

Edgar Filing: DENTSPLY INTERNATIONAL INC /DE/ - Form 10-K

DENTSPLY INTERNATIONAL INC /DE/
Form 10-K
February 23, 2007
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, 2006

Commission File Number 0-16211

DENTSPLY International Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

39-1434669

(I.R.S. Employer Identification No.)

221 West Philadelphia Street, York, PA

(Address of principal executive offices)

17405-0872

(Zip Code)

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

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

Title of each class

Name of each exchange on which registered

None

Not applicable

Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value \$.005 per share

Edgar Filing: DENTSPLY INTERNATIONAL INC /DE/ - Form 10-K

(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 X 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 X

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

Yes X No

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 X Accelerated filer Non-accelerated filer

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

Yes No X

The aggregate market value of the voting common stock held by non-affiliates of the registrant computed by reference to the closing price as of the last business day of the registrants most recently completed second quarter June 30, 2006, was \$4,399,084,789.

The number of shares of the registrant's Common Stock outstanding as of the close of business on February 20, 2007 was 152,129,408.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the definitive Proxy Statement of DENTSPLY International Inc. to be used in connection with the 2007 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.

PART I

Item 1. Business

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

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 23, 2007. 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 by a merger of Dentsply International Inc. ("Old Dentsply") and GENDEX Corporation in 1993. Old Dentsply, founded in 1899, was a manufacturer and distributor of artificial teeth, dental equipment, and dental consumable products. GENDEX, founded in 1983, was a manufacturer of dental x-ray equipment and handpieces. In early 2004, the Company divested the dental x-ray equipment portion of GENDEX in order to primarily focus the Company's product lines on dental consumables, dental laboratory products, and specialty dental products.

DENTSPLY 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.

Edgar Filing: DENTSPLY INTERNATIONAL INC /DE/ - Form 10-K

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, 2006. The remaining 3% of consolidated sales are primarily related to materials sold to the investment casting industry. The presentation of net sales, excluding precious metal content, could be considered a measure not calculated in accordance with generally accepted accounting principles (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, 2006, the Company conducted its business through three operating segments, all of which were primarily engaged in the design, manufacture and distribution of dental products in three principal categories: 1) Dental consumables, 2) Dental laboratory products, and 3) Specialty dental products. The Company's three operating segments do not align with these three principal product categories, which are discussed in more detail in the principal product section. In January 2007, the Company revised its operating group structure and expanded into four operating groups. Segment information will be reflected under this revised structure beginning in the first quarter of 2007.

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 including Brazil, Mexico, Argentina, Colombia, and Chile; in South Africa; and in the Pacific Rim including Japan, Australia, New Zealand, China (including Hong Kong), Thailand, India, Philippines, Taiwan, South Korea, Vietnam and Indonesia. DENTSPLY has also established marketing activities in Moscow, Russia to serve the countries of the former Soviet Union.

For 2006, 2005, and 2004, the Company's net sales, excluding precious metal content, to customers outside the United States (U.S.), including export sales, accounted for approximately 58%, 56%, and 57%, respectively, of consolidated net sales. Reference is made to the information about the Company's United States and foreign sales by shipment origin set forth in Note 4 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 consumables, dental laboratory products and dental specialty products. These products are produced by the Company in the United States 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(TM), CAULK®, CAVITRON®, CERAMCO®, CERCON®, CITANEST®, DELTON®, DENTSPLY®, DETREY®, ELEPHANT®, ESTHET.X®, FRIADENT®, FRIALIT®, GAC ORTHOWORKS(TM), GOLDEN GATE®, IN-OVATION(TM), INTERACTIVE MYSTIQUE(TM), MAILLEFER®, MIDWEST®, NUPRO®, ORAQIX®, PEPGEN P-15(TM), POLOCAINE®, PRIME & BOND®, PROFILE®, PROTAPER(TM), RINN®, R&R®, SANI-TIP®, SEAL&PROTECT(TM), SHADEPILOT(TM), THERMAFIL®, TRUBYTE®, XENO® and XYLOCAINE®.

