

DENTSPLY INTERNATIONAL INC /DE/  
Form 10-K  
February 25, 2008  
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, 2007

Commission File Number 0-16211

**DENTSPLY International Inc.**

(Exact name of registrant as specified in its charter)

Delaware

39-1434669

(State or other jurisdiction of incorporation or organization)

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

221 West Philadelphia Street, York, PA

17405-0872

(Address of principal executive offices)

(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 \$.01 per share (Title of class)

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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

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, 2007, was \$6,129,023,806.

The number of shares of the registrant's Common Stock outstanding as of the close of business on February 21, 2008 was 150,944,071.

## DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the definitive Proxy Statement of DENTSPLY International Inc. to be used in connection with the 2008 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 of similar meaning.

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 25, 2008. 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 ("GENDEX") 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 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, 2007. The remaining 3% of consolidated sales are related to materials sold to the investment casting industry and various medical products. The presentation of net sales, excluding precious metal content, could be 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, 2007, 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 consumables, 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,

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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 2007, 2006 and 2005, the Company's net sales, excluding precious metal content, to customers outside the United States, including export sales, accounted for approximately 59%, 58% and 56%, 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®, GENIE(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), SULTAN®, THERMAFIL®, TRUBYTE®, XENO®, XIVE® and XYLOCAINE®.

### Dental Consumables

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 35% and 40% of the Company's consolidated sales for the years ended December 31, 2007 and 2006, respectively.

DENTSPLY's dental sundry products in the dental consumable 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 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 19% of the Company's consolidated sales for each of the years ended December 31, 2007 and 2006.

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

Dental specialty products are specialized treatment products used within the dental office and laboratory settings. Sales of specialty products, excluding precious metal content, accounted for approximately 43% and 38% of the Company's consolidated sales for the years ended December 31, 2007 and 2006, respectively. DENTSPLY's products in this category include endodontic (root canal) instruments and materials, implants and related products, bone grafting materials, 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 2007 and 2006, one customer, Henry Schein Incorporated, a dental distributor, accounted for 11.6% and 10.9%, respectively, of DENTSPLY's consolidated net sales. No other single customer represented ten percent or more of DENTSPLY's consolidated net sales during 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 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 2,100 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 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 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 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.
- 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.

### **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.



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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 \$48.5 million and \$44.4 million for 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 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 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 three years, the Company has made several acquisitions, including one manufacturer of dental consumable products, one manufacturer of endodontic materials, two sales and marketing organizations for implant products, and one manufacturer of small dental diagnostic equipment in 2007, two small businesses in 2006, and a group of three orthodontic companies in 2005. Additionally, in 2006, DENTSPLY acquired a 40% interest in 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.

### **Financing**

DENTSPLY's total long-term debt, including the current portion of long-term debt, at December 31, 2007 and 2006 was \$482.3 million and \$367.4 million, respectively, and the ratios of long-term debt to total capitalization were 24.1% and 22.4%. 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.

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The Company's cash, cash equivalents and short-term investments increased by \$251.2 million during the year ended December 31, 2007 to \$316.3 million. In 2007, the Company had net borrowings of \$99.0 million related to long-term borrowings and repurchased \$125.4 million in treasury stock. The net borrowings of \$99.0 million were primarily due to the March 13, 2007 private placement note of \$149.5 million, which was partially offset by repayments of \$50.5 million primarily related to the Swiss franc denominated private placement notes.

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 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 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 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. 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. Although the Company is not aware of any such prohibition being adopted, it is possible that such a limitation could be adopted in the future. 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 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, 2007, the Company and its subsidiaries employed approximately 8,900 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. 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 40% of DeguDent employees, approximately 30% of Friadent employees, approximately 20% 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 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 in the third or fourth quarters 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](http://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 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.

**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 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 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 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.**

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. 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 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 ("ESOP") collectively own approximately 5% of the outstanding common stock of DENTSPLY.

**The Company is exposed to the risk of changes in interest and foreign exchange rates.**

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.

ITEM 1B. Unresolved Staff Comments

None

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Item 2. Properties

The following is a listing of DENTSPLY's principal manufacturing and distribution locations as of December 31, 2007:

<u>Location</u>	<u>Function</u>	<u>Leased or Owned</u>
<b>United States:</b>		
Milford, Delaware (1)	Manufacture of consumable dental 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
Elgin, Illinois (1)	Manufacture of dental x-ray film holders, film mounts and accessories	Leased
Englewood, New Jersey (1)		Leased
	Manufacture and distribution of consumable dental products	
Bohemia, New York (3)	Manufacture and distribution of orthodontic products and materials	Leased