock repurchase program as approved by the Board of Directors. Under this program, the Company purchased approximately 3.0 million shares during 2008 at an average price of \$37.91. As of December 31, 2008 and 2007, the Company held 14.2 million and 12.0 million shares of treasury stock, respectively. The Company also received proceeds of \$12.7 million primarily as a result of 0.7 million stock option exercises during the year ended December 31, 2008.

DENTSPLY's total debt at December 31, 2008 and 2007 was \$427.7 million and \$482.3 million, respectively. The Company's long-term borrowings decreased by a net of \$54.6 million during the year ended December 31, 2008. This change included a net reduction in borrowings of \$86.3 million during the year ended 2008, plus an increase of \$31.7 million due to exchange rate fluctuations on debt denominated in foreign currencies. During the year ended December 31, 2008, the Company's ratio of long-term debt to total capitalization decreased to 21.2% compared to 24.1% at December 31, 2007.

Under its multi-currency revolving credit agreement, the Company is able to borrow up to \$500.0 million through May 2010. This facility is unsecured and contains certain affirmative and negative covenants relating to its operations and financial condition. The most restrictive of these covenants pertain to asset dispositions and prescribed ratios of indebtedness to total capital and operating income, excluding depreciation and amortization, to interest expense. At December 31, 2008, the Company was in compliance with these covenants. The Company also has available an aggregate \$250.0 million under its U.S. commercial paper facility. The multi-currency revolving credit facility serves as a back-up to the commercial paper facility. The total available credit under the commercial paper facility and the multi-currency facility in the aggregate is \$500.0 million with \$114.3 million outstanding under the multi-currency facility and none outstanding under the commercial paper facility at December 31, 2008.

The Company also has access to \$65.2 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, 2008, \$21.8 million is outstanding under these short-term lines of credit. At December 31, 2008, the Company had total unused lines of credit related to the revolving credit agreement and the uncommitted short-term lines of credit of \$426.1 million. At December 31, 2008, the Company held \$78.1 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 Company's cash, cash equivalents and short-term investments decreased \$112.1 million during the year ended December 31, 2008 to \$204.2 million. In 2008, the Company had net purchases of \$112.6 million in treasury stock. The net reduction in borrowings was primarily due to the repatriation of \$144.0 million and short-term intercompany loans of \$160.0 million from foreign subsidiaries used to repay U.S. commercial paper of \$159.3 million.

On July 25, 2008, the Company entered into a Term Loan Agreement with a group of lenders providing financing in the amount of 12.6 billion Japanese Yen at a floating rate of three month Yen Libor plus 72.5 basis points through March 28, 2012. The net proceeds after deducting fees and expenses of the loan are 12.5 billion Japanese Yen or approximately \$117.9 million. The proceeds were used to refinance debt borrowed under the revolving credit facility. The obligations of the Company and the lenders are subject to the terms and conditions of the Term Loan Agreement.

On March 13, 2007, the Company entered into a Note Purchase Agreement with a group of initial purchasers, providing for the issuance of \$150.0 million aggregate principal amount of floating rate senior notes due in 2010 through a private placement. The net proceeds from the offering after deducting placement fees and expenses of the offering was \$149.5 million. The obligations of DENTSPLY and the initial purchasers are subject to the terms and conditions of the Note Purchase Agreement.

The following table presents the Company's scheduled contractual cash obligations at December 31, 2008:

<u>Contractual Obligations</u>	Less Than	1-3	3-5	Greater	Total
	1 Year	Years	Years	Than 5 Years	
	(in thousands)				
Long-term borrowings	\$ 3,980	\$ 283,195	\$ 140,075	\$ 409	\$427,659
Operating leases	24,730	30,458	13,760	11,819	80,767
Interest on long-term borrowings, net of interest rate swap agreements	23,230	23,252	1,837	611	48,930
Postretirement obligations	8,195	19,387	20,443	59,667	107,692
Cross currency swaps	-	142,372	6,563	-	148,935
Commodity hedges	1,911	20	-	-	1,931
Precious metal consignment agreements	78,101	-	-	-	78,101
	<u>\$140,147</u>	<u>\$ 498,684</u>	<u>\$182,678</u>	<u>\$ 72,506</u>	<u>\$894,015</u>

Due to the uncertainty with respect to the timing of future cash flows associated with the Company's unrecognized tax benefits at December 31, 2008, the Company is unable to make reasonably reliable estimates of the period of cash settlement with the respective taxing authority; and therefore, \$23.3 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).

The Company expects on an ongoing basis to be able to finance cash requirements, including capital expenditures, 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. The Company continues to generate strong cash flows from operations, which is used to finance the Company's activities.

NEW ACCOUNTING PRONOUNCEMENTS

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141(R) ("SFAS 141(R)", "Business Combinations." It requires the acquiring entity in a business combination to recognize all assets acquired and liabilities assumed in the transaction, establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed, and requires the acquirer to disclose the nature and financial effect of the business combination. SFAS 141(R) is effective for fiscal years beginning after December 15, 2008.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160 ("SFAS 160"), "Noncontrolling Interests in Consolidated Financial Statements." This Statement amends Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 is effective for fiscal years beginning after December 15, 2008. The Company will adopt SFAS 160 in the first quarter of fiscal year 2009. The adoption will reclassify the minority interests currently reported in the liabilities section of the balance sheet to the equity section of the balance sheet.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161 ("SFAS 161"), "Disclosures about Derivative Instruments and Hedging Activities." SFAS 161 is effective for fiscal years beginning after December 15, 2008. This statement amends and expands the disclosure requirements of SFAS 133, "Accounting for Derivative Instruments and Hedging." The Company will adopt SFAS 161 in the first quarter of fiscal year 2009 and the adoption will further expand the Company's footnotes for derivatives.

In May 2008, the FASB issued Statement of Financial Accounting Standards No. 162 ("SFAS 162"), "The Hierarchy of Generally Accepted Accounting Principles." This statement identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles. This standard will have no impact on the Company's financial statements.

In December 2008, the FASB issued FASB Staff Position ("FSP") No. FAS 132(R)-1, "Employer's Disclosure about Postretirement Benefit Plan Assets." The FSP provides guidance on an employer's disclosure about plan assets of a defined benefit pension or other postretirement plan. The FSP is effective for fiscal years ending after December 15, 2009 with early application permitted. Upon initial application, the provisions of this staff position are not required for earlier periods that are presented for comparative periods. The Company is in the process of evaluating the impact of adopting this staff position on its disclosures.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The information provided below about the Company's market sensitive financial instruments includes "forward-looking statements" that involve risks and uncertainties. Actual results could differ materially from those expressed in the forward-looking statements. 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 in the table below. All items described are non-trading and are stated in U.S. dollars.

Financial Instruments

The fair value of financial instruments is determined by reference to various market data and other valuation techniques as appropriate. The Company believes the carrying amounts of cash and cash equivalents, short-term investments, accounts receivable (net of allowance for doubtful accounts), prepaid expenses and other current assets, accounts payable, accrued liabilities, income taxes payable and notes payable approximate fair value due to the short-term nature of these instruments. The Company estimates the fair value and carrying value of its total debt was \$427.7 million as of December 31, 2008. The fair value of the Company's long-term debt equaled its carrying value as the Company's debt is variable rate and reflects current market rates. The interest rates on private placement notes, revolving debt and commercial paper are variable and therefore the fair value of these instruments approximates carrying values.

Derivative Financial Instruments

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, cross currency basis swaps to convert debt denominated in one currency to another currency and commodity swaps to fix its variable raw materials.

Foreign Exchange Risk Management The Company enters into forward foreign exchange contracts to selectively hedge assets and liabilities denominated in foreign currencies. Market value gains and losses are recognized in income currently and the resulting gains or losses offset foreign exchange gains or losses recognized on the foreign currency assets and liabilities hedged.

The Company selectively enters into forward foreign exchange contracts to hedge anticipated purchases of product to effectively fix certain variable costs. These forwards are used to stabilize the cost of certain of the Company's products. The Company generally accounts for the forward foreign exchange contracts as cash flow hedges under SFAS 133. As a result, the Company records the fair value of the contract primarily through other comprehensive income based on the tested effectiveness of the forward foreign exchange contracts. Realized gains or losses in other comprehensive income are released and recorded to costs of products sold as the products associated with the forward foreign exchange contracts are sold. The Company measures the effectiveness of cash flow hedges of anticipated transactions on a spot to spot basis rather than on a forward to forward basis. Accordingly, any time value component of the hedge fair value is deemed ineffective and will be reported currently as interest expense in the period which it is applicable. The spot to spot change in the derivative fair value will be deferred in other comprehensive income and released and recorded to costs of products sold as the products associated with the forward foreign exchange contracts are sold. Any cash flows associated with these instruments are included in cash from operations in accordance with the Company's policy of classifying the cash flows from these instruments in the same category as the cash flows from the items being hedged.

Determination of hedge activity is based upon market conditions, the magnitude of the foreign currency assets and liabilities, and perceived risks. The Company's significant contracts outstanding as of December 31, 2008 are summarized in the table that follows. These foreign exchange contracts generally have maturities of less than twelve months and the counterparties to the transactions are typically large international financial institutions.

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 derivative financial instruments 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, which are included in accumulated other comprehensive income.

In the first quarter of 2005, the Company entered into cross currency interest rate swaps with a notional principal value of Swiss francs 457.5 million paying three month Swiss franc Libor and receiving three month U.S. dollar Libor on \$384.4 million. In the first quarter of 2006, the Company entered into additional cross currency interest rate swaps with a notional principal value of Swiss francs 55.5 million paying three month Swiss franc Libor and receiving three month U.S. dollar Libor on \$42.0 million. In the fourth quarter of 2006, the Company entered into additional cross currency interest rate swaps with a notional principal value of Swiss francs 80.4 million paying three month Swiss franc Libor and receiving three month U.S. dollar Libor on \$64.4 million. In the first quarter of 2007, the Company entered into additional cross currency interest rate swaps with a notional principal value of Swiss francs 56.6 million paying three month Swiss franc Libor and receiving three month U.S. dollar Libor on \$46.3 million. Additionally, in the fourth quarter of 2005, the Company entered into cross currency interest rate swaps with a notional principal value of Euro 358.0 million paying three month Euro Libor and receiving three month U.S. dollar Libor on \$419.7 million. The Swiss franc and Euro cross currency interest rate swaps are designated as net investment hedges of the Swiss and Euro denominated net assets. The interest rate differential is recognized in the earnings as interest income or interest expense as it is accrued. The foreign currency revaluation is recorded in accumulated other comprehensive income, net of tax effects.

At December 31, 2008 and 2007, the Company had Euro-denominated, Swiss franc-denominated, and Japanese yen-denominated debt and cross currency interest rate swaps (at the parent company level) to hedge the currency exposure related to a designated portion of the net assets of its European, Swiss and Japanese subsidiaries. The fair value of the cross currency interest rate swap agreements is the estimated amount the Company would (pay) receive at the reporting date, taking into account the effective interest rates and foreign exchange rates. As of December 31, 2008 and December 31, 2007, the estimated net fair values of the cross currency interest rate swap agreements were negative \$148.9 million and negative \$138.1 million, respectively, which are recorded in accumulated other comprehensive income, net of tax effects. At December 31, 2008 and 2007, the accumulated translation gains on investments in foreign subsidiaries, primarily denominated in Euros, Swiss francs and Japanese Yen, net of these net investment hedges, were \$77.5 million and \$156.8 million, respectively, which were included in accumulated other comprehensive income, net of tax effects. The Company's outstanding debt denominated in foreign currencies and the outstanding cross currency interest rate swaps as of December 31, 2008 are summarized in the table that follows.

Interest Rate Risk Management The Company uses interest rate swaps to convert a portion of its variable rate debt to fixed rate debt. As of December 31, 2008, the Company has three groups of significant variable rate to fixed rate 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 rate of 1.6% for a term of ten years, ending in March 2012. Another swap has a notional amount of 65.0 million Swiss francs, and effectively converts the underlying variable interest rates to a fixed rate of 4.2% for a term of seven years, ending in March 2012. A third group of swaps has a notional amount of \$150.0 million, and effectively converts the underlying variable interest rates to a fixed rate of 3.9% for a term of two years, ending March 2010.

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 under SFAS 133. As a result, the Company records the fair value of the swap primarily through other comprehensive income based on the tested effectiveness of the commodity swap. Realized gains or losses in other comprehensive income are released and recorded to costs of products sold as the products associated with the commodity swaps are sold. The Company measures the effectiveness of cash flow hedges of anticipated transactions on a spot to spot basis rather than on a forward to forward basis. Accordingly, any time value component of the hedge fair value is deemed ineffective and will be reported currently as interest expense in the period which it is applicable. The spot to spot change in the derivative fair value will be deferred in other comprehensive income and released and recorded to costs of products sold as the products associated with the forward foreign exchange contracts are sold. Any cash flows associated with these instruments are included in cash from operations in accordance with the Company's policy of classifying the cash flows from these instruments in the same category as the cash flows from the items being hedged. The Company's significant contracts outstanding as of December 31, 2008 are summarized in the table that follows.

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, 2008, the Company had 113,263 troy ounces of precious metal, primarily gold, platinum and palladium, on consignment for periods of less than one year with a market value of \$78.1 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, 2008, the average annual rate charged by the consignor banks was 1.91%. These compensatory payments are considered to be a cost of the metals purchased and are recorded as part of the cost of products sold.

EXPECTED MATURITY DATES

(represents notional amounts for derivative financial instruments)

	2009	2010	2011	2012	2013	2014 and beyond	December 31, 2008	
							Carrying Value	Fair Value
Financial Instruments								
Notes Payable:								
U.S. dollar denominated	\$ 70	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 70	\$ 70
Average interest rate	0.00%						0.00%	
Taiwan dollar denominated	163	-	-	-	-	-	163	163
Average interest rate	0.00%						0.00%	
Polish zloty denominated	66	-	-	-	-	-	66	66
Average interest rate	8.69%						8.69%	
Euro denominated	20,178	-	-	-	-	-	20,178	20,178
Average interest rate	4.34%						4.34%	
Brazil Reais denominated	1,338	-	-	-	-	-	1,338	1,338
Average interest rate	19.87%						19.87%	
Total Notes Payable	\$ 21,815	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,815	\$ 21,815
	5.26%						5.26%	
Current Portion of Long-Term Debt:								
U.S. dollar denominated	\$ 4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4	\$ 4
Average interest rate	10.13%						10.13%	
Euro denominated	3,976	-	-	-	-	-	3,976	3,976
Average interest rate	4.28%						4.28%	
Total Current Portion of Long-Term Debt	\$ 3,980	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,980	\$ 3,980
	4.28%						4.28%	
Long Term Debt:								
U.S. dollar denominated	\$ -	\$ 152,978	\$ -	\$ -	\$ -	\$ -	\$ 152,978	\$ 152,978
Average interest rate		2.25%					2.25%	
Swiss franc denominated	-	114,316	-	-	-	-	114,316	114,316
Average interest rate		1.21%					1.21%	
Japanese yen denominated	-	-	-	138,247	-	-	138,247	138,247
Average interest rate				1.61%			1.61%	
Euro denominated	-	5,157	3,873	4,462	1,353	3,293	18,138	18,138
Average interest rate		3.96%	3.89%	3.83%	4.64%	4.90%	4.14%	
Total Long-Term Debt,								
Net Current Portion	\$ -	\$ 272,451	\$ 3,873	\$ 142,709	\$ 1,353	\$ 3,293	\$ 423,679	\$ 423,679
		1.85%	3.89%	1.68%	4.64%	4.90%	1.84%	

EXPECTED MATURITY DATES

(represents notional amounts for derivative financial instruments)

	2009	2010	2011	2012	2013	2014 and beyond	December 31, 2008	
							Carrying Value	Fair Value
Derivative Financial Instruments								
Foreign Exchange								
Forward Contracts:								
	(dollars in thousands)							
Forward sale, 9.1 million								
Australian dollars	\$ 6,407	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (59)	\$ (59)
Forward sale, 10.3 million								
Canadian dollars	8,479	-	-	-	-	-	574	574
Forward purchase, 2.9 million								
Canadian dollars	(2,386)	-	-	-	-	-	45	45
Forward sale, 1.7 billion								
Japanese yen	18,825	-	-	-	-	-	(254)	(254)
Forward purchase, 0.3 billion								
Japanese yen	(3,491)	-	-	-	-	-	(73)	(73)
Forward sale, 104.9 million								
Mexican Pesos	7,548	-	-	-	-	-	130	130
Forward sale, 6.1 million								
Danish Krone	1,140	-	-	-	-	-	2	2
Forward sale, 36.7 million								
Euros	51,187	-	-	-	-	-	2,807	2,807
Forward purchase, 189.2 million								
Euros	(263,965)	-	-	-	-	-	112	112
Forward sale, 29.2 million								
Swiss francs	27,317	-	-	-	-	-	(1,413)	(1,413)
Forward purchase, 11.0 million								
Swiss francs	(10,314)	-	-	-	-	-	184	184
Total Foreign Exchange								
Forward Contracts	\$ (159,253)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,055	\$ 2,055
Interest Rate Swaps:								
Interest rate swaps - euro	\$ 78	\$ 703	\$ -	\$ -	\$ -	\$ -	\$ 2	\$ 2
Average interest rate	-1.0%	-1.0%						
Interest rate swaps - Japanese yen	-	-	-	138,247	-	-	(3,342)	(3,342)
Average interest rate				1.6%				
Interest rate swaps - Swiss francs	-	-	-	60,809	-	-	(5,093)	(5,093)
Average interest rate				4.2%				
Interest rate swaps - US dollars	-	150,000	-	-	-	-	(4,096)	(4,096)
Average interest rate		3.9%						
Total Interest Rate Swaps	\$ 78	\$ 150,703	\$ -	\$ 199,056	\$ -	\$ -	\$ (12,529)	\$ (12,529)
Cross Currency Basis Swaps:								
Swiss franc 650.0 million @ 1.21 pay CHF 3 mo. Libor rec. USD 3mo. Libor	\$ -	\$ 479,920	\$ 75,215	\$ 52,950	\$ -	\$ -	\$ (70,146)	\$ (70,146)
Average interest rate		-0.12%	-0.16%	-0.28%				
Euros 358.0 million @ \$1.17 pay EUR 3 mo. Libor rec. USD 3mo. Libor	-	499,354	-	-	-	-	(78,789)	(78,789)
Average interest rate		1.36%						
Total Cross Currency Basis Swaps	\$ -	\$ 979,274	\$ 75,215	\$ 52,950	\$ -	\$ -	\$ (148,935)	\$ (148,935)
Commodity Contracts:								
Silver Swap - U.S. dollar	\$ (2,913)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (697)	\$ (697)
Platinum Swap - U.S. dollar	(3,184)	(157)	-	-	-	-	(1,234)	(1,234)
Total Commodity Contracts	\$ (6,097)	\$ (157)	\$ -	\$ -	\$ -	\$ -	\$ (1,931)	\$ (1,931)

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, 2008. 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, 2008, 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, 2008 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, 2009

/s/ William R. Jellison
William R. Jellison
Senior Vice President and
Chief Financial Officer
February 20, 2009

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, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008 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, 2008, 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 (U.S.). 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, 2009

DENTSPLY INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

Year Ended December 31,

	2008	2007	2006
	(in thousands, except per share amounts)		
Net sales (Note 4)	\$ 2,193,723	\$ 2,009,833	\$ 1,810,496
Cost of products sold	<u>1,041,779</u>	<u>969,050</u>	<u>881,485</u>
Gross profit	1,151,944	1,040,783	929,011
Selling, general and administrative expenses	739,168	675,365	606,410
Restructuring, impairment and other costs (Note 14)	<u>32,355</u>	<u>10,527</u>	<u>7,807</u>
Operating income	380,421	354,891	314,794
Other income and expenses:			
Interest expense	32,527	23,783	34,897
Interest income	(17,089)	(26,428)	(36,580)
Other expense (income), net (Note 5)	<u>9,511</u>	<u>(599)</u>	<u>1,640</u>
Income before income taxes	355,472	358,135	314,837
Provision for income taxes (Note 12)	<u>71,603</u>	<u>98,481</u>	<u>91,119</u>
Net income	<u><u>\$ 283,869</u></u>	<u><u>\$ 259,654</u></u>	<u><u>\$ 223,718</u></u>
Earnings per common share (Note 2)			
- Basic	\$ 1.90	\$ 1.71	\$ 1.44
- Diluted	\$ 1.87	\$ 1.68	\$ 1.41
Cash dividends declared per common share	\$ 0.18500	\$ 0.16500	\$ 0.14500
Weighted average common shares outstanding (Note 2):			
Basic	149,069	151,707	155,229
Diluted	151,679	154,721	158,271

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

DENTSPLY INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2008	2007
	(in thousands)	
Assets		
Current Assets:		
Cash and cash equivalents	\$ 203,991	\$ 169,384
Short-term investments	258	146,939
Accounts and notes receivable-trade, net (Note 1)	319,260	307,622
Inventories, net (Notes 1 and 6)	306,125	258,032
Prepaid expenses and other current assets (Notes 12 and 15)	120,228	100,045
Total Current Assets	<u>949,862</u>	<u>982,022</u>
Property, plant and equipment, net (Notes 1 and 7)	432,276	371,409
Identifiable intangible assets, net (Notes 1 and 8)	103,718	76,167
Goodwill, net (Notes 1 and 8)	1,277,026	1,127,420
Other noncurrent assets, net (Notes 12, 13 and 15)	67,518	118,551
Total Assets	<u><u>\$2,830,400</u></u>	<u><u>\$ 2,675,569</u></u>
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 104,329	\$ 82,321
Accrued liabilities (Note 9)	193,660	189,405
Income taxes payable (Note 12)	36,178	39,441
Notes payable and current portion of long-term debt (Note 10)	25,795	1,244
Total Current Liabilities	<u>359,962</u>	<u>312,411</u>
Long-term debt (Note 10)	423,679	482,063
Deferred income taxes (Note 12)	69,049	60,547
Other noncurrent liabilities (Note 13 and 15)	318,297	304,146
Total Liabilities	<u>1,170,987</u>	<u>1,159,167</u>
Minority interests in consolidated subsidiaries	<u>71,691</u>	<u>296</u>
Commitments and contingencies (Note 16)		
Stockholders' Equity:		
Preferred stock, \$.01 par value; .25 million shares authorized; no shares issued	-	-
Common stock, \$.01 par value; 200 million shares authorized; 162.8 million shares issued at December 31, 2008 and December 31, 2007	1,628	1,628
Capital in excess of par value	187,154	173,084
Retained earnings	1,838,958	1,582,683
Accumulated other comprehensive income	39,612	145,819
Treasury stock, at cost, 14.2 million shares at December 31, 2008 and 12.0 million shares at December 31, 2007	(479,630)	(387,108)
Total Stockholders' Equity	<u>1,587,722</u>	<u>1,516,106</u>
Total Liabilities and Stockholders' Equity	<u><u>\$ 2,830,400</u></u>	<u><u>\$ 2,675,569</u></u>

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

DENTSPLY INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
	(in thousands)					
Balance at December 31, 2005	\$ 814	\$ 175,623	\$ 1,151,856	\$ 56,454	\$ (138,151)	\$ 1,246,596
Comprehensive Income:						
Net income	-	-	223,718	-	-	223,718
Other comprehensive income (loss), net of tax:						
Foreign currency translation adjustment	-	-	-	79,127	-	79,127
Unrealized loss on available-for-sale securities	-	-	-	(31)	-	(31)
Net loss on derivative financial instruments	-	-	-	(47,877)	-	(47,877)
Minimum pension liability adjustment	-	-	-	8,362	-	8,362
Unrecognized losses and prior service cost, net	-	-	-	(16,121)	-	(16,121)
Comprehensive Income						247,178
Exercise of stock options	-	(45,929)	-	-	99,540	53,611
Tax benefit from stock options exercised	-	18,923	-	-	-	18,923
Share based compensation expense	-	19,623	-	-	-	19,623
Funding of Employee Stock Option Plan	-	(105)	-	-	4,199	4,094
Treasury shares purchased	-	-	-	-	(293,772)	(293,772)
2006 Stock dividends	814	-	(814)	-	-	-
Cash dividends (\$0.145 per share)	-	-	(22,418)	-	-	(22,418)
Balance at December 31, 2006	\$ 1,628	\$ 168,135	\$ 1,352,342	\$ 79,914	\$ (328,184)	\$ 1,273,835
Comprehensive Income:						
Net income	-	-	259,654	-	-	259,654
Other comprehensive income (loss), net of tax:						
Foreign currency translation adjustment	-	-	-	106,231	-	106,231
Unrealized loss on available-for-sale securities	-	-	-	(333)	-	(333)
Net loss on derivative financial instruments	-	-	-	(53,790)	-	(53,790)
Unrecognized losses and prior service cost, net	-	-	-	13,797	-	13,797
Comprehensive Income						325,559
Exercise of stock options	-	(20,592)	-	-	66,186	45,594
Tax benefit from stock options exercised	-	11,378	-	-	-	11,378
Share based compensation expense	-	14,088	-	-	-	14,088
Funding of Employee Stock Option Plan	-	39	-	-	312	351
Treasury shares purchased	-	-	-	-	(125,422)	(125,422)
Adjustments to initially apply SFAS 158 and FIN 48	-	-	(4,282)	-	-	(4,282)
RSU dividends	-	36	(36)	-	-	-
Cash dividends (\$0.165 per share)	-	-	(24,995)	-	-	(24,995)
Balance at December 31, 2007	\$ 1,628	\$ 173,084	\$ 1,582,683	\$ 145,819	\$ (387,108)	\$ 1,516,106
Comprehensive Income:						
Net income	-	-	283,869	-	-	283,869
Other comprehensive income (loss), net of tax:						
Foreign currency translation adjustment	-	-	-	(71,521)	-	(71,521)
Net loss on derivative financial instruments	-	-	-	(13,986)	-	(13,986)
Unrecognized losses and prior service cost, net	-	-	-	(20,700)	-	(20,700)
Comprehensive Income						177,662
Exercise of stock options	-	(7,268)	-	-	19,994	12,726
Tax benefit from stock options exercised	-	3,910	-	-	-	3,910
Share based compensation expense	-	17,290	-	-	-	17,290
Funding of Employee Stock Option Plan	-	62	-	-	118	180
Treasury shares purchased	-	-	-	-	(112,634)	(112,634)
RSU dividends	-	76	(76)	-	-	-
Cash dividends (\$0.185 per share)	-	-	(27,518)	-	-	(27,518)
Balance at December 31, 2008	\$ 1,628	\$ 187,154	\$ 1,838,958	\$ 39,612	\$ (479,630)	\$ 1,587,722

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2008	2007	2006
	(in thousands)		
Cash flows from operating activities:			
Net income	\$ 283,869	\$ 259,654	\$ 223,718
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	47,887	42,628	40,419
Amortization	9,042	7,661	7,015
Deferred income taxes	13,371	25,568	53,700
Share based compensation expense	17,290	14,088	19,623
Restructuring, impairment and other costs	13,468	2,778	893
Stock option income tax benefit	(3,910)	(11,414)	(11,461)
Other non-cash (income) costs	(20,253)	(10,619)	(4,494)
(Gain)/loss on disposal of property, plant and equipment	1,373	(1,904)	509
(Gain)/loss on disposal of intangible assets	2,356	-	-
Changes in operating assets and liabilities, net of acquisitions:			
Accounts and notes receivable-trade, net	(3,690)	9,029	(19,979)
Inventories, net	(32,824)	(716)	(10,775)
Prepaid expenses and other current assets	(1,220)	644	(404)
Other non current assets	390	1,253	705
Accounts payable	5,430	(7,395)	(6,581)
Accrued liabilities	(1,773)	(2,984)	6,114
Income taxes	4,594	59,421	(27,192)
Other noncurrent liabilities	581	5	45
Net cash provided by operating activities	<u>335,981</u>	<u>387,697</u>	<u>271,855</u>
Cash flows from investing activities:			
Cash paid for acquisitions of businesses and equity investments	(117,300)	(101,492)	(32,083)
Capital expenditures	(76,440)	(64,163)	(50,616)
Expenditures for identifiable intangible assets	(2,477)	(1,665)	(1,998)
Purchases of short-term investments	(166,208)	(138,471)	(285,412)
Liquidations of short-term investments	314,025	73	285,638
Proceeds from sale of property, plant and equipment	596	6,327	8,180
Net cash (used in) investing activities	<u>(47,804)</u>	<u>(299,391)</u>	<u>(76,291)</u>
Cash flows from financing activities:			
Proceeds from long-term borrowings, net of deferred financing costs	117,900	149,500	206,323
Payments on long-term borrowings	(226,147)	(50,543)	(569,573)
Increase (decrease) in short-term borrowings	2,111	(2,166)	1,244
Proceeds from exercise of stock options	12,726	45,594	53,611
Excess tax benefits from share based compensation	3,910	11,378	11,461
Cash paid for treasury stock	(112,634)	(125,422)	(293,772)
Cash dividends paid	(26,952)	(25,134)	(21,863)
Net cash (used in) provided by financing activities	<u>(229,086)</u>	<u>3,207</u>	<u>(612,569)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(24,484)</u>	<u>12,807</u>	<u>48,085</u>
Net increase (decrease) in cash and cash equivalents	34,607	104,320	(368,920)
Cash and cash equivalents at beginning of period	<u>169,384</u>	<u>65,064</u>	<u>433,984</u>
Cash and cash equivalents at end of period	<u>\$ 203,991</u>	<u>\$ 169,384</u>	<u>\$ 65,064</u>

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

DENTSPLY INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2008	2007	2006
	(in thousands)		
Supplemental disclosures of cash flow information:			
Interest paid, net of amounts capitalized	\$ 34,222	\$ 21,926	\$ 11,170
Income taxes paid	\$ 66,696	\$ 38,091	\$ 68,407

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

DENTSPLY INTERNATIONAL INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies employed by the Company are discussed below and in other notes to the consolidated financial statements.

Description of Business

DENTSPLY designs, develops, manufactures and markets a broad range of products for the dental market. The Company believes that it is the world's leading manufacturer and distributor of dental prosthetics, precious metal dental alloys, dental ceramics, endodontic instruments and materials, prophylaxis paste, ultrasonic scalers and crown and bridge materials; the leading United States ("U.S.") manufacturer and distributor of dental handpieces, dental x-ray film holders and film mounts, and a leading worldwide manufacturer or distributor of dental injectable anesthetics, impression materials, orthodontic appliances, dental cutting instruments and dental implants. The Company distributes its dental products in over 120 countries under some of the most well established brand names in the industry.

DENTSPLY is committed to the development of innovative, high quality, cost effective products for the dental market.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all majority-owned subsidiaries in which the Company exercises control (collectively the "Company"). Investments in 20% to 50% owned companies in which the Company significantly influences operating and financial policy are accounted for by the equity method unless the investment is a consolidated variable interest entity. The Company's equity in the net income (loss) of these companies is not material. The Company consolidates all variable interest entities where it is the primary beneficiary. All significant intercompany accounts and transactions are eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the U.S. ("U.S. 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, if different assumptions are made or if different conditions exist.

Cash and Cash Equivalents

Cash and cash equivalents include deposits with banks as well as highly liquid time deposits with original 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 approximately one year or less.

Accounts and Notes Receivable-Trade

The Company sells dental 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. Accounts and notes receivable-trade is stated net of these allowances that were \$19.4 million and \$18.9 million at December 31, 2008 and 2007, respectively. The Company recorded provisions for doubtful accounts, included in "Selling, general and administrative expenses," of approximately \$3.9 million for 2008, \$2.7 million for 2007, and \$2.1 million for 2006.

Certain of the Company's customers are offered cash rebates based on targeted sales increases. In accounting for these rebate programs, the Company records an accrual as a reduction of net sales for the estimated rebate as sales take place throughout the year in accordance with EITF 01-09, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)."

Inventories

Inventories are stated at the lower of cost or market. At December 31, 2008 and 2007, the cost of \$9.6 million, or 3.1%, and \$10.6 million, or 4.1%, respectively, of inventories was determined by the last in, first-out ("LIFO") method. The cost of other inventories was determined by the first-in, first-out ("FIFO") or average cost methods. The Company establishes reserves for inventory estimated to be obsolete or unmarketable equal to the difference between the cost of inventory and estimated market value based upon assumptions about future demand and market conditions.

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, 2008 and 2007 by \$3.5 million and \$4.4 million, respectively.

Valuation of Goodwill, Indefinite-Lived Intangible Assets and Other Long-Lived Assets

Assessment of the potential impairment of goodwill, indefinite-lived intangible assets 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. If the overall global economy continues to experience recessionary conditions, the economic outlook for the assets being evaluated could also result in impairment charges being recognized. Information with respect to the Company's significant accounting policies on long-lived assets for each category of long-lived asset is discussed below.

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 charged to operations; replacements and major improvements are capitalized. These assets are reviewed for impairment whenever events or circumstances suggest that the carrying amount of the asset may not be recoverable in accordance with Statement of Financial Accounting Standards No. 144 ("SFAS 144"), "Accounting for the Impairment or Disposal of Long-Lived Assets." Impairment is based upon an evaluation of the identifiable undiscounted cash flows. If impaired, the resulting charge reflects the excess of the asset's carrying cost over its fair value.

Identifiable Finite-lived Intangible Assets

Identifiable finite-lived intangible assets, which primarily consist of patents, trademarks and licensing agreements, are amortized on a straight-line basis over their estimated useful lives. These assets are reviewed for impairment whenever events or circumstances suggest that the carrying amount of the asset may not be recoverable in accordance with SFAS 144. At a minimum, the Company reviews all of its intangible assets for impairment annually. The Company closely monitors intangible assets related to new technology for indicators of impairment as these assets have more risk of becoming impaired. Impairment is based upon an evaluation of the identifiable undiscounted cash flows. If impaired, the resulting charge reflects the excess of the asset's carrying cost over its fair value.

Goodwill and Indefinite-Lived Intangible Assets

The Company follows Statement of Financial Accounting Standards No. 142 ("SFAS 142"), "Goodwill and Other Intangible Assets," which requires that at least an annual impairment test be applied to goodwill and indefinite-lived intangible assets. The Company performs impairment tests on at least an annual basis using a fair value approach rather than an evaluation of the undiscounted cash flows. If impairment is identified on goodwill under SFAS 142, 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 impairment is identified on indefinite-lived intangibles, the resulting charge reflects the excess of the asset's carrying cost over its fair value.

The Company performed the required annual impairment tests for 2008 and no impairment was identified. This impairment assessment included an evaluation of eight reporting units. In addition to the annual impairment test, SFAS 142 also requires that impairment assessments be made more frequently if events or changes in circumstances indicate that the goodwill or indefinite-lived intangible assets might be impaired. As the Company learns of such changes in circumstances through periodic analysis of actual events or through the annual development of operating unit business plans in the fourth quarter of each year or otherwise, impairment assessments will be performed as necessary.

Derivative Financial Instruments

The Company follows Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities." This standard, as amended by Statement of Financial Accounting Standards No. 138 ("SFAS 138"), "Accounting for Certain Derivative Instruments and Certain Hedging Activities", Statement of Financial Accounting Standards No. 149 ("SFAS 149"), "Amendment of Statement 133 on Derivative Instruments and Hedging Activities", and Statement of Financial Accounting Standards No. 155 ("SFAS 155"), "Accounting for Certain Hybrid Financial Instruments—an amendment of FASB Statements No. 133 and 140," requires that all derivative instruments be recorded on the balance sheet at their fair value and that changes in fair value be recorded each period in current earnings or accumulated other comprehensive income.

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

Substantially all of the employees of the Company and its subsidiaries are covered by government or Company-sponsored defined benefit or defined contribution plans. Additionally, certain union and salaried employee groups in the U.S. are covered by postretirement healthcare plans. Costs for Company-sponsored 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 pretax earnings. 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. In accordance with

Statement of Financial Accounting Standards No. 158 (“SFAS 158”), “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans,” which is an amendment of SFAS No. 87, 88, 106 and 132(R), the Company reports the funded status of its defined benefit pension and other postretirement benefit plans on its 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, to the consolidated financial statements.

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 made by management based on an analysis made by internal and external legal counsel, which consider information known at the time. Legal costs related to these lawsuits are expensed as incurred.

Accumulated Other Comprehensive Income

Accumulated other comprehensive income 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 and changes in its unrecognized losses and prior service costs, net are recorded in accumulated other comprehensive income. These changes are recorded in accumulated other comprehensive income net of any related tax effects. For the years ended December 31, 2008, 2007 and 2006, these adjustments were net of tax effects of \$138.5 million, \$111.3 million and \$73.6 million, respectively, primarily related to foreign currency translation adjustments.

The balances included in accumulated other comprehensive income in the consolidated balance sheets are as follows:

	2008	December 31, 2007	2006
	(in thousands)		
Foreign currency translation adjustments	\$ 169,550	\$ 241,071	\$ 134,840
Net loss on derivative financial instruments	(99,840)	(85,854)	(32,064)
Unrealized gain on available-for-sale securities	-	-	333
Unrecognized losses and prior service cost, net	(30,098)	(9,398)	(23,195)
	<u>\$ 39,612</u>	<u>\$ 145,819</u>	<u>\$ 79,914</u>

The cumulative foreign currency translation adjustments included translation gains of \$278.1 million and \$331.1 million as of December 31, 2008 and 2007, respectively, offset by losses of \$108.5 million and \$90.0 million, respectively, on loans designated as hedges of net investments.

Foreign Currency Translation

Assets and liabilities of foreign subsidiaries are translated at exchange rates on the balance sheet date and revenue and expenses are translated at the average year-to-date rates of exchange. The effects of these translation adjustments are reported in stockholders' equity within accumulated other comprehensive income. During the year ended December 31, 2008, the Company had translation losses of \$53.0 million, and losses of \$18.5 million on its loans designated as hedges of net investments. During the year ended December 31, 2007, the Company had translation gains of \$114.6 million, partially offset by losses of \$8.4 million on its loans designated as hedges of net investments. During the year ended December 31, 2006, the Company had translation gains of \$89.0 million, partially offset by losses of \$9.9 million on its loans designated as hedges of net investments.

Exchange gains and losses arising from transactions denominated in a currency other than the functional currency of the entity involved and translation adjustments in countries with highly inflationary economies are included in income. Exchange losses of \$8.9 million, exchange gains of \$0.5 million and exchange losses of \$0.2 million in 2008, 2007 and 2006, respectively, are included in “Other expense (income), net.”

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, collectibility 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 statement of income.

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 \$199.9 million, \$189.9 million and \$187.4 million for 2008, 2007 and 2006, respectively.

Cost of Sales

Cost of sales 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.

Selling, General and Administrative

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 costs. 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 related to the capitalized equipment is included in the Company's R&D costs. R&D costs are included in "Selling, general and administrative expenses" and amounted to approximately \$52.3 million, \$46.8 million and \$44.4 million for 2008, 2007 and 2006, respectively.

Stock Compensation

The Company follows Statement of Financial Accounting Standards No. 123(R) ("SFAS 123(R)", "Share-Based Payments," which requires that compensation cost relating to share-based payment transactions be recognized in the financial statements. The cost of share-based payments 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. The Company also follows the disclosure requirements of Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "Accounting for Stock-Based Compensation," as amended by Statement of Financial Accounting Standards No. 148 ("SFAS 148"), "Accounting for Stock-Based Compensation-Transition and Disclosure."

