DENTSPLY INTERNATIONAL INC /DE/
Form 10-K
February 24, 2012

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

FORM 10-K

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

For the fiscal year ended December 31, 2011
Commission File Number 0-16211

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

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

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

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

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

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

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

Yes x No o

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

Yes o No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes x No o
Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes x No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer x Accelerated filer o Non-accelerated filer o Smaller reporting company o

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

The aggregate market value of the voting common stock held by non-affiliates of the registrant computed by reference to the closing price as of the last business day of the registrants most recently completed second quarter June 30, 2011, was $5,613,249,611.

The number of shares of the registrant's Common Stock outstanding as of the close of business on February 21, 2012 was 142,040,786.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the definitive Proxy Statement of DENTSPLY International Inc. (the “Proxy Statement”) to be used in connection with the 2012 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K to the extent provided herein. Except as specifically incorporated by reference herein the Proxy Statement is not deemed to be filed as part of this Form 10-K.

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PART I

FORWARD-LOOKING STATEMENTS

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

PART I

Item 1. Business

History and Overview

DENTSPLY, a Delaware corporation which dates its history to 1899, believes it is the world's largest designer, developer, manufacturer and marketer of a broad range of professional dental products, with a primary focus on dental consumable products, dental laboratory products and dental specialty products. During 2011, the Company purchased Astra Tech AB, "Astra Tech" which expanded the Company's dental specialty products and greatly increased the consumable medical devices product lines. The Company's worldwide headquarters and executive offices are located in York, Pennsylvania.

Consolidated net sales, excluding precious metal content, of the Company's dental products accounted for approximately 93% of DENTSPLY's consolidated net sales, excluding precious metal content, for the year ended December 31, 2011. The remaining consolidated net sales, excluding precious metal content, is related to consumable medical device products and materials sold to the investment casting industry. The presentation of net sales, excluding precious metal content, is considered a measure not calculated in accordance with generally accepted accounting principles in the United States of America (“US GAAP”), and is therefore considered a non-US GAAP measure. This non-US GAAP measure is discussed further in “Management's Discussion and Analysis of Financial Condition and Results of Operations” and a reconciliation of net sales to net sales, excluding precious metal content, is provided.

Through 2011, the Company conducted its business through four operating segments, all of which were primarily engaged in the design, manufacture and distribution of dental and healthcare products in four principal categories: 1) dental consumable products, 2) dental laboratory products 3) dental specialty products and 4) consumable medical device 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, Sweden, France, Italy and the United Kingdom. The Company also has a significant market presence in Central and South America, South Africa and the Pacific Rim. DENTSPLY has also

established marketing activities in Moscow, Russia to serve the countries of the Commonwealth of Independent States (“CIS”).

For 2011, 2010 and 2009, the Company's net sales, excluding precious metal content, to customers outside the U.S., including export sales, accounted for approximately 66%, 63% and 62%, respectively, of consolidated net sales, excluding precious metal content. Reference is made to the information about the Company's U.S. and foreign sales by shipment origin set forth in Note 4, Segment and Geographic Information, to the consolidated financial statements in this Form 10-K.

Principal Products

The worldwide professional dental industry encompasses the diagnosis, treatment and prevention of disease and ailments of the teeth, gums and supporting bone. DENTSPLY's principal dental product categories are dental consumable products, dental laboratory products and dental specialty products. Additionally, the Company's consumable medical device products provide for urological and surgical applications. These products are produced by the Company in the U.S. and internationally and are distributed

throughout the world under some of the most well-established brand names and trademarks in the industry, including ANKYLOS, AQUASIL, AQUASIL ULTRA, ASTRA TECH, ATLANTIS, CALIBRA, CAULK, CAVITRON, CERAMCO, CERCON, CITANEST, DELTON, DENTSPLY, DETREY, DYRACT, ECLIPSE, ELEPHANT, ESTHET.X, FRIADENT, FRIALIT, GENIE, GOLDEN GATE, IN-OVATION, INTERACTIVE MYSTIQUE, LOFRIC, MAILLEFER, MIDWEST, NUPRO, ORAQIX, OSSEOSPEED, PEPGEN P-15, POLOCAINE, PORTRAIT, PRIME & BOND, PROFILE, PROTAPER, RINN, SANI-TIP, SHADEPILOT, STYLUS, SULTAN, SUREFIL, THERMAFIL, TRUBYTE, XENO, XIVE, XYLOCAINE and ZHERMACK .

Dental Consumable Products

Dental consumable products consist of dental sundries and small equipment used in dental offices for the treatment of patients. Net sales of dental consumable products, excluding precious metal content, accounted for approximately 33%, 35% and 35% of the Company's consolidated net sales, excluding precious metal content, for the years ended December 31, 2011, 2010 and 2009, respectively.

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

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

Dental Laboratory Products

Dental laboratory products are used in the preparation of dental appliances by dental laboratories. Net sales of dental laboratory products, excluding precious metal content, accounted for approximately 14%, 16% and 17% of the Company's consolidated net sales, excluding precious metal content, for the years ended December 31, 2011, 2010 and 2009, respectively.

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

Dental Specialty Products

Dental specialty products are specialized treatment products used within the dental office and laboratory settings. Net sales of dental specialty products, excluding precious metal content, accounted for approximately 46%, 46% and 45% of the Company's consolidated net sales, excluding precious metal content, for the years ended December 31, 2011, 2010 and 2009, respectively. DENTSPLY's products in this category include endodontic (root canal) instruments and materials, implants and related products, bone grafting materials, 3D digital implantology, dental lasers and orthodontic appliances and accessories.

Consumable Medical Device Products

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

excluding precious metal content, for the years ended December 31, 2011, 2010 and 2009, respectively.

Markets, Sales and Distribution

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

- Increasing worldwide population.

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

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

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

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

- Per capita and discretionary incomes are increasing in emerging nations - As personal incomes continue to rise in the emerging nations of the Pacific Rim, CIS and Latin America, healthcare, including dental services, is a growing priority.

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

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

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

In certain countries in Central America, South America, Eastern Europe, Pacific Rim, Middle East and Africa, most dental care is often limited to excavation of teeth and filling of cavities and other restorative techniques, reflecting more modest per capita expenditures for dental and medical care. These markets demand diverse products and broader alternatives to address patient and professional needs. However, there is also a portion of the population in these markets that receive excellent dental and medical care similar to that received in developed countries. As such our higher end products are actively sold into all of these regions.

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

Reference is made to the information about the Company's foreign and domestic operations and export sales set forth in Note 4, Segment and Geographic Information, to the Consolidated Financial Statements in this Form 10-K.

Dental

DENTSPLY distributes approximately 56% of its dental products through distributors and importers. However, certain highly technical products such as precious metal dental alloys, dental ceramics, crown and bridge porcelain products, endodontic instruments and materials, orthodontic appliances, implants, and bone substitute and grafting materials are sold directly to the dental laboratory or dental professionals in some markets. During 2011, 2010 and 2009, one customer, Henry Schein Incorporated, a dental distributor, accounted for 11% of DENTSPLY's consolidated net sales in each year. No other single customer represented ten percent or more of DENTSPLY's consolidated net sales during 2011, 2010 or 2009.