Dental Consumables

Edgar Filing: DENTSPLY INTERNATIONAL INC /DE/ - Form 10-K

Dental consumable products consist of dental sundries and small equipment used in dental offices in the treatment of patients. Sales of dental consumables, excluding precious metal content, accounted for approximately 40% of the Company's consolidated sales for the years ended December 31, 2006 and 2005.

DENTSPLY's dental sundry products in the dental consumable category include dental anesthetics, prophylaxis paste, dental sealants, impression materials, restorative materials, bone grafting 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 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 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 19% and 20% of the Company's consolidated sales for the years ended December 31, 2006 and 2005, respectively.

DENTSPLY's products in the dental laboratory 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

Specialty dental products are specialized treatment products used within the dental office and laboratory settings. Sales of specialty products, excluding precious metal content, accounted for approximately 38% of the Company's consolidated sales for the years ended December 31, 2006 and 2005. DENTSPLY's products in this category include endodontic (root canal) instruments and materials, implants and related products, and orthodontic appliances and accessories.

Markets, Sales and Distribution

DENTSPLY distributes approximately 55% 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 2006 and 2005, one customer, Henry Schein Incorporated, a dental distributor, accounted for 10.9% and 11.1%, respectively, of DENTSPLY's consolidated net sales. No other single customer represented ten percent or more of DENTSPLY's consolidated net sales during 2006 or 2005.

Edgar Filing: DENTSPLY INTERNATIONAL INC /DE/ - Form 10-K

Reference is made to the information about the Company's foreign and domestic operations and export sales set forth in Note 4 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 2,000 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 in key dental markets. 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 United States, 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 protection against infection and patient cross-contamination.

In certain countries in Central America, South America, Eastern Europe, the 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 based on the following factors:

Increasing worldwide population.

Growth of the population 65 or older – The percentage of the United States, 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.

Edgar Filing: DENTSPLY INTERNATIONAL INC /DE/ - Form 10-K

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 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.

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. The Company's research and product development efforts have historically led to the introduction of more than twenty new products each year, with approximately thirty new products having been introduced around the world in both 2005 and 2006.

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 institutes and dental schools, the Company directly invested approximately 3% of net sales during the years ended December 31, 2006, 2005 and 2004, 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 of taking a leadership role 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 other 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, during the past two years, the

Edgar Filing: DENTSPLY INTERNATIONAL INC /DE/ - Form 10-K

Company has made several small acquisitions, including a group of three orthodontic companies acquired by the Company during 2005 and two additional small businesses in 2006. The businesses acquired in 2006 include a small dental business in Asia and an implant distribution business in Italy. During 2006, DENTSPLY also acquired a 40% interest in Materialise Dental N.V. (Materialise), a simulation software company and a leading manufacturer of a variety of surgical guides to assist in the placement of dental implants. DENTSPLY also acquired the remaining 40% interest of a dental manufacturing business in Brazil during 2006 (the Company had owned 60% of this business since 2001).

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.

The Company has completed or is in progress of completing a number of key initiatives around the world that are focused on helping the Company improve its sales and operating margins.

The Company formed Dentsply North America, which is a sales organization that effectively combines the field and sales management functions for the United States distributor businesses.

The Company entered into a U.S.-based Strategic Partnership Program, designed to significantly improve its ability to collaborate with and provide value to its key distributor partners. This program encompasses all of the Company's divisions selling through U.S. dental distributors and will result in a consolidated network of U.S. distributors that is expected to provide the Company with an increased ability to deliver greater customer-focused services to its distributor partners and dental professional end users as well as enhance sales and marketing effectiveness for these businesses over time.

The Company is continuing to develop its new business system which will provide a framework of best in class tools to help streamline decision making, gain efficiencies and accelerate internal growth by setting standards across all key areas of the business.