Income Taxes

Income taxes are determined using the liability method of accounting for income taxes in accordance with SFAS 109. Under SFAS 109, tax expense includes the U.S. and international income taxes plus the provision for the 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.

In June 2006, the Financial Accounting Standards Board (“FASB”) issued FASB Interpretation No. 48 (“FIN 48”), “Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109, Accounting for Income Taxes,” which clarifies the accounting for income taxes. FIN 48 prescribes 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 Interpretation requires that the Company recognize 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. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods and disclosure.

Earnings Per Share

Basic earnings per share is 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 frequently purchases businesses and occasionally purchases partial interests in businesses. These acquisitions are accounted for as purchases and result in the recognition of goodwill in the Company’s financial statements. This goodwill arises because the purchase prices for these businesses reflect a number of factors including the future earnings and cash flow potential of these businesses; the multiple to earnings, cash flow and other factors at which similar businesses have been purchased by other acquirers; the competitive nature of the process by which the Company acquired the business; and because of the complementary strategic fit and expected synergies these businesses bring to existing operations.

The Company makes an initial allocation of the purchase price at the date of acquisition based upon its understanding of the fair market value of the acquired assets and liabilities. The Company obtains this information during due diligence and through other sources. In the months after closing, as the Company obtains additional information about these assets and liabilities and learns more about the newly acquired business, it is able to refine the estimates of fair market value and more accurately allocate the purchase price. Examples of factors and information that the Company uses to refine the allocations include: tangible and intangible asset evaluations and appraisals; evaluations of existing contingencies and liabilities; product line integration information; and information systems compatibilities. The only items considered for subsequent adjustment are items identified as of the acquisition date. Subsequent to the purchase date, the Company continues to evaluate the initial purchase price allocations for the acquisitions and will adjust the allocations as additional information relative to the estimated integration costs of the acquired businesses and the fair market values of the assets and liabilities of the businesses become known. These purchase price adjustments can occur for up to one year from the acquisition date.

Segment Reporting

The Company follows Statement of Financial Accounting Standards No. 131 (“SFAS 131”), “Disclosures about Segments of an Enterprise and Related Information.” SFAS 131 establishes standards for disclosing information about reportable segments in financial statements. The Company has numerous operating businesses covering a wide range of products and geographic regions, primarily serving the professional dental market. Professional dental products represented approximately 97% of sales in 2008, 2007 and 2006. In 2008, the Company had four reportable segments and a description of the activities of these segments is included in Note 4, Segment and Geographic Information, to the consolidated financial statements.

Fair Value Measurement

In September 2006, the Financial Accounting Standards Board (the “FASB”) issued Statement of Financial Accounting Standards No. 157 (“SFAS 157”), “Fair Value Measurements,” which requires the Company to define fair value, establish a framework for measuring fair value in accordance with U.S. GAAP, and expand disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years.

On February 12, 2008, the FASB issued FASB Staff Position No. SFAS 157-2, "Effective Date of FASB Statement No. 157," which amends SFAS 157 by delaying its effective date by one year for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. Therefore, beginning on January 1, 2008, this standard applies prospectively to new fair value measurements of financial instruments and recurring fair value measurements of non-financial assets and non-financial liabilities. On January 1, 2009, the standard will also apply to all other fair value measurements. As a result of the adoption of SFAS 157 for financial assets and liabilities, the Company recognized pretax income of \$1.8 million. The Company has presented the required disclosures in Note 16, Fair Value Measurement.

Fair Value Option

In February 2006, the FASB issued Statement of Financial Accounting Standards No. 159 ("SFAS 159"), "The Fair Value Option for Financial Assets and Financial Liabilities." SFAS 159 permits entities to choose to measure financial instruments and certain other items at fair value that are not currently required to be measured at fair value. This will allow entities the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently. SFAS 159 is effective for financial statements issued for fiscal years ending after November 15, 2007. While SFAS 159 became effective for the Company's 2008 fiscal year, the Company did not elect the fair value measurement option for any of the Company's financial assets or liabilities not already recorded at fair value.

Revisions in Classification

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

New Accounting Pronouncements

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141(R) ("SFAS 141(R)", "Business Combinations," which changes the accounting for business combinations including the measurement of acquirer shares issued in consideration for a business combination, the recognition of contingent consideration, the accounting for pre-acquisition gain and loss contingencies, the recognition of capitalized in-process research and development, the accounting for acquisition related restructuring liabilities, the treatment of acquisition related transaction costs and the recognition of changes in the acquirer's income tax valuation allowance. SFAS 141(R) is effective for fiscal years beginning after December 15, 2008. The adoption of SFAS 141(R) will change the Company's accounting treatment for business combinations on a prospective basis beginning in the first quarter of 2009.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160 ("SFAS 160"), "Noncontrolling Interests in Consolidated Financial Statements." This Statement amends Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 is effective for fiscal years beginning after December 15, 2008. The Company will adopt SFAS 160 in the first quarter of fiscal year 2009. The adoption will reclassify the minority interests currently reported in the liabilities section of the balance sheet to the equity section of the balance sheet.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161 ("SFAS 161"), "Disclosures about Derivative Instruments and Hedging Activities." SFAS 161 is effective for fiscal years beginning after December 15, 2008. This statement amends and expands the disclosure requirements of SFAS 133, "Accounting for Derivative Instruments and Hedging." The Company will adopt SFAS 161 in the first quarter of fiscal year 2009 and the adoption will have no impact on the Company's financial statements. The adoption will further expand the Company's footnotes for derivatives.

In May 2008, the FASB issued Statement of Financial Accounting Standards No. 162 ("SFAS 162"), "The Hierarchy of Generally Accepted Accounting Principles." This statement identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles. This standard will have no impact on the Company's financial statements.

In December 2008, the FASB issued FASB Staff Position ("FSP") No. FAS 132(R)-1, "Employer's Disclosure about Postretirement Benefit Plan Assets." The FSP provides guidance on an employer's disclosure about plan assets of a defined benefit pension or other postretirement plan. The FSP is effective for fiscal years ending after December 15, 2009 with early application permitted. Upon initial application, the provisions of this staff position are not required for earlier periods that are presented for comparative periods. The Company is in the process of evaluating the impact of adopting this staff position on its disclosures.

NOTE 2 - EARNINGS PER COMMON SHARE

On May 10, 2006, the Company announced that its Board of Directors declared a two-for-one stock split in the form of a stock dividend. This stock split became effective on July 17, 2006 and has been retroactively reflected for all periods presented in this Annual Report on Form 10-K.

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

	Net Income	Shares	Earnings per common share
(in thousands, except for share amounts)			
Year Ended December 31, 2008			
Basic	\$ 283,869	149,069	\$ 1.90
Incremental shares from assumed exercise of dilutive options	<u>-</u>	<u>2,610</u>	
Diluted	<u>\$ 283,869</u>	<u>151,679</u>	\$ 1.87
Year Ended December 31, 2007			
Basic	\$ 259,654	151,707	\$ 1.71
Incremental shares from assumed exercise of dilutive options	<u>-</u>	<u>3,014</u>	
Diluted	<u>\$ 259,654</u>	<u>154,721</u>	\$ 1.68
Year Ended December 31, 2006			
Basic	\$ 223,718	155,229	\$ 1.44
Incremental shares from assumed exercise of dilutive options	<u>-</u>	<u>3,042</u>	
Diluted	<u>\$ 223,718</u>	<u>158,271</u>	\$ 1.41

Options to purchase 1.6 million, 0.2 million and 2.2 million shares of common stock that were outstanding during the years ended 2008, 2007 and 2006, respectively, were not included in the computation of diluted earnings per share since the options' exercise prices were greater than the average market price of the common shares, and their effect would be antidilutive.

NOTE 3 - BUSINESS ACQUISITIONS

The Company accounts for all acquisitions under the purchase method of accounting; and accordingly, the results of the operations acquired are included in the accompanying financial statements for the periods subsequent to the respective dates of the acquisitions.

During 2008, the acquisition related activity was \$117.3 million, net of cash and assumed debt. This activity was related to three business combinations, the acquisition and consolidation of two variable interest entities ("VIEs"), and three earn-out payments on acquisitions from prior years.

Business Combinations

The following list provides information about the companies acquired in 2008, excluding the VIEs:

- In July 2008, the Company acquired Dental Depot Lomberg B.V. ("Lomberg"), which markets and sells various dental products, including but not limited to, orthodontic products and materials. Lomberg is included in the Canada/Latin America/ Endodontics/ Orthodontics segment and further strengthens the Company's dental specialty business.

- In July 2008, the Company acquired E.S. Holding N.V. (“E.S. Holding”), which manufactures, markets and sells dental products, particularly dental laboratory products, and non-dental products. E.S. Holding is included in the Global Dental Laboratory Business/Implants/Non-Dental segment and further strengthens the Company’s dental specialty and laboratory businesses.
- In December 2008, the Company acquired the assets of Apollonia & Fama Impant S.r.l. (“AFI”), which markets and sells dental implant products in Italy. AFI is included in the France, United Kingdom, Italy, CIS, Middle East, Africa and Pacific Rim Businesses segment and further strengthens the Company’s dental specialty business.

Variable Interest Entities

During 2006, the Company acquired a 40% interest in Materialise Dental N.V. (“Materialise”). The transaction provides the opportunity for the Company to acquire the remaining interest over time. The Company accounted for the initial purchase of 40% interest under the equity method.

In 2007, Materialise received a \$2.7 million uncollateralized loan of which the Company funded \$1.1 million, which was equivalent to its ownership interest. The loan has a five-year term and was issued to support Materialise’s working capital. If the Company purchases additional shares subsequent to December 31, 2009 under the provisions of the Sale and Purchase Agreement (“SPA”), the loan is repayable immediately.

In the fourth quarter of 2008, the Company purchased an additional 6% interest in Materialise, a simulation software company and a leading manufacture of a variety of surgical guides to assist in the placement of dental implants. The purchase of additional interest increases the Company’s total ownership to 46%, and creates a reconsideration event under the provisions of FIN 46(R). The Company determined it was the primary beneficiary based on the purchase of the additional 6% ownership interest and existing provisions in the SPA. The results and preliminary estimates of fair values of assets acquired and liabilities of Materialise has been included in the Company’s financial statements and included in the Global Dental Laboratory Business/Implants/Non-Dental segment. The consolidation of Materialise further strengthens the Company’s product offerings in the dental specialty business.

On December 31, 2008, the Company acquired a 60% interest in Zhermack S.p.A. (“Zhermack”), a manufacturer, designer, marketer, and seller of dental consumables products. The Company determined that Zhermack is considered a VIE due to disproportionate voting rights. Under the provisions of FIN 46(R), the Company is considered the primary beneficiary based on its total ownership interest in Zhermack and its opportunity to acquire the remaining interest over time. The preliminary estimates of fair values of assets acquired and liabilities assumed of Zhermack has been included in the Company’s financial statements and included in the U.S., Germany, and Certain Other European Regions Consumable Businesses segment. The consolidation of Zhermack further strengthens the Company’s product offerings in the dental consumables businesses.

Additional Earn-out Payments

Several of the Company’s 2005 and 2007 acquisitions included provisions for possible additional payments based on the future performance of the individual businesses (generally for two to three years). During 2008, the Company paid \$10.0 million in additional purchase price under these agreements. Several of the 2007 and 2008 acquisitions still have potential additional payments based on future operating performance of the businesses that could be paid out over the next 5 years.

Purchase Price Allocations for the Business Acquisitions, VIEs, and Additional Earnout Payments

The purchase prices have been allocated on the basis of preliminary estimates of fair values of assets acquired and liabilities assumed and have been included in the accompanying financial statements since the effective date of the respective transaction. The Company is currently evaluating the valuations assigned to the intangible assets for Zhermack, and expects to have the final valuations completed by June 30, 2009. As of December 31, 2008, the Company has recorded a total of \$164.2 million in goodwill related to unallocated portions of the respective purchase prices for the three business combinations, two VIEs and additional earn-out payments on acquisitions from prior years. None of this goodwill is expected to be deductible for tax purposes.

The aggregate purchase price allocation for these acquisitions is as follows (in thousands):

Current assets	\$ 58,073
Property, plant and equipment	39,781
Identifiable intangible assets and goodwill	200,997
Other noncurrent assets	885
Total assets	<u>\$ 299,736</u>
Current liabilities	(51,031)
Noncurrent liabilities	(32,846)
Total liabilities	<u>\$ (83,877)</u>
Minority interests	(67,964)
Net assets	<u><u>\$ 147,895</u></u>

As a result of the acquisition related activity in 2008, the Company expensed \$2.3 million for the fair value of in-process research and development.

Also, as a result of the 2008 acquisition related activity, the Company has recorded a total of \$36.8 million in intangible assets. Of this total amount of intangible assets, \$33.8 million was recorded as trademarks, brand names and patents with an average weighted life of 15.0 years, and \$3.0 million was allocated to other intangible assets with an average weighted life of 5.4 years.

Goodwill was assigned to the following four segments:

- \$83.1 million to United States, Germany, and Certain Other European Regions Consumable Businesses;
- \$4.5 million to France, United Kingdom, Italy, CIS, Middle East, Africa, Pacific Rim Businesses;
- \$16.0 million Canada/ Latin America/ Endodontics/ Orthodontics; and,
- \$60.6 million to Global Dental Laboratory Business/ Implants/Non-Dental.

During 2007, the Company acquired Sultan Healthcare, Inc., DFT Dis Hekimligi Ironleri A.S. Ata Anil ("DFT"), NEKS Technologies, Inc., TMV Medica SA and Sportswire LLC. The Company purchased Sultan Healthcare, Inc. and NEKS Technologies to further strengthen its dental consumable businesses through product offerings. The Company purchased Sportswire LLC, DFT and TMV Medica SA to further strengthen its dental specialty business. The aggregate purchase price, net of cash acquired, was \$97.2 million. The results of operations for the five businesses have been included in the accompanying financial statements since the effective date of the respective transaction. The purchase prices of these acquisitions have been allocated based on the fair values of assets acquired and liabilities assumed. The aggregate purchase price allocation for these acquisitions is as follows (in thousands):

Current assets	\$ 17,031
Property, plant and equipment	2,265
Identifiable intangible assets and goodwill	85,978
Other noncurrent assets	228
Total assets	<u>\$ 105,502</u>
Current liabilities	(7,877)
Other noncurrent liabilities	(418)
Total liabilities	<u>(8,295)</u>
Net assets	<u><u>\$ 97,207</u></u>

As a result of the 2007 acquisitions, the Company has recorded a total of \$9.8 million in intangible assets. Of this total amount of intangible assets, \$7.9 million was recorded as trademarks and brand names with an average weighted life of 15 years, and \$1.9 million was allocated to other intangible assets with an average weighted life of 18 years.

The Company has recorded a total of \$76.2 million in goodwill related to the unallocated portions of the respective purchase prices for the 2007 acquisitions. Of this total amount of goodwill, \$73.9 million is expected to be fully deductible for tax purposes. Goodwill was assigned to the following three segments:

- \$65.6 million to United States, Germany, and Certain Other European Regions Consumable Businesses;
- \$8.3 million Canada/ Latin America/ Endodontics/ Orthodontics; and,
- \$2.3 million to Global Dental Laboratory Business/ Implants/Non-Dental.

NOTE 4 - SEGMENT AND GEOGRAPHIC INFORMATION

Segment Information

The operating businesses are combined into operating groups, which have overlapping product offerings, geographical presence, customer bases, distribution channels and regulatory oversight. These operating groups are considered the Company's reportable segments under SFAS 131 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, to the consolidated financial statements). The Company measures segment income for reporting purposes as net operating profit before restructuring, impairment, interest and taxes. 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 through December 31, 2008.

A description of the activities of the Company's four reportable segments follows:

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

This business group includes responsibility for the design, manufacturing, sales and distribution for certain small equipment and chairside consumable products in the U.S., Germany and certain other European regions.

France, United Kingdom, Italy, CIS, Middle East, Africa, Pacific Rim Businesses

This business group includes responsibility for the sales and distribution for chairside consumable products and certain small equipment, certain laboratory products and certain endodontic products in France, United Kingdom, Italy, CIS, Middle East, Africa, Asia, Japan and Australia, as well as the sale and distribution of implant products and bone substitute/grafting materials in Italy, Asia and Australia. This business group also includes the manufacturing and sale of orthodontic products and the manufacturing of certain laboratory products in Japan, and the manufacturing of certain laboratory products and certain endodontic products in Asia.

Canada/Latin America/Endodontics/Orthodontics

This business group includes responsibility for the design, manufacture and/or sales and distribution of chairside consumable and laboratory products in Brazil. It also has responsibility for the sales and distribution of most Company dental products sold in Latin America and Canada. This business group also includes the responsibility for the design and manufacturing for endodontic products in the U.S., Switzerland and Germany and is responsible for sales and distribution of certain Company endodontic products in the U.S., Canada, Switzerland, Benelux, Scandinavia and Eastern Europe, and certain endodontic products in Germany. This business group is also responsible for the worldwide sales and distribution, excluding Japan, as well as some manufacturing of the Company's orthodontic products. This business group is also responsible for sales and distribution in the U.S. for implant and bone substitute/grafting materials and the distribution of implants in Brazil.

Global Dental Laboratory Business/Implants/Non-Dental

This business group includes the responsibility for the design, manufacture, world-wide sales and distribution for laboratory products, excluding certain laboratory products mentioned earlier, and the design, manufacture and/or sales and distribution of the Company's dental implant products and bone substitute/grafting materials, excluding sales and distribution of implants and bone substitute/grafting materials in the U.S., Italy, Asia, Australia and sales and distribution of implants in Brazil. This business group is also responsible for the Company's non-dental business.

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

Generally, the Company evaluates performance of the operating groups based on the groups' operating income and net third party sales, excluding precious metal content. The Company considers net third party sales, excluding precious metal content, as the appropriate sales measurement due to the fluctuations of precious metal prices and due to the fact that the precious metal content is largely a pass-through to customers and has minimal effect on earnings.

The following table sets forth information about the Company's operating groups for the year-end December 31, 2008, 2007 and 2006.

Third Party Net Sales

	2008	2007	2006
	(in thousands)		
United States, Germany, and Certain Other European Regions Consumable Businesses	\$ 466,432	\$ 433,867	\$ 395,044
France, United Kingdom, Italy, CIS, Middle East, Africa, Pacific Rim Businesses	426,612	376,644	333,271
Canada/Latin America/Endodontics/Orthodontics	632,151	587,539	524,170
Global Dental Laboratory Business/Implants/Non-Dental	671,838	615,368	561,988
All Other (a)	(3,310)	(3,585)	(3,977)
Total Net Sales	<u>\$ 2,193,723</u>	<u>\$ 2,009,833</u>	<u>\$ 1,810,496</u>

Third Party Net Sales, excluding precious metal content

	2008	2007	2006
	(in thousands)		
United States, Germany, and Certain Other European Regions Consumable Businesses	\$ 466,432	\$ 433,867	\$ 395,044
France, United Kingdom, Italy, CIS, Middle East, Africa, Pacific Rim Businesses	403,644	352,018	308,449
Canada/Latin America/Endodontics/Orthodontics	628,887	583,885	520,865
Global Dental Laboratory Business/Implants/Non-Dental	498,147	453,714	402,693
All Other (a)	(3,310)	(3,585)	(3,977)
Total Net Sales, excluding Precious Metal Content	<u>\$ 1,993,800</u>	<u>\$ 1,819,899</u>	<u>\$ 1,623,074</u>
Precious Metal Content of Sales	<u>199,923</u>	<u>189,934</u>	<u>187,422</u>
Total Net Sales, including Precious Metal Content	<u>\$ 2,193,723</u>	<u>\$ 2,009,833</u>	<u>\$ 1,810,496</u>

(a) Includes amounts recorded at Corporate headquarters.

<u>Intersegment Net Sales</u>	2008	2007	2006
	(in thousands)		
United States, Germany, and Certain Other			
European Regions Consumable Businesses	\$ 126,409	\$ 97,636	\$ 91,239
France, United Kingdom, Italy, CIS, Middle East, Africa, Pacific Rim Businesses	5,533	9,650	9,260
Canada/Latin America/Endodontics/Orthodontics	106,031	88,953	72,970
Global Dental Laboratory Business/			
Implants/Non-Dental	92,766	80,774	72,035
All Other (a)	177,251	198,706	171,411
Eliminations	(507,990)	(475,719)	(416,915)
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Depreciation and Amortization</u>	2008	2007	2006
	(in thousands)		
United States, Germany, and Certain Other			
European Regions Consumable Businesses	\$ 12,807	\$ 10,977	\$ 10,488
France, United Kingdom, Italy, CIS, Middle East, Africa, Pacific Rim Businesses	3,019	2,902	3,625
Canada/Latin America/Endodontics/Orthodontics	17,179	14,934	12,584
Global Dental Laboratory Business/			
Implants/Non-Dental	16,232	14,762	12,484
All other (b)	7,692	6,714	8,253
Total	<u>\$ 56,929</u>	<u>\$ 50,289</u>	<u>\$ 47,434</u>

<u>Segment Operating Income</u>	2008	2007	2006
	(in thousands)		
United States, Germany, and Certain Other			
European Regions Consumable Businesses	\$ 162,940	\$ 138,940	\$ 143,522
France, United Kingdom, Italy, CIS, Middle East, Africa, Pacific Rim Businesses	9,312	7,229	3,018
Canada/Latin America/Endodontics/Orthodontics	200,101	180,944	171,517
Global Dental Laboratory Business/			
Implants/Non-Dental	128,381	115,260	97,469
All other (c)	(87,958)	(76,955)	(92,925)
Segment operating income	\$ 412,776	\$ 365,418	\$ 322,601
Reconciling Items:			
Restructuring, impairment and other costs	32,355	10,527	7,807
Interest expense	32,527	23,783	34,897
Interest income	(17,089)	(26,428)	(36,580)
Other expense (income), net	9,511	(599)	1,640
Income before income taxes	<u>\$ 355,472</u>	<u>\$ 358,135</u>	<u>\$ 314,837</u>

(a) Includes results of Corporate headquarters and one distribution warehouse not managed by named segments.

(b) Includes amounts recorded at Corporate headquarters.

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

Capital Expenditures

	2008	2007	2006
		(in thousands)	
United States, Germany, and Certain Other European Regions Consumable Businesses	\$ 19,836	\$ 10,451	\$ 9,368
France, United Kingdom, Italy, CIS, Middle East, Africa, Pacific Rim Businesses	3,642	1,923	2,206
Canada/Latin America/Endodontics/ Orthodontics	19,593	22,376	14,651
Global Dental Laboratory Business/ Implants/Non-Dental	24,707	24,258	13,853
All other (a)	8,662	5,155	10,538
Total	<u>\$ 76,440</u>	<u>\$ 64,163</u>	<u>\$ 50,616</u>

The following table sets forth information about the Company's operating groups as of December 31, 2008, 2007, 2006:

	2008	2007	2006
		(in thousands)	
United States, Germany, and Certain Other European Regions Consumable Businesses	\$ 556,125	\$ 382,913	\$ 290,244
France, United Kingdom, Italy, CIS, Middle East, Africa, Pacific Rim Businesses	353,229	315,531	380,567
Canada/Latin America/Endodontics/ Orthodontics	763,479	715,300	673,272
Global Dental Laboratory Business/ Implants/Non-Dental	974,325	898,043	811,852
All other (b)	183,242	363,782	25,414
Total	<u>\$ 2,830,400</u>	<u>\$ 2,675,569</u>	<u>\$ 2,181,349</u>

(a) Includes capital expenditures of Corporate headquarters.

(b) 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 2008, 2007 and 2006. Net sales reported below represent revenues for shipments made by operating businesses located in the country or territory identified, including export sales. Assets reported represent those held by the operating businesses located in the respective geographic areas.

	United States	Germany	Switzerland (in thousands)	Other Foreign	Consolidated
2008					
Net sales	\$ 865,743	\$ 470,836	\$ 138,124	\$ 719,020	\$ 2,193,723
Long-lived assets	175,360	137,871	83,305	150,363	546,899
2007					
Net sales	\$ 844,162	\$ 438,099	\$ 118,875	\$ 608,697	\$ 2,009,833
Long-lived assets	172,204	144,340	86,247	70,960	473,751
2006					
Net sales	\$ 784,089	\$ 398,963	\$ 104,162	\$ 523,282	\$ 1,810,496
Long-lived assets	164,861	123,432	69,509	93,706	451,508

Product and Customer Information

The following table presents net sales information by product category:

	Year Ended December 31,		
	2008	2007	2006
	(in thousands)		
Dental consumable products	\$ 680,016	\$ 634,480	\$ 583,448
Dental laboratory products	558,291	530,821	506,134
Dental specialty products	888,484	782,808	662,295
Non-dental products	66,932	61,724	58,619
Total net sales	<u>\$ 2,193,723</u>	<u>\$ 2,009,833</u>	<u>\$ 1,810,496</u>

Dental consumable products consist of dental sundries and small equipment products used in dental offices in 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, and orthodontic appliances and accessories.

Non-dental products are comprised primarily of investment casting materials that are used in the production of jewelry, golf club heads and other casting products, as well as certain medical products.

One customer, Henry Schein, Incorporated, a dental distributor, accounted for more than ten percent of consolidated net sales in 2008, 2007 and 2006 accounting for 11%, 12% and 11% of all sales, respectively. 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:

	Year Ended December 31,		
	2008	2007	2006
	(in thousands)		
Foreign exchange transaction losses (gains)	\$ 8,881	\$ (452)	\$ 154
Minority interests	(599)	57	138
Other expense (income)	1,229	(204)	1,348
	\$ 9,511	\$ (599)	\$ 1,640

NOTE 6 – INVENTORIES, NET

Inventories, net, consist of the following:

	December 31,	
	2008	2007
	(in thousands)	
Finished goods	\$ 184,226	\$ 155,402
Work-in-process	58,123	49,622
Raw materials and supplies	63,776	53,008
	\$ 306,125	\$ 258,032

The Company's inventory valuation reserve was \$28.4 million for 2008 and \$26.2 million for 2007.

NOTE 7- PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment consist of the following:

	December 31,	
	2008	2007
	(in thousands)	
Assets, at cost:		
Land	\$ 40,702	\$ 40,566
Buildings and improvements	256,172	234,301
Machinery and equipment	511,618	418,382
Construction in progress	31,659	28,161
	840,151	721,410
Less: Accumulated depreciation	407,875	350,001
Property, plant and equipment, net	\$ 432,276	\$ 371,409

Assets recorded under capital leases:

	December 31,	
	2008	2007
	(in thousands)	
Capital leases, at cost (a):		
Buildings and improvements	\$ 9,361	\$ 881
Machinery and equipment	9,242	272
	18,603	1,153
Less: Accumulated depreciation	4,728	337
Property, plant and equipment, net	\$ 13,875	\$ 816

(a) Amounts included in the property, plant and equipment table above.

NOTE 8 – GOODWILL AND INTANGIBLE ASSETS, NET

The Company follows Statement of Financial Accounting Standards No. 142 (“SFAS 142”), “Goodwill and Other Intangible Assets.” This statement requires that the amortization of goodwill and indefinite-lived intangible assets be discontinued and instead an annual impairment test approach be applied. The impairment tests are required to be performed annually (or more often if events or changes in circumstances indicate that the goodwill or indefinite-lived intangible assets might be impaired) and are based upon a fair value approach rather than an evaluation of undiscounted cash flows. The Company performs its annual goodwill impairment test in the second quarter of each year. If goodwill impairment 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 impairment is identified on indefinite-lived intangibles, the resulting charge reflects the excess of the asset’s carrying cost over its fair value. Other intangible assets with finite lives are amortized over their useful lives.

The Company performed the required annual impairment tests of goodwill and indefinite-lived intangible assets in 2008. No impairment of goodwill was identified in 2008 and \$2.7 million of impairment of definite-lived intangible assets was identified and recorded in 2008. This impairment assessment included an evaluation of eight reporting units. In addition to minimum annual impairment tests, SFAS 142 also requires that impairment assessments be made more frequently if events or changes in circumstances indicate that the goodwill or indefinite-lived intangible assets might be impaired. As the Company learns of such changes in circumstances through periodic analysis of actual results or through the annual development of operating unit business plans in the fourth quarter of each year, for example, impairment assessments will be performed as necessary. The table below presents the net carrying values of goodwill and identifiable intangible assets.

	December 31,	
	2008	2007
	(in thousands)	
Goodwill	<u>\$ 1,277,026</u>	<u>\$ 1,127,420</u>
Indefinite-lived identifiable intangible assets:		
Trademarks	\$ -	\$ 4,080
Finite-lived identifiable intangible assets	<u>103,718</u>	<u>72,087</u>
Total identifiable intangible assets	<u>\$ 103,718</u>	<u>\$ 76,167</u>

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

	December 31,	
	2008	2007
	(in thousands)	
Balance, beginning of the year	\$ 1,127,420	\$ 995,382
Acquisition activity	164,200	76,162
Changes to purchase price allocation	(175)	(7,276)
Effects of exchange rate changes	<u>(14,419)</u>	<u>63,152</u>
Balance, end of the year	<u>\$ 1,277,026</u>	<u>\$ 1,127,420</u>

The change in the net carrying value of goodwill from 2007 to 2008 was due to foreign currency translation adjustments, five acquisitions, additional payments based on the performance of the previously acquired businesses, and changes to the purchase price allocations. The purchase price allocation changes were primarily related to the reversal of pre-acquisition tax contingencies due to expiring statutes, and the finalization of purchase price allocation on 2007 acquisitions.

Goodwill by reportable segment is as follows:

	December 31,	
	2008	2007
	(in thousands)	
United States, Germany, and Certain Other European Regions Consumable Businesses	\$ 256,513	\$ 171,395
France, United Kingdom, Italy, CIS, Middle East, Africa, Pacific Rim Businesses	139,169	119,487
Canada/Latin America/Endodontics/ Orthodontics	257,183	250,060
Global Dental Laboratory Business/ Implants/Non-Dental	624,161	586,478
Total	<u>\$ 1,277,026</u>	<u>\$ 1,127,420</u>

Finite-lived identifiable intangible assets consist of the following:

	December 31, 2008			December 31, 2007		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(in thousands)					
Patents	\$ 41,353	\$ (22,945)	\$ 18,408	\$ 36,969	\$ (24,696)	\$ 12,273
Trademarks	75,310	(14,472)	60,838	46,142	(13,277)	32,865
Licensing agreements	29,490	(13,032)	16,458	31,009	(12,414)	18,595
Other	12,197	(4,183)	8,014	11,934	(3,580)	8,354
	<u>\$ 158,350</u>	<u>\$ (54,632)</u>	<u>\$ 103,718</u>	<u>\$ 126,054</u>	<u>\$ (53,967)</u>	<u>\$ 72,087</u>

Amortization expense for finite-lived identifiable intangible assets for 2008, 2007 and 2006 was \$8.7 million, \$7.7 million and \$7.0 million, respectively. The annual estimated amortization expense related to these intangible assets for each of the five succeeding fiscal years is \$10.8 million, \$9.2 million, \$8.8 million, \$8.5 million and \$7.3 million for 2009, 2010, 2011, 2012 and 2013, respectively.

NOTE 9 - ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	December 31,	
	2008	2007
	(in thousands)	
Payroll, commissions, bonuses, other cash compensation and employee benefits	\$ 68,602	\$ 69,337
General insurance	14,130	14,741
Sales and marketing programs	27,441	27,678
Professional and legal costs	10,075	7,706
Restructuring costs (Note 14)	4,905	3,052
Warranty liabilities	4,260	4,431
Deferred income	2,613	744
Accrued vacation and holidays	12,391	11,630
Third party royalties	9,053	7,349
Current portion of derivatives	8,520	2,799
Other	31,670	39,938
	<u>\$ 193,660</u>	<u>\$ 189,405</u>

A reconciliation of changes in the Company's warranty liability for 2008 and 2007 is as follows:

	December 31,	
	2008	2007
	(in thousands)	
Balance, beginning of the year	\$ 4,431	\$ 4,270
Accruals for warranties issued during the year	859	240
Accruals related to pre-existing warranties	(48)	246
Warranty settlements made during the year	(875)	(535)
Effects of exchange rate changes	(107)	210
Balance, end of the year	<u>\$ 4,260</u>	<u>\$ 4,431</u>

NOTE 10 - FINANCING ARRANGEMENTS

Short-Term Borrowings

Short-term bank borrowings amounted to \$21.8 million and \$1.1 million at December 31, 2008 and 2007, respectively. The weighted average interest rates of these borrowings were 5.3% and 3.4% at December 31, 2008 and 2007, respectively. Unused lines of credit for short-term financing at December 31, 2008 and 2007 were \$43.4 million and \$34.8 million, respectively. Substantially all other short-term borrowings were classified as long-term as of December 31, 2008 and 2007, reflecting the Company's intent and ability to refinance these obligations beyond one year and are included in the table below. The unused lines of credit have no major restrictions and are provided under demand notes between the Company and the lending institution. Interest is charged on borrowings under these lines of credit at various rates, generally below prime or equivalent money rates.

Long-Term Borrowings

	December 31,	
	2008	2007
	(in thousands)	
Multi-currency revolving credit agreement expiring May 2010		
- Japanese yen 12.6 billion	\$ -	\$ 112,296
- Swiss francs 65 million at 1.63%	60,809	57,267
- Swiss francs 57 million at 0.73%	53,507	-
- Euros 38 million	-	55,434
Private placement notes, U.S. dollar denominated expiring March 2010 at 2.25%	150,000	150,000
Term loan agreement, Japanese yen denominated expiring March 2012 at 1.61%	138,247	-
U.S. dollar commercial paper facility rated A/2-P/2 U.S. dollar borrowings	-	103,124
Other borrowings, various currencies and rates	25,096	4,130
	<u>\$ 427,659</u>	<u>\$ 482,251</u>
Less: Current portion (included in notes payable and current portion of long-term debt)	3,980	188
	<u>\$ 423,679</u>	<u>\$ 482,063</u>

The table below reflects the contractual maturity dates of the various borrowings at December 31, 2008 (in thousands). The individual borrowings under the revolving credit agreement are structured to mature on a quarterly basis but because the Company has the intent and ability to extend them until the expiration date of the agreement, these borrowings are considered contractually due in May 2010 and March 2012.

2009	\$ 3,980
2010	272,451
2011	3,873
2012	142,709
2013	1,353
2014 and beyond	3,293
	<u>\$ 427,659</u>

The Company utilizes interest rate swaps to convert the Swiss franc denominated debt under the revolving facility to fixed rate debt. The Company utilizes interest rate swaps to convert the variable rate variable rate Japanese yen and U.S. dollar denominated private placement notes to fixed rate debt. The Company's use of interest rate swaps is further described in Note 15, Financial Instruments and Derivatives, to the consolidated financial statements.

The Company has a \$500.0 million revolving credit agreement with participation from thirteen banks. The revolving credit agreements contain a number of covenants and two financial ratios, which the Company is required to satisfy. The most restrictive of these covenants pertain to asset dispositions and prescribed ratios of indebtedness to total capital and operating income excluding depreciation and amortization to 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 the Company's other lenders to accelerate their loans. At December 31, 2008, the Company was in compliance with these covenants. The Company pays a facility fee of 0.10% annually on the amount of the commitment under the \$500.0 million five-year facility. The entire \$500.0 million revolving credit agreement has a usage fee of 0.10% annually if utilization exceeds 50% of the total available facility. Interest rates on amounts borrowed under the facility will depend on the maturity of the borrowing, the currency borrowed, the interest rate option selected, and the Company's long-term credit rating from Standard and Poor's.

The Company has a U.S. dollar commercial paper facility totaling \$250.0 million, which has utilization, dealer and annual appraisal fees which on average cost 0.11% annually. The \$500.0 million revolving credit facility acts as back-up credit to this commercial paper facility. The total available credit under the commercial paper facility and the revolving credit facility is \$500.0million. As of December 31, 2008, the Company had no outstanding commercial paper and \$114.3 million in revolving credit obligations.

On July 25, 2008, the Company entered into a Term Loan Agreement with a group of lenders providing financing in the amount of 12.6 billion Japanese Yen at a floating rate of three month Yen Libor plus 72.5 basis points through March 28, 2012. The net proceeds after deducting fees and expenses of the loan are 12.5 billion Japanese Yen or approximately \$117.9 million. The proceeds were used to refinance debt borrowed under the revolving credit facility. The obligations of the Company and the lenders are subject to the terms and conditions of the Term Loan Agreement.

On March 13, 2007, the Company entered into a note purchase agreement with a group of initial purchasers, providing for the issuance of \$150.0 million aggregate principal amount of floating rate senior notes due 2010 (the "Notes") through a private placement. The net proceeds from the offering after deducting placement fees and expenses of the offering were \$149.5 million. The obligations of DENTSPLY and the initial purchasers are subject to the terms and conditions of the Note Purchase Agreement.

At December 31, 2008, the Company had total unused lines of credit, including lines available under its short-term arrangements and revolving credit agreement, of \$426.1 million.

NOTE 11 - STOCKHOLDERS' EQUITY

At December 31, 2008, the Company had authorization to repurchase shares under its stock repurchase program in an amount up to 17,000,000 shares of treasury stock. Under its stock repurchase program, the Company purchased 2,971,155 shares during 2008 at an average price of \$37.91. As of December 31, 2008 and 2007, the Company held 14.2 million and 12.0 million shares of treasury stock, respectively. During 2008, the Company repurchased \$112.6 million in treasury stock. The Company also received proceeds of \$12.7 million primarily as a result of the exercise of 0.7 million stock options during the year ended December 31, 2008. It is the Company's practice to issue shares from treasury stock when options are exercised. The tax benefit realized for the options exercised during the year ended December 31, 2008 is \$4.3 million.

The following table represents total outstanding shares for the years ended December 31, 2008, 2007 and 2006:

	Common Shares	Treasury Shares	Outstanding Shares
	(in thousands)		
Balance at December 31, 2005	162,776	(5,067)	157,709
Shares Issued	-	3,771	3,771
Repurchase of common stock at cost	-	(9,689)	(9,689)
Balance at December 31, 2006	162,776	(10,985)	151,791
Shares Issued	-	2,421	2,421
Repurchase of common stock at cost	-	(3,390)	(3,390)
Balance at December 31, 2007	162,776	(11,954)	150,822
Shares Issued	-	677	677
Repurchase of common stock at cost	-	(2,971)	(2,971)
Balance at December 31, 2008	<u>162,776</u>	<u>(14,248)</u>	<u>148,528</u>

The Company maintains the 2002 Equity Incentive Plan (the "Plan") under which it may grant non-qualified stock options, incentive stock options, restricted stock, restricted stock units ("RSU") and stock appreciation rights, collectively referred to as "Awards". Awards are granted at exercise prices that approximate the fair market value of the common stock on the grant date. The Plan authorized grants of 14,000,000 shares of common stock, plus any unexercised portion of canceled or terminated stock options granted under the DENTSPLY International Inc. 1993 and 1998 Plans, subject to adjustment as follows: each January, if 7% of the total outstanding common shares of the Company exceed 14,000,000, the excess becomes available for grant under the Plan. No more than 2,000,000 shares may be awarded as restricted stock and restricted stock units, and no key employee may be granted restricted stock units in excess of 150,000 shares of common stock in any calendar year. The number of shares available for grant under the 2002 Plan as of December 31, 2008 is 4.1 million.