Although many of its dental sales are made to distributors, dealers and importers, DENTSPLY focuses its marketing efforts on the dentists, dental hygienists, dental assistants, dental laboratories and dental schools which are the end-users of its products. As part of this end-user “pull through” marketing approach, DENTSPLY employs approximately 3,650 highly trained, product-specific sales and technical staff to provide comprehensive marketing and service tailored to the particular sales and technical support requirements of the distributors, dealers and the end-users. The Company conducts extensive distributor, dealer and end-

user marketing programs. Additionally, the Company trains laboratory technicians, dental hygienists, dental assistants and dentists in the proper use of its products and introduces them to the latest technological developments at its educational courses conducted throughout the world. The Company also maintains ongoing relationships with various dental associations and recognized worldwide opinion leaders in the dental field, although there is no assurance that these influential dental professionals will continue to support the Company's products.

Healthcare

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

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

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

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

Product Development

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

New advances in technology are also anticipated to have a significant influence on future products in dentistry and in select areas of healthcare. As a result, the Company pursues research and development initiatives to support this technological development, including collaborations with external research institutions, dental and medical schools. Through its own internal research centers as well as through its collaborations with external research institutions, dental and medical schools, the Company directly invested $66.7 million, $49.4 million and $50.3 million in 2011, 2010 and 2009, respectively, in connection with the development of new products, improvement of existing products and advances in technology. The continued development of these areas is a critical step in meeting the Company's strategic goal as a leader in defining the future of dentistry and in select areas in health care.

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

Acquisition Activities

DENTSPLY believes that the dental products industry continues to experience consolidation with respect to both product manufacturing and distribution, although it continues to be fragmented creating a number of acquisition

opportunities. DENTSPLY also seeks to expand its position in consumable medical device products through acquisitions. In 2011, the Company acquired Astra Tech AB, a Sweden-based provider of dental implants, customized implant abutments, and urology and surgery products, from AstraZeneca. Also in 2011, the Company completed the acquisition of the remaining shares of Materialise Dental NV, in which it had acquired a minority interest in 2006. Materialise Dental, operating out of Leuven, Belgium, offers planning and simulation software tools to dental professionals worldwide. Additionally, in 2011 the Company purchased a US-based developer and seller of dental lasers and a small distributor of dental specialty products and a small dental equipment manufacturer, both located in Europe.

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

Financing

On August 31, 2011, the Company acquired Astra Tech in an all cash transaction for $1.8 billion, issuing $1.2 billion of new debt and using $624.5 million of available net cash, resulting in a net decrease in cash and equivalents of $462.9 million during the year ended December 31, 2011 to $77.1 million. As a result of the acquisition financing, DENTSPLY's total long-term debt, including the current portion, at December 31, 2011 and 2010 was $1,491.4 million and $606.5 million, respectively, and the ratios of long-term debt, including the current portion, to total capitalization were 44.2% and 24.1%. DENTSPLY defines total capitalization as the sum of total long-term debt, including the current portion, plus total equity. The Company's long-term debt, including the current portion, increased by a net of $884.9 million during the year ended December 31, 2011. This net change included a net increase in long-term borrowings of $876.9 million during the year ended 2011, plus an increase of $8.0 million due to exchange rate fluctuations on debt denominated in foreign currencies. The Company's short-term debt, including Commercial Paper of $266.8 million, increased by a net of $270.0 million during the year ended December 31, 2011 to $275.3 million. The Company may incur additional debt in the future for funding needs, including but not limited to, funding additional acquisitions and capital expenditures.

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 Form 10-K.

Competition

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

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

Regulation

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

it is in substantial compliance with the FDA and foreign regulatory requirements that are applicable to its products and manufacturing operations.

Dental and medical devices of the types sold by DENTSPLY are generally classified by the FDA into a category that renders them subject only to general controls that apply to all medical devices, including regulations regarding alteration, misbranding, notification, record-keeping and good manufacturing practices. In the European Union, DENTSPLY's products are subject to the medical devices laws of the various member states, which are based on a Directive of the European Commission. Such laws generally regulate the safety of the products in a similar way to the FDA regulations. DENTSPLY products in Europe bear the CE mark showing that such products adhere to European regulations.

All dental amalgam filling materials, including those manufactured and sold by DENTSPLY, contain mercury. Various groups have alleged that dental amalgam containing mercury is harmful to human health and have actively lobbied state and federal

lawmakers and regulators to pass laws or adopt regulatory changes restricting the use, or requiring a warning against alleged potential risks, of dental amalgams. The FDA's Dental Devices Classification Panel, the National Institute of Health and the U.S. Public Health Service have each indicated that no direct hazard to humans from exposure to dental amalgams has been demonstrated. In response to concerns raised by certain consumer groups regarding dental amalgam, the FDA formed an advisory committee in 2006 to review peer-reviewed scientific literature on the safety of dental amalgam. In July 2009, the FDA concluded its review of dental amalgam, confirming its use as a safe and effective restorative material. Also, as a result of this review, the FDA classified amalgam and its component parts, elemental mercury and powder alloy, as a Class II medical device. Previously there was no classification for encapsulated amalgam and dental mercury (Class I) and alloy (Class II) were classified separately. This new regulation places encapsulated amalgam in the same class of devices as most other restorative materials, including composite and gold fillings, and makes amalgam subject to special controls by FDA. In that respect, FDA recommended that certain information about dental amalgam be provided, which includes information indicating that dental amalgam releases low levels of mercury vapor, that studies on people age six and over and FDA estimated exposures of children under six, have not indicated any adverse health risk associated with the use of dental amalgam. After the FDA issued this regulation, several petitions were filed asking the FDA to reconsider its position. Another advisory panel was established by the FDA to consider these petitions. Hearings of the advisory panel were held in December 2010. The FDA has taken no action as of the filing date of this Form 10-K from this latest advisory panel meeting.

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

Sources and Supply of Raw Materials and Finished Goods

The Company manufactures the majority of the products sold by the Company. 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, dental cutting instruments, catheters and nickel titanium products are purchased from a limited number of suppliers and in certain cases single source suppliers.

Intellectual Property

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

DENTSPLY's policy is to protect its products and technology through patents and trademark registrations both in the U.S. and in significant international markets. The Company carefully monitors trademark use worldwide and promotes enforcement of its patents and trademarks in a manner that is designed to balance the cost of such protection against obtaining the greatest value for the Company. DENTSPLY believes its patents and trademark properties are

important and contribute to the Company's marketing position but it does not consider its overall business to be materially dependent upon any individual patent or trademark.

Employees

As of December 31, 2011, the Company and its subsidiaries employed approximately 11,800 employees. A small percentage of the Company's U. S. employees are represented by labor unions. A facility in Des Plaines, Illinois is represented by the International Association of Machinists and Aerospace Workers AFL-CIO, under a collective bargaining agreement that expires on May 31, 2012. Additionally, the Company's Ransom & Randolph facility in Maumee, Ohio is 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, 2017. In Germany, approximately 40% of DeguDent employees, approximately 30% of Friadent employees, approximately 15% of VDW employees, approximately 30% of DeTrey employees and in Sweden approximately 60% of Astra Tech employees are represented by labor unions. 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

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

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

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

Securities and Exchange Act Reports

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

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

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

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

Item 1A. Risk Factors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company may fail to comply with applicable government regulations.