Building on the success of the North American Shared Services group, the Company has implemented a European Shared Services group. The Company is continuing to realize the initial cost savings from the implementation of the European Shared Services group. While the initial cost savings and process improvements related to the North American Shared Services group have already been realized, there is a focus on continuous improvement to identify and maximize additional opportunities that can be gained through this initiative.

The Company has centralized its warehousing and distribution in North America and Europe. While the initial gains from this strategy have been realized, ongoing efforts are in place to maximize additional opportunities that can be gained through improving the Company's functional expertise in supply chain management.

The Company considers the implementation of lean manufacturing techniques as a fundamental part of its supply chain strategy. With a focus on reducing non-value added activities, over the last decade, numerous manufacturing sites have dramatically reduced inventory

Edgar Filing: DENTSPLY INTERNATIONAL INC /DE/ - Form 10-K

levels, increased space utilization and improved labor productivity. This was accomplished while reducing manufacturing lead times and improving the Company's delivery performance to dealers and end-users.

Information technology initiatives are underway to generate enhanced worldwide financial data; to standardize worldwide telecommunications; implement improved manufacturing, customer relations management (CRM) and financial accounting systems; and to train IT users to maximize the capabilities of global systems.

The Company continues to pursue opportunities to leverage its assets by consolidating business units where appropriate and to optimize its diversity of worldwide manufacturing capabilities.

The Company continues to assess procurement activities in order to leverage the buying power of Dentsply around the world and reduce the Company's product costs through lower prices and reduced overhead.

Financing

DENTSPLY's total long-term debt, including the current portion of long-term debt, at December 31, 2006 and 2005 was \$367.4 million and \$680.9 million, respectively, and the ratios of long-term debt to total capitalization were 22.4% and 35.3%. 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 \$369.4 million during the year ended December 31, 2006 to \$65.1 million. In 2006, the Company had net repayments of \$363.2 million related to long-term borrowings and repurchased \$293.8 million in treasury stock. The net repayment of \$363.2 million of long term borrowings was primarily due to the December repayment of \$462.7 million related to the Eurobond as well as payments of \$106.6 million related to the Swiss franc denominated private placement notes. These repayments were partially offset by borrowings of \$103.7 million under the revolving credit agreement and \$97.3 million under the commercial paper facility. Throughout most of 2006 and until the repayment of the Eurobond in December, the Company continued to maintain significant cash, cash equivalents and short-term investment balances rather than pre-pay debt, as a result of pre-payment penalties that would have been incurred in retiring both the debt and the related interest rate swap agreements. Additionally, the Company did not repay this debt prior to its due date due to the low cost of the debt, net of earnings on the cash, cash equivalents and short-term investments.

The Company has \$51.0 million of long-term borrowings coming due in 2007. The Company intends to refinance this debt obligation and portions of its U.S. dollar commercial paper either through borrowings under the revolving credit agreement or other borrowing facilities available to the Company. Any debt that is repaid through the use of the revolving credit agreement or the other borrowing facilities will effectively convert the maturity of the debt beyond 2007.

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

Edgar Filing: DENTSPLY INTERNATIONAL INC /DE/ - Form 10-K

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, and its commitment to customer satisfaction.

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 United States 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 United States 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 sign 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 United States 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 has 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. 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.

In early 2006, the Company made the decision to close its Chicago-based pharmaceutical manufacturing facility and to pursue the outsourcing of the production of the injectable dental anesthetic products and the non-injectable Oraqix® products that were to be produced at the plant. While the Company had supply disruptions in 2005 and 2006, and will have some supply disruptions in the future in relation to the supply of the injectable dental anesthetic products, the Company currently has contract manufacturing relationships for the supply of the injectable dental anesthetic products for most of the markets served by the Company. The Company currently has supply agreements in place for the supply of the non-injectable Oraqix® products and has not experienced supply disruptions to date, nor does it anticipate supply disruptions of the Oraqix® products in the future.