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

assumes that performance goals will be achieved. If such goals are not met, no compensation cost is recognized and any recognized compensation costs is reversed. Under the terms of the RSU's, the three-year period is referred to as the restricted period. RSU's and the rights under the award may not be sold, assigned, transferred, donated, pledged or otherwise disposed of during the three year restricted period prior to vesting. Upon the expiration of the applicable restricted period and the satisfaction of all conditions imposed, all restrictions imposed on RSU's will lapse, and one share of common stock will be issued as payment for each vested RSU.

The following table represents total stock based compensation expense and the tax related benefit for the years ended December 31, 2008, 2007 and 2006:

	Year Ended December 31,		
	2008	2007	2006
	(in millions)		
Stock option expense	\$ 11.7	\$ 11.2	\$ 19.6
RSU expense	4.4	1.7	-
Total stock based compensation expense	\$ 16.1	\$ 12.9	\$ 19.6
Related deferred income tax benefit	\$ 3.9	\$ 3.2	\$ 4.1

The stock option expense shown in the preceding table represents the aggregate fair value of shares vested during the year ended December 31, 2008, 2007 and 2006. There were 3.1 million non-qualified stock options unvested as of December 31, 2008. The remaining unamortized compensation cost related to non-qualified stock options is \$22.8 million, which will be expensed over the weighted average remaining vesting period of the options, or 1.9 years. The unamortized compensation cost related to RSUs is \$7.4 million, which will be expensed over the remaining weighted average restricted period of the RSUs, or 1.6 years.

Under SFAS 123(R), the Company continues to use the Black-Scholes option-pricing model to estimate the fair value of each option awarded. The following table sets forth the assumptions used to determine compensation cost for the Company's non-qualified stock options issued during the years ended December 31, 2008, 2007 and 2006:

	Year Ended December 31,		
	2008	2007	2006
Weighted average fair value per share	\$ 8.10	\$ 10.43	\$ 7.28
Expected dividend yield	0.69%	0.41%	0.51%
Risk-free interest rate	1.85%	3.67%	4.50%
Expected volatility	36%	21%	17%
Expected life (years)	4.66	4.74	4.83

The total intrinsic value of options exercised for the year ended December 31, 2008, 2007 and 2006 was \$13.7 million, \$41.1 million and \$53.6 million, respectively.

The following table summarizes the non-qualified stock options transactions for the year ended December 31, 2008:

	Outstanding			Exercisable		
	Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value	Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value
	(in thousands, except per share data)					
December 31, 2007	10,314	\$ 26.41	\$ 192,333	7,378	\$ 22.46	\$ 166,664
Granted	1,786	26.85				
Exercised	(662)	19.38				
Forfeited	(153)	37.04				
December 31, 2008	<u>11,285</u>	\$ 26.75	\$ 41,428	8,185	\$ 24.71	\$ 37,796

The weighted average remaining contractual term of all outstanding options is 6.3 years and the weighted average remaining contractual term of exercisable options is 5.1 years.

The following table summarizes information about non-qualified stock options ("NQSO") outstanding for the year ended December 31, 2008:

Outstanding NQSO Stock Price Ranges	Options Outstanding			Options Exercisable	
	Number Outstanding at December 31, 2008	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Number Exercisable at December 31, 2008	Weighted Average Exercise Price
\$5.0000 - \$10.0000	253,200	0.8	\$ 8.04	253,200	\$ 8.04
10.0100 - 15.0000	392,217	2.0	12.45	392,217	12.45
15.0100 - 20.0000	1,659,065	3.5	17.36	1,659,065	17.36
20.0100 - 25.0000	1,207,195	4.9	22.19	1,207,195	22.19
25.0100 - 30.0000	5,010,247	7.1	27.06	3,296,487	27.62
30.0100 - 35.0000	1,448,249	7.5	31.45	967,332	31.40
35.0100 - 40.0000	130,346	8.9	37.43	20,288	36.34
40.0100 - 45.0000	44,450	9.2	41.13	3,487	41.34
45.0100 - 50.0000	1,140,366	8.9	45.15	386,166	45.15
	<u>11,285,335</u>	6.3	\$ 26.75	<u>8,185,437</u>	\$ 24.71

The following table summarizes the unvested restricted stock units and restricted stock units dividend transactions for the year ended December 31, 2008:

	Unvested Restricted Stock Units	
	Shares	Weighted Average Grant Date Fair Value
	(in thousands, except per share amounts)	
Unvested at December 31, 2007	211	\$ 30.99
Granted	213	41.10
Exercised	(2)	34.01
Vested	(3)	35.66
Forfeited	(19)	35.70
Unvested at December 31, 2008	<u>400</u>	<u>\$ 36.11</u>

NOTE 12 - INCOME TAXES

The components of income before income taxes from continuing operations are as follows:

	Year Ended December 31,		
	2008	2007	2006
	(in thousands)		
United States	\$ 45,171	\$ 100,740	\$ 102,059
Foreign	310,301	257,395	212,778
	<u>\$ 355,472</u>	<u>\$ 358,135</u>	<u>\$ 314,837</u>

The components of the provision for income taxes from continuing operations are as follows:

	Year Ended December 31,		
	2008	2007	2006
	(in thousands)		
Current:			
U.S. federal	\$ (9,913)	\$ 14,395	\$ 17,148
U.S. state	2,291	4,122	652
Foreign	65,854	54,396	19,619
Total	<u>\$ 58,232</u>	<u>\$ 72,913</u>	<u>\$ 37,419</u>
Deferred:			
U.S. federal	\$ 23,496	\$ 28,131	\$ 34,336
U.S. state	3,283	1,627	(10,132)
Foreign	(13,408)	(4,190)	29,496
Total	<u>\$ 13,371</u>	<u>\$ 25,568</u>	<u>\$ 53,700</u>
	<u>\$ 71,603</u>	<u>\$ 98,481</u>	<u>\$ 91,119</u>

The reconciliation of the U.S. federal statutory tax rate to the effective rate is as follows:

	Year Ended December 31,		
	2008	2007	2006
Statutory federal income tax rate	35.0%	35.0%	35.0%
Effect of:			
State income taxes, net of federal benefit	1.0	1.0	0.4
Federal benefit of R&D and foreign tax credits	(15.8)	(3.2)	(2.3)
Tax effect of international operations	5.3	(2.4)	(3.2)
Net effect of tax audit activity	(4.4)	1.0	0.6
Federal benefit of extraterritorial income exclusion	-	-	(0.4)
Tax effect of enacted statutory rate changes	0.1	(3.1)	-
Federal tax on unremitted earnings of certain foreign subsidiaries	(0.3)	0.1	-
Valuation allowance adjustments	(0.4)	-	(2.2)
Other	(0.4)	(0.9)	1.0
Effective income tax rate on continuing operations	<u>20.1%</u>	<u>27.5%</u>	<u>28.9%</u>

The tax effect of temporary differences giving rise to deferred tax assets and liabilities are as follows:

	December 31, 2008		December 31, 2007	
	Current Asset (Liability)	Noncurrent Asset (Liability)	Current Asset (Liability)	Noncurrent Asset (Liability)
	(in thousands)			
Employee benefit accruals	\$ 4,159	\$ 20,832	\$ 207	\$ 18,241
Product warranty accruals	1,065	-	1,080	-
Insurance premium accruals	5,401	-	5,538	-
Commission and bonus accrual	1,904	-	2,824	-
Sales and marketing accrual	3,799	-	2,512	-
Restructuring and other cost accruals	800	2,178	1,079	-
Differences in financial reporting and tax basis for:				
Inventory	14,196	-	14,522	-
Property, plant and equipment	-	(40,493)	-	(28,644)
Identifiable intangible assets	-	(109,278)	-	(95,192)
Unrealized losses included in other comprehensive income	2,347	82,641	(2,697)	60,795
Miscellaneous accruals	10,108	1,073	8,012	1,133
Other	1,673	1,594	1,687	3,794
Taxes on unremitted earnings of foreign subsidiaries	-	(1,076)	-	(2,006)
R&D and foreign tax credit carryforward	5,000	19,678	2,462	32,585
Tax loss carryforwards	11,833	46,869	8,673	60,038
Valuation allowance for tax loss carryforwards	(194)	(36,547)	(856)	(49,394)
	<u>\$ 62,091</u>	<u>\$ (12,529)</u>	<u>\$ 45,043</u>	<u>\$ 1,350</u>

Current and noncurrent deferred tax assets and liabilities are included in the following balance sheet captions:

	December 31,	
	2008	2007
	(in thousands)	
Prepaid expenses and other current assets	\$ 63,952	\$ 47,099
Income taxes payable	(1,861)	(2,056)
Other noncurrent assets	56,520	61,897
Deferred income taxes	(69,049)	(60,547)

The Company has \$24.7 million of foreign tax credit carryforwards \$7.7 million, \$7.1 million and \$9.9 million will expire in 2015, 2016 and 2017 respectively.

Certain foreign and domestic subsidiaries of the Company have tax loss carryforwards of \$544.1 million at December 31, 2008, of which \$442.3 million expire through 2028 and \$101.8 million may be carried forward indefinitely. The tax benefit of certain tax loss carryforwards and deferred tax assets has been offset by a valuation allowance as of December 31, 2008, because it is uncertain whether the benefits will be realized in the future. The valuation allowance at December 31, 2008 and 2007 was \$36.7 million and \$50.3 million, respectively.

The Company has provided federal income taxes on certain undistributed earnings of its foreign subsidiaries that the Company anticipates will be repatriated. Deferred federal income taxes have not been provided on \$538.2 million of cumulative earnings of foreign subsidiaries that the Company has determined to be permanently reinvested. It is not practicable to estimate the amount of tax that might be payable on these permanently reinvested earnings.

Tax Contingencies

In June 2006, the FASB issued FASB Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109, Accounting for Income Taxes," which clarifies the accounting for income taxes. FIN 48 prescribes 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 Interpretation requires that the

Company recognize 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. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods and disclosure.

The total amount of gross unrecognized tax benefits at December 31, 2008, is approximately \$23.3 million, of this total, approximately \$21.9 million represents the amount of unrecognized tax benefits that, if recognized, would affect the effective income tax rate. It is reasonably possible that certain amounts of unrecognized tax benefits will significantly increase or decrease within 12 months of the reporting date of the Company's consolidated financial statements. Expiration of statutes of limitation in various jurisdictions could include unrecognized tax benefits of approximately \$0.8 million. A favorable unrecognized tax benefit of approximately \$7.5 million could occur as a result of final settlement and resolution of outstanding tax matters in foreign jurisdictions during the next twelve months.

The total amounts of interest and penalties, as of December 31, 2008, were \$6.1 million and \$1.1 million, respectively, and at December 31, 2007, interest and penalties were \$10.9 million and \$3.6 million, respectively. The Company has consistently classified interest and penalties recognized in its consolidated financial statements as income taxes based on the accounting policy election of the Company.

The Company is subject to U.S. federal income tax as well as income tax of multiple state and foreign jurisdictions. The significant jurisdictions include the U.S., Switzerland and Germany. The Company has substantially concluded all U.S. federal income tax matters for years through 2005, resulting in the years 2006 and 2007 being subject to future potential tax audit adjustments while years prior to 2006 are settled. The Company is under audit in Germany from 2001 through 2003. The taxable years that remain open for Switzerland are years 1998 through 2007. For Germany, the open years are from 2001 through 2007.

The Company had the following activity recorded for unrecognized tax benefits:

	December 31,	
	2008	2007
	(in thousands)	
Unrecognized tax benefits at beginning of period	\$ 36,307	\$ 36,862
Gross change for prior period positions	1,791	1,619
Gross change for current year positions	785	1,129
Decrease due to settlements and payments	(15,677)	-
Decrease due to statute expirations	(5,752)	(3,303)
Decrease due to effect from foreign currency translation	(1,317)	-
	<u>\$ 16,137</u>	<u>\$ 36,037</u>
Unrecognized tax benefits at end of period		

NOTE 13 - BENEFIT PLANS

Substantially all of the employees of the Company and its subsidiaries are covered by government or Company-sponsored benefit plans. Total costs for Company-sponsored defined benefit, defined contribution and employee stock ownership plans amounted to \$21.2 million in 2008, \$20.9 million in 2007 and \$19.2 million in 2006.

Defined Contribution Plans

In December 2006, the Board of Directors amended the DENTSPLY Employee Stock Ownership Plan ("ESOP") and 401(k) plans to redesign the future distribution of allocations of "Covered Compensation," with a targeted 3% going into the ESOP in Company stock and a targeted 3% going into the 401(k) as a Non-Elective Contribution ("NEC") in cash. The principal driver of this redesign is to provide quicker diversification opportunity to the participants as the investment of the NEC is participant directed. The Company sponsors an employee 401(k) savings plan for its U.S. workforce to which enrolled participants may contribute up to IRS defined limits. The annual expense and cash contribution to the 401(k) is expected to be \$5.0 million for 2008, and was \$4.6 million in 2007.

The ESOP is a non-contributory defined contribution plan that covers substantially all of the U.S. based non-union employees of the Company. Contributions to the ESOP, net of forfeitures, are expected to be \$1.6 million for 2008 (to be contributed in the first quarter of 2009), and were \$0.2 million for 2007 (contributed in the first quarter of 2008), and were \$0.4 million for 2006 (contributed in the first quarter of 2007).

All future ESOP allocations will come from a combination of forfeited shares and shares acquired in the open market. The Company has targeted future ESOP allocations at 3% of “Covered Compensation.” The share allocation will be accounted at fair value at the point of allocation, each year-end, in accordance with SOP 93-6, “Employers’ Accounting for Employee Stock Ownership Plans.”

Defined Benefit Plans

The Company maintains a number of separate contributory and non-contributory qualified defined benefit pension plans and other postretirement medical plans for certain union and salaried employee groups in the U.S. Pension benefits for salaried plans are based on salary and years of service; hourly plans are based on negotiated benefits and years of service. Annual contributions to the pension plans are sufficient to satisfy minimum funding requirements. Pension plan assets are held in trust and consist mainly of common stock and fixed income investments. The U.S. plans are funded in excess of the funding required by the U.S. Department of Labor.

The Company maintains defined benefit pension plans for its employees in Germany, Japan, the Netherlands, Switzerland and Taiwan. These plans provide benefits based upon age, years of service and remuneration. Substantially all of the German plans are unfunded book reserve plans. Other foreign plans are not significant individually or in the aggregate. Most employees and retirees outside the U.S. are covered by government health plans.

Postretirement Healthcare

The plans for postretirement healthcare have no plan assets. The postretirement healthcare plans cover certain union and salaried employee groups in the U.S. and is contributory, with retiree contributions adjusted annually to limit the Company’s contribution for participants who retired after June 1, 1985. The Company also sponsors unfunded non-contributory postretirement medical plans for a limited number of union employees and their spouses and retirees of a discontinued operation.

Reconciliations of changes in the defined benefit and postretirement healthcare plans' benefit obligations, fair value of assets and statement of funded status are as follows:

	Pension Benefits		Other Postretirement Benefits	
	December 31,		December 31,	
	2008	2007	2008	2007
	(in thousands)			
Change in Benefit Obligation				
Benefit obligation at beginning of year	\$ 176,634	\$ 172,120	\$ 10,420	\$ 9,377
Service cost	6,980	6,796	50	41
Interest cost	7,910	7,094	635	573
Participant contributions	2,667	2,575	710	704
Actuarial (gains) losses	7,973	(19,424)	670	466
Amendments	-	(100)	-	-
Divestitures	521	223	-	-
Effects of exchange rate changes	1,055	14,583	-	-
Foreign plan additions	-	371	-	-
Change to measurement date	-	1,111	-	-
Settlement (gains)	(10,130)	-	-	-
Benefits paid	(9,825)	(8,715)	(1,984)	(741)
Benefit obligation at end of year	<u>\$ 183,785</u>	<u>\$ 176,634</u>	<u>\$ 10,501</u>	<u>\$ 10,420</u>
Change in Plan Assets				
Fair value of plan assets at beginning of year	\$ 90,658	\$ 75,588	\$ -	\$ -
Actual return on assets	(11,200)	6,356	-	-
Settlement (gains)	(10,130)	-	-	-
Effects of exchange rate changes	4,578	5,758	-	-
Employer contributions	9,238	9,096	1,274	37
Participant contributions	2,667	2,575	710	704
Benefits paid	(9,825)	(8,715)	(1,984)	(741)
Fair value of plan assets at end of year	<u>\$ 75,986</u>	<u>\$ 90,658</u>	<u>\$ -</u>	<u>\$ -</u>
Funded status at end of year	<u>\$ (107,799)</u>	<u>\$ (85,976)</u>	<u>\$ (10,501)</u>	<u>\$ (10,420)</u>

The amounts recognized in the accompanying consolidated balance sheet, net of tax effects, are as follows:

	Pension Benefits		Other Postretirement Benefits	
	December 31,		December 31,	
	2008	2007	2008	2007
	(in thousands)			
Other noncurrent assets	\$ 11	\$ 9,755	\$ -	\$ -
Deferred tax asset	9,672	4,117	1,142	948
Total assets	\$ 9,683	\$ 13,872	\$ 1,142	\$ 948
Current liabilities	(3,290)	(3,347)	(1,084)	(1,061)
Noncurrent liabilities	(104,521)	(92,384)	(9,416)	(9,359)
Deferred tax liability	(452)	(211)	-	-
Total liabilities	\$ (108,263)	\$ (95,942)	\$ (10,500)	\$ (10,420)
Accumulated other comprehensive loss	28,282	7,890	1,816	1,508
Net amount recognized	\$ (70,298)	\$ (74,180)	\$ (7,542)	\$ (7,964)

Amounts recognized in accumulated other comprehensive income ("AOCI") consist of:

	Pension Benefits		Other Postretirement Benefits	
	December 31,		December 31,	
	2008	2007	2008	2007
	(in thousands)			
Net actuarial loss	\$ 36,702	\$ 10,643	\$ 2,958	\$ 2,456
Net prior service cost	437	581	-	-
Net transition obligation	364	572	-	-
Pretax AOCI	\$ 37,503	\$ 11,796	\$ 2,958	\$ 2,456
Less deferred taxes	9,221	3,906	1,142	948
Post tax AOCI	\$ 28,282	\$ 7,890	\$ 1,816	\$ 1,508

The accumulated benefit obligation for all defined benefit pension plans was \$174.0 million and \$161.8 million at December 31, 2008 and 2007, respectively.

Information for pension plans with an accumulated benefit obligation in excess of plan assets:

	December 31,	
	2008	2007
	(in thousands)	
Projected benefit obligation	\$ 183,565	\$ 118,923
Accumulated benefit obligation	173,747	104,079
Fair value of plan assets	75,753	23,193

Components of net periodic benefit cost and other amounts recognized in AOCI:

	Pension Benefits			Other Postretirement Benefits		
	2008	2007	2006	2008	2007	2006
	(in thousands)			(in thousands)		
Service cost	\$ 6,980	\$ 6,796	\$ 6,597	\$ 50	\$ 42	\$ 74
Interest cost	7,910	7,094	5,887	635	573	596
Expected return on assets	(4,458)	(4,115)	(3,771)	-	-	-
Amortization of actuarial losses	240	217	209	-	-	-
Amortization of prior service	141	148	117	-	(386)	(685)
Amortization of net loss	155	1,224	1,135	168	229	224
Settlement (gains)	(2,259)	-	-	-	-	-
Net periodic benefit cost	<u>\$ 8,709</u>	<u>\$ 11,364</u>	<u>\$ 10,174</u>	<u>\$ 853</u>	<u>\$ 458</u>	<u>\$ 209</u>

Other changes in plan assets and benefit obligations recognized in AOCI:

	Pension Benefits			Other Postretirement Benefits		
	2007	2007	2006	2007	2006	2006
	(in thousands)			(in thousands)		
Net actuarial loss (gain)	\$ 26,214	\$ (19,487)	\$ 10,879	\$ 670	\$ 466	\$ 2,444
Net prior service (credit) cost	(3)	(113)	1,089	-	-	(1,071)
Net transition obligation	32	(9)	1,007	-	-	-
Amortization	(536)	(1,589)	(1,461)	(168)	156	461
Total recognized in AOCI	<u>\$ 25,707</u>	<u>\$ (21,198)</u>	<u>\$ 11,514</u>	<u>\$ 502</u>	<u>\$ 622</u>	<u>\$ 1,834</u>
Total recognized in net periodic benefit cost and AOCI	<u>\$ 34,416</u>	<u>\$ (9,834)</u>	<u>\$ 21,688</u>	<u>\$ 1,355</u>	<u>\$ 1,080</u>	<u>\$ 2,043</u>

The estimated net loss, prior service cost, and transition obligation for the defined benefit plans that will be amortized from AOCI into net periodic benefit cost over the next fiscal year are \$1.7 million, \$0.1 million and \$0.2 million, respectively. The estimated net loss and prior service credit for the other postretirement plans that will be amortized from AOCI into net periodic benefit cost over the next fiscal year is \$0.2 million.

The weighted average assumptions used to determine benefit obligations for the Company's plans, principally in foreign locations, are as follows:

	Pension Benefits			Other Postretirement Benefits		
	2008	2007	2006	2008	2007	2006
Discount rate	4.5%	5.0%	4.1%	6.3%	6.3%	5.8%
Rate of compensation increase	2.7%	2.8%	2.6%	n/a	n/a	n/a
Health care cost trend	n/a	n/a	n/a	9.0%	9.0%	9.0%
Ultimate health care cost trend	n/a	n/a	n/a	5.0%	5.0%	5.0%
Years until ultimate trend is reached	n/a	n/a	n/a	9.0	9.0	8.0

The weighted average assumptions used to determine net periodic benefit cost for the Company's plans, principally in foreign locations, are as follows:

	Pension Benefits			Other Postretirement Benefits		
	2007	2006	2005	2007	2006	2005
Discount rate	4.9%	4.1%	3.7%	6.3%	5.8%	5.5%
Expected return on plan assets	5.4%	5.3%	5.3%	n/a	n/a	n/a
Rate of compensation increase	2.8%	2.7%	2.5%	n/a	n/a	n/a
Health care cost trend	n/a	n/a	n/a	9.0%	9.0%	9.5%
Ultimate health care cost trend	n/a	n/a	n/a	5.0%	5.0%	5.0%
Years until ultimate trend is reached	n/a	n/a	n/a	9.0	9.0	8.0
Measurement date	12/31/2008	12/31/2007	12/31/2006	12/31/2008	12/31/2007	12/31/2006

Assumed health care cost trend rates have an impact on the amounts reported for postretirement benefits. A one percentage point change in assumed healthcare cost trend rates would have the following effects for the year ended December 31, 2008:

	Other Postretirement Benefits	
	1% Increase	1% Decrease
	(in thousands)	
Effect on total of service and interest cost components	\$ 53	\$ (46)
Effect on postretirement benefit obligation	773	(676)

Plan Assets:

The weighted average asset allocations of the plans at December 31, 2008 and 2007 by asset category are as follows:

	Target Allocation	December 31,	
		2008	2007
Equity	30%-65%	28%	32%
Debt	30%-65%	50%	46%
Real estate	0%-15%	8%	4%
Other	0%-25%	14%	18%
Total		100%	100%

Equity securities do not include Company stock of DENTSPLY International Inc. 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.

Cash Flows:

The Company expects to contribute \$1.8 million to its U.S. defined benefit pension plans, \$1.1 million to its postretirement medical plans, and \$4.8 million to its other postretirement benefit plans in 2009.

Estimated Future Benefit Payments:

	Pension Benefits		Other Postretirement Benefits	
	(in thousands)			
2009	\$	7,111	\$	1,084
2010		8,698		1,071
2011		8,528		1,090
2012		8,546		1,099
2013		9,763		1,035
2014-2018		55,355		4,312

Other costs of \$26.5 million for 2008 included costs primarily related to settlements of legal matters and impairment of long-term assets. These other costs are reflected in Restructuring, Impairment and Other Costs in the income statement. Legal settlements are further discussed in Note 17, Commitments and Contingencies.

Restructuring Costs

Restructuring costs of \$5.9 million for 2008 are reflected in Restructuring, Impairment and Other Costs in the income statement and the associated liabilities are recorded in accrued liabilities and other non-current liabilities in the consolidated condensed balance sheet. These costs consist of employee severance benefits, payments due under operating contracts, and other restructuring costs.

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

During 2007, the Company initiated several restructuring plans primarily related to the closure and consolidation of certain production and selling facilities in the U.S., Europe, Asia and South America in order to better leverage the Company's resources by reducing costs and obtaining operational efficiencies.

As of December 31, 2008, the Company's restructuring accruals were as follows:

	Severance			
	2006 and Prior Plans	2007 Plans	2008 Plans	Total
	(in thousands)			
Balance, December 31, 2007	\$ 1,617	\$ 925	\$ -	\$ 2,542
Provisions	197	393	2,913	3,503
Amounts applied	(950)	(1,308)	(107)	(2,365)
Changes in estimates	(210)	-	-	(210)
Balance, December 31, 2008	\$ 654	\$ 10	\$ 2,806	\$ 3,470
	Lease/contract terminations			
	2006 and Prior Plans	2007 Plans	2008 Plans	Total
	(in thousands)			
Balance, December 31, 2007	\$ 252	\$ -	\$ -	\$ 252
Provisions	-	687	-	687
Amounts applied	(165)	(687)	-	(852)
Changes in estimates	-	-	-	-
Balance, December 31, 2008	\$ 87	\$ -	\$ -	\$ 87
	Other restructuring costs			
	2006 and Prior Plans	2007 Plans	2008 Plans	Total
	(in thousands)			
Balance, December 31, 2007	\$ 206	\$ 52	\$ -	\$ 258
Provisions	545	1,023	568	2,136
Amounts applied	(517)	(953)	(512)	(1,982)
Changes in estimates	(160)	(88)	-	(248)
Balance, December 31, 2008	\$ 74	\$ 34	\$ 56	\$ 164

The following table provides the cumulative amounts for the provision, amounts applied, and changes in estimates for all the plans by segment:

	December 31, 2007	Provisions	Amounts applied	Changes in estimates	December 31, 2008
	(in thousands)				
United States, Germany and Certain Other European Regions					
Consumables Businesses	\$ 234	\$ 1,229	\$ (1,361)	\$ -	\$ 102
France, United Kingdom, Italy, CIS, Middle East, Africa, Pacific Rim Businesses	220	302	(267)	(65)	190
Canada, Latin America/ Endodontics/Orthodontics	619	900	(1,253)	(88)	178
Global Dental Laboratory Business/ Implants/Non-Dental	<u>1,979</u>	<u>3,895</u>	<u>(2,318)</u>	<u>(305)</u>	<u>3,251</u>
Total	<u>\$ 3,052</u>	<u>\$ 6,326</u>	<u>\$ (5,199)</u>	<u>\$ (458)</u>	<u>\$ 3,721</u>

NOTE 15 – FINANCIAL INSTRUMENTS AND DERIVATIVES

Derivative Instruments and Hedging Activities

The Company's activities expose it to a variety of market risks, which primarily include the risks related to the effects of changes in foreign currency exchange rates, interest rates, and commodity prices. These financial exposures are monitored and managed by the Company as part of its overall risk management program. The objective of this risk management program is to reduce the volatility that these market risks may have on the Company's operating results and equity.

Certain of the Company's inventory purchases are denominated in foreign currencies, which expose the Company to market risk associated with exchange rate movements. 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 addition, the Company's investments in foreign subsidiaries are denominated in foreign currencies, which create exposures to changes in exchange rates. The Company uses debt and derivatives denominated in the applicable foreign currency as a means of hedging a portion of this risk.

With the Company's significant level of variable rate long-term debt and net investment hedges, changes in the interest rate environment can have a major impact on the Company's earnings, depending upon its interest rate exposure. As a result, the Company manages its interest rate exposure with the use of interest rate swaps, when appropriate, based upon market conditions.

The manufacturing of some of the Company's products requires the use of commodities, which are subject to market fluctuations. In order to limit the unanticipated impact on earnings from such market fluctuations, the Company selectively enters into commodity swaps for certain materials used in the production of its products. Additionally, the Company uses non-derivative methods, such as the precious metal consignment agreements to effectively hedge commodity risks.

Cash Flow Hedges

	Year Ended December 31	
	2008	2007
Net of Tax	(in thousands)	
Beginning balance	<u>\$ (1,573)</u>	<u>\$ (3,003)</u>
Changes in fair value of derivatives	(5,721)	(235)
Reclassifications to earnings from equity	<u>(580)</u>	<u>1,665</u>
Total activity	(6,301)	1,430
Ending balance	<u>\$ (7,874)</u>	<u>\$ (1,573)</u>

The Company uses interest rate swaps to convert a portion of its variable rate debt to fixed rate debt. As of December 31, 2008, the Company has three groups of significant variable rate to fixed rate 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 rate of 1.6% for a term of ten years, ending in March 2012. Another swap has a notional amount of 65.0 million Swiss francs, and effectively converts the underlying variable interest rates to a fixed rate of 4.2% for a term of seven years, ending in March 2012. A third group of swaps has a notional amount of \$150.0 million, and effectively converts the underlying variable interest rates to a fixed rate of 3.9% for a term of two years, ending March 2010.

The Company selectively enters into commodity swaps to effectively fix certain variable raw material costs. At December 31, 2008, the Company had swaps in place to purchase 2,310 troy ounces of platinum bullion for use in the production of its impression material products. The average fixed rate of this agreement is \$1,446.42 per troy ounce. In addition, the Company had swaps in place to purchase 204,000 troy ounces of silver bullion for use in the production of its amalgam products at an average fixed rate of \$14.28 per troy ounce. The Company generally may hedge up to 80% of its projected annual needs related to these products.

The Company enters into forward exchange contracts to hedge the foreign currency exposure of its anticipated purchases of certain inventory from Japan. In addition, exchange contracts are used by certain of the Company's subsidiaries to hedge intercompany inventory purchases, which are denominated in non-local currencies. The forward contracts that are used in these programs typically mature in twelve months or less. The Company generally may hedge up to 80% of its anticipated purchases from the supplying locations.

As of December 31, 2008, \$4.2 million of deferred net losses on derivative instruments recorded in accumulated other comprehensive income are expected to be reclassified to current earnings during the next twelve months. This reclassification is primarily due to the sale of inventory that includes previously hedged purchases and interest rate swaps. The maximum term over which the Company is hedging exposures to variability of cash flows (for all forecasted transactions, excluding interest payments on variable-rate debt) is eighteen months. Overall, the derivatives designated as cash flow hedges are highly effective. Any cash flows associated with these instruments are included in cash from operations in accordance with the Company's policy of classifying the cash flows from these instruments in the same category as the cash flows from the items being hedged.

Hedges of Net Investments in Foreign Operations

	Year Ended	
	December 31	
Net of Tax	2008	2007
	(in thousands)	
Beginning balance	\$ 156,790	\$ 105,778
Foreign currency translation adjustment	(52,983)	114,656
Changes in fair value of foreign currency debt	(18,538)	(8,424)
Changes in fair value of derivatives	(7,685)	(55,220)
Total activity	(79,206)	51,012
Ending balance	<u>\$ 77,584</u>	<u>\$ 156,790</u>

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 non-derivative financial instruments, including foreign currency denominated debt held at the parent company level and derivative financial instruments 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.

In the first quarter of 2005, the Company entered into cross currency interest rate swaps with a notional principal value of Swiss francs 457.5 million paying three month Swiss franc Libor and receiving three month U.S. dollar Libor on \$384.4 million. In the first quarter of 2006, the Company entered into additional cross currency interest rate swaps with a notional principal value of Swiss francs 55.5 million paying three month Swiss franc Libor and receiving three month U.S. dollar Libor on \$42.0 million. In the fourth quarter of 2006, the Company entered into additional cross currency interest rate swaps with a notional principal value of Swiss francs 80.4 million paying three month Swiss franc Libor and receiving three month U.S. dollar Libor on \$64.4 million. In the first quarter of 2007, the Company entered into additional cross currency interest rate swaps with a notional principal value of Swiss francs 56.6 million paying three month Swiss franc Libor and receiving three month U.S. dollar Libor on \$46.3 million. Additionally, in the

fourth quarter of 2005, the Company entered into cross currency interest rate swaps with a notional principal value of Euro 358.0 million paying three month Euro Libor and receiving three month U.S. dollar Libor on \$419.7 million. The Swiss franc and Euro cross currency interest rate swaps are designated as net investment hedges of the Swiss and Euro denominated net assets. The interest rate differential is recognized in the earnings as interest income or interest expense as it is accrued, the foreign currency revaluation is recorded in accumulated other comprehensive income, net of tax effects.

The fair value of these cross currency interest rate swap agreements is the estimated amount the Company would (pay) receive at the reporting date, taking into account the effective interest rates and foreign exchange rates. As of December 31, 2008 and December 31, 2007, the estimated net fair values of the swap agreements were negative \$148.9 million and negative \$138.1 million, respectively, which are recorded in accumulated other comprehensive income, net of tax effects, other noncurrent liabilities and other noncurrent assets.

At December 31, 2008 and 2007, the Company had Euro-denominated, Swiss franc-denominated, and Japanese yen-denominated debt and cross currency interest rate swaps (at the parent company level) to hedge the currency exposure related to a designated portion of the net assets of its European, Swiss and Japanese subsidiaries. At December 31, 2008 and 2007, the accumulated translation gains on investments in foreign subsidiaries, primarily denominated in Euros, Swiss francs and Japanese yen, net of these net investment hedges, were \$77.6 million and \$156.8 million, respectively, which are included in accumulated other comprehensive income, net of tax effects.

Other

As of December 31, 2008, on a pre-tax basis, the Company had recorded assets representing the fair value of derivative instruments of \$4.5 million in "Prepaid expenses and other current assets," and liabilities representing the fair value of derivative instruments of \$8.5 million in "Accrued liabilities" and \$157.4 million in "Other noncurrent liabilities." The aggregate pre-tax net fair value of the Company's derivative instruments at December 31, 2008 and 2007 was negative \$161.4 million and negative \$141.6 million, respectively.

NOTE 16 – FAIR VALUE MEASUREMENT

The Company records financial instruments at fair value with unrealized gains and losses related to certain financial instruments reflected in AOCI on the consolidated condensed balance sheet. In addition, the Company records non-performance risk adjustments on its financial instruments to the income statement. 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.

The degree of judgment utilized in measuring the fair value of financial instruments generally correlates to the level of pricing observability. Pricing observability is impacted by a number of factors, including the type of financial instrument. Financial instruments 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 instruments rarely traded or not quoted will generally have less, or no pricing observability and a higher degree of judgment utilized in measuring fair value.

Effective January 1, 2008, the Company adopted the Statement of Financial Accounting Standards No. 157, which among other things, requires enhanced disclosures about financial instruments carried at fair value. SFAS 157 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. SFAS 157 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 SFAS 157 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.

Under SFAS 159, entities are permitted to choose to measure many financial instruments and certain other items at fair value. The Company did not elect the fair value measurement option under SFAS 159 for any of the Company's financial assets or liabilities not already recorded at fair value.

The fair value of financial instruments is determined by reference to various market data and other valuation techniques as appropriate. The Company believes the carrying amounts of accounts receivable (net of allowance for doubtful accounts), prepaid expenses and other current assets, accounts payable, accrued liabilities, income taxes payable and notes payable approximate fair value due to the short-term nature of these instruments. The Company estimates the fair value and carrying value of its total debt was \$427.7 million as of December 31, 2008. The fair value of the Company's long-term debt equaled its carrying value as the Company's debt is variable rate and reflects current market rates. The interest rates on private placement notes, revolving debt and commercial paper are variable and therefore the fair value of these instruments approximates their carrying values.

The following table sets forth by level within the fair value hierarchy the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2008, which are classified as "Cash and cash equivalents," "Other noncurrent assets," "Other noncurrent liabilities," and "Accrued liabilities." As required by SFAS 157, financial assets and liabilities that are recorded at fair value as of the balance sheet date are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Twelve Months Ended December 31, 2008			
	Total	Level 1	Level 2	Level 3
	(in thousands)			
Assets				
Money market funds	\$ 203,991	\$ 203,991	\$ -	\$ -
Interest rate swaps	2	-	2	-
Foreign exchange forward contracts	2,053	-	2,053	-
Total assets	\$ 206,046	\$ 203,991	\$ 2,055	\$ -
Liabilities				
Interest rate swaps	\$ 12,529	\$ -	\$ 12,529	\$ -
Commodity forward purchase contracts	1,931	-	1,931	-
Cross currency interest rate swaps	148,935	-	148,935	-
Total liabilities	\$ 163,395	\$ -	\$ 163,395	\$ -

Derivative valuations are based on observable inputs to the valuation model including interest rates, foreign currency exchange rates, future commodities prices and credit risks.

The commodity forward purchase contracts, interest rate swaps, and foreign exchange forward contracts are considered cash flow hedges and cross currency interest rate swaps are considered hedge of net investments in foreign operations as discussed in Note 15, Financial Instruments and Derivatives.

NOTE 17 - COMMITMENTS AND CONTINGENCIES

Leases

The Company leases automobiles and machinery and equipment and certain office, warehouse and manufacturing facilities under non-cancelable operating and capital leases. These leases generally require the Company to pay insurance, taxes and other expenses related to the leased property. Total rental expense for all operating leases was \$29.5 million for 2008, \$27.4 million for 2007 and \$23.4 million for 2006.

Rental commitments, principally for real estate (exclusive of taxes, insurance and maintenance), automobiles and office equipment are as follows (in thousands):

2009	\$ 24,730
2010	18,070
2011	12,388
2012	8,580
2013	5,180
2014 and thereafter	11,819
	<u>\$ 80,767</u>

Litigation

On January 5, 1999, the Department of Justice filed a Complaint against the Company in the U.S. District Court in Wilmington, Delaware alleging that the Company's tooth distribution practices violated the antitrust laws and seeking an order for the Company to discontinue its practices. This case has been concluded and the District Court, upon the direction of the Court of Appeals, issued an injunction preventing DENTSPLY from taking action to restrict its tooth dealers in the U.S. from adding new competitive teeth lines.

Subsequent to the filing of the Department of Justice Complaint in 1999, a private party putative class action was filed based on allegations similar to those in the Department of Justice case, on behalf of dental laboratories who purchased Trubyte teeth or products containing Trubyte teeth. The District Court granted the Company's Motion on the lack of standing of the laboratory class action to pursue damage claims. The Plaintiffs appealed this decision to the Third Circuit and the Court largely upheld the decision of the District Court in dismissing the Plaintiffs' damages claims against DENTSPLY, with the exception of allowing the Plaintiffs to pursue a damage claim based on a theory of resale price maintenance between the Company and its tooth dealers. The Plaintiffs then filed an amended complaint in the District Court asserting that DENTSPLY and its tooth dealers, and the dealers among themselves, engaged in a conspiracy to violate the antitrust laws. The District Court has granted the Motions filed by DENTSPLY and the dealers, to dismiss Plaintiffs' claims, except for the resale price maintenance claims. The Plaintiffs have appealed the dismissal of these claims to the Third Circuit. Also pending is a case filed by a manufacturer of a competitive tooth line seeking unspecified damages alleged to have been incurred as a result of the Company's tooth distribution practice found to be a violation of the antitrust law.

On June 18, 2004, Marvin Weinstat, DDS and Richard Nathan, DDS filed a class action suit in San Francisco County, California alleging that the Company misrepresented that its Cavitron® ultrasonic scalers are suitable for use in oral surgical procedures. The Complaint seeks a recall of the product and refund of its purchase price to dentists who have purchased it for use in oral surgery. The Court certified the case as a class action in June 2006 with respect to the breach of warranty and unfair business practices claims. The class is defined as California dental professionals who purchased and used one or more Cavitron® ultrasonic scalers for the performance of oral surgical procedures. The Company filed a motion for decertification of the class and this motion was granted. Plaintiffs have appealed the decertification of the class to the California Court of Appeals.