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

The regulatory review process which must be completed prior to marketing a new medical device may delay or hinder a product's timely entry into the marketplace. Moreover, there can be no assurance that the review or approval process for these products by the FDA or any other applicable governmental authority will occur in a timely fashion, if at all, or that additional regulations will not be adopted or current regulations amended in such a manner as will adversely affect the Company. The FDA also oversees the content of advertising and marketing materials relating to medical devices which have received FDA clearance. Failure to comply with the FDA's advertising guidelines may result in the withdrawal of products or imposition of penalties.

DENTSPLY's business operations are also subject to periodic review and inspection by the FDA and other domestic government authorities 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.

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

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

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

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

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

One of the Company's key suppliers, which was the source of certain orthodontic products comprising approximately 9% of the Company's 2010 consolidated net sales, excluding precious metal content, is located in the zone that was evacuated following the March 2011 tsunami in Japan. The supplier lost access to its facility and as a result, supply was severely disrupted through the remainder of 2011 and is expected to only gradually return to a normal level over the coming quarters during 2012. Although the Company has secured limited alternative sources of supply there is no assurance that the Company will be able to secure sufficient alternate supplies or that the Company's customers will convert to such alternate products or sources; nor is there any assurance that customers who turn to other sources of

products during the Company's period of product shortages will return to the Company's products once the Company's key supplier has resumed full production capacity and/or the Company has secured an acceptable alternative source of supply.

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

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

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

The success of the Company's acquisition of Astra Tech depends upon its ability to realize anticipated benefits from integrating Astra Tech's business into its operations. Prior to the completion of the acquisition, the Company was permitted to undertake only limited planning regarding the integration of the two companies. The Company's ongoing business could be disrupted and management's attention diverted due to integration planning activities and as a result of the actual integration of the two companies following the acquisition. The Company may fail to realize the anticipated benefits of the integration on a timely basis, or at all, for a variety of reasons, including, but not limited to, the following:

- difficulties entering new markets or manufacturing in new geographies where the Company has no or limited direct prior experience;
- difficulties managing Astra Tech's healthcare business in which the Company's management has no or limited direct prior experience;
- difficulties in coordinating geographically separate organizations;
- failure to identify or assess the magnitude of certain liabilities we are assuming in the acquisition, which could result in unexpected litigation or regulatory exposure, unfavorable accounting treatment, unexpected increases in taxes due, a loss of anticipated tax benefits or other adverse effects on the Company's business, operating results or financial condition;
- failure to realize the anticipated increase in the Company's revenues due to the acquisition if customers adjust their purchasing decisions and allocate more market share to the Company's competitors;
- difficulties or delays in incorporating acquired technologies or products with the Company's existing product lines and maintaining uniform standards, controls, processes and policies;
- failure to successfully manage relationships with the Company's combined supplier and customer base;
- difficulties in modifying Astra Tech's existing accounting and internal control systems to comply with Section 404 of the Sarbanes-Oxley Act of 2002, to which Astra Tech is not currently and had not been historically subject to, which could adversely impact the effectiveness of internal control over financial reporting for the combined company; and
- loss of key employees including sales representatives.

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

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

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

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

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

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

The Company is a U.S. based multinational company subject to tax in multiple U.S. and foreign tax jurisdictions. Unanticipated changes in the Company's tax rates could affect its future results of operations. The Company's future effective tax rates could be unfavorably affected by changes in, or interpretation of, tax rules and regulations in the jurisdictions in which the Company

does business, by structural changes in the Company's businesses, by unanticipated decreases in the amount of revenue or earnings in countries with low statutory tax rates, by lapses of the availability of the U.S. research and development tax credit, or by changes in the valuation of the Company's deferred tax assets and liabilities.

The Company faces the inherent risk of litigation and claims.

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

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

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

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

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

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

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

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

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

maintain the necessary operational and technical expertise that is key to its success.

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

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

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

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

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

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

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

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

DENTSPLY's current indebtedness contains a number of covenants and financial ratios, which it is required to satisfy. Under the agreements governing the DENTSPLY's 4.11% Senior Notes due 2016, the Company is required to maintain a ratio of consolidated debt to consolidated EBITDA of less than or equal to 4.00 to 1.00 until September 30, 2012. Following such period, DENTSPLY will be required to maintain a ratio of consolidated debt to consolidated EBITDA of less than or equal to 3.50 to 1.00. The Company may need to reduce the amount of its indebtedness outstanding from time to time in order to comply with such ratio, but no assurance can be given that DENTSPLY will be able to do so. DENTSPLY's failure to maintain such ratio or a breach of the other covenants under its debt instruments outstanding from time to time could result in an event of default under the applicable agreement. Such a default may allow the creditors to accelerate the related indebtedness and may result in the acceleration of any other indebtedness to which a cross-acceleration or cross-default provision applies.

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

Certain provisions of DENTSPLY's Certificate of Incorporation and By-laws and of Delaware law could have the effect of making it difficult for a third party to acquire control of DENTSPLY. Such provisions include, among others, the division of the Board of Directors of DENTSPLY into three classes, with the three-year term of a class expiring each year, a provision allowing the Board of Directors to issue preferred stock having rights senior to those of the common stock and certain procedural requirements which make it difficult for stockholders to amend DENTSPLY's By-laws and call special meetings of stockholders. In addition, members of DENTSPLY's management and

participants in its Employee Stock Ownership Plan (“ESOP”) collectively own approximately 4% of the outstanding common stock of DENTSPLY.

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

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

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

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

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The following is a listing of DENTSPLY's principal manufacturing and distribution locations as of December 31, 2011:

Location	Function	Leased or Owned
United States:		
Milford, Delaware (1)	Manufacture of dental consumable products	Owned
Bradenton, Florida (3)	Manufacture of orthodontic accessory products	Leased
Baldwin, Georgia (3)	Manufacture of orthodontic accessory products	Leased
Des Plaines, Illinois (1)	Manufacture and assembly of dental handpieces	Leased
Elgin, Illinois (1)	Manufacture of dental x-ray film holders, film mounts and accessories	Owned/Leased
Waltham, Massachusetts (3)	Manufacture and distribution of dental implant products	Leased
Bohemia, New York (3)	Manufacture and distribution of orthodontic products and materials	Leased
Maumee, Ohio (4)	Manufacture and distribution of investment casting products	Owned
Lancaster, Pennsylvania (5)	Distribution of dental products	Leased
York, Pennsylvania (4)	Manufacture and distribution of artificial teeth and other dental laboratory products	Owned
York, Pennsylvania (1)	Manufacture of small dental equipment, bone grafting products, and preventive dental products	Owned

Johnson City, Tennessee (3)	Manufacture and distribution of endodontic instruments and materials	Leased
Foreign:		
Beringen, Belgium (4)	Manufacture and distribution of dental products	Owned
Leuven, Belgium (4)	Manufacture and distribution of 3D digital implantology	Leased
Catanduva, Brazil (3)	Manufacture and distribution of dental anesthetic products	Owned
Petropolis, Brazil (3)	Manufacture and distribution of artificial teeth, dental consumable products and endodontic material	Owned

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

(1)

These properties are included in the U.S., Germany, and Certain Other European Regions Consumable Businesses segment.