Intellectual Property

Products manufactured by DENTSPLY are sold primarily under its own trademarks and trade names. DENTSPLY also owns and maintains approximately 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 United States 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, 2006, the Company and its subsidiaries employed approximately 8,500 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, 2008. 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 addition, approximately 35% of DeguDent employees and 25% of DeTrey employees, two of the Company's German operating units, are represented by labor unions. The Company provides pension and postretirement benefits to many of its employees (See Note 14 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

Edgar Filing: DENTSPLY INTERNATIONAL INC /DE/ - Form 10-K

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 third or fourth quarters 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. 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 holiday seasonality.

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.

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 their relative importance or priority.

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

The success of the Company is largely dependent upon the continued strength of dental markets and is also somewhat dependent upon the general economic environments of the regions in which 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.

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 competitor's new products will not be introduced that could render the Company's products obsolete.

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'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.

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 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 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 plus 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 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.

The Company's international operations are subject to inherent risks that could adversely affect the operating results.

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 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 United States 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.

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

Edgar Filing: DENTSPLY INTERNATIONAL INC /DE/ - Form 10-K

A significant portion of the Company's injectable 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 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 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.

The Company may fail to meet or exceed the expectations of securities analysts and investors, which could cause its stock price to decline.

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 third or fourth quarters 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.

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

A variety of 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, results of operations 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.

In addition, 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 would harm the Company's business.

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 collectively own approximately 6% 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, 2006:

<u>Location</u>	<u>Function</u>	<u>Leased or Owned</u>
United States:		
Milford, Delaware (1)	Manufacture of consumable dental products	Owned
Bradenton, Florida (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
Elgin, Illinois (1)	Manufacture of dental x-ray film holders, film	Leased

Edgar Filing: DENTSPLY INTERNATIONAL INC /DE/ - Form 10-K

	mounts and accessories	
Maumee, Ohio (2)	Manufacture and distribution of investment casting products	Owned
York, Pennsylvania (3)	Manufacture and distribution of artificial teeth and other dental laboratory products;	Owned
York, Pennsylvania (1)	Manufacture of small dental equipment and preventive dental products	Owned
Johnson City, Tennessee (2)	Manufacture and distribution of endodontic instruments and materials	Leased
Bohemia, New York (3)	Manufacture and distribution of orthodontic products and materials	Leased
Middletown, Pennsylvania (1)	Distribution of Dental Products	Leased
Foreign:		
Catanduva, Brazil (2)	Manufacture and distribution of dental anesthetic products	Owned
Petropolis, Brazil (2)	Manufacture and distribution of artificial teeth and consumable dental products	Owned
Tianjin, China (3)	Manufacture and distribution of dental products	Leased
Plymouth, England (1)	Manufacture of dental hand instruments	Leased
Ivry Sur-Seine, France (1)	Manufacture and distribution of investment casting products	Leased
Bohmte, Germany (3)	Manufacture and distribution of dental laboratory products	Owned

<u>Location</u>	<u>Function</u>	<u>Leased or Owned</u>
Hanau, Germany (3)	Manufacture and distribution of precious metal dental alloys, dental ceramics and dental implant products	Owned
Konstanz, Germany (1)	Manufacture and distribution of consumable dental products	Owned
Mannheim, Germany (3)	Manufacture and distribution of dental implant products	Owned
Munich, Germany (2)	Manufacture and distribution of endodontic instruments and materials	Owned
Radolfzell, Germany (4)	Distribution of dental products	Leased
Rosbach, Germany (3)	Manufacture and distribution of dental ceramics	Owned
Nasu, Japan (3)	Manufacture and distribution of precious metal	Owned

Edgar Filing: DENTSPLY INTERNATIONAL INC /DE/ - Form 10-K

	dental alloys, consumable dental products and orthodontic products	
Yokohama City, Japan (3)	Manufacture and distribution of dental products	Leased
Hoorn, Netherlands (3)	Manufacture and distribution of precious metal dental alloys and dental ceramics	Owned
Las Piedras, Puerto Rico (3)	Manufacture of crown and bridge materials	Owned
Ballaigues, Switzerland (2)	Manufacture and distribution of endodontic instruments	Owned
Ballaigues, Switzerland (2)	Manufacture and distribution of endodontic instruments, plastic components and packaging material	Owned
Le Creux, Switzerland (2)	Manufacture and distribution of endodontic instruments	Owned