On December 12, 2006, a Complaint was filed by Carole Hildebrand, DDS and Robert Jaffin, DDS in the Eastern District of PA. The case was filed by the same law firm that filed the Weinstat case in California. The Complaint asserts putative class action claims on behalf of dentists located in New Jersey and Pennsylvania. The Complaint seeks damages and asserts that the Company's Cavitron® ultrasonic scaler was negligently designed and sold in breach of contract and warranty arising from misrepresentations about the potential uses of the product because it cannot assure the delivery of potable or sterile water. Plaintiffs have filed their Motion for class certification to which the Company has filed its response.

Other

The Company has no material non-cancelable purchase commitments.

The Company has employment agreements with its executive officers. These agreements generally provide for salary continuation for a specified number of months under certain circumstances. If all of the employees under contract were to be terminated by the Company without cause, as defined in the agreements, the Company's liability would be approximately \$10.5 million at December 31, 2008.

NOTE 18 - QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Dentsply International Inc.

Quarterly Financial Information (Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Rounding	Total Year
(in thousands, except per share amounts)						
2008						
Net sales	\$560,782	\$ 594,847	\$ 529,953	\$ 508,141	\$ -	\$ 2,193,723
Gross profit	285,243	315,486	280,183	271,032	-	1,151,944
Operating income	101,037	113,161	80,915	85,310	(2)	380,421
Net income	68,180	78,648	66,047	70,995	(1)	283,869
Earnings per common share - basic	\$ 0.45	\$ 0.53	\$ 0.44	\$ 0.48		\$ 1.90
Earnings per common share - diluted	\$ 0.45	\$ 0.52	\$ 0.44	\$ 0.47	\$ (0.01)	\$ 1.87
Cash dividends declared per common share	\$ 0.0450	\$ 0.0450	\$ 0.0450	\$ 0.0500	\$ -	\$ 0.1850
2007						
Net sales	\$472,864	\$ 507,362	\$ 488,103	\$ 541,504	-	\$2,009,833
Gross profit	246,278	268,784	252,990	272,731	-	1,040,783
Operating income	81,211	93,493	82,590	97,597	-	354,891
Net income	58,472	65,433	65,719	70,030	-	259,654
Earnings per common share - basic	\$ 0.38	\$ 0.43	\$ 0.43	\$ 0.46	\$ 0.01	\$ 1.71
Earnings per common share - diluted	\$ 0.38	\$ 0.42	\$ 0.42	\$ 0.45	\$ 0.01	\$ 1.68
Cash dividends declared per common share	\$ 0.0400	\$ 0.0400	\$ 0.0400	\$ 0.0450	\$ -	\$ 0.1650

Net sales, excluding precious metal content, were \$496.2 million, \$542.3 million, \$488.1 million and \$467.2 million, respectively, for the first, second, third and fourth quarters of 2008. Net sales, excluding precious metal content, were \$423.3 million, \$462.1 million, \$445.3 million and \$489.2 million, respectively, for the first, second, third and fourth quarters of 2007. This measurement should be considered a non-GAAP measure as discussed further in Management's Discussion and Analysis of Financial Condition and Results of Operations.

Supplemental Stock Information

On May 10, 2006, the Company announced that its Board of Directors declared a two-for-one stock split in the form of a stock dividend. This stock split became effective on July 17, 2006 and has been retroactively reflected for all periods presented in this Annual Report on Form 10-K.

The common stock of the Company is traded on the NASDAQ National Market under the symbol "XRAY." The following table sets forth high, low and closing sale prices of the Company's common stock for the periods indicated as reported on the NASDAQ National Market:

	Market Range of Common Stock		Period-end Closing Price	Cash Dividend Declared
	High	Low		
2008				
First Quarter	\$ 47.06	\$ 36.07	\$ 38.60	\$ 0.04500
Second Quarter	42.58	35.21	36.80	0.04500
Third Quarter	42.05	36.21	37.54	0.04500
Fourth Quarter	39.22	22.85	28.24	0.05000
2007				
First Quarter	\$ 33.35	\$ 29.44	\$ 32.75	\$ 0.04000
Second Quarter	38.73	32.50	38.26	0.04000
Third Quarter	41.90	35.32	41.64	0.04000
Fourth Quarter	47.84	40.06	45.02	0.04500
2006				
First Quarter	\$ 29.23	\$ 26.07	\$ 29.08	\$ 0.03500
Second Quarter	31.50	27.72	30.30	0.03500
Third Quarter	30.42	29.12	30.11	0.03500
Fourth Quarter	32.68	29.63	29.85	0.04000

The Company estimates, based on information supplied by its transfer agent, that there are 466 holders of record of the Company's common stock. Approximately 99,000 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.

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**AMENDED AND RESTATED BY-LAWS
OF
DENTSPLY INTERNATIONAL INC.**

(Formerly GENDEX Corporation)

ARTICLE I

STOCKHOLDERS' MEETINGS

Section 1. Annual Meetings. The annual meeting of the stockholders, for the purpose of electing directors and for the transaction of such other business as may properly come before the meeting, shall be held on such date and at such time as shall be designated from time to time by the Board of Directors.

Section 2. Special Meetings. Except as otherwise required by law and subject to the rights of the holders of any class or series of capital stock having a preference over the common stock as to dividends or upon liquidation, special meetings of stockholders of the corporation may be called only by the Chairman of the Board, the Chief Executive Officer or the President pursuant to a resolution adopted by the Board of Directors.

Section 3. Place of Meeting. The Board of Directors may designate any place, either within or without the State of Delaware, as the place of meeting for any annual meeting, or for any special meeting called pursuant to Article I, Section 2, above. A waiver of notice signed by all stockholders entitled to vote at a meeting may designate any place, either within or without the State of Delaware, as the place for the holding of such meeting. If no designation is made, or if a special meeting shall be otherwise called, the place of meeting shall be the principal office of the corporation.

Section 4. Notice of Meeting. Written notice stating the place, date and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) nor more than sixty (60) days before the date of the meeting either personally or by mail, by or at the discretion of the Chief Executive Officer, the President or the officer or persons calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the stockholder at his address as it appears on the stock record books of the corporation, with postage thereon prepaid.

Section 5. Fixing of Record Date.

(a) For the purpose of determining stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors of the corporation may fix, in advance, a date as the record date for any such determination of stockholders, such date in any case to be not more than sixty (60) nor less than ten (10) days prior to the date of any proposed meeting of stockholders. In no event shall the stock transfer books be closed. When a determination of stockholders entitled to vote at any meeting of stockholders has been made as provided in this Section, such determination shall be applied to any adjournment thereof.

(b) For the purpose of determining stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights, or in order to make a determination of stockholders for any other lawful purpose, the Board of Directors of the corporation may fix a date as the record date for any such determination of stockholders, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty (60) days prior to such action. In no event shall the stock transfer books be closed.

Section 6. Quorum. A majority of the outstanding shares of the corporation entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of stockholders. Provided that a meeting has been duly convened in accordance herewith, any meeting of the stockholders may be adjourned from time to time without further notice. At any adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. Any meeting (a) at which all of the outstanding shares are present in person or represented by proxy and at which none of such shares attend for the purpose of objecting, at the beginning of the meeting, to the transaction of any business thereat because the meeting was not lawfully called or convened, or (b) at which all of the outstanding stock has waived notice, or (c) for which notice shall have been duly given as provided herein, shall be deemed a properly constituted meeting of the stockholders.

Section 7. Proxies. At all meetings of stockholders, a stockholder entitled to vote may vote by proxy appointed in writing by the stockholder or by his duly authorized attorney in fact. Such proxy shall be filed with the Secretary of the corporation before or at the time of the meeting. An instrument appointing a proxy shall, unless the contrary is stated thereon, be valid only at the meeting for which it has been given or any adjournment thereof.

Section 8. Voting of Shares. At each meeting of stockholders, every stockholder entitled to vote thereat shall be entitled to vote in person or by a duly authorized proxy, which proxy may be appointed by an instrument in writing executed by such stockholder or his duly authorized attorney or through electronic means, if applicable, such as the internet. Subject to the provisions of applicable law and the corporation's Certificate of Incorporation, each holder of common stock shall be entitled to one (1) vote for each share of stock standing registered in his name at the close of business on the day fixed by the Board of Directors as the record date for the determination of the stockholders entitled to notice of and vote at such meeting. Shares standing in the name of another corporation may be voted by any officer of such corporation or any proxy appointed by any officer of such corporation in the absence of express notice of such corporation given in writing to the Secretary of this corporation in connection with the particular meeting, that such officer has no authority to vote such shares.

Section 9. List of Stockholders. A complete list of the stockholders entitled to vote at the ensuing meeting, arranged in alphabetical order and showing the address of each stockholder and the number of shares registered in the name of each stockholder, shall be prepared by the Secretary, or other officer of the corporation having charge of said stock ledger. Such list shall be open to the examination of any stockholder during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where said meeting is to be held, and the list shall be produced and kept at the time and place of the meeting during the whole time thereof, and shall be subject to the inspection of any stockholder who may be present.

Section 10. Waiver of Notice by Stockholders. Whenever any notice whatever is required to be given to any stockholder of the corporation under the provisions of these By-Laws or under the provisions of the Certificate of Incorporation or under the provisions of any statute, a waiver thereof in writing, signed at any time, whether before or after the time of meeting, by the stockholder entitled to such notice, shall be deemed equivalent to the giving of such notice.

Section 11. Advance Notice of Stockholder-Proposed Business at Annual Meetings. No business may be transacted at an annual meeting of stockholders, other than business that is either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any duly authorized committee thereof), (b) otherwise properly brought before the annual meeting by or at the direction of the Board of Directors (or any duly authorized committee thereof), or (c) otherwise properly brought before the annual meeting by any stockholder of the corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in this Section 11 and on the record date for the determination of stockholders entitled to notice of and to vote at such annual meeting and (ii) who complies with the notice procedures set forth in this Section 11.

In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the corporation.

To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the corporation not less than ninety (90) days nor more than one hundred twenty (120) days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that in the event that the annual meeting is called for a date that is not within twenty-five (25) days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs.

To be in proper written form, a stockholder's notice to the Secretary must set forth as to each matter such stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting, the reasons for conducting such business at the annual meeting and any material interest in such business of such stockholder and any Stockholder Associated Person (as defined below), individually or in the aggregate, including any anticipated benefit to the stockholder or the Stockholder Associated Person therefrom, (ii) the name and record address of such stockholder, (iii) as to the stockholder giving the notice and any Stockholder Associated Person, (A) the class, series and number of all shares of stock of the corporation which are owned by such stockholder and by such Stockholder Associated Person, if any, (B) the nominee holder for, and number of, shares owned beneficially but not of record by such stockholder and by any such Stockholder Associated Person, and (C) any derivative positions held or beneficially held by the stockholder and by any such Stockholder Associated Person and whether and the extent to which any hedging or other transaction or series of transactions has been entered into by or on behalf of, or any other agreement, arrangement or understanding (including any short position or any borrowing or lending of shares) has been made, the effect or intent of which is to mitigate loss to or manage risk or benefit of share price changes for, or to increase or decrease the voting power of, such stockholder or any such Stockholder Associated Person with respect to any share of stock of the corporation; (iv) as to the stockholder giving the notice and any Stockholder Associated Person covered by clause (iii) of this paragraph, the name and address of such stockholder, as they appear on the corporation's stock ledger, and current name and address, if different, and of such Stockholder Associated Person; (v) a description of all proxy, contract, arrangement, understanding, or relationship between such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder; and (vi) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

Notwithstanding anything in these By-Laws to the contrary, no business shall be conducted at the annual meeting except business brought before the annual meeting in accordance with the procedures set forth in this Section 11; provided, however, that, once business has been properly brought before the annual meeting in accordance with such procedures, nothing in this Section 11 shall be deemed to preclude discussion by any stockholder of any such business. If the chairman of an annual meeting determines that business was not properly brought before the annual meeting in accordance with the foregoing procedures, the chairman shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

For purposes of this Section 11 and of Section 12 of this Article I, "Stockholder Associated Person" of any stockholder shall mean (i) any person controlling, directly or indirectly, or acting in concert with, such stockholder, (ii) any beneficial owner of shares of stock of the corporation owned of record or beneficially by such stockholder and (iii) any person controlling, controlled by or under common control with such Stockholder Associated Person.

Section 12. Procedure for Nomination of Directors. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the corporation, except as may be otherwise provided in the Certificate of Incorporation with respect to the right of holders of preferred stock of the corporation to nominate and elect a specified number of directors in certain circumstances. Nominations of persons for election to the Board of Directors may be made at any annual meeting of stockholders, or at any special meeting of stockholders called for the purpose of electing directors, (a) by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (b) by any stockholder of the corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in this Section 12 and on the record date for the determination of stockholders entitled to notice of and to vote at such meeting and (ii) who complies with the notice procedures set forth in this Section 12.

In addition to any other applicable requirements, for a nomination to be made by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the corporation.

To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the corporation (a) in the case of an annual meeting, not less than ninety (90) days nor more than one hundred twenty (120) days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that in the event that the annual meeting is called for a date that is not within twenty-five (25) days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs; and (b) in the case of a special meeting of stockholders called for the purpose of electing directors, not later than the close of business on the tenth (10th) day following the day on which notice of the date of the special meeting was mailed or public disclosure of the date of the special meeting was made, whichever first occurs.

To be in proper written form, a stockholder's notice to the Secretary must set forth (a) as to each person whom the stockholder proposes to nominate for election as a director (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class or series and number of shares of capital stock of the corporation which are owned beneficially or of record by the person and (iv) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder; and (b) as to the stockholder giving the notice and any Stockholder Associated Person, (i) the name and record address of such stockholder, (ii) the class, series and number of all shares of stock of the corporation which are owned by such stockholder and by such Stockholder Associated Person, if any, (iii) the nominee holder for, and number of, shares owned beneficially but not of record by such stockholder and by any such Stockholder Associated Person, (iv) any derivative positions held or beneficially held by the stockholder and by any such Stockholder Associated Person and whether and the extent to which any hedging or other transaction or series of transactions has been entered into by or on behalf of, or any other agreement, arrangement or understanding (including any short position or any borrowing or lending of shares) has been made, the effect or intent of which is to mitigate loss to or manage risk or benefit of share price changes for, or to increase or decrease the voting power of, such stockholder or any such Stockholder Associated Person with respect to any share of stock of the corporation, (v) a description of all arrangements or understandings between such stockholder or any such Stockholder Associated Person and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such stockholder, (vi) as to the stockholder giving the notice, a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice and (vii) any other information relating to the stockholder giving the notice that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

No person shall be eligible for election as a director of the corporation unless nominated in accordance with the procedures set forth in this Section 12. If the Chairman of the meeting determines that a nomination was not made in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

BOARD OF DIRECTORS

Section 1. General Powers. The business and affairs of the corporation shall be managed by its Board of Directors. The Board of Directors may adopt, amend or repeal by-laws adopted by the Board or by the stockholders.

Section 2. Number of Directors, Tenure and Qualifications. The number of members of the Board of Directors shall be not less than three (3) nor more than thirteen (13), as determined from time to time by the Board of Directors. The directors need not be stockholders of the corporation. The directors shall be divided into three (3) classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third (1/3) of the total number of directors constituting the entire Board of Directors. Effective immediately upon the filing of the Certificate of Incorporation of the corporation dated June 11, 1993, Class I directors shall be elected for a term ending upon the next succeeding annual meeting of stockholders, Class II directors for a term ending upon the second succeeding annual meeting of stockholders and Class III directors for a term ending upon the third succeeding annual meeting of stockholders. At each succeeding annual meeting of stockholders beginning with the annual meeting immediately succeeding the filing of the Certificate of Incorporation, successors to the class of directors whose term expires at such annual meeting shall be elected for a three-year term. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any additional director of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class, but in no case will a decrease in the number of directors shorten the term of any incumbent director. A director shall hold office until the annual meeting for the year in which his or her term expires and until his or her successor shall be elected and shall qualify, subject, however, to prior death, resignation, incapacitation or removal from office, and except as otherwise required by law. In the event such election is not held at the annual meeting of stockholders, it shall be held at any adjournment thereof or a special meeting.

Section 3. Regular Meetings. Regular meetings of the Board of Directors shall be held without any other notice than this By-Law immediately after, and at the same place as, the annual meeting of stockholders, and each adjourned session thereof. The Board of Directors may designate the time and place, either within or without the State of Delaware, for the holding of additional regular meetings without other notice than such designation.

Section 4. Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the Chairman of the Board, the Chief Executive Officer, the President or by members of the Board of Directors constituting no less than three-fourths (3/4) of the total number of directors then in office. The person or persons authorized to call special meetings of the Board of Directors may fix any place either within or without the State of Delaware, as the place for holding any special meeting of the Board of Directors called by them.

Section 5. Notice. Notice of any special meeting shall be given at least five (5) days previously thereto by written notice delivered or mailed to each director at his last known address, or at least forty-eight (48) hours previously thereto by personal delivery or by facsimile to a telephone number provided to the corporation. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid. If notice is given by facsimile, such notice shall be deemed to be delivered when transmitted with receipt confirmed. Whenever any notice whatever is required to be given to any director of the corporation under the provisions of these By-Laws or under the provisions of the Certificate of Incorporation or under the provisions of any statute, a waiver thereof in writing, signed at any time, whether before or after the time of meeting, by the director entitled to such notice, shall be deemed equivalent to the giving of such notice. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting except where a director attends a meeting and objects thereto to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

Section 6. Quorum. Two-Thirds (2/3) of the directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors.

Section 7. Manner of Acting. The act of the majority of the directors then in office shall be the act of the Board of Directors, unless the act of a greater number is required by these By-Laws or By-Law.

Section 8. Vacancies. Except as otherwise required by law, any vacancy on the Board of Directors that results from an increase in the number of directors shall be filled only by a majority of the Board of Directors then in office, provided that a quorum is present, and any other vacancy occurring on the Board of Directors shall be filled by a majority of the directors then in office, even if less than a quorum, or by a sole remaining director. Any director elected to fill a vacancy not resulting from an increase in the number of directors shall have the same remaining term as that of his or her predecessor. The resignation of a director shall be effective upon receipt by the corporation, unless some subsequent time is fixed in the resignation, and then from that time. Acceptance of such resignation by the corporation shall not be required.

Section 9. Compensation. The Board of Directors, by affirmative vote of a majority of the directors, and irrespective of any personal interest of any of its members, may establish reasonable compensation of all directors for services to the corporation as directors, officers or otherwise, or may delegate such authority to an appropriate committee.

Section 10. Presumption of Assent. A director of the corporation who is present at a meeting of the Board of Directors or a committee thereof at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof. Such right to dissent shall not apply to a director who voted in favor of such action.

Section 11. Committees. The Board of Directors by resolution may designate one (1) or more committees, each committee to consist of one (1) or more directors elected by the Board of Directors, which to the extent provided in such resolution, as initially adopted, and as thereafter supplemented or amended by further resolution adopted by a like vote, shall have and may exercise, when the Board of Directors is not in session, the powers of the Board of Directors in the management of the business and affairs of the corporation, except action with respect to amendment of the Certificate of Incorporation or By-Laws, adoption of an agreement of merger or consolidation (other than the adoption of a Certificate of Ownership and Merger in accordance with Section 253 of the General Corporation Law of the State of Delaware, as such law may be amended or supplemented), recommendation to the stockholders of the sale, lease or exchange of all or substantially all of the corporation's property or assets, recommendation to the stockholders of the dissolution or the revocation of a dissolution of the corporation, election of officers or the filling of vacancies on the Board of Directors or on committees created pursuant to this Section or declaration of dividends. The Board of Directors may elect one (1) or more of its members as alternate members of any such committee who may take the place of any absent or disqualified member or members at any meeting of such committee, upon request by the Chairman of the Board, the Chief Executive Officer or the President or upon request by the chairman of such meeting. Each such committee may fix its own rules governing the conduct of its activities and shall make such reports to the Board of Directors of its activities as the Board of Directors may request.

Section 12. Removal of Directors. Exclusive of directors, if any, elected by the holders of one (1) or more classes of preferred stock, no director of the corporation may be removed from office, except for cause and by the affirmative vote of two-thirds (2/3) of the outstanding shares of capital stock of the corporation entitled to vote at a meeting of the stockholders duly called for such purpose. As used in this Article II, the meaning of "cause" shall be limited to malfeasance arising from the performance of a director's duty which has a materially adverse effect on the business of the corporation.

Section 13. Action of the Board by Written Consent. Any action required or permitted to be taken at any meeting of the Board of Directors or any committee thereof may be taken without a meeting of the Board of Directors or any committee thereof if prior to such action a written consent thereto is signed by all members of the Board or of the committee, as the case may be, and such written consent is filed with the minutes of the proceedings of the Board or the committee.

Section 14. Conferences. Members of the Board of Directors or any committee designated by the Board may participate in a meeting of such Board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 14 shall constitute presence in person at such meeting.

ARTICLE III

OFFICERS

Section 1. Number. The officers of the corporation shall consist of a Chairman of the Board and a Chief Executive Officer. The Board of Directors may appoint as officers a Vice Chairman of the Board, President, such number of Senior Vice Presidents and Vice Presidents, a Secretary, a Treasurer, one (1) or more Assistant Treasurers, one (1) or more Assistant Secretaries, and such other officers as are created by the Board from time to time. The same person may hold two (2) or more of such offices.

Section 2. Election and Term of Office. The Chairman of the Board and the Vice Chairman of the Board shall be elected by the directors from among their own number; other officers need not be directors. In addition to the powers conferred upon them by these By-Laws, all officers elected or appointed by the Board of Directors shall have such authority and shall perform such duties as from time to time may be prescribed by the Board of Directors by resolution.

Section 3. Removal. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors, whenever in its judgment the best interests of the corporation will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment shall not of itself create contract rights.

Section 4. Chairman of the Board. The Chairman of the Board shall preside at all meetings of the Board of Directors and meetings of the stockholders. He shall also perform such other duties as from time to time may be assigned to him by the Board of Directors.

Section 5. Vice Chairman of the Board. In the absence of the Chairman of the Board because of death or physical disability which prevents the Chairman of the Board from performing his duties, or in the event of his inability or refusal to act, the Vice Chairman of the Board shall perform the duties of the Chairman of the Board and, when so acting, have the powers of and be subject to all of the restrictions upon the Chairman of the Board.

Section 6. Chief Executive Officer. The Chief Executive Officer shall be the principal executive officer of the corporation and shall have the general charge of and control over the business, affairs and personnel of the corporation, subject to the authority of the Board of Directors. The Chief Executive Officer may, together with the Secretary, sign all certificates for shares of the capital stock of the corporation and shall perform such other duties as shall be delegated to him by the Board of Directors. Except as may be specified by the Board of Directors, the Chief Executive Officer shall have the power to enter into contracts and make commitments on behalf of the corporation and shall have the right to execute deeds, mortgages, bonds, contracts and other instruments necessary or proper to be executed in connection with the corporation's regular business and may authorize the President, and any other officer of the corporation, to sign, execute and acknowledge such documents and instruments in his place and stead.

Section 7. President. The President shall be the chief operating officer of the corporation, and shall report to the Chief Executive Officer. The President may, together with the Secretary, sign all certificates for shares of the capital stock of the corporation and may, together with the Secretary, execute on behalf of the corporation any contract, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or the Chief Executive Officer to some other officer or agent, and shall perform such duties as are assigned to him by the Board of Directors or the Chief Executive Officer.

Section 8. Senior Vice President and Vice Presidents. Each Senior Vice President or Vice President shall perform such duties and have such authority as from time to time may be assigned to him by the Board of Directors, the Chief Executive Officer or the President.

Section 9. Secretary and Assistant Secretaries. The Secretary shall have custody of the seal of the corporation and of all books, records and papers of the corporation, except such as shall be in the charge of the Treasurer or some other person authorized to have custody and be in possession thereof by resolution of the Board of Directors. The Secretary shall record the proceedings of the meetings of the stockholders and of the Board of Directors in books kept by him for that purpose and may, at the direction of the Board of Directors, give any notice required by statute or by these By-Laws of all such meetings. The Secretary shall, together with the Chief Executive Officer or the President, sign certificates for shares of the capital stock of the corporation. Any Assistant Secretaries elected by the Board of Directors, in order of their seniority, shall, in the absence or disability of the Secretary, perform the duties and exercise the powers of the Secretary as aforesaid. The Secretary or any Assistant Secretary may, together with the Chief Executive Officer, the President or any other authorized officer, execute on behalf of the corporation any contract which has been approved by the Board of Directors, and shall perform such other duties as the Board of Directors, the Chief Executive Officer or the President shall prescribe.

Section 10. Treasurer and Assistant Treasurer. The Treasurer shall keep accounts of all moneys of the corporation received and disbursed, and shall deposit all monies and valuables of the corporation in its name and to its credit in such banks and depositories as the Board of Directors shall designate. Any Assistant Treasurers elected by the Board of Directors, in order of their seniority, shall, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer, and shall perform such other duties as the Board of Directors, the Chief Executive Officer or the President shall prescribe.

Section 11. Salaries. The salaries of the officers shall be fixed from time to time by the Board of Directors and no officer shall be prevented from receiving such salary by reason of the fact that he is also a director of the corporation.

Section 12. Representation in Other Companies. Unless otherwise ordered by the Board of Directors, the Chief Executive Officer, the President or a Vice President designated by the President shall have full power and authority on behalf of the corporation to attend and to act and to vote at any meetings of security holders of corporations in which the corporation may hold securities, and at such meetings shall possess and may exercise any and all rights and powers incident to the ownership of such securities, and which as the owner thereof the corporation might have possessed and exercised, if present. The Board of Directors by resolution from time to time may confer like powers upon any other person or persons.

ARTICLE IV

STOCK AND TRANSFER OF STOCK

Section 1. Shares of Stock. The shares of capital stock of the corporation shall be represented by a certificate, unless and until the Board of Directors of the corporation adopts a resolution permitting shares to be uncertificated. Notwithstanding the adoption of any such resolution providing for uncertificated shares, every holder of capital stock of the corporation theretofore represented by certificates and, upon request, every holder of uncertificated shares, shall be entitled to have a certificate for shares of capital stock of the corporation signed by the Chief Executive Officer or the President and by the Secretary. To the extent that shares are represented by certificates, the certificates shall be in such form as shall be determined by the Board of Directors and shall be consecutively numbered or otherwise identified. The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the corporation. With respect to certificated shares of stock, all certificates surrendered to the corporation for transfer shall be canceled and no new certificate or uncertificated shares shall be issued until the former certificate for a like number of shares shall have been surrendered and canceled, except that in case of a lost, destroyed or mutilated certificate, a new certificate or uncertificated shares may be issued therefor upon such terms and indemnity to the corporation as the Board of Directors may prescribe.

Section 2. Transfer of Shares. Stock of the corporation shall be transferable in the manner prescribed by applicable law and in these By-Laws. Transfers of stock shall be made on the books of the corporation, and in the case of certificated shares of stock, only by the person named in the certificate or by such person's attorney lawfully constituted in writing and upon the surrender of the certificate therefor, properly endorsed for transfer and payment of all necessary transfer taxes; or, in the case of uncertificated shares of stock, upon receipt of proper transfer instructions from the registered holder of the shares or by such person's attorney lawfully constituted in writing, and upon payment of all necessary transfer taxes and compliance with appropriate procedures for transferring shares in uncertificated form; provided, however, that such surrender and endorsement, compliance or payment of taxes shall not be required in any case in which the officers of the corporation shall determine to waive such requirement. Prior to due presentment for registration of transfer of a certificate representing shares of capital stock of the corporation or of proper transfer instructions with respect to uncertificated shares, the corporation may treat the registered owner of such shares as the person exclusively entitled to vote, to receive notifications and otherwise to exercise all the rights and powers of an owner. Where a certificate for shares is presented to the corporation with a request to register for transfer, the corporation shall not be liable to the owner or any other person suffering loss as a result of such registration of transfer if (a) there were on or with the certificate the necessary endorsements, and (b) the corporation had no duty to inquire into adverse claims or has discharged any such duty. The corporation may require reasonable assurance that said endorsements are genuine and effective and in compliance with such other regulations as may be prescribed under the authority of the Board of Directors.

ARTICLE V

INDEMNIFICATION OF DIRECTORS, OFFICERS,
EMPLOYEES AND AGENTS

Section 1. Indemnification Generally. The corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation), by reason of the fact that he or she is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, or is alleged to have violated the Employee Retirement Income Security Act of 1974, as amended, against expenses (including attorneys' fees), judgments, fines, penalties, and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

Section 2. Indemnification in Actions By or In the Right Of the Corporation. The corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he or she is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with the defense and settlement of such action or suit if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Delaware Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Delaware Court of Chancery or such other court shall deem proper.

Section 3. Success on the Merits; Indemnification Against Expenses. To the extent that a director, officer, employee or agent of the corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 1 or Section 2 of this Article V, or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection therewith.

Section 4. Determination that Indemnification is Proper. Any indemnification under Section 1 or Section 2 of this Article V, unless ordered by a court, shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances under the standard of conduct set forth in such Section 1 or Section 2 of this Article V, as the case may be. Such determination shall be made:

- (a) By the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding;
- (b) If such a quorum is not obtainable, or, even if obtainable if a quorum of disinterested directors so directs, by independent legal counsel in a written opinion; or
- (c) By the stockholders.

Section 5. Insurance; Indemnification Agreements. The corporation may, but shall not be required to, supplement the right of indemnification under this Article V by any lawful means, including, without limitation by reason of [remuneration], (i) the purchase and maintenance of insurance on behalf of any one or more of such indemnitees, whether or not the corporation would be obligated to indemnify such person under this Article V or otherwise, and (ii) individual or group indemnification agreements with any one or more of such indemnities.

Section 6. Advancement of Expenses. Expenses (including attorneys' fees) incurred by an indemnitee in defending any civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the indemnitee to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the corporation as to such amounts.

Section 7. Rights Not Exclusive. The indemnification and advancement of expenses provided by this Article V shall be not deemed exclusive of any other right to which an indemnified person may be entitled under Section 145 of the General Corporation Law of the State of Delaware (or any successor provision) or otherwise under applicable law, or under any agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 8. Severability. To the extent that any court of competent jurisdiction shall determine that the indemnification provided under this Article V shall be invalid as applied to a particular claim, issue or matter, the provisions hereof shall be deemed amended to allow indemnification to the maximum extent permitted by law.

Section 9. Modification. This Article V shall be deemed to be a contract between the corporation and each previous, current or future director, officer, employee or agent. The provisions of this Article V shall be applicable to all actions, claims, suits or proceedings, commenced after the adoption hereof, whether arising from any action taken or failure to act before or after such adoption. No amendment, modification or repeal of this Article V shall diminish the rights provided hereby or diminish the right to indemnification with respect to any claim, issue or matter in any then pending or subsequent proceeding which is based in any material respect from any alleged action or failure to act prior to such amendment, modification or repeal.

Term Loan Agreement

JPY12,552,500,000

Borrower : Dentsply International Inc.

Arranger : The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Co-Arranger : Shinsei Bank, Limited

Agent : The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Lenders : The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Shinsei Bank, Limited
Mitsui Sumitomo Insurance Company, Limited
The Shinkumi Federation Bank

Dated: July 25, 2008

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July 25, 2008

THIS AGREEMENT ("**this Agreement**") is entered into as of July 25, 2008 by and among DENTSPLY International Inc. (hereinafter referred to as the "**Borrower**"), The Bank of Tokyo-Mitsubishi UFJ, Ltd., Shinsei Bank, Limited, Mitsui Sumitomo Insurance Company, Limited and The Shinkumi Federation Bank as lenders (hereinafter referred to collectively as the "**Lenders**" and individually as a "**Lender**") and The Bank of Tokyo-Mitsubishi UFJ, Ltd. acting in its capacity as the agent (hereinafter referred to as the "**Agent**").

Article 1 Definition

(1) The following terms when used herein shall (unless the context otherwise requires) have the following meanings:

- 1 "**Agent Account**" means a JPY account held by the Agent opened with The Bank of Tokyo-Mitsubishi UFJ, Ltd., Head Office, or such other account as the Agent may designate and notify the Borrower and each Lender from time to time.
- 2 "**Agent Fee**" means such fee payable by the Borrower to the Agent as separately agreed between the Borrower and the Agent.
- 3 "**Agent Services**" means such services provided herein as are entrusted to the Agent by the Lenders in the interests of the Lenders.
- 4 "**Applicable Rate of Interest**" means the rate corresponding to the Base Rate plus the Margin.
- 5 "**Arranger**" means The Bank of Tokyo-Mitsubishi UFJ, Ltd.
- 6 "**Assignee**" means the person or entity to which an Individual Loan is assigned in accordance with Article 26(1).
- 7 "**Assignor**" means the person or entity which assigns an Individual Loan in accordance with Article 26(1).
- 8 "**Base Rate**", with respect to each Interest Calculation Period, means the

interest rate applicable to the relevant Interest Calculation Period appearing on the Telerate Screen Page 3750 or Reuters Reference LIBOR01 or any other replacement page displaying London interbank offered rate for lending in Japanese Yen as the "JPY LIBOR" published by British Bankers' Association, for a period of three (3) months (or two (2) months, in the case of the first Interest Calculation Period, commencing on the Disbursement Date and ending on the first Interest Payment Date, September 28, 2008), at 11:00 a.m., London time on the day that is two (2) London Business Days preceding the commencement of such Interest Calculation Period. In the event that such rate is not available at such time for any reason, then the Base Rate for such Interest Calculation Period shall be reasonably determined by the Agent. "**London Business Day**" herein means any day that is not a Saturday, Sunday or other day on which commercial banks in London are authorized or required by the Laws and Ordinances to remain closed.

9 "**Break Funding Costs**" means the amount which is calculated by applying the difference between the Reinvestment Rate and the Applicable Rate of Interest for the actual number of days in the Remaining Period to the amount of the principal repaid or offset if the Reinvestment Rate, when the principal of an Individual Advance is repaid or offset on a day which is not an Interest Payment Date, is below the Applicable Rate of Interest pertaining to the Interest Calculation Period during which the date of such repayment or offset occurs. The "**Remaining Period**" means the period from the day when the repayment or offset occurs to the next Interest Payment Date; and the "**Reinvestment Rate**" refers to the interest rate that is reasonably determined by a relevant Lender as the interest rate which would be obtained on the assumption that the principal so repaid or offset were to be reinvested in the London interbank market for the Remaining Period. As for the calculations of the Break Funding Costs, they shall be made on the daily basis of a 360-day year for the actual number of days elapsed (including the first day but excluding the last day) with division being made at the end of the calculation with any fraction of less than JPY1 being rounded down.

10 "**Business Day**" means any day that is not a Saturday, Sunday or other day on which commercial banks in Tokyo, London and New York are authorized or required by the Laws and Ordinances to remain closed.

11 "**Co-Arranger**" means Shinsei Bank, Limited.

12 "**Disbursement Date**" means July 31, 2008.

13 "**Disbursement Suspension Event**" means (i) occurrence of natural calamity or war; (ii) suspension or disruption of electricity, communication or
various clearing and settlement systems; (iii) any event that has occurred in the interbank market and that has made it impossible to carry out the lending
and borrowing transactions in funds; and (iv) any other event out of control of the Lenders which the Majority Lenders or the Agent determines has made
disbursement of the Loan in accordance with this Agreement impossible.

14 "**Due Date**" means (with respect to the principal of the Loan) the Maturity Date or any Prepayment Date, (with respect to the interest on the Loan) each
Interest Payment Date which is the final day of each Interest Calculation Period, and (with respect to other monies) such other date that is specified as a
day when a payment shall be made in accordance with this Agreement.

15 "**EBITDA**" has the meaning given to that term in Article 18.

16 "**ERISA**" has the meaning given to that term in Article 18.

17 "**Environmental Laws**" has the meaning given to that term in Article 18.

18 "**Event of Default**" means an event described in Article 19.

19 "**Facility**" means a loan facility in the sum of JPY12,552,500,000 that is expected to be provided to the Borrower on the Disbursement Date.

20 "**GAAP**" means the generally accepted accounting principles in the United States of America or any other accounting standards that may be adopted by
the Borrower from time to time.

21 "**Increased Costs**" means an increase (reasonably calculated by the relevant Lender) in the lending cost under this Agreement on the part of such Lender
which results from (i) any enactment, abolishment or change of Laws and Ordinances or any change in interpretation or application of Laws and
Ordinances, (ii) any imposition or increase, etc. of reserves, or (iii) any change in accounting regulation or application (excluding, however, an increase
resulting from any change in the tax rate applicable to the taxable income of such Lender).

22 "**Individual Advance**" means an advance made by each Lender on the Disbursement Date.

23 "**Individual Advance Payable**" means the principal, the interest, the default interest and the Break Funding Costs in connection with an Individual
Advance and all the other monies payable by the Borrower hereunder.

24 "**Individual Loan**" means the loan in connection with an Individual Advance.

25 "**Information Memorandum**" means the information memorandum dated June 2008 used by the Arranger in connection with the syndication of the

Facility.

- 26 "**Interest Calculation Period**" means the period, in the case of first such period, commencing on the Disbursement Date and ending on the first Interest
Payment Date, and thereafter commencing on each Interest Payment Date and ending on the next succeeding Interest Payment Date first to occur since
each such commencement date.
- 27 "**Interest Payment Date**" means the date on which the interest shall be payable on 28th day of each March, June, September and December, commencing
on September 28, 2008 and ending on the Maturity Date; provided, however, that if any such Interest Payment Date falls on the day which is not a
Business Day, the next succeeding Business Day (or the immediately preceding Business Day if the next succeeding Business Day falls in the next
month) shall be the Interest Payment Date.
- 28 "**Laws and Ordinances**" mean treaties, laws, enabling legislations, ordinances, regulations, notices, judgments, decrees, awards, circulars and policies of
relevant authorities applicable to this Agreement, transactions hereunder and the parties hereto.
- 29 "**Lender with Increased Costs**" means the Lender with respect to which the Increased Costs have occurred or are likely to occur.
- 30 "**Lien**" has the meaning given to that term in Article 18.
- 31 "**Loan**" means the aggregate of the Individual Advances.
- 32 "**Loan Commitment**" means the amount specified for each Lender in the column "Loan Commitment" in Schedule attached hereto with respect to such
Lender.
- 33 "**Majority Lenders**" means one or more Lenders that have advanced not less than 66-2/3% of the aggregate amount of the principal of the Loan then
outstanding or, if no disbursement has been made, one or more Lenders the aggregate of Loan Commitments of which is at least 66-2/3% of the total
Loan Commitment of the Lenders.
- 34 "**Margin**" means, with respect to each Interest Calculation Period, 0.725% per annum.
- 35 "**Material Adverse Change**" means any material adverse change in the business, financial condition or operations of the Borrower or the Borrower and
its Subsidiaries taken as a whole.
- 36 "**Material Adverse Effect**" means a material adverse effect on (a) the business, financial condition or operations of the Borrower or the Borrower and its

Subsidiaries taken as a whole, (b) the rights and remedies of the Agent or any Lender under this Agreement or (c) the ability of the Borrower to perform its obligations under this Agreement.