(2) These properties are included in the France, U.K., Italy and Certain Other European Countries, CIS, Middle East, Africa, Pacific Rim Businesses segment.

(3) These properties are included in the Canada/Latin America/Endodontics/Orthodontics/Astra Tech segment.

(4) These properties are included in the Dental Laboratory Business/Implants/Non-Dental segment.

(5) This property is a distribution warehouse not managed by named segments.

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

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

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

Item 3. Legal Proceedings

Incorporated by reference to Part II, Item 8, Note 17, Commitments and Contingencies, to the Consolidated Financial Statements.

Executive Officers of the Registrant

The following table sets forth certain information regarding the executive officers of the Company as of February 23, 2012.

Name	Age	Position
Bret W. Wise	51	Chairman of the Board and Chief Executive Officer
Christopher T. Clark	50	President and Chief Operating Officer
William R. Jellison	54	Senior Vice President and Chief Financial Officer
James G. Mosch	54	Executive Vice President
Robert J. Size	53	Senior Vice President
Albert J. Sterkenburg	48	Senior Vice President
Deborah M. Rasin	45	Vice President, Secretary and General Counsel

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

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

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

James G. Mosch has served as Executive Vice President since January 1, 2009, and prior to that as Senior Vice President since 2003. Prior to that, Mr. Mosch served as Vice President and General Manager of DENTSPLY's

Professional division, beginning in July 1994 when, he started with the Company. Prior to 1994, Mr. Mosch served in general management and marketing positions with Baxter International and American Hospital Supply Corporation.

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

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

roles at Johnson & Johnson.

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

Item 4. Removed and Reserved

PART II

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

Quarterly Stock Market and Dividend Information

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

	Market Range of Common Stock		Period-end Closing Price	Cash Dividend Declared
	High	Low		
2011				
First Quarter	$38.49	$34.00	$36.99	$0.050
Second Quarter	40.16	34.76	38.08	0.050
Third Quarter	39.94	30.41	30.69	0.050
Fourth Quarter	40.37	28.35	34.99	0.055
2010				
First Quarter	$36.82	$32.10	$34.88	$0.05
Second Quarter	38.15	29.91	29.91	0.05
Third Quarter	32.44	27.76	31.97	0.05
Fourth Quarter	34.89	30.52	34.17	0.05

The Company estimates, based on information supplied by its transfer agent, that there are 384 holders of record of the Company’s common stock. Approximately 67,300 holders of the Company’s common stock are “street name” or beneficial holders, whose shares are held of record by banks, brokers and other financial institutions.

Stock Repurchase Program

The Board of Directors has authorized the Company to repurchase shares under its stock repurchase program in an amount up to 34,000,000 shares of common stock. The table below contains certain information with respect to the repurchase of shares of the Company's common stock during the quarter ended December 31, 2011:

(in thousands, except per share amounts)

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Cost of Shares Purchased	Number of Shares that May Yet be Purchased Under the Share Repurchase Program
October 1-31, 2011	—	$—	$—	12,785.0
November 1-30, 2011	—	—	—	12,804.7
December 1-31, 2011	—	—	—	12,856.6
	—	$—	$—	

Stock Authorized for Issuance Under Equity Compensation Plans

The following table provides information about the Company's common stock that may be issued under equity compensation plans at December 31, 2011:

(in thousands, except share price)

Plan Category	Securities to Be Issued Upon Exercise of Outstanding Options	Weighted Average Exercise Price per Share	Securities Available for Future Issuance
Equity compensation plans approved by security holders	11,046	$31.33	12,095
Total	11,046	$31.33	12,095

Performance Graph

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

	12/06	12/07	12/08	12/09	12/10	12/11
DENTSPLY International Inc.	100.00	151.46	95.52	119.74	117.04	120.56
NASDAQ Composite	100.00	110.26	65.65	95.19	112.10	110.81
S&P 500	100.00	105.49	66.46	84.05	96.71	98.75
S&P Health Care	100.00	107.15	82.71	99.00	101.87	114.85

Item 6. Selected Financial Data

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

	Year ended December 31,				
	2011 (a)	2010	2009	2008	2007
Statement of Operations Data:					
Net sales	$2,537,718	$2,221,014	$2,159,378	$2,191,465	$2,009,833
Net sales, excluding precious metal content	2,332,589	2,031,757	1,990,666	1,991,542	1,819,899
Gross profit	1,273,440	1,130,158	1,106,363	1,147,900	1,040,783
Restructuring and other costs	35,865	10,984	6,890	32,355	10,527
Operating income	300,728	380,273	381,243	380,461	354,891
Income before income taxes	256,111	357,656	363,356	354,873	358,192
Net Income	247,446	267,335	274,412	283,270	259,654
Net income attributable to DENTSPLY International	$244,520	$265,708	$274,258	$283,869	$259,654
Earnings per common share:					
Basic	$1.73	$1.85	$1.85	$1.90	$1.71
Diluted	$1.70	$1.82	$1.83	$1.87	$1.68
Cash dividends declared per common share	$0.205	$0.200	$0.200	$0.185	$0.165
Weighted Average Common Shares Outstanding:					
Basic	141,386	143,980	148,319	149,069	151,707
Diluted	143,553	145,985	150,102	151,679	154,721
Balance Sheet Data:					
Cash and cash equivalents	$77,128	$540,038	$450,348	$204,249	$316,323
Property, plant and equipment, net	591,445	423,105	439,619	432,276	371,409
Goodwill and other intangibles, net	2,981,163	1,381,798	1,401,682	1,380,744	1,203,587
Total assets	4,755,398	3,257,951	3,087,932	2,830,400	2,675,569
Total debt and notes payable	1,766,711	611,769	469,325	449,474	483,307
Equity	1,884,151	1,909,912	1,906,958	1,659,413	1,516,106
Return on average equity	12.9 %	13.9 %	15.4 %	17.9 %	18.6 %
Long-term debt to total capitalization	44.2 %	24.1 %	16.9 %	20.3 %	24.1 %
Other Data:					
Depreciation and amortization	$93,058	$66,340	$65,175	$56,929	$50,289
Cash flows from operating activities	393,469	377,461	362,489	335,981	387,697
Capital expenditures	71,186	44,236	56,481	76,440	64,163
Interest expense (income), net	34,358	20,835	16,864	15,438	(2,645)
Inventory days	100	100	99	103	92
Receivable days	54	54	55	54	51

Effective tax rate	4.3	%	25.0	%	24.5	%	20.2	%	27.5	%

(a) Includes the results of the Astra Tech acquisition from September 1, 2011 through December 31, 2011.

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 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 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 Operations," "Consolidated Balance Sheets," "Consolidated Statements of Equity and Comprehensive Income," "Consolidated Statements of Cash Flows," and "Notes to Consolidated Financial Statements" is filed as part of this Form 10-K. Other information required by Item 8 is included in "Computation of Ratios of Earnings to Fixed Charges" filed as Exhibit 12.1 to this Form 10-K.

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

None.

Item 9A. Controls and Procedures

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

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

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

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

(c) Changes in Internal Control Over Financial Reporting

Except for the acquisition of Astra Tech, there have been no changes in the Company's internal controls over financial reporting that occurred during quarter ended December 31, 2011 that have materially affected, or are likely to materially affect, its internal control over financial reporting.