- (1) - These properties are included in the U.S., Europe, Commonwealth of Independent States (CIS), Middle East, Africa Consumable Business/Canada segment.
- (2) - These properties are included in the Australia/Latin America/Endodontics/Non-dental segment.
- (3) - These properties are included in the Dental Laboratory Business/Implants/Orthodontics/Japan/Asia segment
- (4) - 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 United States and international locations. Most of the 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, following a four-year investigation, 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 from adding new competitive teeth lines. This decision relates only to the distribution of artificial teeth in the U.S. and, notwithstanding the outcome of this case, the Company is confident that it can continue to develop this business.

Edgar Filing: DENTSPLY INTERNATIONAL INC /DE/ - Form 10-K

Subsequent to the filing of the Department of Justice Complaint in 1999, several private party class actions were filed based on allegations similar to those in the Department of Justice case, on behalf of dental laboratories, and denture patients in seventeen states who purchased Trubyte teeth or products containing Trubyte teeth. These cases were transferred to the U.S. District Court in Wilmington, Delaware. The private party suits seek damages in an unspecified amount. The Court has granted the Company's Motion on the lack of standing of the laboratory and patient class actions to pursue damage claims. The Plaintiffs in the laboratory case 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 petition to the U.S. Supreme Court asking it to review this decision of the Third Circuit was denied. The Plaintiffs in the laboratory case have recently filed an amended complaint asserting that DENTSPLY and its tooth dealers, and the dealers among themselves, engaged in a conspiracy to violate the antitrust laws. Dentsply and the dealers have filed Motions to dismiss plaintiffs' claims, except for the resale price maintenance claims. Additionally, two competitive tooth manufacturers have recently filed separate actions seeking 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 March 27, 2002, a Complaint was filed in Alameda County, California (which was transferred to Los Angeles County) by Bruce Glover, D.D.S. alleging, inter alia, breach of express and implied warranties, fraud, unfair trade practices and negligent misrepresentation in the Company's manufacture and sale of Advance® cement. The Complaint seeks damages in an unspecified amount for costs incurred in repairing dental work in which the Advance® product allegedly failed. The Judge entered an Order granting class certification, as an Opt-in class. In general, the Class is defined as California dentists who purchased and used Advance® cement and were required, because of failures of the cement, to repair or reperform dental procedures for which they were not paid. The Notice of the class action was sent on February 23, 2005 to the approximately 29,000 dentists licensed to practice in California during the relevant period and a total of 166 dentists opted into the class action. The plaintiffs appealed the decision of the Trial Court certifying the class as an opt-in and the Appeals Court held that the case should be converted to an opt-out class. The Company has filed an appeal of this decision to the California Supreme Court. The Advance® cement product was sold from 1994 through 2000 and total sales in the United States during that period were approximately \$5.2 million. The Company's primary level insurance carrier has confirmed coverage for the breach of warranty claims in this matter up to one million dollars, their asserted policy limits. Litigation has been initiated with the Company's primary and excess insurance carriers regarding the level and coverage of their respective insurance policies for this case.

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 seeks a refund of the purchase price and asserts putative class action claims on behalf of dentists located in New Jersey and Pennsylvania based on assertions that the Cavitron was sold in breach of contract and warranty arising from misrepresentations about the potential uses of the product because it cannot deliver potable or sterile water.

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

Not applicable.