37 "**Maturity Date**" means March 28, 2012; provided, however, that if such date falls on the day which is not a Business Day, the next succeeding Business Day (or the immediately preceding Business Day if the next succeeding Business Day falls in the next month) shall be the Maturity Date.

38 "**Non-Disbursing Lender**" has the meaning given to that term in Article 6.

39 "**PATRIOT Act**" means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT Act, Title III of Pub. L. 107-56 (signed into law October 26, 2001)), as amended from time to time, and any successor statute, and all rules and regulations from time to time promulgated thereunder.

40 "**Payment Time**" means 10:30 a.m. (Japan time) of the Due Date in case the Due Date is specified herein.

41 "**Permitted Lien**" has the meaning given to that term in Article 18.

42 "**Person**" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture, limited liability company or other entity, or a government or any political subdivision or agency thereof.

43 "**Prepayment Date**" has the meaning given to that term in Article 11.

44 "**Prepayment Date for Increased Costs**" has the meaning given to that term in Article 8.

45 "**Qualified Assignee**" shall mean a Lender or Lenders as at the date of execution hereof *Development Bank of Japan, The Norinchukin Bank, Shinkin Central Bank, National Mutual Insurance Federation of Agricultural Cooperatives, Japan Agricultural Cooperatives* of each Municipality, any entity which is licensed to carry on banking business under the Banking Law or Long-Term Credit Banking Law of Japan or foreign law, or any entity which is licensed to carry on life insurance business or casualty and property insurance business under the Insurance Business Law of Japan.

46 "**Status Transferor**" and "**Status Transferee**" have the respective meanings given to these terms in Article 25.

47 "**Subsidiary**" of any Person means any corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) more than 50% of (a) the issued and outstanding capital stock having ordinary voting power to elect

a majority of the Board of Directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency), (b) the interest in the capital or profits of such limited liability company, partnership or joint venture or (c) the beneficial interest in such trust or estate is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person's other Subsidiaries.

48 "**Syndicate Account**" means a JPY deposit account held by the Borrower with Citibank, N.A., London Branch or such other account opened by the Borrower and approved by the Agent.

49 "**Taxes and Duties**" means any and all taxes, levies, imposts, duties, charges, assessments or fees of any nature, including income tax, corporation tax or other taxes, that may be imposed by any government or taxing authority in connection with this Agreement.

50 "**Unsatisfied Item**" has the meaning given to that term in Article 15.

51 "**Voting Stock**" has the meaning given to that term in Article 19.

(2) Certain Interpretive Provisions

(a) For the purposes hereof, a period constituting one-month means such period commencing on (and including) the starting date of calculation and ending on (and including) the corresponding date in the next calendar month, and also any period consisting multiples of one month shall be calculated in the same way (provided, however, that if such corresponding date is not a Business Day, then the next following Business Day shall be the last day of the period concerned unless that day falls in the next calendar month in which case that date will be the first preceding Business Day). In this case, if the starting date of calculation is the last Business Day of the calendar month to which such starting date belongs, then the applicable corresponding date shall be the last Business Day of such month, and if no corresponding date exists in the calendar month during which such period is to terminate, then the last Business Day of such month shall be deemed to be the applicable corresponding date.

(b) All accounting terms not specifically defined herein shall be construed in accordance with GAAP.

Article 2 Rights and Obligations of Lender

- (1) Unless otherwise provided in this Agreement, each Lender may exercise its rights under this Agreement separately from and independently upon other Lenders.
- (2) Each Lender shall disburse the Individual Advance of such Lender on the Disbursement Date.
- (3) Unless otherwise provided in this Agreement, the obligations of each Lender under this Agreement are several and independent of the obligations of the other Lenders. Therefore, no Lender may be released from its obligations hereunder on account of other Lenders not performing such obligations, nor is any Lender liable for the non-performance of the obligations hereunder of any other Lender.

Article 3 Use of Proceeds

The Borrower shall use the proceeds of the funds procured from the Loan only for general corporate purposes. Neither the Agent nor any of the Lenders shall be obliged to monitor or review the way in which such proceeds are actually used by the Borrower.

Article 4 Conditions Precedent to Disbursement of Individual Advance

Each Lender shall make an Individual Advance, subject to fulfillment of all the following conditions (irrespective whether or not the notice pursuant to Article 6(1) having been made) as of the Disbursement Date. The fulfillment of the conditions precedent shall be determined by each Lender, and the other Lenders and the Agent shall not be liable for a Lender's determination of and non-performance of the Individual Advance by it.

- (a) The Disbursement Suspension Event has not occurred with respect to the Lender or the obligations of the Lenders to make the Individual Advances have not been released pursuant to Article 7(2).

- (b) All the representations and warranties of the Borrower set forth in Article 17 are true and correct in all material respects as of the Disbursement Date.
- (c) No event has occurred and is continuing, or would result from the making of the Individual Advances or the application of the proceeds thereof, that constitutes (or would constitute with the giving of notice or the lapse of time or both) an Event of Default.
- (d) The Borrower does not breach any of the provisions of this Agreement, and there is no likelihood that such breach will occur after the Disbursement Date.
- (e) There is no consultation underway with respect to such Lender pursuant to Article 8(4).
- (f) The Agent has received the documents enumerated below on or before the date of execution hereof satisfactory to the Agent and the Lenders:
 - (i) a certificate of incumbency and signatures of the representative of the Borrower to execute this Agreement;
 - (ii) a certified copy of the certificate of incorporation of the Borrower;
 - (iii) a certified copy of the document issued by the State of Delaware which certifies that the Borrower is a corporation validly existing and in good standing;
 - (iv) a certified copy of the articles of incorporation and by-laws of the Borrower;
 - (v) submission of the signatures of the Borrower;
 - (vi) a certified copy (or extract) of the minutes of the meeting of the Board of Directors authorizing the Borrower's entering into this Agreement accompanied by a letter or certificate of an authorized officer of the Borrower covering completion of all procedures necessary for the execution of this Agreement and borrowings thereunder under its corporate documents;
 - (vii) a legal opinion of a lawyer licensed in the United States as to the legal validity of this Agreement under the laws of the United States of America; and
 - (viii) a copy of the identification page of passport (which is effective as of the

5 Disbursement of the Loan

- (1) Where there shall have been no notice made pursuant to Article 6(1) and all the conditions precedent set forth in Article 4 shall have been satisfied as of the Disbursement Date, each Lender shall remit the amount of its Loan Commitment to the Agent Account on the Disbursement Date (each Lender shall complete the procedure of such remittance to the Agent Account not later than 10:00 a.m. (Japan time) on the Disbursement Date). On the Disbursement Date, the Agent shall transfer the amount remitted to the Agent Account for disbursement of each Lender's Individual Advance, to the Syndicate Account for each Lender. When the Agent transfers the amount of the Loan Commitment of each Lender to the Syndicate Account, such Lender is deemed to have disbursed its Individual Advance.
- (2) Unless the Agent receives notification from any Lender not later than 5:00 p.m. (Japan time) on four (4) Business Day preceding the Disbursement Date to the effect that it will not make the amount of its Loan Commitment for Individual Advance available to the Agent, the Agent shall be entitled to presume that each Lender has made the amount of its Loan Commitment available to the Agent on the Disbursement Date pursuant to the preceding Paragraph (1). In such case the Agent shall be entitled (but not obliged) to make available the sum equivalent to the amount of such Loan Commitment to the Borrower on the Disbursement Date in reliance upon such presumption. Where, with respect to the Individual Advance, the Agent has credited to the Syndicate Account the amount of Loan Commitment to be made available by any Lender, but such Lender has not in fact provided the funds to the Agent, such Lender shall immediately reimburse the Agent for the amount equal to such funds which it failed to provide, together with the interest representing the funding cost of the Agent which shall be calculated based upon the reasonable market rate notified to such Lender by the Agent for the period commencing on the date (inclusive) when the funds were credited to the Syndicate Account and ending on the date (exclusive) when the amount equal to such funds are actually provided to the Agent. In such event, the Borrower

shall upon request of the Agent return such funds to the Agent to the extent not provided by such Lender, together with the interest representing the funding cost of the Agent calculated based upon the reasonable market rate notified to the Borrower by the Agent in respect of the period commencing on the date (inclusive) when such funds were credited to its account and ending on the date (exclusive) when such funds are returned to the Agent in full.

- (3) Upon disbursement of the Loan pursuant to the preceding Paragraph (1), the Borrower shall without delay deliver to the Agent a receipt in the form attached hereto as Attachment 1 stating the amount of the Facility and the detailed description of the Individual Advances. The Agent, upon receipt of such receipt, shall forthwith forward a copy of such receipt to each Lender who has made its Individual Advance. The Agent shall retain the original of such receipt for the account of each such Lender until the entire amount of each Individual Advance Payable shall have been paid.

Article 6 Non-Disbursement of the Individual Advance

- (1) If any Lender (the "**Non-Disbursing Lender**") determines that it will not disburse an Individual Advance for the reason that any of the conditions precedent provided in Article 4 has failed to be satisfied or waived, it may notify the Agent, the Borrower and all of the other Lenders thereof together with the reason therefor, not later than 5:00 p.m. (Japan time) on four (4) Business Days prior to the Disbursement Date; provided, however, that if notwithstanding the fulfillment of all the conditions precedent set forth in Article 4, such notice has been issued and such Individual Advance has not been disbursed, the Non-Disbursing Lender shall not be relieved from its liabilities for breach of its obligation to make such Individual Advance.
- (2) If any Non-Disbursing Lender or the Agent incurs damages, losses, expenses and others as a result of such Non-Disbursing Lender's declining to disburse its Individual Advance under the preceding Paragraph (1), the Borrower shall indemnify such parties for such damages, losses, expenses and others; provided, however, that the preceding sentence shall not apply if the failure of such Non-Disbursing Lender to disburse its Individual Advance constitutes a breach of such Non-Disbursing Lender's obligations.

Article 7 Exemption from Liability of the Lenders

- (1) If any Disbursement Suspension Event has occurred with respect to the Lenders, the Agent shall forthwith notify the Borrower and the Lenders thereof in writing.
- (2) Where notification was dispatched by the Agent to the Borrower and the Lenders of an occurrence of the Disbursement Suspension Event prior to the Disbursement Date and subsequently no further notification has been dispatched by the Agent to the Borrower and the Lenders to the effect that such Disbursement Suspension Event ceased to exist in the reasonable judgment of the Majority Lenders and the Agent prior to the Disbursement Date, then the Lenders shall be relieved of the obligations to make Individual Advances to the Borrower.

Article 8 Increased Costs and Illegality

- (1) Any Lender with Increased Costs may request the Borrower to pay the Increased Costs. Upon such request, the Borrower shall pay the Increased Costs to such Lender with Increased Costs to the extent not inconsistent with the Laws and Ordinances.
- (2) If the Borrower receives, prior to the Disbursement Date, a notice of request as provided in the preceding Paragraph (1), it may release the obligation to make an advance in relation to such Lender with Increased Costs by notifying the Agent and the Lenders thereof not later than one (1) Business Day prior to the Disbursement Date.
- (3) If the Borrower receives, on or after the Disbursement Date, a notice of request as provided in the preceding Paragraph (1), it may, on the date on which it proposes to prepay the Individual Advance of such Lender with Increased Costs (which date shall be no earlier than tenth (10th) Business Day after the receipt of such request and be notified to such Lender and the Agent; such date being hereinafter referred to as the "**Prepayment Date for Increased Costs**"), prepay the Individual Advance of such Lender with Increased Costs. In case of the

prepayment of principal of the Individual Advance made by such Lender with Increased Costs in accordance with the provisions of this Paragraph (3), the Borrower shall pay the entire amount of principal of such Individual Advance, together with any accrued interest on such principal and any Break Funding Costs, and the Increased Costs so requested to pay, to such Lender with Increased Costs on such Prepayment Date for Increased Costs.

- (4) If the execution and performance of this Agreement and transactions pursuant hereto shall become in breach of any Laws and Ordinances binding on any of the Lenders, as notified by such Lender to the Borrower through the Agent, (i), in the event of the maintenance of obligation to make an advance, the disbursement of an Individual Advance or the funding to make an Individual Advance becoming illegal, such Lender may terminate its obligation to make an advance as of the date before a day on which such illegality occurs and (ii), in the event of the maintenance of an Individual Advance already disbursed becoming illegal, such Lender may require the Borrower to pay the entire amount of an Individual Advance Payable relating to the Individual Advance, together with any accrued interest and Break Funding Costs (if any) on the date before a day on which such illegality occurs (or such other date as provided in the Laws and Ordinances if the due date is so provided), in which case the Due Date shall be deemed to have come as of such date with respect to such Individual Advance.

Article 9 Repayment of Principal

The Borrower shall, in accordance with the provisions of Article 15, repay the principal amount of the Loan then outstanding in its entirety on the Maturity Date.

Article 10 Interest

- (1) The Borrower shall pay the aggregate amount of interest, calculated by applying the Applicable Rate of Interest pertaining to each Interest Calculation Period for the actual number of days in such Interest Calculation Period to the outstanding principal amount of the Loan during such Interest Calculation Period, on the Interest Payment Date, the last day of such Interest Calculation Period, in accordance with the provisions of Article 15.

- (2) As for the calculations of the interest provided in the preceding Paragraph (1), they shall be made on the daily basis of a 360-day year for the actual number of days elapsed (including the first day but excluding the last day) with division being made at the end of the calculation with any fraction of less than JPY1 being rounded down.
- (3) The aggregate amount of interest paid by the Borrower under the preceding Paragraph (1) shall be distributed pursuant to the provisions of Article 16 to each Lender in accordance with the outstanding principal amount of its Individual Advance during the relevant Interest Calculation Period.

Article 11 Prepayment

- (1) Except as otherwise expressly provided in this Agreement, the Borrower may not prepay the whole or any part of the principal of the Loan prior to the Maturity Date.
- (2) Optional Prepayment
 - (a) If the Borrower intends to make a prepayment, it must give a written notice to the Agent not later than fifteen (15) Business Days prior to the date on which it intends to make such prepayment (the "**Prepayment Date**") specifying the principal amount of the Loan to be prepaid (such amount being the entire outstanding principal of the Loan or at least JPY100 million or any integral multiple thereof) and the Prepayment Date. The notice shall constitute the Borrower's irrevocable commitment to prepay that amount on the Prepayment Date, together with (i) interest accrued on the amount prepaid to but excluding such date and (ii) (if such prepayment is effected prior to the date 24 months from Disbursement Date) an amount equal to the net present value of the Margin of the amount prepaid that would have been payable from the Prepayment Date to the date 24 months after the Disbursement Date. The Agent shall notify the Lenders of the contents of such notice forthwith upon receipt thereof from the Borrower.
 - (b) If the Prepayment Date falls on a day which is not an Interest Payment

Date, the Lenders shall notify the Borrower and the Agent of the amount of the Break Funding Costs not later than two (2) Business Days prior to the Prepayment Date. The Borrower shall pay such Break Funding Costs on the Prepayment Date as well as the amounts as referred to in the preceding Sub-paragraph (a) in accordance with the provisions of Article 15.

Article 12 Default Interest

- (1) If the Borrower fails to make payment with respect to its obligations towards the Lenders or the Agent under this Agreement on the Due Date, the Borrower shall, at the request of the Agent, forthwith pay default interest calculated by multiplying the amount of the indebtedness not having been paid when due by the Margin plus 2 per cent (2%) per annum (to the extent that such rate shall not constitute breach of any Laws and Ordinances) for the period commencing on (and including) such Due Date on which the Borrower fails to make such payment when due and ending on (and including) the date on which the Borrower shall have paid such overdue amount in accordance with the provisions of Article 15.
- (2) As for the calculations of the default interest provided in the preceding Paragraph (1), they shall be made on the daily basis of a 360-day year for the actual number of days elapsed (including both the first day and the last day) with division being made at the end of the calculation with any fraction of less than JPY1 being rounded down.

Article 13 Agent Fee

The Borrower shall pay to the Agent for its services rendered as Agent hereunder the Agent Fee as agreed separately between the Borrower and the Agent.

Article 14 Expenses and Taxes and Duties

- (1) The Borrower shall pay all expenses and costs (including reasonable legal fees) incurred in connection with the preparation, revision or amendment of this Agreement and all expenses and costs (including reasonable legal fees)

incurred in connection with the preservation or enforcement of rights or performance of obligations hereunder by the Lenders or the Agent. If any Lender(s) or the Agent have paid such expenses and costs on behalf of the Borrower, the Borrower shall reimburse such expenses and costs at the request of the Agent without delay in accordance with the provisions of Article 15.

- (2) The Borrower shall pay all the stamp duties and any other similar Taxes and Duties that may be imposed and payable in connection with the preparation, revision or execution of this Agreement and other related agreement and documents. If the Lenders or the Agent have paid any such Taxes and Duties on behalf of the Borrower, the Borrower shall reimburse such Taxes and Duties at the request of the Agent without delay in accordance with the provisions of Article 15.
- (3) If, for any causes beyond the control of a Lender, the principal of the Individual Advance of such Lender is repaid prior to the stated Due Date and the Reinvestment Rate applicable to the principal so repaid is lower the Applicable Rate of Interest applicable to such Individual Advance, then, unless otherwise provided in this Agreement, the Borrower shall pay the Break Funding Costs to such Lender on the same day when such Individual Advance is repaid pursuant to the provision of Article 15.

Article 15 Performance of Obligations by the Borrower

- (1) For the purpose of performance of its obligations hereunder, the Borrower shall remit to the Agent Account the monies, for which the Due Date is specified in this Agreement, not later than the Payment Time and the monies, for which the Due Date is not specified herein, upon the request by the Agent without delay. In such case, the Borrower's obligations towards the Agent or the Lenders shall be deemed to have been performed upon such money being credited to the Agent Account.
- (2) Unless otherwise provided in this Agreement, the Borrower shall not pay for its obligations under this Agreement directly to the Lenders in violation of the provisions of the preceding Paragraph (1). If any Lender receives payment from the Borrower, such Lenders shall pay immediately to the Agent the sum

so received, and upon such sum being received by the Agent, the obligations with respect to such sum shall be deemed to have been performed.

- (3) Payments made by the Borrower under this Agreement shall be applied in the following order; provided, however, that if the payment obligations of the Borrower are accelerated pursuant to Article 19, subject to the provisions of Article 16, this Paragraph (3) shall not apply:
- (a) Any expenses and costs to be borne by the Borrower under this Agreement which have been paid by the Agent for the Borrower and the Agent Fee, and any default interest thereon;
 - (b) Any expenses and costs to be borne by the Borrower under this Agreement which shall be due and owing to a third party;
 - (c) Any expenses and costs to be borne by the Borrower under this Agreement which have been paid by the Lenders for the Borrower, and default interest thereon;
 - (d) Default interest (excluding default interest mentioned in Sub-paragraphs (a) and (c) of this Paragraph (3)) and the Break Funding Costs;
 - (e) Interest on the Loan; and
 - (f) Principal of the Loan.
- (4) In applying payments pursuant to the preceding Paragraph (3), if the amount so applied is insufficient to pay the full amount of any item enumerated above, as to the first item not to be satisfied (the "**Unsatisfied Item**"), the remaining amount after subtraction of the amount applied to the items in priority to the Unsatisfied Item from the amount paid by the Borrower shall be applied on a *pro rata* basis according to the share of each obligation due and payable by the Borrower with respect to such Unsatisfied Item.
- (5) The Borrower shall not deduct any Taxes and Duties from the payment of obligations under this Agreement unless such deduction is required by Laws

and Ordinances. If such deduction is required to be made from the amount payable by the Borrower, the Borrower shall pay such additional amounts as will result in payment to the Lenders and the Agent of the amounts which would otherwise have been payable. In such case, the Borrower shall send the tax certificate (or any other documents which may be obtainable or available by the Borrower and satisfactory to the Lenders or the Agent) with respect to withholding tax issued by the tax authorities or other regulatory agencies in the United States of America directly to the relevant Lenders or the Agent within 30 days after the payment thereof.

Article 16 Distribution to the Lenders

- (1) The Agent shall distribute immediately to the Lenders any remaining amount after subtraction of the sum as provided for in Article 15(3)(a) and (b) from the sum received from the Borrower under Article 15.
- (2) The Agent may (but is not obliged to) make distribution to the Lenders by way of reimbursable payment. Such reimbursable payment does not constitute the Borrower's performance of obligations. In the event that reimbursable payment is made, if the Borrower does not perform its obligations pertaining to such reimbursable payment by the Payment Time, the Lenders to whom the reimbursable payment has been distributed pursuant to this Paragraph (2) shall, as soon as so requested by the Agent, return to the Agent the amount of such reimbursable payment distributed to them. Furthermore, such Lenders shall, as soon as so requested by the Agent, pay any reimbursable costs required for such reimbursable payment to the Agent according to the amount of the reimbursable payment they have received. If the reimbursable costs are paid by the Lender to the Agent, the Borrower shall compensate such Lender for the amount equal to such reimbursable costs so paid. In the event the Agent has completed the procedure for reimbursable payment of the distribution to the Lenders prior to receiving a notice from the Borrower of service of order for provisional attachment, preservative attachment or attachment against the Individual Loan pursuant to Article 18(3)(b), the Agent shall not be liable for damages and others incurred by a creditor who applied for such provisional attachment, preservative attachment or attachment, the Borrower, the Lenders or any other third party due to such reimbursable payment of the distribution by

the Agent and such damages and others shall be dealt with by the Borrower at its own expense and on its own responsibility. If the Agent has incurred damages and others (including, but not limited to, the monies receivable specified in the third and fourth sentences in this Paragraph (2)) attributable to such reimbursable payment of the distribution, the Borrower shall indemnify the Agent for such damages and others.

Article 17 Representations and Warranties of the Borrower

The Borrower represents and warrants to the Lenders and the Agent that each of the following matters is and will be true and correct as at the date of execution hereof:

- (a) The Borrower is a corporation duly established and validly existing under the laws of the State of Delaware, and is in good standing thereunder.
- (b) The execution and performance of this Agreement by the Borrower and any transactions associated herewith are within the corporate purposes of the Borrower and the Borrower has duly completed all procedures necessary therefor under the Laws and Ordinances, the articles of incorporation, the by-laws and other intracompany rules and regulations of the Borrower.
- (c) The execution and performance of this Agreement by the Borrower and any transactions associated herewith does not result in (i) any violation of Laws and Ordinances binding upon the Borrower, (ii) any breach of its articles of incorporation and other intracompany rules of the Borrower, and (iii) any breach of a contractual restriction binding on or affecting the Borrower or its property.
- (d) The persons who have executed this Agreement are duly authorized so as to do as the representatives of the Borrower by all procedures necessary pursuant to the Laws and Ordinances, the articles of incorporation, the by-laws or other intracompany rules and regulations of the Borrower.
- (e) This Agreement constitutes legal, valid and binding obligations of the Borrower, and is enforceable against the Borrower in accordance with the terms of this Agreement, except as the enforceability thereof may be limited by the effect of any applicable bankruptcy, insolvency or similar laws affecting creditors' rights

generally and by general principles of equity.

- (f) The consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at December 31, 2007, and the related consolidated statements of income and cash flows of the Borrower and its consolidated Subsidiaries for the fiscal year then ended, which include an opinion of PricewaterhouseCoopers LLC, independent public accountants, and the consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at March 31, 2008, and the related consolidated statements of income and cash flows of the Borrower and its consolidated Subsidiaries for the three months then ended, duly certified by the chief financial officer, treasurer or controller of the Borrower, copies of which have been furnished to each Lender, fairly present, subject, in the case of said balance sheet as at March 31, 2008, and said statements of income and cash flows for the three months then ended, to year-end audit adjustments, the consolidated financial condition of the Borrower and its consolidated Subsidiaries as at such dates and the consolidated results of the operations of the Borrower and its consolidated Subsidiaries for the periods ended on such dates, all in accordance with GAAP consistently applied. Since December 31, 2007, there has been no Material Adverse Change.
- (g) Neither the Information Memorandum nor any other information, exhibit or report furnished by or on behalf of the Borrower to the Agent or any Lender in connection with the negotiation and syndication of this Agreement or pursuant to the terms of this Agreement contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements made therein not misleading.
- (h) There is no pending or, to the knowledge of the Borrower, threatened action, suit, investigation, litigation or proceeding, affecting the Borrower or any of its Subsidiaries before any court, governmental agency or arbitrator that (i) could be reasonably likely to have a Material Adverse Effect or (ii) purports to affect the legality, validity or enforceability of this Agreement or the consummation of the transactions contemplated hereby.

Article 18 Covenants of the Borrower

(1) The Borrower covenants to perform, at its expense, the matters described in each of the following Paragraphs on and after the date hereof, and until the Lenders' lending obligations are terminated and the Borrower completes the performance of all of its obligations under this Agreement towards the Lenders and the Agent.

(2) Financial Reporting

(a) The Borrower shall furnish to the Agent:

(i) as soon as available and in any event within the earlier of (A) five (5) days after the time period specified by the Securities and Exchange Commission (SEC) under the Securities Exchange Act of 1934 (Exchange Act) for quarterly reporting or (B) forty-five (45) days after the end of each of the first three quarters of each fiscal year of the Borrower, sufficient copies for distribution to each Lender of a consolidated balance sheet of the Borrower and its consolidated Subsidiaries as of the end of such quarter and consolidated statements of income and cash flows of the Borrower and its consolidated Subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, certified by the chief financial officer of the Borrower (it being understood that the certification provided by the chief financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 is acceptable for this purpose); provided., however, that at any time the Borrower shall be subject to reporting requirements of Section 13 or 15(d) of the Exchange Act, delivery within the time period specified above of copies of the quarterly balance sheets and statements on Form 10-Q of the Borrower and its consolidated Subsidiaries for such quarterly period as filed with the SEC shall, subject to the provision of written notice of such filing to the Agent, be deemed to satisfy the requirements of this Sub-paragraph (a)(i); and

(ii) as soon as available and in any event within the earlier of (A) five (5) days after the time period specified by the SEC under the Exchange

Act for annual reporting or (B) ninety (90) days after the end of each fiscal year of the Borrower, sufficient copies for distribution to each Lender of a consolidated balance sheet of the Borrower and its consolidated Subsidiaries as of the end of such year and consolidated statements of income, stockholders' equity and comprehensive income and cash flows of the Borrower and its consolidated Subsidiaries for such fiscal year and accompanied by a report of PricewaterhouseCoopers LLP, or other independent public accountants of nationally recognized standing, on the results of their examination of the consolidated annual financial statements of the Borrower and its consolidated Subsidiaries, which report shall be unqualified or shall be otherwise reasonably acceptable to the Lenders representing the Majority Lenders; provided, that such report may set forth qualifications to the extent such qualifications pertain solely to changes in generally accepted accounting principles from such principles applied during earlier accounting periods, the implementation of which changes (with the concurrence of such accountants) is reflected in the financial statements accompanying such report, provided, further, that at any time the Borrower shall be subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, delivery within the time period specified above of copies of the annual balance sheets and statements on Form 10-K of the Borrower and its consolidated Subsidiaries for such annual period as filed with the SEC shall, subject to the provision of written notice of such filing to the Agent, be deemed to satisfy the requirements of this Sub-paragraph (a)(ii).

- (b) Upon a request made by the Agent or a Lender through the Agent, the Borrower shall promptly provide such other information concerning the Borrower or any of its Subsidiaries as may be reasonable from time to time.
- (c) Promptly after the commencement thereof, the Borrower shall notify the Agent and the Lenders of all actions and proceedings before any court, governmental agency or arbitrator affecting the Borrower or any of its Subsidiaries of the type described in Article 17(h).

(d) If any representation or warranty under Article 17 made or given by the Borrower herein proves to have been incorrect or untrue, then the Borrower shall forthwith notify the Agent and the Lenders thereof.

(3) Notices of Default, Etc.

(a) If any Event of Default has occurred, or any event is likely to occur with the lapse of time or the giving of notice or both which would constitute any such event, the Borrower shall as soon as possible and in any event with five (5) days notify the Agent and the Lenders thereof setting forth the details of such event and the action that the Borrower has taken and proposes to take with respect thereto.

(b) If an order or notice of pre-judgment attachment, preservative attachment or attachment is given or served with respect to an Individual Loan, the Borrower shall forthwith notify the Lenders through the Agent thereof in writing.

(4) Pari Passu

The respective obligations of the Borrower under this Agreement rank and shall continue to rank at least *pari passu* in respect of priority of payment and in all other respects with all its other unsecured and unsubordinated indebtedness, save as provided by applicable laws of bankruptcy, insolvency, liquidation or similar laws of general application.

(5) Liens

The Borrower will not create or suffer to exist, or permit any of its Subsidiaries to create or suffer to exist, any Lien on or with respect to any of its properties, whether now owned or hereafter acquired, or assign, or permit any of its Subsidiaries to assign, any right to receive income, other than:

(a) Permitted Liens,

(b) purchase money Liens upon or in any real property or equipment acquired

or held by the Borrower or any of its Subsidiaries in the ordinary course of business to secure the purchase price of such property or equipment or to secure debt incurred solely for the purpose of financing the acquisition of such property or equipment, or Liens existing on such property or equipment at the time of its acquisition (other than any such Liens created in contemplation of such acquisition that were not incurred to finance the acquisition of such property) or extensions, renewals or replacements of any of the foregoing for the same or a lesser amount, provided, however, that no such Lien shall extend to or cover any properties of any character other than the real property or equipment being acquired, and no such extension, renewal or replacement shall extend to or cover any properties not theretofore subject to the Lien being extended, renewed or replaced, provided further that the aggregate principal amount of the indebtedness secured by the Liens referred to in this Sub-paragraph (b) shall not exceed USD50,000,000 at any time outstanding,

- (c) the Liens existing on the date hereof and notified *ex ante* in writing to the Agent,
- (d) Liens on property of a Person existing at the time such Person is merged into or consolidated with the Borrower or any Subsidiary of the Borrower or becomes a Subsidiary of the Borrower; provided that such Liens were not created in contemplation of such merger, consolidation or acquisition and do not extend to any assets other than those of the Person so merged into or consolidated with the Borrower or such Subsidiary or acquired by the Borrower or such Subsidiary,
- (e) other Liens securing any financial obligations, whether actual or contingent, in an aggregate principal amount not to exceed an amount equal to 15% of the consolidated net worth of the Borrower and its consolidated Subsidiaries at any time outstanding, and
- (f) the replacement, extension or renewal of any Lien permitted by Sub-paragraph (c) or (d) above upon or in the same property theretofore subject thereto or the replacement, extension or renewal (without increase in the amount or change in any direct or contingent obligor) of the

financial obligations secured thereby.

For the purposes of this Paragraph:

"**Lien**" means any lien, security interest or other charge or encumbrance of any kind, or any other type of preferential arrangement, including, without limitation, the lien or retained security title of a conditional vendor and any easement, right of way or other encumbrance on title to real property; and

"**Permitted Lien**" means such of the following as to which no enforcement, collection, execution, levy or foreclosure proceeding shall have been commenced: (i) Liens for taxes, assessments and governmental charges or levies to the extent that such obligations are being contested in good faith and by proper proceedings and as to which appropriate reserves are being maintained; (ii) Liens imposed by law, such as materialmen's, mechanics', carriers', workmen's and repairmen's Liens and other similar Liens arising in the ordinary course of business securing obligations that are not overdue for a period of more than 30 days; (iii) pledges or deposits to secure obligations under workers' compensation laws or similar legislation or to secure public or statutory obligations; and (iv) easements, rights of way and other encumbrances on title to real property that do not render title to the property encumbered thereby unmarketable or materially adversely affect the use of such property for its present purposes.

(6) Mergers, Etc.

The Borrower will not merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to, any Person, or permit any of its Subsidiaries to do so, except that any Subsidiary of the Borrower may merge or consolidate with or into, or dispose of assets to, any other Subsidiary of the Borrower, and except that any Subsidiary of the Borrower may merge into or dispose of assets to the Borrower, provided, in each case, that no Event of Default (including any circumstance which would, with lapse of time or the giving of notice or both or fulfillment of other conditions, constitute an Event of Default) shall have occurred and be continuing at the time of such proposed transaction or would result therefrom.

(7) Insurance

The Borrower shall maintain, and cause each of its Subsidiaries to maintain, insurance with responsible and reputable insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which the Borrower or such Subsidiary operates; provided, however, that the Borrower and its Subsidiaries may self-insure to the same extent as other companies engaged in similar businesses and owning similar properties in the same general areas in which the Borrower or such Subsidiary operates and to the extent consistent with prudent business practice.

(8) Compliance with Laws

The Borrower will, and cause each of its Subsidiaries to, comply in all material respects with all applicable laws, rules, regulations and orders, such compliance to include, without limitation, compliance with ERISA, Environmental Laws and the PATRIOT Act. For the purposes of this Paragraph, "**Environmental Laws**" means any and all applicable federal, state, local and foreign statutes, laws, judicial decisions, regulations, ordinances, rules, judgments, orders, decrees, plans, injunctions, permits, concessions, grants, franchises, licenses, agreements and other governmental restrictions relating to (i) the protection of the environment, (ii) the effect of the environment on human health, (iii) emissions, discharges or releases of pollutants, contaminants, hazardous substances or wastes into surface water, ground water or land, or (iv) the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, hazardous substances or wastes or the clean-up or other remediation thereof, and "**ERISA**" means the Employee Retirement Income Security Act of 1974.

(9) Conduct of Business

The Borrower will, and will cause each of its Subsidiaries to, carry on and conduct its business in substantially the same manner and in substantially the same fields of enterprise as it is presently conducted and do all things necessary

to remain duly incorporated or organized, validly existing and (to the extent such concept applies to such entity) in good standing as a corporation, partnership or limited liability company in its jurisdiction of incorporation or organization, as the case may be, and maintain all requisite authority to conduct its business in each jurisdiction in which its business is conducted, except where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

(10) Preservation of Corporate Existence

The Borrower will preserve and maintain, and cause each of its Subsidiaries to preserve and maintain, its corporate existence, rights (charter and statutory) and franchises, except where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

(11) Leverage Ratio

The Borrower shall at all times maintain a ratio of consolidated debt to the sum of consolidated debt plus consolidate net worth of the Borrower and its consolidated Subsidiaries of not greater than 0.55 to 1.00. For the purposes of this Paragraph, "*consolidated debt*" means all items that, in accordance with GAAP, would be classified as indebtedness on a consolidated balance sheet of the Borrower and its consolidated Subsidiaries.

(12) Interest Coverage Ratio

The Borrower shall maintain a ratio of consolidated EBITDA for the period of four fiscal quarters then ended of the Borrower and its consolidated Subsidiaries to the sum of interest payable on, and amortization of debt discount in respect of, all debt during such period by the Borrower and its Subsidiaries of not less than 3.50 to 1.00. For the purposes of this Paragraph, "**EBITDA**" means, for any period, net income (or net loss) plus the sum of (a) interest expense, (b) income tax expense, (c) depreciation expense and (d) amortization expense, in each case determined in accordance with GAAP for such period.

Article 19 Events of Default

- (1) In case any one of the following events has occurred with respect to the

Borrower, any and all obligations of the Borrower to the Lenders and the Agent under this Agreement shall automatically become due and payable without any notice or demand by a Lender or the Agent; whereupon the Borrower shall forthwith pay the principal of and interest on the Loan as well as any Break Funding Costs and all such other monies payable by the Borrower hereunder in accordance with the provisions of Article 15, whereby the Lenders' lending obligations shall cease to exist:

- (a) The Borrower or any of its Material Subsidiaries shall (i) have an order for relief entered with respect to it under the Federal bankruptcy laws as now or hereafter in effect, (ii) make an assignment for the benefit of creditors, (iii) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial portion of its property, (iv) institute any proceeding seeking an order for relief under the Federal bankruptcy laws as now or hereafter in effect or seeking to adjudicate it a bankrupt or insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (v) take any corporate or partnership action to authorize or effect any of the foregoing actions set forth in this Sub-paragraph (a) or (vi) fail to contest in good faith any appointment or proceeding described in Sub-paragraph (b) below.
- (b) Without the application, approval or consent of the Borrower or any of its Subsidiaries, a receiver, trustee, examiner, liquidator or similar official shall be appointed for the Borrower or any of its Material Subsidiaries or any substantial portion of its property, or a proceeding described in Sub-paragraph (a) above shall be instituted against the Borrower or any of its Material Subsidiaries and such appointment continues undischarged or such proceeding continues undismissed or unstayed for a period of sixty (60) consecutive days.
- (c) The resolution for dissolution of the Borrower is adopted, or the Borrower receives an order of dissolution (except for such dissolution being made

pursuant to the merger or consolidation involving the Borrower).

For the purposes of this Paragraph:

"Material Subsidiary" of the Borrower means any Subsidiary (a) whose net sales for the fiscal year in respect of which such statements and related balance sheet were prepared (or the last full fiscal year in the case of quarterly financial statements) exceeded 10% of the consolidated net sales of the Borrower and its consolidated Subsidiaries for such fiscal year or (b) whose total assets as at the end of such fiscal year were in excess of 10% of the consolidated assets of the Borrower and its consolidated Subsidiaries for such fiscal year; and

"substantial portion" means, with respect to the property of the Borrower and its Subsidiaries, property which (i) represents more than 10% of the consolidated assets of the Borrower and its consolidated Subsidiaries as would be shown in the consolidated financial statements of the Borrower and its consolidated Subsidiaries (latest available) as of the beginning of the twelve-month period ending with the month in which such determination is made, or (ii) is responsible for more than 10% of the consolidated net sales or of the consolidated net income of the Borrower and its consolidated Subsidiaries as reflected in the consolidated financial statements referred to in the foregoing item (i).

(2) In case any one of the following events has occurred with respect to the Borrower, any and all obligations of the Borrower to the Lenders and the Agent under this Agreement shall immediately become due and payable by notice given to the Borrower through the Agent based on the Majority Lenders' determination; whereupon the Borrower shall forthwith pay the principal of and interest on the Loan then outstanding, as well as any Break Funding Costs and all such other monies payable by the Borrower hereunder in accordance with the provisions of Article 15, whereby the Lenders' lending obligations shall cease to exist:

(a) The Borrower fails to pay for all or any part of its financial obligations incurred hereunder and owed to a Lender or the Agent within five (5) Business Days after the same becomes due and payable.

- (b) Any representation or warranty made by the Borrower under or in connection with this Agreement, or any report, certificate, financial statement or other information delivered in connection with this Agreement proves to have been untrue or incorrect in any material respect when so made, deemed made or delivered.
- (c) Except for the events described in the Sub-paragraph (a) above, the Borrower breached any of its obligations under this Agreement, and such breach has not been cured for ten (10) or more Business Days after the Agent has given notice of such failure to the Borrower.
- (d) The Borrower or any of its Subsidiaries fails to pay for all or any part of its financial obligations other than those hereunder on the relevant due date thereof or any of such obligations becomes immediately due and payable and the aggregate amount of such financial obligations subject to such failure or acceleration exceeds USD25,000,000.
- (e) Any governmental or other consent, licence or authority required to make this Agreement legal, valid, binding, enforceable and admissible in evidence or required to enable the Borrower to perform its obligations hereunder is withdrawn or ceases to be in full force and effect.
- (f) The Borrower denies that it has any or further liability or obligations under this Agreement.
- (g) The Borrower ceases or threatens to cease to carry on business in the ordinary course.
- (h) (i) Any Person or two or more Persons acting in concert shall have acquired beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934), directly or indirectly, of Voting Stock of the Borrower (or other securities convertible into such Voting Stock) representing 30% or more of the combined voting power of all Voting Stock of the Borrower; or (ii) during any period of up to 24 consecutive months, commencing after the

date of this Agreement, individuals who at the beginning of such 24-month period were directors of the Borrower shall cease for any reason (other than due to death or disability) to constitute a majority of the board of directors of the Borrower (except to the extent that individuals who at the beginning of such 24-month period were replaced by individuals (x) elected by a majority of the remaining members of the board of directors of the Borrower or (y) nominated for election by a majority of the remaining members of the board of directors of the Borrower and thereafter elected as directors by the shareholders of the Borrower). For the purpose of this Sub-paragraph (h), "**Voting Stock**" means capital stock issued by a corporation, or equivalent interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such corporation or such Person, even if the right so to vote has been suspended by the happening of such a contingency.