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information (i) set forth under the caption “Executive Officers of the Registrant” in Part I of this Form 10-K and (ii) set forth under the captions “Election of Directors” and “Section 16(a) Beneficial Ownership Reporting Compliance” in the 2012 Proxy Statement is incorporated herein by reference.

Code of Ethics

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

Item 11. Executive Compensation

The information set forth under the caption “Report on Executive Compensation” in the 2012 Proxy Statement is incorporated herein by reference.

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

The information set forth under the caption “Security Ownership of Certain Beneficial Owners and Management” and “Securities Authorized for Issuance Under Equity Compensation Plans” in the 2012 Proxy Statement is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions and Director Independence

The information required under this item is presented in the 2012 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 2012 Proxy Statement is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedule

(a) Documents filed as part of this Report

1. Financial Statements

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

Management's Report on Internal Control Over Financial Reporting
Report of Independent Registered Public Accounting Firm
Consolidated Statements of Operations - Years ended December 31, 2011, 2010 and 2009
Consolidated Balance Sheets - December 31, 2011 and 2010
Consolidated Statements of Equity and Comprehensive Income - Years ended December 31, 2011, 2010 and 2009
Consolidated Statements of Cash Flows - Years ended December 31, 2011, 2010 and 2009
Notes to Consolidated Financial Statements
Quarterly Financial Information (Unaudited)

2. Financial Statement Schedule

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

Schedule II — Valuation and Qualifying Accounts

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

3. Exhibits

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

Exhibit Number		Description
3.1		Restated Certificate of Incorporation (5)
3.2		By-Laws, as amended (11)
4.1	(a)	United States Commercial Paper Issuing and paying Agency Agreement dated as of August 12, 1999 between the Company and the Chase Manhattan Bank (2)
	(b)	United States Commercial Paper Dealer Agreement dated as of March 28, 2002 between the Company and Salomon Smith Barney Inc. (6)
	(c)	Japanese Yen Term Loan Agreement, due March 28, 2012 dated as of July 25, 2008 (9)
4.3		Revolving Credit Agreement dated as of May 7, 2010 final maturity in May 2013, among the Company, the Initial Lenders thereto, the banks party thereto, J.P. Morgan Chase Bank, N.A. as Administrative Agent, Wells Fargo Bank, N. A. as Syndication Agent, Citibank, N.A., The Bank of Tokyo-Mitsubishi UFJ, Ltd. And Commerzbank AG, New York and Grand Cayman branches as Co-Documentation Agents, and J.P. Morgan Securities Inc. and Wells Fargo Securities, LLC as Joint Bookrunners and Joint Lead Arrangers. (11)

4.4	Private Placement Note Purchase Agreement, due February 19, 2016 dated as of October 16, 2009 (10)
4.5	Swiss Franc Term Loan Agreement, due March 1, 2012 dated as of February 24, 2010 (11)
4.6	Credit Agreement, dated as of July 27, 2011, by and among the Company, the subsidiary borrowers party thereto, the lenders party thereto, JPMorgan Chase Bank, N.A. as administrative agent, Morgan Stanley Senior Funding, Inc. as Syndication Agent, Citigroup Global Markets, Inc., Bank of Tokyo-Mitsubishi UFJ, LTD and Wells Fargo Bank, N.A. as co-documentation agents, and Morgan Stanley Senior Funding, Inc. and J.P. Morgan Securities LLC, as Joint Bookrunners and Joint Lead Arrangers. (Filed herewith)

4.7		364-Day Revolving Credit Agreement dated as of July 27, 2011 among the Company as Borrower, the lenders party hereto: JPMorgan Chase Bank, N.A. as Administrative Agent, Morgan Stanley Senior Funding, Inc. as Syndication Agent, and Citigroup Global Markets, Inc., The Bank of Tokyo-Mitsubishi UFJ, Ltd., and Wells Fargo Bank, N.A. as Co-Documentation Agents (Filed herewith)
4.8		Second Amendment to the Two Year Credit Agreement dated August 31, 2011 between the Company, the Lenders, and PNC Bank, National Association , as Agent (Filed herewith)
4.9		Term Loan Agreement between the Company and Bank of Tokyo dated September 21, 2011 between the Company, The Bank of Tokyo as Arranger, Development Bank of Japan, Inc. as Co-Arranger, The Bank of Tokyo-Mitsubishi UFJ, Inc, as Agent, and the Bank of Tokyo-Mitsubishi UFJ, LTD, Development Bank of Japan, Inc., The Shinkumi Federation Bank, Mitsui Sumitomo Insurance Company, Limited, and The Chiba Bank, LTD as Lenders. (Filed herewith)
10.1		1998 Stock Option Plan (1)
10.2		2002 Amended and Restated Equity Incentive Plan (8)
10.3		Restricted Stock Unit Deferral Plan (7)
10.4	(a)	Trust Agreement for the Company's Employee Stock Ownership Plan between the Company and T. Rowe Price Trust Company dated as of November 1, 2000 (3)
	(b)	Plan Recordkeeping Agreement for the Company's Employee Stock Ownership Plan between the Company and T. Rowe Price Trust Company dated as of November 1, 2000 (3)
10.5		DENTSPLY Supplemental Saving Plan Agreement dated as of December 10, 2007 (8)
10.6		Amended and Restated Employment Agreement entered February 19, 2008 between the Company and Bret W. Wise* (8)
10.7		Amended and Restated Employment Agreement entered February 19, 2008 between the Company and Christopher T. Clark* (8)
10.8		Amended and Restated Employment Agreement entered February 19, 2008 between the Company and William R. Jellison* (8)
10.10		Amended and Restated Employment Agreement entered February 19, 2008 between the Company and James G. Mosch* (8)
10.11		Amended and Restated Employment Agreement entered February 19, 2008 between the Company and Robert J. Size* (8)
10.12		Amended and Restated Employment Agreement entered January 1, 2009 between the Company’s subsidiary, DeguDent GMBH and Albert Sterkenburg* (9)
10.13		DENTSPLY International Inc. Directors' Deferred Compensation Plan effective January 1, 2007, as amended* (9)
10.14		Board Compensation Arrangement*(10)
10.15		Supplemental Executive Retirement Plan effective January 1, 1999, as amended January 1, 2008* (9)
10.16		Incentive Compensation Plan, amended and restated* (Filed herewith)
10.17		AZ Trade Marks License Agreement, dated January 18, 2001 between AstraZeneca AB and Maillefer Instruments Holdings, S.A. (3)
10.18	(a)	Precious metal inventory Purchase and Sale Agreement dated November 30, 2001, as amended October 10, 2006 between Bank of Nova Scotia and the Company (7)
	(b)	Precious metal inventory Purchase and Sale Agreement dated December 20, 2001 between JPMorgan Chase Bank and the Company (4)
	(c)	Precious metal inventory Purchase and Sale Agreement dated December 20, 2001 between Mitsui & Co., Precious Metals Inc. and the Company (4)
	(d)	Precious metal inventory Purchase and Sale Agreement dated December 15, 2005 between ABN AMRO NV, Australian Branch and the Company (7)
	(e)	Precious metal inventory Purchase and Sale Agreement dated January 30, 2002 between Dresdner Bank AG, Frankfurt, and the Company (8)
10.19		Executive Change in Control Plan for foreign executives, as amended December 31, 2008* (10)

10.20	2010 Equity Incentive Plan, amended and restated (File herewith)
10.21	Employment Agreement between the Company and Deborah M. Rasin* (Filed herewith)
12.1	Computation of Ratio of Earnings to Fixed Charges (Filed herewith)

21.1	Subsidiaries of the Company (Filed herewith)
23.1	Consent of Independent Registered Public Accounting Firm - PricewaterhouseCoopers LLP
31	Section 302 Certification Statements
32	Section 906 Certification Statement
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

*Management contract or compensatory plan.