Executive Officers of the Registrant

Edgar Filing: DENTSPLY INTERNATIONAL INC /DE/ - Form 10-K

The following table sets forth certain information regarding the executive officers of the Company as of February 23, 2007.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Bret W. Wise	46	Chairman of the Board, Chief Executive Officer and President
Christopher T. Clark	45	Executive Vice President and Chief Operating Officer
William R. Jellison	49	Senior Vice President and Chief Financial Officer
Rachel P. McKinney	49	Senior Vice President
James G. Mosch	49	Senior Vice President
Robert J. Size	48	Senior Vice President
Brian M. Addison	52	Vice President, Secretary and General Counsel

Bret W. Wise was named Chairman of the Board, Chief Executive Officer and President of the Company effective January 1, 2007. 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 units that are sold through distribution in the United States, 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 Executive Vice President and Chief Operating Officer of the Company effective January 1, 2007. 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 United States, 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 United States, 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, Information Technology 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 United States, 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.

Rachel P. McKinney was named Senior Vice President, Global Human Resources effective January 2006. In January 2007, she assumed additional responsibility for DENTSPLY's Corporate Communications overseeing communications, public relations and community involvement. Prior to that time, she was Corporate Vice President, Human Resources since March 2003. Prior to that time, she held various leadership positions in human resources at Compaq Computer Corporation, Burger King Corporation, Miller Brewing Company, Air Products and Chemical Company and Aetna/Partners National Health Plans.

Edgar Filing: DENTSPLY INTERNATIONAL INC /DE/ - Form 10-K

James G. Mosch was named Senior Vice President effective November 2002, with operating responsibilities over both manufacturing operations and selling organizations located in the United States, 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 United States and Europe, as well as the DENTSPLY North America (DNA) sales organization. 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.

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.

PART II

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.

At December 31, 2005, the Company had authorization to maintain up to 11,000,000 shares of treasury stock under the stock repurchase program as approved by the Board of Directors. In December 2006, the Board of Directors increased the authorization to repurchase shares under the stock repurchase program in an amount to maintain up to 14,000,000 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, 2006.

<u>Period</u>	<u>Total Number of Shares Purchased</u> (in thousands, except per share amounts)	<u>Total Cost of Shares Purchased</u>	<u>Average Price Paid Per Share</u>	<u>Number of Shares That May Be Purchased Under the Share Repurchase Program</u>
October 1-31, 2006	2,020.6	\$ 63,791.7	\$ 31.57	74.9
November 1-30, 2006	1,711.0	53,811.6	31.45	18.3
December 1-31, 2006	47.5	1,437.1	30.25	3,015.4
	3,779.1	\$ 119,040.4	\$ 31.50	

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

Edgar Filing: DENTSPLY INTERNATIONAL INC /DE/ - Form 10-K

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. Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2006 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is also 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 changes in the Company's internal control over financial reporting that occurred during the three months ended December 31, 2006 that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

Management had previously identified a material weakness in internal control over financial reporting concerning the Company's lack of effective controls over the complete and accurate presentation and disclosure of short-term investments as of December 31, 2005. Specifically, the Company's controls over the completeness and accuracy of short-term investments in the consolidated balance sheet and the related cash flows from the purchase and sale of short-term investments in the consolidated statement of cash flows were not effective. This control deficiency resulted in the restatement of the Company's 2005 and 2004 annual consolidated financial statements and the interim consolidated financial statements for the first and second quarters of 2006 and all quarters of 2005 and an audit adjustment to the interim consolidated financial statements for the third quarter of 2006.

In order to remediate the material weakness in the Company's internal control over financial reporting with respect to the accounting for and disclosure of short-term investments, management has designed, implemented and enhanced controls to ensure the proper presentation and disclosure of short-term investments on the Company's consolidated balance sheets and statements of cash flows. Specifically, the Company has expanded its internal reporting structure to include a specific category for short-term investments and has enhanced its review and approval process to ensure that short-term investments are properly classified on the consolidated balance sheet and statements of cash flows.

The Company has evaluated the design of the improved controls described above, which have been placed into operation for a sufficient period of time, and tested their operating effectiveness. It has concluded that these controls were both designed and operating effectively as of December 31, 2006 and as a result of the implementation of these controls, the previously identified material weakness no longer existed at December 31, 2006.