Article 20 Set-Off

- (1) If the Borrower must perform its obligations to the Agent or each Lender due to maturity, prepayment, acceleration of the maturity or any other event, the Agent or such Lender may (i) notwithstanding anything provided in Article 15(1), set off the obligations owing by the Borrower to the Agent or such Lender under this Agreement which is then due and payable against obligations under deposits, obligations under insurance or other obligations owing by the Agent or such Lender to the Borrower, as the case may be, irrespective of the due date for such obligations, to the extent that such shall not constitute breach of any Laws and Ordinances, and (ii) receive the refund of various deposits on behalf of the Borrower and apply such funds to the repayment of obligations without any prior notice or prescribed procedures. In case such set-off or application to the payment takes place, the calculation of the interest, Break Funding Costs, default interest, etc. with respect to the claims and obligations shall be made as if such claims and obligations terminated as of the date on which such calculation is implemented. The interest rates or other rates shall comply with the provisions of the relevant agreements for such interest rates or other rates. As for the exchange rate, the rate at the time when the calculation is implemented and as reasonably determined by the Agent or the Lenders shall be applied. In such cases, the funds

shall be applied in accordance with the provisions of Article 15(3) and (4). In case a set-off takes place pursuant to this Article 20(1), such Lender shall notify the Agent thereof in writing without delay.

- (2) The Borrower may, only if there is a necessity for preservation of its claim, notwithstanding anything provided in Article 15(1), set off its claim under deposits or other claim which is then due and payable by a Lender or the Agent against its obligation owed to such Lender or the Agent under this Agreement which is then due and payable. In this case, the Borrower shall notify such Lender or the Agent of such set-off in writing and forthwith send to such Lender or the Agent the instruments and passbooks, with a signature affixed thereto, evidencing the obligations under the deposits or other obligations which are offset. In case such set-off takes place, the calculation of the interest, Break Funding Costs, default interest, etc. with respect to the claims and obligations shall be made as if such claims and obligations terminated as of the date on which such notice reaches such Lender or the Agent. The interest rates or other rates shall comply with the provisions of the relevant agreements for such interest rates or other rates. As for the exchange rate, the rate at the time when the calculation is implemented and as reasonably determined by the Agent or such Lender shall be applied. In such cases, the funds shall be applied in accordance with the provisions of Article 15(3) and (4). In case an application to the payment takes place pursuant to this Article 20(2), the Borrower shall notify the Agent thereof in writing without delay.

Article 21 Adjustment among Lenders and Agent

If the obligations of the Borrower to any of the Lenders under this Agreement have extinguished otherwise than pursuant to the provisions of Article 15 (including the case as provided in Article 20), then the Lenders and the Agent shall, unless otherwise provided in this Agreement, make an adjustment among them by transfer or purchase of the Individual Loan or the taking of other appropriate measures, so as to attain the same result as if such obligations to the Agent and the Lenders extinguished through the payment pursuant to Article 15.

Article 22 Rights and Duties of the Agent

- (1) The Agent shall, pursuant to the entrustment by the Lenders, perform the Agent Services and exercise its rights on behalf of the Lenders and exercise such rights that the Agent acknowledges to be usually necessary or appropriate. The Agent shall not be liable for the duties other than those expressly provided for in the provisions of this Agreement, nor shall be liable for any non-performance of obligations of the Lender under this Agreement. The Agent is the Lenders' agent and shall not be the Borrower's agent unless otherwise stipulated.
- (2) The Agent shall be able to rely on the correspondences and documents deemed to be true and appropriate and deemed to be delivered bearing signature or name and seal of an appropriate person, and act relying on the opinions and explanations of experts reasonably appointed by the Agent to the extent necessary for the purpose of this Agreement.
- (3) In performance of its duties and exercise of its powers, the Agent shall pay a due care expected of a good manager.
- (4) The Agent shall not be liable to the Lenders for any acts taken or omitted by the Agent pursuant to or in connection with this Agreement, except for its willful misconduct or gross negligence. If the Agent incurs any liabilities, damages and others (including such expense that it may incur in order to avoid damage or loss as well as such expense that it may incur in order to recover the damage or loss (including legal fees)) in performing its duties under this Agreement, the Lenders other than the Agent shall jointly and severally indemnify the Agent to the extent that it is not reimbursed by the Borrower.
- (5) If so directed in writing by the Majority Lenders, the Agent shall act in accordance with such direction to the extent it is legal to do so, and in that event the Agent shall not be liable to the Borrower or the Lenders for the consequences of so acting.
- (6) Unless the Agent is notified by the Borrower or the Lenders of the existence of any of the Events of Default (including any circumstance which would, with lapse of time or the giving of notice or both or fulfillment of other conditions,

constitute an Event of Default), the Agent is deemed not to be able to know of the existence of such event.

- (7) The Agent shall not warrant the effectiveness, validity or enforceability of this Agreement or any matters or situations stated or represented herein. The Lenders shall enter into, and conduct transactions contemplated in, this Agreement at their sole discretion by conducting investigations as to the necessary matters including creditworthiness of the Borrower on the basis of the documents, information and other data as they deemed appropriate.
- (8) In the event the Agent is also one of the Lenders, the Agent in the capacity of the Lender under this Agreement shall have the same rights and obligations as with the other Lenders, irrespective of its duties as Agent under this Agreement. The Agent may engage in generally recognized banking transactions with the Borrower outside of this Agreement; provided that it is not obligated to disclose any information on the Borrower obtained in such transactions to the other Lenders nor is it obliged to distribute monies obtained or earned in such transactions to the other Lenders.
- (9) In the event the Agent is also one of the Lenders, in calculation of the amount of distribution to each Lender pursuant to the provisions of Article 16, any fraction of less than JPY1 resulting from such calculation shall be rounded down with respect to the distribution to each Lender other than the Agent and the amount of distribution to the Lender which is also the Agent shall be the balance remaining after deduction of the aggregate of the amounts of distribution to the other Lenders from the total amount of distribution to the Lenders.
- (10) As for the treatment of any fraction of less than JPY1 which becomes necessary for the purpose of this Agreement, except in the case of the preceding Paragraph (9), the Agent may determine such method as it deems appropriate.
- (11) Determination as to rate of interest, Due Date, etc. contained in the Agent's notice to the Borrower or the Lenders shall bind the Borrower and the Lenders as conclusive unless there is a manifest error.

- (12) The Agent may resign only if a successor Agent is appointed and accepts its appointment. The Majority Lenders may remove the Agent only if the successor Agent is appointed and accepts its appointment.

Article 23 Decision-Making of the Majority Lenders

- (1) The procedures for the decision-making of the Majority Lenders shall be as follows:
- (a) If a Lender determines that an event which requires instructions of the Majority Lenders has occurred, such Lender may notify the Agent of its request for the Majority Lenders' decision-making.
 - (b) The Agent shall, upon receipt of the notice mentioned in the preceding Sub-paragraph, promptly give notice to the Lenders that the Majority Lenders' decision-making shall be formed.
 - (c) Each Lender which has received the notice mentioned in the preceding Sub-paragraph shall make a decision on the relevant event and notify the Agent of the contents of such Lender's decision within five (5) Business Days.
 - (d) If the decision-making of the Majority Lenders is formed pursuant to the preceding three Sub-paragraphs, the Agent shall notify promptly the Borrower and the Lenders of the contents thereof as the Majority Lenders' instructions.
- (2) If the Agent determines that an event which requires instructions of the Majority Lenders other than those described in the preceding Paragraph (1) has occurred, it may notify the Lenders that the Majority Lenders' decision-making shall be formed. The procedures after such notice shall comply with the provisions of Sub-paragraphs (c) and (d) of the preceding Paragraph (1).

Article 24 Amendments, Etc.

No amendment or waiver of any provision of this Agreement shall be made validly

unless the same shall be in writing and signed by the Borrower and the Majority Lenders; provided, however, with respect to the amendment or waiver of the matters referred to below, no such amendment or waiver may be made validly without being consented to in writing by the Borrower and the Lenders unless otherwise provided for herein.

- (a) Change to the conditions precedent set forth in Article 4 hereof;
- (b) Reduction of principal of or interest on the Loan, fees or any other sum payable by the Borrower hereunder;
- (c) Postponement of the Due Date of principal of or interest on the Loan, fees or any other financial obligations of the Borrower hereunder;
- (d) Change to Article 18, Article 19 or this Article 24; and
- (e) Change of definition of the Majority Lenders.

Article 25 Transfer of Status

- (1) The Borrower shall not be entitled to transfer its status or any of its rights or obligations under this Agreement without obtaining prior written consent of the Lenders and the Agent.
- (2) Each Lender may, before the disbursement of the Loan, assign its status and all or any part of its rights and obligations under this Agreement to a third party, upon obtaining written consent from all other Lenders, the Borrower, and the Agent (such consent not to be unreasonably withheld) and satisfying all of the following requirements as provided in the following Sub-paragraphs (hereinafter in this Article 25, the Lender which has made such transfer shall be referred to as the "**Status Transferor**" and the person to whom such transfer has been made shall be referred to as the "**Status Transferee**"). In this case, the Status Transferor and the Status Transferee shall jointly send the Agent the status transfer notification in the form attached hereto as Attachment 2, together with the copies of the consent letters of all the other Lenders, the Borrower and the Agent. In case of such transfer, the Agent shall notify the

Lenders thereof.

- (a) If any partial assignment of the status under this Agreement is made, both the Status Transferor and the Status Transferee shall become a Lender under this Agreement and each provision of this Agreement shall be applicable to such Lender on and after the date of the assignment, and the Loan Commitment of the Status Transferor shall be reduced by an amount separately agreed upon between the Status Transferor and the Status Transferee and thereafter the Loan Commitment equal to the such reduced amount shall apply to the Status Transferee.
 - (b) The Status Transferee shall be a Qualified Assignee.
 - (c) If a partial assignment is made with respect to its status under this Agreement, the value of both the reduced Loan Commitment and the reduced Loan Commitment of the Status Transferor are equal to or more than JPY100,000,000.
 - (d) No withholding tax or other taxes arise from any assignment, and there will be no increase in the amount of the Borrower's interest expense payable to the Status Transferee; except for any assignment of status to a foreign subsidiary due to any revocation of the Lender's lending business in Japan.
- (3) Any and all costs and expenses incurred in relation to the transfer pursuant to the preceding Paragraph (2) shall be borne by the Status Transferor or the Status Transferee. Not later than the date of such transfer, the Status Transferor or the Status Transferee shall pay JPY500,000 plus the amount equal to any applicable consumption tax to the Agent for consideration of handling charges involved in such transfer; provided, however, this Paragraph (3) shall not apply to the transfer made before the disbursement of the Loan.

Article 26 Transfer of the Individual Loan

- (1) After the disbursement of the Loan, a Lender may, upon obtaining written consent from the Borrower (such consent not to be unreasonably withheld),

transfer the whole or any part of its Individual Loan, together with all of its rights and obligations, or otherwise its status under this Agreement, if all the requirements set forth in the following Sub-paragraphs are met. The Assignor and the Assignee shall fulfill requirements for perfection against third parties and requirements for perfection against the debtor with respect to such transfer as at such transfer date, and in that event, the Assignor and the Assignee jointly, and the Borrower alone, shall immediately notify the Agent of such transfer. The joint notice by the Assignor and the Assignee shall be made by sending the Agent the transfer notification in the form attached hereto as Attachment 3. If the Individual Loan is transferred pursuant to this Article 26(1), all the rights pertaining to the Individual Loan to be transferred out of the Assignor's rights hereunder shall be transferred to the Assignee and the Assignee shall assume all the duties pertaining to the Individual Loan to be transferred out of the Assignor's duties hereunder. In that event, the Assignee shall be treated as the Lender in the application of the provisions concerning such Individual Loan hereunder.

- (a) The Assignee is bound by the provisions of this Agreement with respect to the Individual Loan assigned to it and all of its rights and obligations or otherwise the status under this Agreement;
 - (b) The Assignee is a Qualified Assignee;
 - (c) If the assignment is made in divided portions of the Individual Loan, the value of each Individual Loan of both the Assignor and the Assignee after such division is respectively equal to or more than JPY100,000,000; and
 - (d) No withholding tax or other taxes arise from the assignment, and there will be no increase in the amount of the Borrower's interest expense payable to the Assignee pursuant to Article 15(5); except for any assignment to a foreign subsidiary or affiliate due to any revocation of the Lender's lending business in Japan.
- (2) Any and all costs and expenses incurred in relation to the assignment pursuant to Paragraph (1) above shall be borne by the Assignor or the Assignee. Not later than the date of such assignment, the Assignor or the Assignee shall pay

Article 27 Collection from Third Party, Etc.

- (1) After the date hereof, without a prior written consent of the Agent and the Lenders, the Borrower may not entrust a third party with giving a guarantee (including provision of collateral) as to the Borrower's obligations hereunder nor may it cause a third party to assume its obligations or performance hereunder.
- (2) A Lender may receive a payment with respect to the Borrower's obligations hereunder from a third party (irrespective of whether such third party (including a guarantor) has a legitimate interest in the payment thereof) if all the conditions set forth in the following Sub-paragraphs are met. If a Lender receives a payment from a third party pursuant to the provisions of this Paragraph (2), such Lender under the joint names of such Lender and the third party, and the Borrower alone, shall immediately notify the Agent of such payment. The provisions of Article 15(2) shall not be applicable to the receipt of payment pursuant to the provisions of this Paragraph (2), and the adjustment among the Lenders and the Agent stipulated in Article 21(1) shall not be made to the extinction of obligations of the Borrower hereunder upon the receipt of such payment.
 - (a) When the third party exercises against the Borrower the right of indemnity obtained as a result of such payment and the claims obtained in subrogation of the Lender, such right of indemnity and such claims obtained in subrogation shall be treated as if such were claims so paid, and such third party provides a written consent to the Agent for the benefit of the Lender and the Agent stating that such third party shall be bound by the provisions hereof to the extent thereof;
 - (b) The third party is not a subsidiary or an affiliated company of the Borrower; or the Borrower is not a subsidiary or an affiliated company of such third party;
 - (c) If the relevant payment constitutes a repayment of obligations under the

Individual Loan, at least JPY100,000,000 and any integral multiply thereof of the outstanding principal of the relevant Individual Loan is paid; and

- (d) No withholding tax or other taxes arise from the relevant payment, and there will be no increase pursuant to the provisions of Article 15(5) in the amount of the Borrower's interest expense payable to the third party.

When a third party exercises the right of indemnity or obtains claims in subrogation, such acquisition of the right of indemnity or claims in subrogation shall be deemed to be a transfer of the Individual Loan pursuant to Article 26 and the provisions of Article 26(2) shall be applied *mutatis mutandis* thereto.

Article 28 General Provisions

(1) Confidentiality

The Borrower shall not object to the disclosure as described in the following Sub-paragraphs:

- (a) In the event that notice has been given as to non-disbursement of any Individual Advance pursuant to Article 6(1), any Event of Default (including any circumstance which would, with lapse of time or the giving of notice or both or fulfillment of other conditions, constitute an Event of Default) has occurred, or the decision-making of the Majority Lenders is required pursuant to Article 23, the Agent and the Lenders may disclose to each other, to the extent reasonably necessary, information on the Borrower and transactions with the Borrower that has been obtained by the Agent and any of the Lenders in relation to this Agreement or an agreement or arrangement other than this Agreement. Information disclosed pursuant hereto shall be treated as confidential.
- (b) In the event of the transfer of status pursuant to Article 25 or assignment of the Individual Loan pursuant to Article 26, each Lender may disclose information on this Agreement to the Assignee (including

the Status Transferee) or a person who is considering the assignment thereof (including a broker in such transfer or assignment) on the condition that such Lender requires the recipient of such information to keep it confidential. The information on this Agreement includes information on the Borrower's credibility obtained in relation to this Agreement, the contents of this Agreement and matters related to this Agreement, and the contents of the Individual Loan subject to assignment and matters related to such Individual Loan, but excludes information on the Borrower's credibility obtained through in relation to an agreement or arrangement other than this Agreement.

(2) Assumption of Risk, Indemnity and Indemnification and Compensation

- (a) In case where any documents furnished to the Agent or a Lender by the Borrower have been lost, destroyed or damaged due to an accident, natural disaster or any other cause which is beyond the control of the Agent or Lender, the Borrower shall consult the Agent and perform its obligations hereunder in accordance with the books, vouchers, etc., maintained by the Agent or such Lender. Further, when so requested by the Agent or through the Agent by such Lender, the Borrower shall forthwith furnish the substitute documents to the Agent or to such Lender through the Agent.
- (b) In the event a Lender or the Agent has deemed the signature of a representative or agent of the Borrower used in transactions hereunder to be genuine after checking with reasonable care such signature against those filed therewith by the Borrower, the Borrower shall bear any damages and others that may arise from forgery, alteration, unauthorized use, etc. of such signature.
- (c) The Borrower shall bear any damages and others incurred by a Lender or the Agent due to the Borrower's breach of provisions hereof or the Lender's performance or non-performance of indemnification pursuant to Article 22(4).

(3) Severability of this Agreement

Even if a part of the provisions of this Agreement becomes invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not be impaired or affected in any sense.

(4) Notice

- (a) All notices hereunder shall be given in writing, expressly stating that notice is given under this Agreement, addressed at the attention of each recipient party hereto set forth in Schedule attached hereto by any one of the following methods. Any party hereto may change its addressee by giving notification thereof to the Agent.
- (i) by hand delivery;
 - (ii) by registered mail or courier service;
 - (iii) by facsimile; or
 - (iv) by exchange delivery service (solely for the purpose of notices between a Lender and the Agent).
- (b) The above notice shall be deemed to have been duly given at the time when the transmission thereof is confirmed as complete on the sender's facsimile transmitter in the case of facsimile transmission and at the time when it is actually received by the addressee in other cases.

(5) Change in Matters Filed

- (a) In case of a change in the matters filed with the Agent such as the trade name, representative, agent, signature, seal, address or any other matters pertaining to any Lender, the Borrower, such Lender, the Borrower shall immediately notify the Agent in writing.
- (b) In case a notice under this Agreement is delayed or fails to reach a Lender, the Borrower due to the failure of notification under item (a) above, such notice under this Agreement shall be deemed to have reached the Lender, the Borrower as at the time when notice usually reaches.

(6) Settlement of Funds

- (a) The method of payment from the Lenders to the Agent or from the Agent to the Lenders shall be notified by the Agent to each Lender in advance.
- (b) Any commissions, etc. payable under item (a) above shall be borne by the party making such payment.

(7) Calculations

As for the calculations, unless there is a separate and express provision in this Agreement, they shall be made on the daily basis of a 360-day year for the actual number of days elapsed (including the first day but excluding the last day) with division being made at the end of the calculation with any fraction of less than JPY1 being rounded down.

(8) Preparation of Notary Deed or Other Document

Whenever so requested by the Agent or the Majority Lenders, the Borrower shall forthwith take procedures necessary to execute a notary deed or other document upon which enforcement without court trial is conferred *de jure*, with respect to its obligations under this Agreement in which it admits such obligations and agrees to the enforcement of them. All costs incurred in relation to the preparation of such notary deed or other document shall be borne by the Borrower.

(9) Governing Law and Jurisdiction

This Agreement is governed by and construed in accordance with Japanese law and any dispute arising from or in connection with this Agreement shall be brought before the Tokyo District Court, which shall have a non-exclusive jurisdiction.

(10) Language

This Agreement shall be prepared in the English language and the version of this

Agreement so prepared shall constitute an original.

(11) Consultation

In the event that there arises a matter not provided herein or a question with respect to the interpretation hereof among the parties hereto, the Borrower and the Lenders shall consult one another through the Agent to resolve the matter.

(12) PATRIOT Act Notice

Each Lender and the Agent (for itself and not on behalf of any Lender) hereby notify the Borrower that pursuant to the requirements of the PATRIOT Act, such Lender or the Agent is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender or the Agent to identify the Borrower in accordance with the PATRIOT Act.

IN WITNESS WHEREOF, this Agreement shall be made and entered into in the United States of America. This Agreement has been executed in two (2) originals in the English language, with the name and seal or signature of a representative or agent of each of the Borrower, the Lenders and the Agent affixed hereto. The Borrower and the Agent shall retain each such original and other parties hereto shall each retain a copy thereof.

July 25, 2008

Borrower:

Dentsply International Inc.

Dentsply International Inc.

Lender:

The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Agent:

The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Lender:

Shinsei Bank, Limited

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Lender:

Mitsui Sumitomo Insurance Company, Limited

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Lender:

The Shinkumi Federation Bank

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Schedule (List of Parties)**List of Parties**

1. Borrower

Name	Dentsply International Inc.
Address	221 West Philadelphia Street, York, PA 17405, U.S.A.
Attention	221 West Philadelphia Street, York, PA 17405, U.S.A. Telephone No.: +1-717-845-7511 Facsimile No.: +1-

2. Agent

Name	The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Address	7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo, Japan
Attention	1-1, Otemachi 1-chome, Chiyoda-ku, Tokyo, Japan The Bank of Tokyo-Mitsubishi UFJ, Ltd., (Receipt and Payment of Funds) Syndicated Finance Division, Administration Office Telephone No.: + 81-(0)3-5252-0457 Facsimile No.: + 81-(0)3-5252-5609 (General Matters) Syndicated Finance Division Telephone No.: + 81-(0)3-5252-0851 Facsimile No.: + 81-(0)3-5252-3622

3. Lenders

(1)

Name	The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Address	7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo, Japan
Lending Office	The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch
Attention	1251 Avenue of the Americas, New York, NY 10020, U.S.A. Telephone No.:+ 1-212-782-5571 Facsimile No.: + 1-212-782-6440
Loan Commitment	JPY6,552,500,000

(2)

Name	Shinsei Bank, Limited
Address	1-8, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo
Lending Office	Shinsei Bank, Limited, International Corporate Banking Division
Attention	1-8, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo, Japan Telephone No.:+ 81-(0)3-5511-7433 Facsimile No.: + 81-(0)3-4560-2618
Loan Commitment	JPY3,500,000,000

(3)

Name	Mitsui Sumitomo Insurance Company, Limited
Address	27-2, Shinkawa 2-chome, Chuo-ku, Tokyo
Lending Office	Mitsui Sumitomo Insurance Company, Limited, Commercial Loan Section, Financial Solutions Department
Attention	27-2, Shinkawa 2-chome, Chuo-ku, Tokyo, Japan Telephone No.:+ 81-(0)3-3297-4776 Facsimile No.: + 81-(0)3-3297-6884
Loan Commitment	JPY1,250,000,000

(4)

Name	The Shinkumi Federation Bank
Address	9-1, Kyobashi 1-chome, Chuo-ku, Tokyo
Lending Office	The Shinkumi Federation Bank, Corporate Finance Dept.
Attention	9-1, Kyobashi 1-chome, Chuo-ku, Tokyo, Japan Telephone No.:+ 81-(0)3-3562-5167 Facsimile No.: + 81-(0)3-3562-6110
Loan Commitment	JPY1,250,000,000

Attachment 1

Receipt

Date: July 31, 2008

To: The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Shinsei Bank, Limited
Mitsui Sumitomo Insurance Company, Limited
The Shinkumi Federation Bank
c/o: The Agent
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Administration Office, Syndicated Finance Division

DENTSPLY International Inc.

In reference to the Term Loan Agreement executed as of July 25, 2008 by and among DENTSPLY International Inc. as Borrower, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Shinsei Bank, Limited, Mitsui Sumitomo Insurance Company, Limited and The Shinkumi Federation Bank as Lenders, and The Bank of Tokyo-Mitsubishi UFJ, Ltd. as Agent, we hereby confirm that we have made the borrowings described below from each Lender and received the respective borrowed monies on the date hereof.

DESCRIPTION

Aggregate Amount of Borrowing and Detailed Statement

Aggregate Amount: JPY12,552,500,000

Lenders	Borrowed Amount
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	JPY
Shinsei Bank, Limited	JPY3,500,000,000
Mitsui Sumitomo Insurance Company, Limited	JPY1,250,000,000
The Shinkumi Federation Bank	JPY1,250,000,000

Attachment 2

Notice of Status Assignment to the Agent

Date: _____

To: The Bank of Tokyo-Mitsubishi UFJ, Ltd.
(in its capacity as Agent referred to below)
Administration Office, Syndicated Finance Division

DENTSPLY International Inc.
JPY12,552,500,000
Term Loan Agreement

In reference to the Term Loan Agreement (the "Agreement") executed as of July 25, 2008 by and among DENTSPLY International Inc. as Borrower, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Shinsei Bank, Limited, Mitsui Sumitomo Insurance Company, Limited and The Shinkumi Federation Bank as Lenders, and The Bank of Tokyo-Mitsubishi UFJ, Ltd. as Agent, we hereby notify you as follows.

Pursuant to the Agreement on Assignment and Assumption executed as of _____, between _____ (the "Status Transferor") and _____ (the "Status Transferee"), the Status Transferor will assign its status and all of its rights and obligations (Individual Loan: JPY _____) under the Agreement to the Status Transferee as of _____ in accordance with Article 25(2) of the Agreement. Consent of the Borrower, the Lenders (other than the Status Transferor) and the Agent to such assignment has been already obtained, and copies of such consent are attached hereto.

Contact details for notices to be given under the Agreement and information on the account of the Status Transferee receiving the relevant funds are as follows:

Name of the Status Transferee:

Address:

Lending Office:

Attention:

Telephone:

Facsimile:

Receiving Account

Name of the Bank:

Bank Code:

Name of Branch Office:

Branch Office Code:

Type of Account:

Account Number:

Name of Account:

We have paid the handling fee for such assignment totaling JPY500,000 plus the consumption tax to you on _____ by the Status Transferor / the Status Transferee.

Sincerely yours,

Status Transferor

Status Transferee

Attachment 3

Notice of Assignment to the Agent

Date: _____

To: The Bank of Tokyo-Mitsubishi UFJ, Ltd.
(in its capacity as Agent referred to below)
Administration Office, Syndicated Finance Division

DENTSPLY International Inc.
JPY12,552,500,000
Term Loan Agreement

In reference to the Term Loan Agreement (the "Agreement") executed as of July 25, 2008 by and among DENTSPLY International Inc. as Borrower, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Shinsei Bank, Limited, Mitsui Sumitomo Insurance Company, Limited and The Shinkumi Federation Bank as Lenders, and The Bank of Tokyo-Mitsubishi UFJ, Ltd. as Agent, we hereby notify you as follows.

Pursuant to the Agreement on Assignment and Assumption executed as of _____, between _____ (the "Assignor") and _____ (the "Assignee"), the Assignor will assign the following rights and obligations under the Agreement to the Assignee as of _____ in accordance with Article 26(1) of the Agreement. Consent to such assignment by the Borrower has already been obtained, and a copy of such consent is attached hereto.

Individual Loan: JPY _____

The whole / partial amount of the Individual Loan held by the Assignor (i.e. the entitlement to payment of principal and interest and any other rights and obligations related thereto or otherwise the status under the Agreement) pertaining to the borrowing with the Disbursement Date being July 31, 2008 and the Maturity Date being March 28, 2012.

Contact details for notices to be given under the Agreement and information on the receiving account of the Assignee are as follows:

Name of the Assignee
Address:
Lending Office:
Attention:
Telephone:
Facsimile:

Receiving Account
Name of the Bank:
Bank Code:
Name of Branch Office:
Branch Office Code:
Type of Account:
Account Number:
Name of Account:

We have paid the handling fee for such assignment totaling JPY500,000 plus the consumption tax to you on _____ by the Assignor/ the Assignee.

Sincerely yours,

Assignor

Assignee

SERVICE CONTRACT

between

DeguDent GmbH
Rodenbacher Chaussee 4

D-63457 Hanau-Wolfgang
Germany

(hereinafter referred to as “the Company”)

represented by its sole shareholder

Dentsply Germany Holdings GmbH
Bayernwaldstr. 15
81737 Munchen

- on the one hand –

and

Albert Sterkenburg
Hohenwaldstr. 27
82041 Oberhaching
Germany

(hereinafter referred to as “Albert Sterkenburg” or as “Employee”)

- on the other hand –

Effective as of November 1, 2003 (the “Effective Date”).

Section 1

Employee has the position of Managing Director of the Company (or any legal successor company to the Company which shall be included in any reference to Company herein).

The shareholders' meeting of the Company will appoint Employee as a managing director (Geschäftsführer) of the Company with single signing authority.

Employee will perform his services at the Company's headquarters in Hanau-Wolfgang, Germany. The Company has the right to assign to Employee other appropriate tasks and positions with the Company, its ultimate parent, Dentsply International Inc. ("Dentsply") or companies associated with Dentsply, taking into consideration his educational background and experience. For purposes of this Contract the term "companies associated with the Company" shall have the meaning as defined in

Section 15 of the Stock Corporation Act (Aktiengesetz).

In the event that Employee is required to relocate, relocation expenses will be reimbursed pursuant to the Dentsply Relocation Policy as amended and attached hereto as

Appendix A.

Employee shall observe the instructions of the Company's shareholders' meeting, the provisions of law as well as general commercial principles. The Company's shareholders' meeting has the right to delegate its right to give instructions to Employee to an individual or corporate body of its choice. Until further notice, this delegation is made in favor of Mr. Rudolf Lehner, Senior Vice President, Dentsply International Inc. ("the Shareholders' Delegate") to whom Employee will report.

Section 2

Employee shall work exclusively for the Company. Without the prior written approval of the Shareholders' Delegate, he shall neither be entitled to engage in professional or occupational activities other than for the Company, nor invest in or participate in business enterprises of any kind whatsoever; the foregoing shall not apply to the usual acquisition of shares of stock for investment purposes only.

Employee shall not accept membership in corporate bodies of other companies (such as Boards of Directors, Supervisory Boards or similar bodies) or act as a consultant for other companies without the prior written consent of the Shareholders' Delegate.

Publications and speeches of Employee which touch on the interests of the Company shall be cleared in advance with the Shareholders' Delegate unless they are for purposes of sales promotion for the Company or are otherwise within the scope of normal activity of the Company.

Section 3

Employee obligates himself to treat confidentially all business and technical matters, procedures and information of the Company, of Dentsply and of companies associated with Dentsply which come to his attention in the course of his service relationship. This applies in particular to financial statements, technical work and data, research and development, sales and production figures, prices, calculations and customers. The confidentiality obligation applies equally during the term of this Service Contract and after its expiration.

This duty of confidentiality in principle also applies in relation to other employees, unless the performance of Employee's contractual duties or the duties of other employees necessitates the making available of such information.

Employee has to protect against inspection by unauthorized persons all documents as well as copies, computer files and carbon copies thereof including his own notes pertaining to his professional work.

When leaving the Company, Employee shall immediately return to the Company in their entirety all printed materials, documents, software, electronic data, computer files, notes, drafts, blueprints, sketches and similar papers including carbon copies, photostatic copies or other copies which concern the affairs of the Company or other companies associated with Dentsply. The same shall apply in the event that Employee is released from his duty to provide services pursuant to Section 10 paragraph 4 of this Service Contract. Employee shall have no right of retention with respect to such materials.

Section 4

As remuneration for the performance of his services, Employee shall receive an annual gross salary of 200,000 EUROS ("the Base Salary") to be payable in 12 equal installments of 16,666 EUROS at the end of each respective month. The payment of this salary shall also be regarded as full compensation for any work performed by

Employee over and beyond the usual office hours. The Base Salary will be reviewed annually.

For the discharge of his duties and social obligations as managing director of the Company, the Company will provide Employee with a company car according to the Dentsply Company Car Policy (Mercedes 280E or equivalent). Employee is entitled to use this company car also for private purposes as long as he actively renders services to

the Company within the framework of this Service Contract. The Company's obligations to provide Employee with a company car ceases immediately upon the giving of notice of termination by either party. Employee shall have no right of retention with respect to the company car.

Section 5

Employee shall be eligible for participation in the Dentsply Incentive Compensation Plan (ICP) which for the Employee's position has a target annual bonus of 40.7% of Base Salary for the achievement of annually identified business objectives (for example, budgeted third party sales and income from operations). A copy of the ICP is attached as **Appendix B**.

Employee shall further be eligible for participation in the Management Stock Option Plan of Dentsply International Inc. which is operated at the discretion of the Dentsply Board of Directors, and grants thereunder are made entirely at the discretion of the Board. Options granted thereunder are for ten years and vest one-third each for the first three years of the grant.

Section 6

Within the scope of the compulsory government insurance system, presently the health insurance (gesetzliche Krankenversicherung), nursing home insurance (Pflegeversicherung), old-age insurance (Rentenversicherung) and unemployment insurance (Arbeitslosenversicherung), the Company makes the prescribed employer contributions. Pursuant to the statutory provisions, Employee's employee contributions will be withheld from his gross salary. If Employee decides to take out private health insurance and nursing home insurance (private Kranken- und Pflegeversicherung), the Company shall pay him an amount equal to the amounts it would have to pay as

employer contributions if Employee were covered by the compulsory health insurance and nursing home insurance (gesetzliche Kranken- und Pflegeversicherung) and insured through the Allgemeine Ortskrankenkasse with jurisdiction for Munich.

If Employee should fall ill or be hindered from performing his services in accordance with this Service Contract for reasons beyond his control, the remuneration provided in Section 4 of this Service Contract shall continue to be paid for the duration of six months.

If Employee should pass away during the term of this Service Contract, his widow and children of the marriage shall have a claim to the continuation of payment of the monthly remuneration he last received for the month in which he passed away for the three subsequent months as joint and several creditors. For children, this shall only apply insofar as they have not yet reached their 26th birthday and completed their education.

Section 7

To the extent wage taxes are required to be paid with respect to the remuneration and benefits due to Employee, including but not limited to wage taxes for the private use of his company car, or wage taxes for a bonus paid to Employee by the Company,

Employee shall fully bear such taxes.

Section 8

Employee is entitled to an annual vacation of 30 working days. Working days are deemed to be all days except Saturdays, Sundays and statutory public holidays in the State of Bavaria.

Section 9

Travel expenses and other expenses incurred by Employee in the interest of the Company will be reimbursed on the basis of the Dentsply Business and Travel Expenses Policy.

Section 10

This Service Contract is concluded for an indefinite period of time commencing as of November 1, 2003. Any and all prior employment or service contracts, agreements or prior employment terms between Employee and the Company, Dentsply or associated companies are hereby terminated at such date, including, specifically, the Service Contract between Employee and VDW GmbH dated January 1, 2000, except that the obligation of Employee to maintain the confidential information of VDW GmbH shall continue. VDW GmbH is a signatory to this Agreement to consent to the provisions of this Section 10.

The service relationship of Employee can be terminated by either party by six months' prior notice, effective as of the end of a calendar month.

Should the notice periods agreed upon in para. 2 above be extended by mandatory provisions of law, such extensions shall be applicable for and against both contracting parties.

After an ordinary or extraordinary termination of this Service Contract, regardless of which party has given notice of termination, the Company is entitled immediately to release Employee from his obligation to perform services pursuant to this Service Contract, it being understood that Employee remains (I) bound by all other obligations arising from his employment relationship, and (ii) entitled to his total contractual emoluments (Sections 4 through 6 supra) through the end of his employment relationship.

This Service Contract shall end automatically at the end of the month in which

Employee completes his 65th year. The parties may terminate this Service Contract at any time by mutual agreement.

The appointment of Employee as managing director may be revoked by shareholders' resolution at any time, regardless of any compensation claims arising out of this Service Contract which he may have.

Section 11

The Company shall assist Employee in finding new housing and shall reimburse

Employee for reasonable moving expenses for himself and his family from the Munich area to the Frankfurt area in accordance with the Dentsply Relocation Policy.

Section 12

Upon the Effective Date, the Employee shall participate in the DeguDent pension fund at the level described in **Appendix C**. Additionally, in lieu of past pension commitments, the Company shall make a payment for the benefit of the Employee to the program or policy in the amount and manner as set forth in **Appendix C**.

Section 13

In case Employee makes any inventions or develops proposals for technical improvements (hereinafter collectively referred to as "inventions"), he shall immediately notify the Company and shall assign such inventions to the Company upon its request. The provisions of the Law on Employee Inventions (Gesetz über Arbeitnehmererfindungen) of July 25, 1957 as well as the implementing provisions

regarding the compensation for employee inventions in private industry issued thereunder shall not apply mutatis mutandis. Employee shall be deemed to be adequately compensated for such inventions by the contractual emoluments and fringe benefits stipulated in this Service Contract.

For results of Employee's work which give rise to copyright, Employee hereby grants the Company an exclusive world-wide right of use which is unlimited as to space and time as well as the right to transfer such a right of use, it being understood that Employee shall not be entitled to any compensation for the grant of said rights.

Section 14

14. Prohibition of Competition

14.1 After the end of the Service Contract Employee shall be prohibited for the duration of 24 months from working for a competitor of the Company, operating such a competitor himself, or participating in such a competitor in a form which makes it possible to take an influence on management.

14.2 A competitor is any business without regard to its legal form which, in relation to the Company and its business activities at the time of the end of Employee's employment contract, produces or distributes similar or substitutable products and facilities, or competes with these businesses with respect to these products and facilities. The same shall apply with respect to products and facilities the production and preparation of which are still being developed by the Company and with respect to which Employee has acquired information through his work for the Company.

The contracting parties stipulate

- (i) the field of business of the Company is the manufacture and distribution of a variety of consumable dental products, equipment and materials for use by dental laboratories,
- (ii) in particular, but only by illustration and not by limitation, the following companies are to be regarded as competitors of the Company:

Ivoclar/Vivadent

Heraeus – Kulzer

3M/ESPE

Mani

Sybron/Kerr

Brasseler

Micro Mega

Vita

14.3 The prohibition of competition extends to the territory of EU, Japan, Brazil and the USA and to other countries where the Company operated in the last calendar year before the termination of the Service Contract with Employee.

14.4 For the duration of the prohibition of competition and regardless of whether the Company or Employee gave notice of termination, the Company agrees to pay Employee compensation on the same pay schedule as while he was employed an amount equal to half of the total compensation last paid to Employee prior to Notice of Termination.

14.5 Employee undertakes during the term of the prohibition of competition to give information if requested concerning the amount of his income, and to provide the address of his employer. After the end of the calendar year, Employee shall be obliged to present his income tax assessment notice or his annual wage tax adjustment, as the case may be, as soon as possible. Moreover Employee shall be obliged at the end of every calendar year to present his wage tax card and to adduce proof of all income achieved through work without any wage tax card. Any amounts due under paragraph 14.4 shall be reduced by the amounts earned by Employee in any other employment, including any consulting work. In all other respects the payment and calculation of the compensation to be paid under paragraph 14.4 shall be governed by the mutatis mutandis application of S 74b and S 74c of the Commercial Code (“HGB”).