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

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

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

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

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

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

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

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

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

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

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

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SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 and 2009

(in thousands) Description	Balance at Beginning of Period	Additions Charged (Credited) To Costs And Expenses	Charged to Other Accounts		Write-offs Net of Recoveries	Translation Adjustment	Balance at End of Period
Allowance for doubtful accounts:							
For Year Ended December 31,							
2009	$18,849	$(3,124)	$17		$(4,253)	$746	$12,235
2010	12,235	(233)	111		(2,611)	(682)	8,820
2011	8,820	469	7,930	(a)	(1,373)	(941)	14,905
Inventory valuation reserves:							
For Year Ended December 31,							
2009	$28,389	$5,883	$80		$(3,610)	$1,190	$31,932
2010	31,932	6,590	760		(3,652)	(161)	35,469
2011	35,469	3,325	697	(b)	(3,924)	(463)	35,104
Deferred tax asset valuation allowance:							
For Year Ended December 31,							
2009	$36,741	$13,419	$—		$—	$1,649	$51,809
2010	51,809	47,304	—		—	(6,059)	93,054
2011	93,054	(22,400)	2,174	(c)	—	(1,070)	71,758

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

Item 7.

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

OVERVIEW

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

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

Significant Developments in 2011

- On August 31, 2011, the Company acquired Astra Tech for $1.8 billion. Astra Tech is a leading developer, manufacturer and marketer of dental implants, customized implant abutments and consumable medical devices in the urology and surgery market segments. This transaction strengthens the Company's leadership position in the global dental markets as well as provides additional growth opportunities within the broader medical devices category. Astra Tech results for the period of September 1, 2011 to December 31, 2011 are included in the consolidated DENTSPLY operating results. Details of the transaction are further discussed in Note 3, Business Acquisitions and Investments in Affiliates, to the Notes to the Consolidated Financial Statements.

- On March 11, 2011, the country of Japan experienced an unprecedented natural disaster which significantly impacted a key orthodontic supplier of the Company. The Company received limited orthodontic products from its Japanese supplier after it relocated to another facility, as it ramps up its capacity. As a result, DENTSPLY's performance in 2011 was significantly impacted by the lack of products and, as a result, orthodontic sales were substantially curtailed, which negatively impacted fully diluted earnings per share for 2011 by approximately $0.15. See " Impact of the Natural Disaster in Japan" in the Business section below for further discussion.

- Excluding the impact of Orthodontic/Japan the Company's internal sales growth, measured as excluding precious metal content basis, the impact of changes in currency exchange rates and net acquisition growth, for 2011 would have been approximately 3.9%, compared to 0.4% including these businesses.

BUSINESS

DENTSPLY International Inc. is a leading manufacturer and distributor of dental and other healthcare products. The Company believes it is the world's largest manufacturer of professional dental products. For over 110 years, DENTSPLY's commitment to innovation and professional collaboration has enhanced its portfolio of branded consumables and small equipment. Headquartered in the United States, the Company has global operations with sales in more than 120 countries. The Company also has strategically located distribution centers to enable it to better serve

its customers and increase its operating efficiency. While the United States and Europe are the Company's largest markets, the Company serves all major markets worldwide.

Principal Measurements

The principal measurements used by the Company in evaluating its business are: (1) internal growth by geographic region; (2) constant currency growth by geographic region; (3) operating margins of each reportable segment including product pricing and cost controls; (4) the development, introduction and contribution of innovative new products; and (5) growth through acquisition.

The Company defines “internal growth” as the increase or decrease in net sales from period to period, excluding (1) precious

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

Management believes that an average internal growth rate of 4% to 6% is a long-term targeted rate for the Company. The internal growth rate may vary outside of this range based on weaker or stronger economic conditions. Management believes the Company may operate slightly below this range in 2012 due to current global economic conditions. Historical trends show that growth in the dental industry generally performs better than the overall economy; however, it typically lags the economic trend going into and coming out of slower growth or recessionary periods. There can be no assurance that the Company's assumptions concerning the growth rates in its markets or the general dental market will continue in the future. If such rates are less than expected, the Company's projected growth rates and results of operations may be adversely affected.

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

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

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

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

Impact of the Natural Disaster in Japan

On March 11, 2011, the country of Japan experienced an unprecedented natural disaster, which significantly impacted a key supplier of the Company and the general dental and medical markets within Japan. The specific business interruption caused by a key supplier in Japan has caused the loss of both sales and earnings for the Company during 2011, which may take multiple years to recover.

The Company's net sales in Japan represent approximately 4% of the Company's consolidated 2010 net sales, excluding precious metal content, and are reported as part of the “France, United Kingdom, Italy and Certain Other European Countries, CIS, Middle East, Africa, Pacific Rim Businesses” operating segment. The near-term economic

conditions in Japan have been negatively impacted by the physical and economic complications of the disaster. These factors resulted in lower demand for some of our products, however we believe this will have little impact on our business in 2012.

One of the Company's key suppliers, which is the source of certain orthodontic products which comprised approximately 9% of the Company's consolidated annual net sales, excluding precious metal content in 2010, was located within the evacuation zone in Japan and has since relocated its operations to a location outside of the evacuation zone. While the supplier resumed partial delivery of products during the second half of 2011, the Company does not expect a return to normal supply levels until mid-year 2012. Also to help lessen the impact, the Company made temporary arrangements for limited alternative supply of certain products and has made certain restructuring actions to manage the cost structure of the orthodontic business. The Company's efforts in restructuring, along with finding limited alternative supply arrangements as well as partial resumption of products helped mitigate some of the negative impact from the shortage of supply during 2011, the impact in 2011 was approximately $0.15 per diluted share. The orthodontic products impacted by this situation are primarily sold and reported as part of the “Canada/Latin America/Endodontics/Orthodontics/Astra Tech” operating segment. Given that the Company does not manufacture these products,

generally, the operating margins are lower than the Company's overall operating margins.

The Company's estimate of the potential negative impact in 2012 compared to 2011 is based on assumptions regarding the continued sourcing of limited alternative supply, the timing and success of the key supplier's resumption of full operations at an alternative site, the ability to successfully reduce the cost structure of the business during the supply disruption, customer acceptance of alternatively supplied products, and the Company's ability to achieve success in its sales and marketing strategies once supply resumes. While the Company expects shipments of certain orthodontic products from the Japanese supplier during the first half of 2012, a full return to manufacturing capacity is not expected until mid-year 2012. The Company expects that the impact of the supply disruption was greatest in the third and fourth quarters of 2011. The impact is expected to get sequentially better compared to the prior year beginning in the second quarter of 2012, however it will continue to result in negative year over year comparisons until the third quarter of 2012.