There have been no other changes in the Company's internal control over financial reporting that occurred during the year ended December 31, 2006 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 2007 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 23, 2007.

Item 11. Executive Compensation

The information set forth under the caption "Executive Compensation" in the 2007 Proxy Statement is incorporated herein by reference. This includes the new Compensation Discussion and Analysis and the Compensation Committee Report.

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 2007 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 2007 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 2007 Proxy Statement is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedule

(a) Documents filed as part of this Report

1 Financial Statements

The following consolidated financial statements of the Company are filed as part of this Annual Report on Form 10-K and are covered by the Report of Independent Registered Public Accounting Firm also filed as part of this report:

Management's Report on Internal Control Over Financial Reporting

Report of Independent Registered Public Accounting Firm

Consolidated Statements of Income - Years ended December 31, 2006, 2005 and 2004

Consolidated Balance Sheets - December 31, 2006 and 2005

Consolidated Statements of Stockholders' Equity and Comprehensive Income - Years ended December 31, 2006, 2005 and 2004

Consolidated Statements of Cash Flows - Years ended December 31, 2006, 2005 and 2004

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.

Edgar Filing: DENTSPLY INTERNATIONAL INC /DE/ - Form 10-K

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 23, 2007.

<u>Exhibit Number</u>	<u>Description</u>
3.1	Restated Certificate of Incorporation (9)
3.2	By-Laws, as amended (8)
4.1	(a) United States Commercial Paper Issuing and paying Agency Agreement dated as of August 12, 1999 between the Company and the Chase Manhattan Bank. (6)
	(b) United States Commercial Paper Dealer Agreement dated as of March 28, 2002 between the Company and Salomon Smith Barney Inc. (10)
	(c) Euro Commercial Paper Note Agreement dated as of October 26, 2006 between the Company and Citibank International plc.
	(d) Euro Commercial Paper Dealer Agreement dated as of October 26, 2006 between the Company and Citibank International plc.
4.2	(a) Note Agreement (governing Series A, Series B and Series C Notes) dated March 1, 2001 between the Company and Prudential Insurance Company of America. (8)
	(b) First Amendment to Note Agreement dated September 1, 2001 between the Company and Prudential Insurance Company of America. (8)
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
10.1	1993 Stock Option Plan (2)
10.2	1998 Stock Option Plan (1)
10.3	2002 Amended and Restated Equity Incentive Plan (9)
10.4	Restricted Stock Unit Deferral Plan
10.5	(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)
10.6	Employment Agreement dated January 1, 1996 between the Company and Thomas L. Whiting (3)*
10.7	Employment Agreement dated April 20, 1998 between the Company and William R. Jellison (5)*
10.8	Employment Agreement dated September 10, 1998 between the Company and Brian M. Addison (5)*
10.9	Employment Agreement dated December 25, 2005 between the Company and Rachel P. McKinney*
10.10	Employment Agreement dated November 1, 2002 between the Company and Christopher T. Clark (10)*
10.11	Employment Agreement dated November 1, 2002 between the Company and James G. Mosch (10)*
10.12	Employment Agreement dated December 1, 2002 between the Company and Bret W. Wise (10)*
10.13	DENTSPLY International Inc. Directors' Deferred Compensation Plan effective January 1, 1997 (4)*
10.14	Board Compensation Arrangement (11)

<u>Exhibit Number</u>	<u>Description</u>
10.15	Supplemental Executive Retirement Plan effective January 1, 1999 (5)*
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.
	(b)

Edgar Filing: DENTSPLY INTERNATIONAL INC /DE/ - Form 10-K

	Precious metal inventory Purchase and Sale Agreement dated December 20, 2001 between JPMorgan Chase Bank and the Company. (8)
(c)	Precious metal inventory Purchase and Sale Agreement dated December 20, 2001 between Mitsui & Co., Precious Metals Inc. and the Company. (8)
(d)	Precious metal inventory Purchase and Sale Agreement dated December 15, 2005 between ABN AMRO NV, Australian Branch and the Company.
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. 333-56093).
- (2) Incorporated by reference to exhibit included in the Company's Registration Statement on Form S-8 (No. 33-71792).
- (3) Incorporated by reference to exhibit included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, 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, 1996, 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, 1998, File No. 0-16211.
- (6) 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.
- (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, 2001, File No. 0-16211.
- (9) Incorporated by reference to exhibit included in the Company's Registration Statement on Form S-8 (No. 333-101548).
- (10) 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.
- (11) 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.