14.6 Employee is obliged to pay a contractual penalty in the amount of Euro 50,000 for each and every violation of this prohibition of competition. In the case of a continuous violation (e.g. work for a competing business for more than one month, self-employed competitive activity for more than one month) the contractual penalty shall be payable anew upon every beginning of a month, but its amount shall be limited to six times the monthly gross amount last earned by Employee per month before the end of the Service Contract pursuant to Section 4.

During the time of the violation of the prohibition of competition, Employee shall have no right to compensation.

14.7 At any time the Company can waive the prohibition of competition by stating so in writing. If the Company waives such prohibition, the Company must then pay compensation in accordance with paragraph 14.4 only until the end of a period of twelve (12) months counting from the date of such waiver.

14.8 To the extent applicable, the provisions of the German Commercial Code (HGB) in effect at the signing of this Service Contract are applicable to this prohibition of competition. If any binding provisions for non-compete covenants applicable to managing directors are amended or enacted by statutory or case law, the amended or newly enacted binding provisions shall be applicable with the proviso that the Company already hereby pledges compliance with those obligations which must at least be assumed in order to maintain the validity of the prohibition of competition. To the extent such amendments or new provisions provide for a limitation of the scope of the prohibition of competition, the latter shall remain in effect to the largest extent then possible.

Section 15

Changes or amendments to this Service Contract including this Section 15 and any supplementary agreements must be made in writing.

Section 16

To the extent that any one or several provisions of this Service Contract should be or become invalid, unenforceable, void or illegal this shall have no effect on the remainder of the Contract. In place of the invalid, unenforceable, void or illegal provision the parties shall be deemed to have agreed upon such valid, enforceable and legal provision which accomplishes, to the extent possible, the same economic purpose as the invalid, illegal, void or unenforceable provision unless the parties agree otherwise.

Section 17

This Service Contract as well as any supplementary agreements shall be subject to the law of the Federal Republic of Germany.

York, Pa 10/08/03
Place Date

DeguDent GmbH

represented by its sole shareholder
Dentsply Germany Holdings GmbH

By: _____
Name: Robert J. Winters
Managing Director (Geschäftsführer)

Munich, Germany 10/09/03
Place Date

/s/Albert Sterkenburg

York, Pa 10/08/03
Place Date

VDW GmbH, represented by its sole shareholder, Dentsply Germany Holdings GmbH,
hereby consents and agrees to the first paragraph of Section 10 of this Service Contract.

By: /s/ Robert J. Winters
Name: Robert J. Winters
Managing Director (Geschäftsführer)

I hereby certify to have received a validly signed counterpart of the above Service Contract.
10/09/03
Date

/s/Albert Sterkenburg

Appendices A-C

AMENDMENT TO SERVICE CONTRACT

This Agreement shall constitute an amendment (“Amendment”) to the Service Contract (“Contract”) by and between DeguDent GmbH, Rodenbacher Chaussee 4, D-63457

Hanau-Wolfgang, Germany (the “Company”) **AND** Dr. Albert Sterkenburg, Hohenwaldstr. 27 82041 Oberhaching, Germany, whose current address is Amselberg 20, 65191 Wiesbaden, Germany (“Employee”), which was effective as of November 1, 2003.

WHEREAS, the parties wish to make several amendments to the Contract.

NOW THEREFORE, intending to be legally bound, the parties hereby agree to amend the Contract, as follows:

1. Employee’s title shall be changed from General Manager of the Company to Vice President, Global Prosthetics.
2. The annual gross salary (“Base Salary”) referenced in Section 4 shall be increased to 250,000 EUROS to be payable in twelve (12) equal installments of 20,416.67 EUROS.
3. Employee shall continue to be eligible for participation in the Dentsply Incentive Compensation Plan referenced in Section 5, except that his target annual bonus of Base Salary shall be increased to forty-five percent (45%) of his Base Salary.
4. This Amendment confirms that Employee is and shall continue to be provided disability/invalidity and accidental death insurance (Unfallversicherung im Todes- und Invaliditätsfall) for which the Company shall pay the premium cost, at the following benefit levels:
 - disability/invalidity insurance – 461,000 EUROS
 - accidental death insurance – 307,000 EUROS
5. The second paragraph of Section 4 of the Contract is hereby amended to provide that the Company car provided to the Employee shall be a car at a level equivalent to a total cost of 85,000 EUROS.

6. The last paragraph of Section 6 of the Contract is hereby amended to provide that the payments provided for in Section 6 shall be for twelve (12) months rather than three (3) months.
7. In all other respects, the Contract remains in full force, in accordance with its terms as hereby amended.
8. This Amendment shall become effective on the 1st day of February, 2006.

Hanau, Germany 1/31/06
Place Date

DeguDent GmbH

represented by its sole shareholder
Dentsply Germany Holdings GmbH

By: /s/ William E. Reardon

Name: William E. Reardon
Managing Director (Geschäftsführer)

York, Pa 1/26/06
Place Date

/s/Albert Sterkenburg

Hanau, Germany 1/31/06
Place Date

VDW GmbH, represented by its sole shareholder, Dentsply Germany Holdings GmbH,
hereby consents and agrees to the first paragraph of Section 10 of this Service Contract.

By: /s/ William E. Reardon
Name: William E. Reardon
Managing Director (Geschäftsführer)

I hereby certify to have received a validly signed counterpart of the above Service Contract.

1/31/06
Date

/s/Albert Sterkenburg

SECOND AMENDMENT TO SERVICE CONTRACT

This Agreement shall constitute an amendment (“Amendment”) to the Service Contract, as previously amended, (“Contract”) by and between DeguDent GmbH, Rodenbacher Chaussee 4, D-63457 Hanau-Wolfgang, Germany (the “Company”) **AND** Dr. Albert Sterkenburg, Hohenwaldstr. 27 82041 Oberhaching, Germany, whose current address is Amselberg 20, 65191 Weisbaden, Germany (“Employee”), which was effective as of November 1, 2003.

WHEREAS, the parties wish to make several amendments to the Contract.

NOW THEREFORE, intending to be legally bound, the parties hereby agree to amend the Contract, as follows:

1. Employee’s title shall be changed from Vice President, Global Prosthetics to Senior Vice President.

2. The annual gross salary (“Base Salary”) referenced in Section 4 shall be 262,500 EUROS to be payable in twelve (12) equal installments of 21,875 EUROS.

3. Employee shall continue to be eligible for participation in the Dentsply Incentive Compensation Plan referenced in Section 5, except that his target annual bonus of Base Salary shall be increased to fifty-five percent (55%) of his Base Salary.

4. Notwithstanding any provisions in this Contract to the contrary, if the Contract is terminated by the Company for other than good cause, then the Company shall provide to Employee the Contract emoluments (sections 4 through 6) for a period that is the earlier of: (i) the Employee reaches age 65; or, (ii) two (2) years from the date of the notice of termination, in either case, minus any amounts Employee otherwise receives by law as a result of such termination. For avoidance of doubt, good cause

shall not include termination because the Company believes the Employee is not adequately performing his business decisions and actions.

5. In all other respects, the Contract remains in full force, in accordance with its terms as hereby amended.

6. This Amendment shall become effective on the 1st day of January, 2009.

Place

Date

DeguDent GmbH

represented by its sole shareholder

Dentsply Germany Holdings GmbH

By:

Name:

Managing Director (Geschäftsführer)

Place

Date

Albert Sterkenburg

Place

Date

I hereby certify to have received a validly signed counterpart of the above Service Contract.

Date

Albert Sterkenburg

**DENTSPLY INTERNATIONAL INC.
DIRECTORS' DEFERRED COMPENSATION PLAN
EFFECTIVE JANUARY 1, 1997**

1. PURPOSE

The purpose of the DENTSPLY International Inc. (the "Dentsply") Directors' Deferred Compensation Plan is to provide its Directors with the opportunity to defer receipt of their compensation to a future date. Dentsply has adopted this program in recognition of the valuable services of these Directors and the desire to provide them with additional flexibility in their personal financial Planning.

2. ELIGIBILITY

Any Director of the Board of Dentsply who receives compensation for his/her services on the Board is eligible to participate in Dentsply's Directors' Deferred Compensation Plan (the "Plan").

3. ELECTION TO PARTICIPATE

(a) Any eligible Director may elect prior to the beginning of each calendar year but no later than December 31st, to participate in the Deferred Compensation Plan and defer receipt of either all or part of the annual retainer, committee and meeting fees that he or she may receive that year to a distribution date defined in Section 5. A new Director may make an election with respect to future fees including fees earned in the first year of eligibility, within 30 days after becoming eligible.

(b) The election will be made on a written form called "A Notice of Election" signed by the Director and delivered to the Secretary of Dentsply. This election will continue in effect for future years unless the Director submits a written request changing his/her election, in a form to be furnished by Dentsply.

A revised deferral election cannot change the form of a previous stock election, and will be effective as of January 1st of the year specified, provided the form has been received by Dentsply by December 31st of the previous calendar year.

(c) Nothing within this Section prevents a Director from filing a revised election for a calendar year and thereafter filing another election to participate in the Plan for any subsequent calendar year.

4. DEFERRAL ACCOUNTS

A deferred compensation account will be established for each participating Director ("Participant"). Credits will be made to a Participant's account on the same dates compensation would have been paid to him/her currently. At the election of a Participant, the deferred compensation will either (i) earn interest, compounded quarterly, until distribution is made in full; or, (ii) be converted into stock units and receive credit for dividends which will be converted to stock units on dividend payment dates. An election for stock units will be tracked based on the number of shares of Company stock allocated to the Director's account and cannot be changed to an interest account. The interest rate for purposes of this Plan will be a rolling average of the rates reported in Federal Reserve Statistical Release H-15 under the caption "Treasury Constant Maturities, 10-year" under the column captioned "Week Ending" for the most recent 120 months. At the option of the Participant, deferred accounts in the Dentsply Directors' Deferred Compensation Plan which terminates December 31, 1996 will be converted into either cash with interest accounts or stock unit accounts.

5. DISTRIBUTION OF DEFERRED

Amounts deferred and accumulated interest or stock units credited to a Participant's account will be paid out according to either of two schedules: a lump sum or in annual installments not to exceed 10 years. The payout of stock units will be in the form of shares of stock based on the number of shares in the Participant's account. The Participant will indicate his/her choice of payment schedule on the election form. Payment(s) will commence on January 1st of the following year in which the Participant ceases to be a Director of Dentsply, or the first day of any subsequent calendar year, specified by the Participant in his/her election form.

6. DESIGNATION OF BENEFICIARY

Each Participant will designate one or more beneficiaries to receive all amounts due upon his/her death. In the absence of any designated beneficiary, all compensation and interest accrued to the date of death will be paid to the Participant's estate.

7. CHANGE IN DISTRIBUTION SCHEDULE

(a) In the event of death, or permanent disability of a Participant before full payment has been made, the Committee (defined below) in its sole discretion shall be permitted to pay the balance of any deferred amount in one lump sum to the Participant and his/her designated beneficiary regardless of any distribution schedule the Participant has requested.

(b) The Participant will be considered disabled for purposes of this Plan if the Administrative Committee determines, based on medical evidence, that the Participant is totally disabled, mentally or physically, and will remain so for the rest of his/her life and is therefore unable to continue his/her services to Dentsply.

8. ADMINISTRATION OF THE PLAN

The Plan will be administered by the Board Governance Committee of the Board of Directors. ("Committee will consist of not less than three members selected by the Board). The administrative Committee will have the right to interpret the provisions of the Plan. However, no Director may participate in any decision which would specifically affect his/her own Account. All final decisions regarding payments or amendments to the Plan will be subject to the approval of the Board of Directors of Dentsply.

9. RIGHTS OF A PARTICIPANT

Income deferred under this Plan will not be segregated from the general funds of Dentsply and no Participant will have any claim on any specific Dentsply assets. To the extent that any Participant acquires a right to receive benefits under this Plan, his/her right will be no greater than the right of any unsecured general creditor of Dentsply and is not assignable or transferable except to his/her beneficiary or estate as defined in Section 6.

FIRST AMENDMENT TO THE
DENTSPLY INTERNATIONAL INC.
DIRECTORS' DEFERRED COMPENSATION PLAN

WHEREAS, DENTSPLY International Inc ("Dentsply") maintains the Dentsply International Inc. Directors' Deferred Compensation Plan (the "Plan"); and

WHEREAS, Dentsply desires to amend the Plan, effective January 1, 2009, to make certain changes to comply with Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder;

NOW, THEREFORE, the Plan is hereby amended, effective for all participants in the Plan on January 1, 2009, as follows:

1. Section 7 is hereby deleted from the Plan in its entirety and the following is substituted in lieu thereof:

"7. Change in Distribution Schedule

(a) In the event of a Participant's Disability, as defined in subsection (b) below, or death before full payment has been made, the balance of any deferred amount shall be paid in one lump sum to the Participant or the Participant's designated beneficiary within 60 days following the Participant's Disability or death, regardless of any distribution schedule the Participant has requested.

(b) 'Disability' shall mean that a Participant either (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (ii) by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, is receiving (and has received for at least three months) income replacement benefits under any Dentsply-sponsored disability benefit plan. A Participant who has been determined to be eligible for Social Security disability benefits shall be presumed to have a Disability as defined herein."

2. Section 10 is hereby added to the Plan at the end thereof as follows:

"10. Section 409A Notwithstanding anything in the Plan to the contrary, all provisions of the Plan shall be construed and interpreted to comply with Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A"), and, if necessary, any provision shall be held null and void to the extent such provision (or part thereof) fails to comply with Section 409A or regulations thereunder. For purposes of the limitations on nonqualified deferred compensation under Section 409A, each payment of compensation under the Plan shall be treated as a separate payment of compensation for purposes of applying the Section 409A deferral election rules and the exclusion from Section 409A for certain short-term deferral amounts."

IN WITNESS WHEREOF, Dentsply has caused its authorized officer to execute this amendment this 5th day of December 2008.

DENTSPLY INTERNATIONAL INC.

By: /s/ Brian Addison

**DENTSPLY INTERNATIONAL
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN**

(Effective January 1, 1999)

**ARTICLE I
INTRODUCTION**

- 1.1 Name. The name of this Plan is the DENTSPLY INTERNATIONAL Supplemental Executive Retirement Plan ("Plan").
- 1.2 Effective Date. The effective date of the Plan is January 1, 1999.
- 1.3 Purpose. This Plan is established, effective January 1, 1999, by DENTSPLY International Inc. ("DENTSPLY") for the purposes of providing additional retirement benefits for a select group of management and/or highly compensated employees of the Employer.

This Plan provides for the crediting by the Employer of retirement funds to accounts established under this plan for Eligible Employees. All contributions under the Plan credited to Participants shall be in the form of unfunded recordkeeping entries that shall be credited with earnings as specified in this plan.

ARTICLE II
DEFINITIONS

Capitalized terms which are not defined herein shall have the same meaning as ascribed to them in the Company's Employee Stock Ownership Plan ("ESOP"). Whenever the following initially capitalized words and phrases are used in this Plan, they have the meanings specified below unless the context clearly indicated to the contrary:

- 2.1 "Administrator" shall be the individual or individuals appointed by the Committee to assist in administration of this Plan.
- 2.2 "Affiliates" shall mean any organization which is controlled by or under common control with DENTSPLY.
- 2.3 "Beneficiary" shall mean such person or legal entity as may be designated by a Participant under Section 5.3 to receive benefits hereunder after such Participant's death.
- 2.4 "Board" shall mean the Board of Directors of DENTSPLY, as constituted from time to time.
- 2.5 "Change in Control" shall mean the occurrence, at any time during the term of the Plan of any of the following events:
- (a) The acquisition of any individual, entity or group (within the meaning of Section 12(d)(3) of the Exchange Act) (a "Person") (other than the Company or any benefit plan sponsored by the Company) of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of 20% or more of either (i) the then outstanding shares of the Common Stock (the "Outstanding Common Stock") or (ii) the combined voting power of the then outstanding securities of the Company entitled to vote generally in the election of directors (the "Voting Securities"); or
 - (b) Individuals who, as of the effective date of the Plan, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least one-third (1/3) of the Board (rounded down to the nearest whole number), provided that any individual whose election or nomination for election was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the Directors of the Company (as such terms are used in Rule 14a-11 of Regulation 14A under the Exchange Act); or
-

- (c) Consummation by the Company of a reorganization, merger, or consolidation (a "Business Combination"), in each case, with respect to which all or substantially all of the individuals and entities who were the respective beneficial owners of the outstanding common stock and voting securities immediately prior to such Business Combination do not, following such Business Combination, beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination in substantially the same proportion as their ownership immediately prior to such Business Combination of the outstanding common stock and voting securities, as the case may be; or
- (d) Consummation of a complete liquidation or dissolution of the Company, or sale or other disposition of all or substantially all of the assets of the Company other than to a corporation with respect to which, following such sale or disposition, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors is then owned beneficially, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the outstanding common stock and voting securities immediately prior to such sale or disposition in substantially the same proportions as their ownership of the outstanding common stock and voting securities, as the case may be, immediately prior to such sale or disposition.

2.6 "Committee" shall mean the Human Resources Committee of the Board.

2.7 "Company," shall mean DENTSPLY and any of its Affiliates.

2.8 "Compensation" shall mean a Participant's base salary plus any incentive awards and bonuses payable for a Plan Year but not including any income from or pertaining to stock options.

- 2.9 "Credited Service" shall have the same meaning as defined in the DENTSPLY Employee Stock Ownership Plan; however, Credited Service prior to January 1, 1992 shall be ignored for purposes of this Plan.
- 2.10 "DENTSPLY Contribution Account" shall mean the recordkeeping account established by the Administrator for each Participant to which the DENTSPLY contribution on each participant's behalf shall be allocated. A Participant shall immediately become 100% vested in his/her DENTSPLY Contribution Account if there is a Change in Control.
- 2.11 "Disability" shall mean a Participant is unable to perform his/her duties for six months and the Committee reasonably determines that Participant is unlikely to return to his/her regular duties.
- 2.12 "Eligible Employee" shall mean a Vice President or General Manager employed by the Employer in the United States, any Corporate Officer and other positions of significant status, who have been designated by the Board of Directors to be eligible to participate in the plan.
- 2.13 "Employer" shall mean DENTSPLY International ("DENTSPLY") and any of its subsidiaries.
- 2.14 "Participant" shall mean an individual on whose behalf employer contributions have been credited under this Plan.
- 2.15 "Plan Year" shall mean the calendar year.
- 2.16 "Plan" shall mean DENTSPLY Supplemental Executive Retirement Plan.
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ARTICLE III

PARTICIPATION BY ELIGIBLE EMPLOYEES

- 3.1 Participation. Participation in this Plan is limited to Eligible Employees. Employees who were previously eligible to participate in this Plan may continue to maintain account balances under this Plan. An Eligible Employee shall participate in the Plan as determined by the Board. A Participant who separates from service with the Employer will cease participation hereunder.
- 3.2 Immediate Cash-Out of Ineligible Employee. This Supplemental Executive Retirement Plan is intended to be an unfunded "top-hat" plan, maintained primarily for the purpose of providing retirement benefits for a select group of management or highly compensated employees. If a Participant ceases to be an Eligible Employee, the Participant's account balance shall continue to be deferred until the earliest occurrence of an event specified in Section 5. Notwithstanding the foregoing, if the continued deferral of any Participant jeopardizes the "top-hat" status of the Plan, in the Committee's sole discretion, one hundred percent (100%) of such Participant's vested DENTSPLY Contribution Account shall be paid to the Participant immediately.
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ARTICLE IV
DENTSPLY CONTRIBUTIONS

4.1 Annual DENTSPLY Contributions. The following contributions shall be made to the DENTSPLY Contribution Account for each Participant for each Plan Year:

- (i) A contribution equal to the percentage allocated under the DENTSPLY International Employee Stock Ownership Plan for the same Plan Year. For purposes of the allocation under this Section 4.1(i) only Compensation in excess of the limitations on Compensation imposed by Internal Revenue Code 401(a)(17) for a Plan Year (\$160,000 in 1998) shall be taken into account.
- (ii) A contribution equal to 11.7% of Compensation. For purposes of the allocation under this Section 4.1(ii), total Compensation shall be taken into account. The contribution provided by this Section 4.1(ii) shall be reduced by the contribution provided by the sum of Section 4.1(1)above, plus the contribution provided to the Participant under the DENTSPLY International Employee Stock Ownership Plan for the Plan Year.

4.2 Vesting of DENTSPLY Contributions. A Participant as of January 1, 1999 will become 100% vested in his DENTSPLY Contribution Account upon the completion of three years of Credited Service. A Participant who first becomes a Participant after January 1, 1999 shall be 100% vested in his DENTSPLY Contribution Account following the Participant's completion of seven years of Credited Service. A Participant who terminates employment prior to completing seven years of Credited Service shall be partially vested in his DENTSPLY Contribution Account, in accordance with the following schedule:

Total Credited Service	Vested Percentage
Less than 3 years	0%
3 years	20%
4 years	40%
5 years	60%
6 years	80%
7 years	100%

Notwithstanding the above, a Participant shall become 100% vested upon Disability or death while actively employed.

4.3 Foreign Participants. In calculating the contribution for foreign Participants, any contribution shall be reduced by the value of pension benefits or allocations made for such Participant by the Company under other pension or retirement plans or benefit programs.

4.4 Forfeiture of Benefits. Notwithstanding anything herein contained to the contrary, no payment of any retirement benefits hereunder shall be made and all rights under this Plan shall be forfeited if the Committee unanimously determines that any of the following events occur:

- (a) The Participant is terminated for gross or willful misconduct or becomes employed with a competitor within two years of termination of employment.
 - (b) The Participant has committed or participated in an act of fraud or dishonesty against DENTSPLY; or
 - (c) The Participant has willfully and intentionally engaged in any activity or conduct which is adverse to the best interests of DENTSPLY and could result in a material loss to DENTSPLY or its business.
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ARTICLE V
DISTRIBUTIONS

- 5.1 Distribution Date. Distribution of a Participant's vested DENTSPLY Contribution Account, subject to the elections provided for in Section 5.2, shall commence as of the Participant's termination of employment for any reason.
- 5.2 Method of Payment.
- a. Distributions under this Plan of an account which is based on the interest election under Section 6.2 shall be paid in cash. A distribution of a Participant's vested account balance invested in DENTSPLY Common Stock shall be paid in such Common Stock.
 - b. The Participant may elect to have his or her benefit distributed in annual installments for a period of up to five (5) years from the date of the first distribution, which shall be no later than one (1) year from the date of termination of employment. This election shall be made by submitting a completed Election of Payment Form to the Administrator. In the absence of a timely election, distribution shall be made in the form of a lump sum within thirty (30) days of the date of termination of employment.
- 5.3 Distributions on Death. In the event of a Participant's death before his DENTSPLY Contribution Account has been distributed, distribution shall be made to the Beneficiary selected by the Participant within thirty (30) days after the date of death (or, if later, after the proper Beneficiary has been identified). A Participant may from time to time change his designated Beneficiary without the consent of such Beneficiary by filing a new designation in writing with the Administrator. If no Beneficiary designation is in effect at the time of the Participant's death, or if the designated Beneficiary is missing or has predeceased the Participant, distribution shall be made to the Participant's surviving spouse, or if none, to his surviving children per stirpes, and if none, to his estate.
- 5.4 Distribution on Change of Control. In the event of a change in control as defined in this Plan, each Participant will be given the option to receive the value of his DENTSPLY Contribution Account in a lump sum no later than sixty (60) days after the Change in Control. An optional distribution received subject to this Section 5.4 must represent the entire DENTSPLY Contribution Account and will be subject to a five percent (5%) penalty reduction.
- 5.5 Valuation of Distributions. All distributions under this Plan shall be based upon the amount credited to a Participant's DENTSPLY Contribution Account as of the last business day of the month immediately preceding the date of the distribution. The amount of installments payable to a Participant electing distribution through installments shall be determined by dividing the amount credited to the Participant's vested DENTSPLY Contribution Account by the remaining number of installments, including the current installment, to be paid. It is understood that administrative requirements may lead to a delay between such valuation date and the date of distribution, not to exceed thirty (30) days.
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ARTICLE VI

ACCOUNTS

6.1 DENTSPLY Contribution Account. The Administrator shall establish and maintain, or cause to be established and maintained, a separate DENTSPLY Contribution Account for each participant. Each Participant's account shall be credited with earnings, for recordkeeping purposes only, as provided in Section 6.2. A Participant's DENTSPLY Contribution Account shall be maintained solely for the purposes of measuring the amounts to be paid under this Supplemental Executive Retirement Plan. The Employer shall not be required to fund or secure the Account in any way. The Employer's obligation to Participants hereunder is purely contractual.

6.2 Crediting of Earnings and Statement of Account.

- a) The Participant's DENTSPLY Contribution Account shall be credited with Employer contribution credits and earnings annually or, as applicable, upon a Distribution. The amount of earnings to be credited each year shall be based on the investment selected by the Participant. The Participant may choose from the following investments with respect to contributions credited for each Plan Year: (i) DENTSPLY Common Stock (any dividends will be reinvested in the Participant's DENTSPLY Contribution Account), or (ii) U.S. Government 30-year Treasury bonds as quoted in The Wall Street Journal or any Government bond that replaces the 30-year bond and that has the longest duration up to 30 years (average yield for the month of January used for each Plan year). Each election must be 100% in either stock or interest. Once an election is made to invest in the Company common stock, that election with respect to such stock will be tracked on the basis of the number of shares allocated to such account and cannot be changed. With respect to future allocations, an election may be made to select the interest investment.
 - b) In order to make a new election, the Participant must submit an Investment Election Form to the Administrator no later than 30 days prior to the beginning of each Plan Year specifying the investment election for the following Plan Year, otherwise if no timely submission of an investment election is made, the immediately preceding election shall be followed. In the absence of a prior election form, the Participant's account shall be deemed to be invested in DENTSPLY Common Stock. Investment exchanges of a Participant's existing DENTSPLY Contribution Account shall not be permitted.
 - c) Earnings will be credited for whole years only, except of the year of distribution for which earnings will be credited up to the last business day of the month immediately preceding the date of distribution. As soon as practicable after the end of each Plan Year (and at such additional times as the Administrator may determine), the Administrator shall furnish each Participant with a statement of the balance credited to the Participant's DENTSPLY Contribution Account. Upon a Change of Control, as defined in 2.4, the method of crediting earnings may not be modified or amended.
 - d) The determination of the Company common stock share price for purposes of annual allocations shall be made as of December 31 for allocations to be made for that year. For accounts which are based on investment in Company stock, dividends for a year shall be allocated in the form of Company stock and shall be based on the beginning of the year balance of shares in the account and the dividends paid during the year for such shares. Dividend allocations shall be made at the same time as allocations of other contributions.
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ARTICLE VII

FUNDING AND PARTICIPANT'S INTEREST

- 7.1 Supplemental Executive Retirement Plan Unfunded. This Supplemental Executive Retirement Plan shall be unfunded and no trust shall be created by or for the Plan. The crediting to each Participant's DENTSPLY Contribution Account, as the case may be, shall be made through recordkeeping entries. No actual funds shall be set aside; provided, however, that nothing herein shall prevent the Employer from establishing one or more grantor trusts from which benefits due under this Supplemental Executive Retirement Plan may be paid in certain instances. The Employer shall pay all distributions from its general assets and a Participant (or his or her Beneficiary) shall have rights of a general, unsecured creditor against the Employer for any distributions due hereunder. The Supplemental Executive Retirement Plan constitutes a mere promise by the Employer to make benefit payments in the future.
- 7.2 Participant's Interest in Plan. A Participant has an interest only in the cash value of the amount credited to his account. A Participant has no rights or interests in any specific funds, DENTSPLY stock or other securities.
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ARTICLE VIII

ADMINISTRATION AND INTERPRETATION

- 8.1 Administration. The Committee shall be in charge of the overall Operation and administration of this Supplemental Executive Retirement Plan. The Committee has, to the extent appropriate and in addition to the powers described elsewhere in this Plan, full discretionary authority to construe and interpret the terms and provisions of the Plan; to adopt, alter, and repeal administrative rules, guidelines and practices governing the Plan; to perform all acts, including the delegation of its administrative responsibilities to advisors or other persons who may or may not be employees of the Employer; and to rely upon the information or opinions of legal counsel or experts selected to render advise with respect to the Plan, as it shall deem advisable, with respect to the administration of the Plan.
- 8.2 Interpretation. The Committee may take any action, correct any defect, supply any omission or reconcile any inconsistency in the Supplemental Executive Retirement Plan, or in any election hereunder, in the manner and to the extent it shall deem necessary to carry the Supplemental Executive Retirement Plan into effect or to carry out the Employer's purposes in adopting the Plan. Any decision, interpretation or other action made or taken in good faith by or at the direction of the Employer or the Committee arising out of or in connection with the Supplemental Executive Retirement Plan, shall be within the absolute discretion of each of them, and shall be final, binding, and conclusive on the Employer, and all Participants and Beneficiaries and their respective heirs, executors, administrators, successors, and assigns. The Committee's determinations hereunder need not be uniform, and may be made selectively among Eligible Employees, whether or not they are similarly situated.
- 8.3 Records and Reports. The Administrator shall keep a record of proceedings and actions and shall maintain or cause to be maintained all such books of account, records, and other data as shall be necessary for the proper administration of the Plan. Such records shall contain all relevant data pertaining to individual Participants and their rights under this plan. The Committee shall have the duty to carry into effect all rights or benefits provided hereunder to the extent assets of the Employer are properly available.
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Payment of Expenses.

- 8.4 (a) **Claims:** The Employer shall bear all expenses incurred by the Committee or the Administrator in administering this plan. If a claim or dispute arises concerning the Committee or the rights of a Participant or Beneficiary to amounts contributed under this Plan, regardless of the party by whom such claim or dispute is initiated, each party shall bear their own costs and expenses in asserting or defending against such claim, except that, if a Participant is the prevailing party in such matter, the Employer shall, upon presentation of appropriate vouchers, pay all costs and expenses of the participant, including reasonable attorney's fees, court costs, and ordinary and necessary out-of-pocket costs of attorneys, billed to and payable by the Participant or by anyone claiming under or through the Participant (such person being hereinafter referred to as the "Participant's Claimant"), in connection with the bringing, prosecuting, defending, litigating, negotiating, or setting of such claim or dispute.
- (b) In the case of any claim or dispute initiated by a Participant or the Participant's Claimant, such claim shall be made, or notice of such dispute given, with specific reference to the provisions of this Plan, to the Administrator within two (2) years (three (3) years in the event of a Change of Control) after the occurrences of the event giving rise to such claim or dispute.
- 8.5 **Indemnification for Liability.** The Employer shall indemnify the Committee and the Administrator and the employees of the Employer to whom the Administrator delegates duties under this Plan, against any and all claims, losses, damages, expenses and liabilities arising from their responsibilities in connection with this Plan, unless the same is determined to be due to gross negligence or willful misconduct.
- 8.6 **Claims Procedure.** If a claim for benefits or for participation under this Plan is denied in whole or in part, a Participant will receive written notification. The notification will include specific reasons for the denial, specific reference to pertinent provisions of this Plan, a description of any additional material or information necessary to process the claim and why such material or information is necessary, and an explanation of the claims review procedure.
- 8.7 **Review Procedure.** Within ninety (90) days after the claim is denied, a participant (or his duly authorized representative) may file a written request with the Administrator for a review of his denied claim. The Participant may review pertinent documents that were used in processing his claim, submit pertinent documents, and address issues and comments in writing to the Administrator. The Administrator will notify the Participant of the Committee's final decision in writing. In such response, the Administrator will explain the reason for the decision, with specific references to pertinent Supplemental Executive Retirement Plan provisions on which that decision was based.
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ARTICLE IX
AMENDMENT AND TERMINATION

9.1 Amendment and termination. The Committee shall have the right, at any time to amend or terminate this Supplemental Executive Retirement Plan in whole or in part or to discontinue contributions, provided that such amendment or termination shall not adversely affect any Participant or Beneficiary under the Supplemental Executive Retirement Plan on the basis of amounts allocated to the Participant's DENTSPLY Contribution Account. If the Supplemental Executive Retirement Plan is discontinued with respect to future contributions, Participants' vested DENTSPLY Contribution Accounts shall be distributed in accordance with the provisions of Section 5.1, unless the Committee designates that distributions shall be made on an earlier date. If the Committee designates such earlier date, each Participant shall receive distribution of his vested DENTSPLY Contribution Account, as specified by the Committee. If the Supplemental Executive Retirement Plan is completely terminated by the Committee, each Participant shall receive distribution of his vested DENTSPLY Contribution Account in one lump sum payment of cash or in kind as of the date of the Supplement Executive Retirement Plan termination, or in accordance with the Plan.

ARTICLE X
MISCELLANEOUS PROVISIONS

- 10.1 Right of Employer to Take Employment Actions. The adoption and maintenance of this Supplemental Executive Retirement Plan shall not be deemed to constitute an employment contract between the Employer and any Eligible Employee, not to be a consideration for, nor an inducement or condition of, the employment of any person. Nothing herein contained, or any action taken hereunder, shall be deemed to give any Eligible Employee the right to be retained in the employ of the Employer or to interfere with the right of the Employer to discharge any Eligible Employee at any time, nor shall it be deemed to give to the Employer the right to require the Eligible Employee to remain in its employ, nor shall it interfere with the Eligible Employee's right to terminate his or her employment at any time. Nothing in this Plan shall prevent the Employer from amending, modifying, or terminating any other benefit plan.
- 10.2 Alienation of Assignment of Benefits. A Participant's rights and interest under the Supplemental Executive Retirement Plan shall not be assigned or transferred except as otherwise provided herein, and the Participant's rights to benefit payment under the Supplemental Executive Retirement Plan shall not be subject to alienation, pledge or garnishment by or on behalf of creditors (including heirs, beneficiaries, or dependents) of the Participant or of the Beneficiary. Notwithstanding the preceding, the Administrator may direct distributions in accordance with the Plan to an alternate payee pursuant to a Qualified Domestic Relations Order (QDRO), as defined in Section 414(p) of the Internal Revenue Code of 1986, as amended, prior to any distribution date described in Article V.
- 10.3 Right to Withhold. To the extent required by law in effect at the time of distribution is made from the Supplemental Executive Retirement Plan, the Employer or its agents shall have the right to withhold or deduct from any distributions or payments any taxes required to be withheld by federal, state or local governments.
- 10.4 Construction. All legal questions pertaining to the Supplemental Executive Retirement Plan shall be determined in accordance with the laws of the State of Pennsylvania, to the extent such laws are not superseded by the Employee Retirement Income Security Act of 1974, as amended, or any other federal law.
- 10.5 Headings. The headings of the Articles and Sections of this Supplemental Executive Retirement Plan are for reference only. In the event of a conflict between a heading and the contents of an Article or Section, the contents of the Article or Section shall control.
- 10.6 Number and Gender. Whenever any words used herein are in the singular form, they shall be construed as though they were also used in the plural form in all cases where they would apply, and references to the male gender shall be construed as applicable to the female gender where applicable, and vice versa.

DENTSPLY INTERNATIONAL INC
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
(Effective January 1, 1999 as amended)

Revision Date: December 10, 2002

**DENTSPLY INTERNATIONAL
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN**

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FIRST AMENDMENT TO THE AMENDED AND RESTATED
DENTSPLY INTERNATIONAL INC.
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

WHEREAS, DENTSPLY International Inc (the "Company") maintains the DENTSPLY International Inc. Supplemental Executive Retirement Plan (the "Plan") for a select group of Eligible Employees, as defined in Section 2.12 of the Plan; and

WHEREAS, the Company most recently amended and restated the Plan on December 10, 2002; and

WHEREAS, pursuant to Section 9.1 of the Plan, the Company is authorized to amend the Plan at any time; and

WHEREAS, the Company desires to amend the Plan, effective January 1, 2009, to make certain changes to comply with Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder; and

WHEREAS, the Company desires to exempt from this amendment all contributions that were deferred and fully vested as of December 31, 2004 (the "Grandfathered Amounts");

NOW, THEREFORE, the Plan is hereby amended, effective for all participants in the Plan on January 1, 2009, except with respect to Grandfathered Amounts, as follows:

1. Section 2.5 of the Plan is hereby deleted from the Plan in its entirety and the following is substituted in lieu thereof:

"2.5 "Change in Control" shall mean the occurrence, at any time during the term of the Plan, of any of the following events:

"(a) The acquisition by any individual, entity or group (within the meaning of Section 12(d)(3) of the Exchange Act) (a "Person") (other than the Company or any benefit plan sponsored by the Company) of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act), within a consecutive twelve (12) month period, of 30% or more of either (i) the then outstanding shares of the Common Stock (the "Outstanding Common Stock") or (ii) the combined voting power of the then outstanding securities of the Company entitled to vote generally in the election of directors (the "Voting Securities"); or

- "(b) Individuals who, as of the effective date of the Plan, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least one-half (1/2) of the Board (rounded down to the nearest whole number) within a consecutive twelve (12) month period, provided that any individual whose election or nomination for election was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the Directors of the Company (as such terms are used in Rule 14a-11 of Regulation 14A under the Exchange Act); or
- "(c) Consummation by the Company of a reorganization, merger, or consolidation (a "Business Combination"), in each case, with respect to which all or substantially all of the individuals and entities who were the respective beneficial owners of the outstanding common stock and voting securities immediately prior to such Business Combination, do not, following such Business Combination, beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination in substantially the same proportion as their ownership immediately prior to such Business Combination of the outstanding common stock and voting securities, as the case may be; or
- "(d) Consummation of a complete liquidation or dissolution of the Company, or sale or other disposition of all or substantially all of the assets of the Company other than to a corporation with respect to which, following such sale or disposition, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors is then owned beneficially, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the outstanding common stock and voting securities immediately prior to such sale or disposition in substantially the same proportions as their ownership of the outstanding common stock and voting securities, as the case may be, immediately prior to such sale or disposition."
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2. Section 2.11 of the Plan is hereby deleted from the Plan in its entirety and the following is substituted in lieu thereof:

"2.11 "Disability" shall mean, except as may otherwise be required by Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder ("Section 409A"), that a Participant either (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months; or (ii) by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, is receiving (and has received for at least three (3) months) income replacement benefits under any Company-sponsored disability benefit plan. A Participant who has been determined to be eligible for Social Security disability benefits shall be presumed to have a Disability as defined herein."

3. Section 2.17 is hereby added to the Plan as follows:

"2.17 "Separation from Service" shall have the meaning set forth in Treasury Regulations Section 1.409A-2(a)(8). For purposes of this definition, a Participant shall be deemed to have a Separation from Service on the date on which he and the Company reasonably anticipate that no further services would be performed after such date or that the level of bona fide services he would perform after such date would permanently decrease to no more than 20% of the average level of bona fide services performed over the immediately preceding thirty-six (36) month period (or the full period of employment if less than thirty-six (36) months). Notwithstanding the above, no Separation from Service shall be deemed to occur while the Participant is on military leave, sick leave or other bona fide leave of absence until the latest of (i) six (6) months after commencement of the leave, other than for a Disability, (ii) twenty-nine (29) months after commencement of leave as the result of a Disability, or (iii) the date on which the Participant ceases to have a legally protected right to reemployment under an applicable statute or by contract."