Impact of Foreign Currencies

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

Impact of European Sovereign Debt Crisis on the Business

The Company continues to monitor the changing economic landscape as a result of the sovereign debt and liquidity crisis in certain countries located primarily in Europe. The crisis may impact certain customer's ability to timely pay for products and services. Approximately 45% of the Company's sales are located in Europe, primarily to non-governmental entities. The Company believes no additional allowances or reserves are required for open receivable positions as of December 31, 2011 beyond what has already been recorded, as the Company has noted no material change in payment practices of customers. If the outcome of the crisis is detrimental to our customers' ability to continue to make timely payments, the Company will assess the need for additional reserves, which could impact the Company's ability to recognize revenue or result in discontinuing sales to certain customers. Further economic decline as the result of austerity measures taken, or proposed to be taken, by European governments may have a detrimental affect on customers and could result in lower levels of demand for the Company's products. The negative impact of these potential outcomes could materially impact the Company results of operations, financial condition and liquidity.

Reclassification of Prior Year Amounts

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

RESULTS OF OPERATIONS

2011 Compared to 2010

Net Sales

The discussion below summarizes the Company’s sales growth, excluding precious metal content, into the following components: (1) constant currency, which includes internal growth and acquisition growth, and (2) foreign currency translation. These disclosures of net sales growth provide the reader with sales results on a comparable basis between

periods.

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

The presentation of net sales, excluding precious metal content, is considered a measure not calculated in accordance with

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

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

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

Constant Currency Sales Growth

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

	Year Ended December 31, 2011 United States	Europe	All Other Regions	Worldwide
Internal sales growth	(0.4)%	(0.4)%	3.0 %	0.4 %
Acquisition sales growth	5.3 %	18.3 %	6.4 %	10.8 %
Constant currency sales growth	4.9 %	17.9 %	9.4 %	11.2 %
Adjust internal sales growth (a)	3.6 %	2.2 %	7.8 %	3.9 %

(a) Excludes Japanese and Orthodontic business

	Year Ended December 31, 2010 United States	Europe	All Other Regions	Worldwide
Internal sales growth	0.1 %	2.9 %	4.1 %	2.1 %
Acquisition sales growth	— %	0.8 %	0.6 %	0.5 %
Constant currency sales growth	0.1 %	3.7 %	4.7 %	2.6 %

United States

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

Europe

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

All Other Regions

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

Gross Profit

(in millions)	Year Ended December 31, 2011	2010	$ Change	% Change
Gross profit	$1,273.4	$1,130.2	$143.2	12.7 %
Gross profit as a percentage of net sales, including precious metal content	50.2 %	50.9 %		
Gross profit as a percentage of net sales, excluding precious metal content	54.6 %	55.6 %		

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

Expenses

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

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

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

Restructuring and Other Costs

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

The Company recorded net restructuring and other costs of $35.9 million in 2011 compared to $11.0 million in 2010. These costs were related to expenses associated with the acquisition of Astra Tech of $18.0 million, legal settlement cost of $12.6 million as well as restructuring costs primarily related to the orthodontic business. Also, the Company recorded certain other costs of $1.5 related to an impairment of previously acquired technology.

Other Income and Expenses

(in millions)	Year Ended December 31, 2011	2010	$ Change
Net interest expense	$34.3	$20.8	$13.5
Other expense, net	10.3	1.8	8.5
Net interest and other expense	$44.6	$22.6	$22.0

Net Interest Expense

The change in net interest expense in 2011 compared to 2010, for the year ended December 31, was primarily the result of higher average debt levels in the U.S., and lower cash levels resulting from financing the $1.8 billion Astra Tech acquisition utilizing cash of $650.0 million and new debt of $1.2 billion. Interest expense increased $18.7 million due to higher debt levels as a result of the acquisitions and stock repurchases combined with stronger average euro and Swiss franc exchange and higher average euro interest rates on the Company's net investment hedges. Interest income increased $5.2 million on interest earned on an investment in convertible bonds and a positive impact relating to credit risk on derivatives versus the prior year. Average interest rates on euro investment balances were 50 basis points higher in the current year than the prior year and the U.S. dollar was 5% weaker against the euro. The impact of the Company's net investment hedges typically move in the opposite direction of currency movements, reducing some of the volatility caused by movement in exchange rates on the Company's income and equity.

Other Expense, Net

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

Income Taxes and Net Income

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

Provision for Income Taxes

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

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

taxes and the provision for income taxes by $14.9 million and $3.3 million, respectively.

Equity in net income (loss) of unconsolidated affiliated company

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

Net income attributable to noncontrolling interests

The portion of consolidated net income attributable to noncontrolling interests increased $1.3 million from 2010 to 2011.

Net income attributable to DENTSPLY International

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

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

(in thousands, except per share amounts)	Year Ended December 31, 2011	
	Income (Expense)	Per Diluted Common Share
Net income attributable to DENTSPLY International	$244,520	$1.70
Acquisition related activities, net of tax and noncontrolling interests	62,723	0.44
Restructuring and other costs, net of tax and noncontrolling interests	11,395	0.08
Amortization on purchased intangible assets, net of tax:		
Prior to July 1, 2011	5,894	0.04
Astra Tech	8,534	0.06
Orthodontic business continuity costs, net of tax	2,128	0.01
Credit risk adjustment to outstanding derivatives, net of tax	(783)	—
Gain on fair value adjustment at an unconsolidated affiliated company, net of tax	(2,486)	(0.02)
Income tax related adjustments	(41,053)	(0.28)

Adjusted non-US GAAP earnings	$290,872	$2.03

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

Operating Segment Results

The Company's operating businesses are combined into operating groups, which have overlapping product offerings, geographic presence, customer bases, distribution channels and regulatory oversight. These operating groups are considered the Company's reportable segments as the Company's chief operating decision-maker regularly reviews financial results at the operating group level and uses this information to manage the Company's operations. Each of these operating groups covers a wide range of product categories and geographic regions. The product categories and geographic regions often overlap across the groups. Further information regarding the details of each group is presented in Note 4, Segment and Geographic Information, to the consolidated financial statements. The management of each group is evaluated for performance and incentive compensation purposes on net third party sales, excluding precious metal content, and segment operating income.

Net Sales, Excluding Precious Metal Content (in millions)	Year Ended December 31, 2011	2010	$ Change	% Change	
U.S., Germany and Certain Other European Regions Consumable Businesses	$566.5	$526.8	$39.7	7.5	%
France, U.K., Italy and Certain Other European Countries, CIS, Middle East, Africa, Pacific Rim Businesses	$496.7	$445.6	$51.1	11.5	%
Canada/Latin America/Endodontics/ Orthodontics/Astra Tech	$858.4	$662.6	$195.8	29.6	%
Dental Laboratory Business/ Implants/Non-Dental	$416.0	$400.1	$15.9	4.0	%

Segment Operating Income (in millions)	Year Ended December 31,			
	2011	2010	$ Change	% Change
U.S., Germany and Certain Other European Regions Consumable Businesses	$185.4	$176.1	$9.3	5.3 %
France, U.K., Italy and Certain Other European Countries, CIS, Middle East, Africa, Pacific Rim Businesses	$12.2	$17.2	$(5.0)	(29.1)%
Canada/Latin America/Endodontics/ Orthodontics/Astra Tech	$161.7	$195.8	$(34.1)	(17.4)%
Dental Laboratory Business/ Implants/Non-Dental	$79.9	$83.4	$(3.5)	(4.2)%

U.S., Germany and Certain Other European Regions Consumable Businesses

Net sales, excluding precious metal content, increased $39.7 million, or 7.5% during the year ended December 31, 2011 as compared to 2010. On a constant currency basis, net sales, excluding precious metals content, increased 5.9%, which was driven by increased demand in most geographies.