Loan Documents

The Company and certain of its subsidiaries have entered into various loan and credit agreements and issued various promissory notes and guaranties of such notes, listed below, the aggregate principal amount of which is less than 10% of its assets on a consolidated basis. The Company has not filed copies of such documents but undertakes to provide copies thereof to the Securities and Exchange Commission supplementally upon request.

(1) Form of "comfort letters" to various foreign commercial lending institutions having a lending relationship with one or more of the Company's international subsidiaries.

SCHEDULE II

DENTSPLY INTERNATIONAL INC.
VALUATION AND QUALIFYING ACCOUNTS
FOR THE THREE YEARS ENDED DECEMBER 31, 2006

<u>Description</u>	<u>Balance at Beginning of Period</u> (in thousands)	<u>Additions Charged To Costs And Expenses</u>	<u>Charged to Other Accounts</u>	<u>Write-offs Net of Recoveries</u>	<u>Translation Adjustment</u>	<u>Balance at End of Period</u>
Allowance for doubtful accounts:						
For Year Ended December 31,						
2004	\$ 16,302	\$ 2,126	\$ (133)	\$ (1,997)	\$ 926	\$ 17,224
2005	17,224	2,063	(581)	(2,884)	(1,031)	14,791
2006	14,791	2,148	(416)	(1,516)	1,176	16,183
Allowance for trade discounts:						
For Year Ended December 31,						
2004	\$ 1,062	\$ 1,655	\$ (24)	\$ (1,605)	\$ 70	\$ 1,158
2005	1,158	1,111	-	(1,781)	(20)	468
2006	468	(25)	-	-	14	457
Inventory valuation reserves:						
For Year Ended December 31,						
2004	\$ 33,112	\$ 3,173	\$ (2,357) (a)	\$ (7,308)	\$ 1,278	\$ 27,898
2005	27,898	1,994	(682)	(2,360)	(1,743)	25,107
2006	25,107	2,211	(341)	(2,180)	1,508	26,305

Edgar Filing: DENTSPLY INTERNATIONAL INC /DE/ - Form 10-K

Deferred tax asset valuation allowance:

For Year Ended December 31,

2004	\$ 10,263	\$ 11,951	\$ -	\$ (375)	\$ 1,582	\$ 23,421
2005	23,421	16,328	-	(604)	(3,161)	35,984
2006	35,984	12,006	-	(813)	2,202	49,379

(a) Related primarily to the sale of Gendex.

DENTSPLY INTERNATIONAL INC. AND SUBSIDIARIES
SELECTED FINANCIAL DATA

	<u>Year ended December 31,</u>				
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Statement of Income Data:	(in thousands, except per share amounts)				
Net sales	\$ 1,810,496	\$ 1,715,135	\$ 1,694,232	\$ 1,567,994	\$ 1,415,893
Net sales without precious metal content	1,623,074	1,542,711	1,481,083	1,364,346	1,230,371
Gross profit	929,011	869,018	846,518	770,533	703,714
Restructuring, impairment and other costs (income)	7,807	232,755	7,124	3,700	(2,732)
Operating income	314,794	72,922	295,130	267,983	249,452
Income before income taxes	314,837	71,038	274,155	251,196	214,090
Net income from continuing operations	\$ 223,718	\$ 45,413	\$ 210,286	\$ 169,853	\$ 143,641
Net income from discontinued operations	-	-	42,879	4,330	4,311
Total net income					