4. Section 2.18 is hereby added to the Plan as follows:

"2.18 "Specified Employee" shall have the meaning set forth in Treasury Regulations Section 1.409A-1(h). "

5. Section 3.2 is hereby amended by deleting such Section from the Plan in its entirety and substituting the following in lieu thereof:

"3.2 Ineligible Employee. This Supplemental Executive Retirement Plan is intended to be an unfunded "top-hat" plan, maintained primarily for the purpose of providing retirement benefits for a select group of management or highly compensated employees. If a Participant ceases to be an Eligible Employee, the Participant's account balance shall continue to be deferred until the earliest occurrence of an event specified in Section 5, and no further contributions shall be made on such Participant's behalf until and unless he resumes his status as an Eligible Employee."

6. Section 5.1 is hereby deleted from the Plan in its entirety and the following is substituted in lieu thereof:

"5.1 Distribution Date. Distribution of a Participant's vested DENTSPLY Contribution Account, subject to the elections provided for in Section 5.2, shall be made, or shall commence, within thirty (30) days following the Participant's termination of employment for any reason; provided, however, that no payment shall be permitted unless such termination qualifies as a Separation from Service; provided further, however, that, notwithstanding anything in the Plan or election by the Participant to the contrary, in the case of a Participant who is a Specified Employee as of the date of such Participant's termination of employment, any amounts that become payable upon such Participant's termination from employment shall be held for delayed payment and shall be distributed on or immediately after the date which is six (6) months after the date of such Participant's termination of employment (and shall be adjusted for earnings or losses in accordance with Section 6.2 pending payment)."

7. Paragraph "b." of Section 5.2 is hereby deleted from the Plan in its entirety and the following is substituted in lieu thereof:

"b. The Participant may make an irrevocable election to have his or her benefit distributed in annual installments for a period of up to five (5) years from the date of the first distribution, which shall be a date designated in the election form no later than one (1) year from the date of termination of employment. This irrevocable election shall be made by submitting a completed Election of Payment Form to the Administrator as soon as practicable upon the Eligible Employee becoming a Participant, but, in any event, no later than thirty (30) days after the Eligible Employee first becomes a Participant. In the absence of a timely election, the Participant shall be deemed to have elected to receive his distribution in a single lump-sum payment at termination of employment. Notwithstanding the foregoing, a Participant's Election of Payment Form most recently filed on or before December 31, 2008 with respect to his DENTSPLY Contribution Account and not revoked or modified on or before such date shall be deemed effective with respect thereto and shall be irrevocable after December 31, 2008."

8. Section 5.4 is hereby deleted from the Plan in its entirety and the following is substituted in lieu thereof:

"5.4 Distribution on Change in Control. In the event of a Change in Control as defined in this Plan, each Participant shall receive the value of his DENTSPLY Contribution Account in a single lump-sum payment no later than sixty (60) days after the effective date of such Change in Control."

9. Section 8.8 is hereby added to the Plan at the end Article VIII as follows:

"8.8. Section 409A. Notwithstanding anything in the Plan to the contrary, all provisions of the Plan shall be construed and interpreted to comply with Section 409A, and, if necessary, any provision shall be null and void to the extent such provision (or part thereof) fails to comply with Section 409A. To the extent that any amount becomes payable under the Plan to a Specified Employee on account of termination of employment, any such payments shall be delayed by six months to the extent necessary to comply with the requirements of Section 409A."

10. Section 9.1 is hereby amended by adding the following at the end thereof:

"Notwithstanding anything in this Section 9.1 to the contrary, any distribution pursuant to this Section 9.1 upon termination of this Plan other than at the time and in the form elected under Section 5 shall be made only if and to the extent such termination satisfies applicable requirements under Section 409A and the regulations thereunder."

11. Section 10.2 is amended by deleting the heading thereto and replacing it with the following:

"10.2 Alienation or Assignment of Benefits."

IN WITNESS WHEREOF, the Company has caused its authorized officer to execute this amendment this 31st day of December 2008.

DENTSPLY INTERNATIONAL INC.

By: /s/ Christopher T. Clark

Name: Christopher T. Clark

Title: Executive Vice-President and Chief Operating Officer

DENTSPLY
INTERNATIONAL

2009 Amended and Restated Incentive Compensation Plan

1-PI/159840.1

DENTSPLY INTERNATIONAL INC.
AMENDED AND RESTATED INCENTIVE COMPENSATION PLAN

I. PURPOSE

To provide greater incentive for key employees to continually exert their best efforts on behalf of the Company by rewarding them for achieving predetermined operating objectives.

To attract and retain in the employ of the Company outstanding results oriented individuals.

To align the interests of such employees with those of the Company's stockholders.

To create a management team effort within the various Profit Centers and operating units of the Company.

II. ADMINISTRATION

The Plan will be administered by, and any question of interpretation under the Plan determined by, the Human Resources Committee ("Human Resources Committee") of the Dentsply International Inc. Board of Directors (the "Board"). The Board or the Human Resources Committee may appoint an Incentive Compensation Plan Committee ("ICP Committee") consisting of management employees to assist in the administration of the Plan.

III. AWARDS

Awards will be determined by the Human Resources Committee, based on criteria determined by such Committee and described in Section VIII hereof, for each applicable year (a "Bonus Year"). Cash payments will be made to participants immediately after the close of corporate books for the applicable Bonus Year but in no case later than March 1st of the year succeeding the applicable Bonus Year. Payments will be rounded up or down to the nearest \$100 equivalent.

**IV. PARTICIPANT
ELIGIBILITY**

A. Profit Centers

1. General Managers
2. Individuals who normally report directly to the General Manager.
3. Individuals' work assignment must have a direct bearing on the profit-ability of the Profit Center.
4. Individual must be recommended for participation by both the General Manager of the Profit Center and the Corporate Officer responsible for the Profit Center and approved by the ICP Committee.

B. Corporate Staff

1. Individuals whose work assignment must have direct bearing on the profitability of the corporation.
2. Officers
3. Individuals who normally report directly to a Corporate Officer.
4. Individual must be recommended for participation by the responsible Corporate Officer and the President and approved by the ICP Committee.

V. ENROLLMENT

The Board will designate the officers who will be participants. General Managers will send their recommendations for participation to the Corporate Officer responsible for the Profit Center or Corporate Staff Department.

Corporate Officers will send recommendations to the ICP Committee and Corporate Human Resources Office who will be charged with monitoring participants in conjunction with the ICP Committee.

VI. VESTING OF BONUS RIGHTS

- A. Those participants who leave the employ of the Company before the end of the Bonus Year for any reason other than normal retirement or a bona fide physical or mental disability (as determined by the Human Resources Committee) will receive no bonus payment for the Bonus Year.
- B. Those participants who die or who take normal or early retirement or resign due to a bona fide disability (as determined by the Human Resources Committee) before the end of the Bonus Year will receive a bonus award based upon the pro-rata base pay received while actually working during the Bonus Year.

VII. PARTICIPANT ADDITIONS OR DELETIONS

Profit Center General Managers or Corporate Officers may remove participants from the Plan at any time during the Bonus Year by following the same procedure outlined in Enrollment. Any participants who are removed from the Plan during a Bonus Year shall have no right to receive payments under the Plan for any portion of such Bonus Year.

Participants may be added during the Bonus Year if they are a direct replacement for someone already enrolled in the Plan or, if they are hired to fill a new position eligible for the Plan, and will be in the qualifying position for at least six months. In this instance the new person will only receive his or her bonus award based on the pro-rata base pay received while enrolled in the Plan.

VIII. PLAN CRITERIA

The Plan centers on each Profit Center's performance as measured against the relevant budget, submitted by Profit Center Management and approved by Corporate Management. For corporate level employees, bonuses will be based on corporate performance measured against the corporate budget.

The actual operating results will be adjusted for major sales or dispositions of assets not in the ordinary course of business and changes in the business or segments of the business which are directed to be carried out by Corporate Management to the extent they were not included in the target. In addition, the Human Resources Committee has approved certain principals for measuring earnings related to restructurings, impairments, stock repurchases, legal settlements, acquisitions, the effects of non-cash gains or losses resulting from the application of the provisions of SFAS No. 157, and other unbudgeted items.

Base salary is defined as the total of 12 times year-end actual monthly salary received during the Bonus Year or a base salary established by the ICP Committee. It does not include any other compensation that might be received.

Separate bonus calculations will be made for Officers, General Managers, Key Employees and Corporate Staff.

IX. HUMAN RESOURCE COMMITTEE

The Human Resource Committee may adjust the mathematical calculation of the ICP bonus in their sole discretion by $\pm 2.5\%$ ($\pm 15\%$ in terms of payout), based on their evaluation of business performance.

X. AMENDMENTS TO THE PLAN

The Board has the right to modify or repeal this Plan entirely at its discretion. However, any bonus payments that have been earned in accordance with, but not yet paid under, this Plan cannot be canceled without consent of the participant.

DENTSPLY INTERNATIONAL INC.

CODE OF

BUSINESS CONDUCT AND ETHICS

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Code of Business Conduct

Dear Fellow Employee:

DENTSPLY International Inc. has been in business since 1899, and we are proud of the global reputation and trust we have earned. This is a reputation that we are determined to protect and enhance. Our *Code of Business Conduct* sets forth our guiding principles for the conduct of our business that must be followed by everyone who does business on behalf of DENTSPLY.

All employees, agents, consultants, independent contractors and representatives of DENTSPLY have the responsibility to read, understand, and abide by the principles and standards contained in this *Code*. It is difficult to make a policy that applies to every situation, and there will be times when the *Code* does not address a particular question. Applying common sense, good judgment, and integrity to every business issue will help to ensure that your decisions are consistent with DENTSPLY values and this *Code*. If you are an employee and you have questions, please contact your supervisor, the relevant Senior Management, or the General Counsel. If you are not an employee, please feel free to ask your DENTSPLY contact, or the General Counsel's office.

DENTSPLY's success depends upon each of us. Acting with integrity and the highest ethical standards is not only good policy, it is also good business. Every DENTSPLY employee and shareowner relies upon you to do the right thing. We know that our confidence in you is well placed.



Chairman and
Chief Executive Officer



President and
Chief Operating Officer

GENERAL CODE OF CONDUCT

1. Introduction

DENTSPLY International Inc. (the "Company") has adopted this Code of Business Conduct, consisting of the components described below (the "Program"), to assist the Company and its personnel in conducting business in an ethical manner and in full compliance with the requirements of all applicable laws and regulations. It is the policy of the Company to comply with all applicable laws, including, without limitation, medical device and similar requirements, employment, discrimination, health, safety, antitrust, securities and environmental laws. No director, officer, executive or manager of the Company has authority to violate any law or to direct another employee or any other person to violate any law on behalf of the Company. This Program reflects the Company's intent to operate not only in a legal manner, but in accordance with sound business ethics. The Program applies to all Company business operations and subsidiaries worldwide and to all employees, officers and directors of the Company and its subsidiaries ("personnel"), except for legal requirements which are specific to a jurisdiction. Because the Program documents may not be translated into the local language in every location where we do business, it shall be the responsibility of management responsible for those areas to communicate the general purpose and requirements of the Program.

The Program consists of 1) a Code of Business Conduct ("Code") setting forth general standards for the conduct of Company business and operations, including procedures for reporting of concerns about compliance with the Code and/or legal requirements; 2) a set of more specific policies oriented toward compliance with specific laws and requirements; and 3) procedures to help ensure that the Program is effective in preventing, detecting and taking appropriate action with regard to violations of applicable laws and the Code, such as periodic monitoring and auditing programs. All Company personnel must be aware of the contents of the Program and perform their responsibilities in a manner which is fully consistent with the Program. Because the principles described in the Code are general, Company personnel should review the applicable policies for specific instructions and contact their supervisors, the relevant Senior Management and/or the General Counsel's office regarding proper conduct in a particular situation in which they have any questions.

The Program will be overseen by a Corporate Compliance Committee consisting of the Company's Chief Executive Officer, Chief Operating Officer, the Chief Financial Officer and the General Counsel. The Committee will meet as necessary to review the Program, the Code and compliance activities within the Company.

The Code of Business Conduct reflects general principles to guide employees in making ethical decisions and cannot and is not intended to address every specific situation. As such, nothing in this Code prohibits or restricts the Company from taking any disciplinary action on any matters pertaining to employee conduct, whether or not they are expressly discussed in this document. The Program, including the Code, is not intended to and shall not be deemed or construed to provide any rights, contractual or otherwise, to any third parties or to any personnel of the Company or its subsidiaries. The provisions of the Program may be revised, changed or amended at any time as determined appropriate by the Company.

2. General Standards of Conduct

- A. One of the Company's strongest assets is a reputation for integrity and honesty. A fundamental principle on which the Company will operate its business is full compliance with applicable laws. The Company will also conduct its business in conformance with sound ethical standards. Achieving business results by illegal acts or unethical conduct is not acceptable.
- All Company personnel shall act in compliance with the requirements of applicable law and this Code and in a sound ethical manner when conducting Company business and operations.
- B. Each Company supervisor and manager is responsible for ensuring compliance by the personnel whom he or she supervises or manages with applicable law and the Code. All personnel are responsible for acquiring sufficient knowledge to recognize potential compliance issues applicable to their duties and for appropriately seeking advice regarding such issues.
- C. This Code has been distributed to all applicable Company personnel and sets forth general standards relevant to the Company's business and operations. In addition, there are a number of more detailed and specific policies covering particular business units or subject matters. The Company will communicate those specific policies to personnel who are particularly affected by them and they must be complied with in the course of the Company's business. These policies may be changed and/or additional policies may be issued from time to time.
- D. All of the Company's business transactions shall be carried out in accordance with management's general or specific directives.
- E. Company personnel shall be honest in all dealings with government agencies and representatives. No misrepresentations shall be made, and no false bills or requests for payment or other documents shall be submitted to government agencies or representatives.
- F. All of the Company books and records shall be kept in accordance with U.S. generally accepted accounting standards ("U.S. GAAP") or other applicable local or statutory principles with reconciliation to U.S. GAAP. All transactions, payments, receipts, accounts and assets shall be completely and accurately recorded on the Company's books and records on a consistent basis. No payment shall be approved or made with the intention or understanding that it will be used for any purpose other than that described in the supporting documentation for the payment. All internal financial and other control procedures shall be followed.
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3. Reporting of Violations

- A. Illegal acts or improper conduct may subject the Company (and its employees) to severe civil and criminal penalties, including large fines and being barred from certain types of business. It is therefore very important that any suspected illegal activity or violations of the Code be promptly brought to the Company's attention.
- B. Any Company personnel who believes or becomes aware that any violation of this Code, including violation of applicable accounting, internal controls or auditing matters, or any suspected illegal activity has been engaged in by Company personnel or by non-employees acting on the Company's behalf shall promptly report the violation or activity in person, by phone or in writing, to one of the following persons:
 - 1. The personnel's immediate supervisor, business unit or department head or another senior manager.
 - 2. The General Counsel or another attorney in the Company's Legal Department.
 - 3. The Chief Financial Officer or Director of Internal Audit.

To the extent an employee is uncomfortable contacting any of the above people, employees should contact the Chief Executive Officer, the Chief Operating Officer or a Senior Vice President.

- C. Company personnel may report suspected illegal acts or a violation of this Code anonymously. To the extent practical and appropriate under the circumstances and as permitted by law, the Company will take reasonable precautions to maintain the confidentiality of those individuals who report illegal activity or violations of this Code and of those individuals involved in the alleged improper activity, whether or not it turns out that improper acts occurred. Anonymous reports may be made by phone, web reporting or letter. Reports by phone can be made to a third party hotline service at 800-461-9330, reports by letter should be directed to the General Counsel's office, and web reporting can be made at the following web address: www.dentsply.com/report or www.mysafeworkplace.com.
- D. It shall be a violation of this Code if personnel fail to report a known illegal activity or violation of the Code. If you have a question about whether particular acts or conduct may be illegal or violate the Code, you should contact one of the persons listed above in subsection B. It shall be a violation of this Code if personnel to whom a suspected illegal act or violation of the Code is reported fail to ensure that the act or violation of the Code comes to the attention of the General Counsel's office, the Director of Internal Audit or a member of the Corporate Compliance Committee.

If the suspected illegal acts or conduct in violation of the Code involve a person to whom such acts or violations might otherwise be reported, the acts or violation should be reported to another person to whom reporting is appropriate.

- E. It is Company policy to promptly and thoroughly investigate reports of suspected illegal activity or violations of this Code. Company personnel must cooperate with these investigations. It shall be a violation of this Code for personnel to prevent, hinder or delay discovery and full investigation of suspected illegal acts or violations of this Code.

- F. No reprisals or disciplinary action will be taken or permitted against personnel for good faith reporting of, or cooperating in the investigation of, suspected illegal acts or violations of this Code. It shall be a violation of this Code for Company personnel to punish or conduct reprisals against other personnel for making a good faith report of, or cooperating in the investigation of, suspected illegal acts or violations of this Code.
- G. Personnel who violate the Code or commit illegal acts are subject to disciplinary action, up to and including dismissal from the Company. Personnel who report their own illegal acts or improper conduct, however, will have such self-reporting taken into account in determining the appropriate disciplinary action.

4. Government Interviews or Investigation

- A. The Company and its personnel shall cooperate fully and promptly with appropriate government investigations into possible civil and criminal violations of the law. It is important, however, that in this process, the Company is able to protect the legal rights of the Company and its personnel. To accomplish these objectives, any governmental inquiries or requests for information, documents or interviews, other than routine operating inspections (e.g., OSHA, FDA, etc.), should be promptly referred to the General Counsel's office.

5. Compliance Procedures

- A. Introduction. The Purpose of these procedures is to increase awareness of the Program and Code, facilitate internal reporting of any suspected violation of the law or the Code and ensure that any reported violations are fully investigated and that the Company responds appropriately to any violations.
 - B. Maintaining Awareness of the Program
 - 1. A copy of the Code, which includes a description of how to report suspected violations of the law or the Code, will be provided to employees of the Company.
 - 2. New employees will be provided a copy of the Code upon their employment.
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3. Applicable employees will periodically be required to sign a form stating their awareness of and compliance with the Code and the Program.
4. A copy of the Code and a description of the violation-reporting procedure will be available to all Company employees.
5. The Internal Audit Department shall, as it determines appropriate, include in its audits a review of awareness of and compliance with the Code, particularly with regard to management employees or other employees who are in a position to engage in conduct which may not be easily observed by other employees, or in a position where there is frequent involvement in activities which may carry a significant risk of liability.
6. The General Counsel's office, in cooperation with other relevant departments, shall create and distribute policies and/or guides applicable to the Company's business and shall periodically review compliance of the Company and its business units with applicable law.

C. Company Investigations

1. If a report of potential illegal acts or conduct in violation of the Code is made, it shall promptly be brought to the attention of the General Counsel.
2. The General Counsel shall oversee the investigation of any report of suspected illegal acts or violation of the Code, utilizing appropriate legal, internal audit and other department personnel and shall involve outside legal counsel or the Company's independent auditors when appropriate.
3. Reports of suspected illegal acts or violations of the Code shall be promptly investigated; such investigations may include interviews of employees and external parties and the review of relevant documents or other materials. The investigation will be conducted in a manner which, to the degree reasonable, protects any applicable legal privileges with regard to the investigation.
4. Once an investigation is completed, if determined appropriate by the General Counsel, the Corporate Compliance Committee and appropriate management of the Company shall be apprised and evaluate the results of the investigation and decide if any corrective, disciplinary or other action is warranted and shall direct and oversee implementation of any such action.
5. The Audit Committee of the Board of Directors, Executive Committee of the Board of Directors or the full Board of Directors shall be informed, as determined appropriate by the Corporate Compliance Committee or as required by law, regarding investigations and any actions taken or to be taken as a result of investigations under the Code.

D. Ongoing Evaluation of Program

1. The Company will monitor and audit compliance with the Code and applicable laws.
2. The Corporate Compliance Committee will review the effectiveness and content of the Program on a regular periodic basis. The Code and other compliance policies will be updated as appropriate.

6. International Matters

- A. International Operations. Laws and customs vary throughout the world, but all employees must uphold the integrity of the Company in other nations as diligently as they would do so in the United States. When conducting business in other countries, it is imperative that employees be sensitive to foreign legal requirements and United States laws that apply to foreign operations, including the Foreign Corrupt Practices Act. The Foreign Corrupt Practices Act generally makes it unlawful to give anything of value to foreign government officials, foreign political parties, party officials, or candidates for public office for the purposes of obtaining, or retaining, business for the Company. Employees should contact the Internal Audit or Legal Department if they have any questions concerning a specific situation.
- B. Sanctions and Trade Embargoes. The United States government uses economic sanctions and trade embargoes to further various foreign policy and national security objectives. Employees must abide by all economic sanctions or trade embargoes that the United States has adopted, whether they apply to foreign countries, political organizations or particular foreign individuals and entities. Inquires regarding whether a transaction on behalf of the Company complies with applicable sanction and trade embargo programs should be referred to the Legal Department.
- C. Antiboycott. Certain countries have adopted boycott laws which are designed to discourage companies from doing business with Israel. Laws in the United States make it illegal for companies to abide by or acknowledge such boycotts.

7. Waivers

It is recognized that a rare circumstance might arise in which the Code should not apply. No waivers of the provisions of this Code to any Director or Executive Officer shall be made or granted unless approved by the Board of Directors (or a designated Committee of the Board) of the Company. Any such waiver shall be promptly disclosed by the Company.

USE OF COMPANY FUNDS AND RESOURCES

One critical element of the Company's reputation for integrity is its adherence to both legal and generally accepted ethical standards governing the use of Company funds and resources. The following directives provide specific standards of conduct to be followed:

1. No funds shall be used for any purpose which would be in violation of any applicable law; or to make payments to, or for the benefit of, domestic or foreign government employees; provided that gratuities in small amounts may be paid to foreign government employees if such gratuities merely enable the Company to receive services to which it would otherwise be entitled.
 2. Funds or assets shall not be used, directly or indirectly, to make gifts to, provide entertainment for, or furnish assistance in the form of transportation or other services to, government employees or public officials, if such gifts, entertainment, or assistance would be a violation of governmental regulations or would adversely reflect on the Company's or the officials' integrity or reputation.
 3. All assets and liabilities must be recorded in the regular books of the Company and its subsidiaries; no undisclosed or unrecorded funds or assets shall be established for any purpose; no false or artificial entries shall be made in the books and records for any reason; and no payments shall be approved or made with the intention or understanding that any part of such payments are to be used for any purpose other than that described by the material supporting the disbursement.
 4. No direct or indirect political contributions shall be made with Company funds without the express approval of the Board of Directors and subject to review by the Company's General Counsel as to the legality of such contributions.
 5. Any officer or employee who has information or knowledge of any violation of these directives shall promptly report the matter to the General Counsel or the appropriate corporate or divisional officer.
 6. All officers and managers are obligated to seek advice and guidance from the Company's Legal Department in order to ensure compliance with all applicable laws, rules and regulations.
 7. All managers shall be responsible for the enforcement of, and compliance with, all policies of the Company, including distribution and communications to ensure employee knowledge thereof and compliance therewith.
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CONFLICT OF INTEREST

Directors and employees of the Company are expected to avoid involvements or situations which could interfere, or appear to interfere, with the impartial discharge of their responsibilities. Therefore, these persons shall **NOT**, for their own account or for the account of any other person, directly or indirectly:

1. Seek to profit from information about the business affairs, financial position, or any transactions of the Company which have not been publicly disseminated.
 2. Divert to themselves or others any business or investment opportunity in which the Company is or might be interested if aware of the opportunity.
 3. Become a director or officer of any firm or obtain any financial interest (other than the acquisition of publicly traded securities which do not exceed 3% of such enterprise or of such person's net worth) in any firm supplying goods or services to the Company or which purchases goods or services from the Company, unless authorized by the Board of Directors.
 4. Have a proprietary interest in or participate in any business enterprise involving the manufacture or sale of any product which is competitive with or similar to products produced by the Company, or involving the offering of any type of services competitive with or similar to services offered by the Company. In addition, any conduct which might give rise to potential for misuse of the Company's trade secrets or confidential business information is also prohibited. However, this policy shall not preclude an investment interest in publicly held corporations which manufacture and sell such products or offer such services within the limits described in Paragraph 3 above.
 5. Give or accept personal gifts, payments, favors, special considerations, discounts, etc. which are of more than a nominal value, unless approved by the employee's manager. Common social amenities may be given or accepted without manager approval only if they are of the type that are normally associated with accepted business practice within the industry or relative work discipline. Additional management approval beyond the employee's manager should be secured if any doubt exists with respect to a particular item or situation.
 6. Enter into personal transactions with suppliers of the Company or with customers of the Company other than on terms and conditions as are available to the public, except as disclosed to the Audit Committee of the Board of Directors.
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PERSONAL RESPONSIBILITIES OF EMPLOYEES

All employees are expected to maintain high ethical standards in their actions and working relationships with customers, fellow employees, competitors, representatives of government, communication media and others. All employees of the Company are expected to act in business matters with dual responsibility to the public interest and the Company's interest, above their own.

In addition to being in compliance with all Company policies, all employees must also be in compliance with the following:

- Any employee who has information or knowledge of any violation of any Company Policies or any violation of a legal obligation or requirement shall promptly report the matter to their manager/supervisor, to any corporate or divisional officer, or to the General Counsel.
- All confidential information about the Company, including inventions, discoveries, formulas, trade secrets, customer lists, employee data, etc., as well as confidential information acquired by the Company from another company, individual or entity subject to a secrecy and proprietary rights agreement, shall be kept confidential during and subsequent to the period of employment with the Company.
- Information gathered on competitors, customers, suppliers, etc., must be acquired legally and in a manner consistent with the Company's high level of ethics and proper business conduct. Employees on the receiving end of another company's confidential information should alert their supervisor of the situation, who in turn should seek guidance from the Legal Department.

It is recognized that in many situations and issues involving ethical or moral judgment, it may be difficult to determine the right course of action with certainty. In such instances, employees shall **not** rely solely on their own judgment, but shall discuss the matter in full with their respective manager/supervisor. In such instances, full disclosure of the facts in a timely fashion and to the proper management level will serve to meet the employees' responsibilities with respect to this Policy.

TRADING IN DENTSPLY INTERNATIONAL INC.
AND OTHER RELATED SECURITIES

Federal laws and regulations prohibit purchases and sales of the Company's stock and other related securities by directors, officers and employees on the basis of material information which is not generally available to the public. The passing of such inside information – "tipping" – to outsiders who may then trade on it is also prohibited. To assure compliance with these laws, the following rules apply to directors, officers and employees of the Company.

1. They shall not purchase or sell or otherwise trade in securities of the Company or derivative securities, such as listed stock options, while in possession of material, non-public information about the Company.
2. For purposes of this policy, the term "material information" means that information as to which there is a substantial likelihood that the information would be viewed by a reasonable investor as significantly altering the "total mix" of information available in making investment decisions.
3. "Non-public information" is that information which has not become generally available to the investing public, through such channels as the Company's publications, e.g., press releases, Annual and Interim Reports to Stockholders, Proxy Statements and SEC filings; as well as news articles, stock analysts' reports and like writings about the Company and subjects relating to its businesses.
4. They shall not divulge confidential – and possibly material – information about the Company, either to other employees or to outsiders, except on a "need-to-know" basis.
5. They shall not buy or sell securities of any other company about which material non-public information has been obtained through the performance of their position responsibilities at DENTSPLY International Inc.

Should there be any questions concerning the above with regard to any particular transaction involving DENTSPLY International Inc. securities or other related securities, please consult with the Legal Department prior to taking any action.

ACCURACY OF BOOKS, RECORDS POLICY AND PUBLIC STATEMENTS

The Company's financial records should accurately reflect the nature and purpose of all transactions.

All of the Company's books, records, accounts and financial statements must be maintained in reasonable detail, must appropriately reflect the Company's transactions and must conform both to applicable legal requirements and to the Company's system of internal controls. Unrecorded or "off the books" funds or assets should not be maintained unless permitted by applicable law or regulation.

Business records and communications often become public, and we should avoid exaggeration, derogatory remarks, or inappropriate characterizations of people and companies that can be misunderstood. This applies equally to e-mail, internal memos, and formal reports. Records should always be retained or destroyed according to the Company's record retention policies. In accordance with those policies, in the event of litigation or governmental investigation, you must consult the Legal Department before taking any action with respect to any such records.

The Company's public statements, including press releases and public filings, shall not contain any material incorrect information and shall not omit any information necessary to make the statements contained therein not misleading. Required filings with the Securities and Exchange Commission ("SEC") shall be complete, timely and in compliance with the requirements of the SEC.

DISCRIMINATION AND HARASSMENT

The Company provides equal employment opportunities to all employees and applicants for employment without regard to race, color, religion, sex, national origin, age, non-job related disability, or status as a Vietnam-era or special disabled veteran in accordance with all applicable federal, state and local laws, including executive orders as appropriate for any federal contracts. This policy applies to all terms and conditions of employment, including, but not limited to, hiring, placement, promotion, termination, layoff, recall, transfer, leaves of absence, compensation and training.

The Company expressly prohibits any form of employee harassment. This policy extends not only to the Company's employees, but also to all persons with whom the Company's employees deal, such as suppliers and customers.

Sexual harassment is defined as unwelcome sexual advances, requests for sexual favors, and all other verbal or physical conduct of a sexual or otherwise offensive nature, and is prohibited especially where (a) submission to such conduct is made either explicitly or implicitly a term or condition of employment; (b) submission to or rejection of such conduct is used as the basis for decisions affecting an individual's employment; or (c) such conduct has the purpose or effect of creating an intimidating, hostile, or offensive working environment. Furthermore, offensive comments, jokes, innuendoes, pictures, cartoons and other sexually oriented documents and statements are prohibited.

Each member of management is responsible for creating an atmosphere free of discrimination and harassment, sexual or otherwise. Further, employees are responsible for respecting the rights of their co-workers and expected to conduct themselves in a business-like manner at all times.

If an employee experiences any improper job-related harassment or believes they have been treated in an unlawful, discriminatory manner, they should first attempt to resolve the problem with the individual exhibiting the conduct toward them. If attempting to resolve the issue themselves is inappropriate or not successful, they should promptly report the occurrence to their supervisor, a member of management, or to a representative of the Human Resources Department. The Human Resources Department will investigate all matters related to discrimination and/or harassment and take proper action.

If the Company determines that an employee has engaged in harassment or other prohibited conduct, appropriate disciplinary action will be taken, up to and including termination of employment.

The Company prohibits any form of retaliation against any employee for filing a legitimate complaint under this policy or for assisting in a complaint investigation.

ANTITRUST LAW

The antitrust laws generally are intended to promote the free enterprise system by eliminating artificial restraints on competition. Violations of the antitrust laws can subject violators to criminal penalties and civil damages, and individuals to criminal penalties, imprisonment or both. These laws are often complex and not easily understood. Nevertheless, it has always been the uncompromising policy of the Company that its employees will comply strictly with such laws. Certain activities are legally deemed to be inherently anti-competitive and no defense of any kind will be permitted to justify or excuse the conduct. Other activities will constitute violations if they are anti-competitive and cannot otherwise be justified. It is difficult to provide specific directives governing employee conduct involved in such "rule of reason" activities because of the fact-specific nature of antitrust analysis. However, based on well-established court decisions, no director, officer or employee should engage in any of the following conduct without first discussing the circumstances with the General Counsel:

1. Discuss with competitors past, present or future prices of, or marketing plans for, any of the Company's products; or past, present or future prices paid or to be paid for products or materials purchased by the Company, or other business information affecting such prices. ("Price" includes all terms of sale, including discounts, allowances, promotional programs, credit terms and the like.)
2. Discuss with competitors the division or allocation of markets, territories or customers, or discuss with customers the division or allocation among customers of their markets, territories or customers.
3. Discuss with competitors or customers the boycotting of third parties.
4. Reach an agreement or understanding with a customer on the specific price at which the customer will resell the Company's products.

Whenever an employee becomes involved in any activity in which a competitive restraint may be present or that could lead to a problem under the antitrust laws, he or she should consult with a member of the Legal Department before taking any action.

CERTIFICATION

Please indicate that you have received, read and understood the DENTSPLY Code of Business Conduct and Ethics by signing your name, dating the attached Acknowledgement and returning it promptly to your local Human Resources Department.

ACKNOWLEDGEMENT

I certify that I have received, read and understood the DENTSPLY Code of Business Conduct and Ethics.

(signature)

(print your name)

Division: _____

Date: _____

Subsidiaries of DENTSPLY International Inc. (the "Company")- 2009

A. Direct Subsidiaries of the Company

- 1) DENTSPLY Prosthetics U.S. LLC (Delaware)
- 2) GAC International LLC (New York)
 - a) Orthodontal International, Inc.
 - b) Orthodontal S.A. de C.V. (Mexico)
- 3) DENTSPLY Finance Co. (Delaware)
 - a) Dentsply Germany Investments GmbH (Germany)
 - 1) Dentsply Luxembourg, S.a.r.l. (Luxembourg)
 - 2) Ceramco Manufacturing B.V. (Netherlands)
 - 3) ESHealthcare (Belgium)
 - (a) ES Dental (Belgium)
 - (b) ES Tooling (Belgium)
 - 4) Lomberg BV (Netherlands)
 - 5) Dentsply Germany Holdings GmbH (Germany)
 - (a) VDW GmbH (Germany)
 - (b) Dentsply DeTrey GmbH (Germany)
 - (c) Friadent GmbH (Germany)
 - (d) DeguDent GmbH (Germany)
 - (i) Ducera Dental Verwaltungs-ges.m.b.H. (Germany)
 - (e) Elephant Dental GmbH (Germany)
 - 6) Zhermack
 - (a) Zhermack Germany
 - (b) Zhermack Poland
 - (c) Zhermack Holland
 - (d) Zhermack USA
- 4) DENTSPLY North America LLC (Delaware)
- 5) Dentsply Argentina S.A.C.e.I. (Argentina)
- 6) DeTrey do Brasil Industria e Comercio Ltda. (Brazil)
- 7) Dentsply Mexico S.A. de C.V. (Mexico)
- 8) Dentsply India Pvt. Ltd. (India)
- 9) Dentsply (Philippines) Inc. (Philippines)
- 10) Dentsply (Thailand) Ltd. (Thailand)
- 11) Dentsply Dental (Tianjin) Co. Ltd. (China)
- 12) Dentsply Tianjin International Trading Co. Ltd. (China)
- 13) Dentsply Korea Limited
- 14) Ceramco Europe Limited (Cayman Islands)
 - a) Ceramco UK Limited (Dormant)
- 15) Dentsply LLC (Delaware)
- 16) DSHealthcare Inc. (Delaware)
- 17) TDP NT LLC (Delaware)
- 18) Raintree Essix Inc. (Delaware)
- 19) Dentsply Israel Ltd.
- 20) Ransom & Randolph Company (Delaware)
- 21) EndoAction Inc.
- 22) Osteointegration Materials LLC (Delaware)
- 23) Dentsply (Guangzhou) Refractories Ltd. (China)

- 24) Dentsply Friadent Turkey (Istanbul)
- 25) Tulsa Dental Products LLC (Delaware)
 - a) Tulsa Finance Co. (Delaware)
- 26) Dentsply Canada Ltd. (Canada (Ontario))
- 27) The International Tooth Co. Limited (United Kingdom)
- 28) Dentsply Services (Switzerland) S.a.r.L. (Switzerland)
- 29) Prident International, Inc. (California)
 - a) Prident (Shanghai) Dental Medical Devices Co., Ltd. (China)
- 30) Dentsply Friadent Espana SA (Spain)
- 31) DENTSPLY Holding Company

- a) DENTSPLY-Sankin K.K. (Japan)
 - 1) Sankin Laboratories K.K. (Japan)
- b) DeguDent Industria e Comercio Ltda. (Brazil)
 - 1) DeguDent da Amazonia Industria e Comercio Ltda. (Brazil)
 - 2) Degpar Participacoes e Empreendimentos S.A. (Brazil)
 - (a) DLA Pharmaceutical Ltda. (Brazil)
 - (b) DPLA (Brazil)
- c) Dentsply Industria e Comercio Ltda. (Brazil)
- d) Dentsply EU Holding S.a.r.L (Luxembourg)
 - 1) Dentsply Europe S.a.r.l. (Luxembourg)
 - (a) Dentsply Investments KG (Germany)
 - 2) TMV Medica (Spain)
- e) Dentsply Switzerland Holdings SA (Switzerland)
 - 1) Maillefer Instruments Holding S.a.r.l. (Switzerland)
 - (a) Maillefer Instruments Trading S.a.r.l. (Switzerland)
 - (b) Maillefer Instruments Consulting S.a.r.l. (Switzerland)
 - (c) Maillefer Instruments Manufacturing S.a.r.l. (Switzerland)
 - (d) GAC, SA (Switzerland)
 - (i) GAC GmbH (Germany)
 - (ii) GAC Norge Sa (Norway)
 - (iii) SOF SA (France)
- f) Dentsply Australia Pty. Ltd. (Australia (Victoria))
 - 1) Dentsply (NZ) Limited (New Zealand)
- g) PT Dentsply Indonesia (Indonesia)
- h) Dentsply DeTrey Sarl (Switzerland)

B. Subsidiaries of Dentsply Europe S.a.r.L.

- 1) Elephant Dental B.V. (Netherlands)
 - a) Cicero Dental Systems B.V. (Netherlands)
 - b) DeguDent Benelux B.V. (Netherlands)
 - c) Dental Trust B.V. (Netherlands)
 - d) Materialise Dental NV (46%) (Netherlands)
- 2) DeguDent Austria Handels GmbH (Austria)
- 3) Dentsply Limited (Cayman Islands)
 - a) Dentsply Holdings Unlimited (U.K.)
 - b) Dentsply Russia Limited (U.K.)
 - c) Amalco Holdings Ltd (U.K., Dormant)
 - d) Keith Wilson Limited (U.K., Dormant)
 - e) Oral Topics Limited (U.K., Dormant)
 - f) AD Engineering Company Limited (Dormant)

- 4) Dentsply Italia SrL (Italy)
- 5) Dentsply France S.A.S. (France)
- 6) Dentsply South Africa (Pty) Limited (South Africa)
- 7) Friadent Schweiz AG (Switzerland)
- 8) Friadent NV (Belgium)
- 9) Friadent Scandinavia AB(Sweden)
- 10) Friadent Denmark ApS (Denmark)
- 11) Friadent Brasil Ltda. (Brazil)
- 12) Dentsply DeTrey Sarl (Switzerland)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Forms S-8 (No. 333-101548 and 333-56093) of DENTSPLY International Inc. of our report dated February 20, 2009 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania
February 20, 2009

Section 302 Certifications Statement

I, Bret W. Wise, certify that:

1. I have reviewed this Form 10-K of DENTSPLY International Inc;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
-

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Bret W. Wise
Bret W. Wise
Chairman of the Board and
Chief Executive Officer

Date: February 20, 2009

Section 302 Certifications Statement

I, William R. Jellison, certify that:

1. I have reviewed this Form 10-K of DENTSPLY International Inc;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
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5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ William R. Jellison
William R. Jellison
Senior Vice President and
Chief Financial Officer

Date: February 20, 2009

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of DENTSPLY International Inc. (the "Company") on Form 10-K for the year ending December 31, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), We, Bret W. Wise, Chairman of the Board of Directors and Chief Executive Officer of the Company and William R. Jellison, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge and belief:

- (1) The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company as of the date of the Report.

/s/ Bret W. Wise
Bret W. Wise
Chairman of the Board and
Chief Executive Officer

/s/ William R. Jellison
William R. Jellison
Senior Vice President and
Chief Financial Officer

Date: February 20, 2009