Operating income increased $9.3 million during the year ended December 31, 2011 compared to 2010. Operating income was positively impacted by gross profit of approximately $17 million, which was a result of higher net sales and favorable foreign currency translation. This was partially offset by an increase in SG&A of approximately $7 million, primarily due to increase selling expense and unfavorable foreign currency translation.

France, U.K., Italy and Certain Other European Countries, CIS, Middle East, Africa, Pacific Rim Businesses

Net sales, excluding precious metal content, increased $51.1 million, or 11.5%, during the year ended December 31, 2011 compared to 2010. On a constant currency basis, net sales, excluding precious metal content, increased $23.2 million, or 5.2%. The majority of the growth was in the Pacific Rim businesses, excluding Japan, as well as in the CIS, Middle East and Africa.

Operating income decreased $5.0 million during the year ended December 31, 2011 compared to 2010. Gross profit increased $13.0 million mainly due to higher sales and favorable currency translation partially offset by unfavorable geographic sales mix within the segment and negative foreign currency transaction impacts. SG&A expenses increased in 2011 by $17.9 million mainly due to unfavorable currency translation and higher marketing and selling expense particularly in emerging markets and Pacific Rim businesses.

Canada/Latin America/Endodontics/Orthodontics/Astra Tech

Net sales, excluding precious metal content, increased $195.8 million, or 29.6%, during the year ended December 31, 2011 compared to 2010. On a constant currency basis, net sales, excluding precious metal content, increased by 26.0% primarily driven by the Astra Tech acquisition. Net sales, excluding precious metal content, were negatively impacted by the Orthodontic business as discussed in the Overview.

Operating income decreased $34.1 million during the year ended December 31, 2011 compared to 2010. Gross profit increased $102.6 million which was primarily attributed to the acquisition of Astra Tech and favorable currency

translation. Gross profit was also negatively impacted by $32.8 million from the expensing of inventory fair value adjustment associated with the Astra Tech acquisition as well as the impact from lower orthodontic sales. SG&A expenses increased by $136.7 million, which included $8.5 million of acquisition related costs for Astra Tech. Additionally, increased SG&A expense also included operating expenses for the Astra Tech business, the Company's Orthodontic business continuity costs during the period of lower sales activity, higher marketing and selling expenses for product launches and the negative impact of foreign currency translation.

Dental Laboratory Business/Implants/Non-Dental

Net sales, excluding precious metal content, decreased $15.9 million, or 4.0%, during the year ended December 31, 2011 compared to 2010. On a constant currency basis, net sales, excluding precious metal content, increased 0.5% over prior year as growth in the dental implant and non-dental businesses was offset by the dental laboratory business.

Operating income decreased $3.5 million during the year ended December 31, 2011 compared to 2010, primarily due to lower sales and unfavorable product mix in the Dental Laboratory business offset by increased sales in the dental implant and non-dental businesses. In addition, SG&A expenses increased $10.8 million primarily due to investment in dental implants and the negative impact of currency translation.

RESULTS OF OPERATIONS

2010 Compared to 2009

Net Sales

	Year Ended December 31,				
(in millions)	2010	2009	$ Change	% Change	
Net sales	$2,221.0	$2,159.4	$61.6	2.9	%
Less: Precious metal content of sales	189.2	168.7	20.5	12.2	%
Net sales, excluding precious metal content	$2,031.8	$1,990.7	$41.1	2.1	%

The 2.1% increase in net sales, excluding precious metal content, included constant currency growth of 2.6%, offset by currency translation, which reduced net sales, excluding precious metal content, by 0.5%. The constant currency sales growth was comprised of internal growth of 2.1% and acquisition growth of 0.5%.

Constant Currency Sales Growth

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

	Year Ended December 31, 2010							
	United States		Europe		All Other Regions		Worldwide	
Internal sales growth	0.1	%	2.9	%	4.1	%	2.1	%
Acquisition sales growth	—		0.8	%	0.6	%	0.5	%
Constant currency sales growth	0.1	%	3.7	%	4.7	%	2.6	%

	Year Ended December 31, 2009							
	United States		Europe		All Other Regions		Worldwide	
Internal sales growth	(1.7	)%	(3.8	)%	0.3	%	(2.1	)%
Acquisition sales growth	1.0	%	7.8	%	4.3	%	4.4	%
Constant currency sales growth	(0.7	)%	4.0	%	4.6	%	2.3	%

United States

During 2010, net sales, excluding precious metal content, were slightly positive, at 0.1% in the U. S. on a constant currency and internal growth basis. Growth in dental specialty and dental consumable sundry products, along with a strong recovery in non-dental sales were offset by lower sales in dental laboratory and dental consumable small equipment products.

Europe

During 2010, net sales, excluding precious metal content, increased 3.7% in Europe on a constant currency basis, including 2.9% internal growth and acquisition growth of 0.8%. Internal sales growth was primarily driven by growth in the dental consumables, dental specialty and non-dental products and a business recovery in the CIS markets, which experienced customer liquidity constraints during 2009. These gains were partially offset by lower sales in the dental laboratory products.

All Other Regions

During 2010, net sales, excluding precious metal content, increased 4.7% across all other regions on a constant currency basis, including 4.1% internal growth and acquisition growth of 0.6%. Internal sales growth was driven primarily by growth in dental specialty products, as well as increases for dental consumable and non-dental products.

Gross Profit

(in millions)	Year Ended December 31, 2010		2009		$ Change	% Change	
Gross profit	$1,130.2		$1,106.4		$23.8	2.2	%
Gross profit as a percentage of net sales, including precious metal content	50.9	%	51.2	%			
Gross profit as a percentage of net sales, excluding precious metal content	55.6	%	55.6	%			

Gross profit as a percentage of net sales, excluding precious metal content, was flat during 2010 compared to 2009. Product price increases and cost containment across the Company's product distribution function were offset by unfavorable product mix and negative foreign currency movements.

Expenses

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

(in millions)	Year Ended December 31, 2010		2009		$ Change	% Change	
SG&A expenses	$738.9		$718.2		$20.7	2.9	%
SG&A expenses as a percentage of net sales, including precious metal content	33.3	%	33.3	%			
SG&A expenses as a percentage of net sales, excluding precious metal content	36.4	%	36.1	%			

The increase in SG&A expenses as a percentage of net sales, excluding precious metal content, from 2009 to 2010 was primarily due to new investments in certain businesses, increased spending in support of new product introductions, reinstatement of annual salary increases and increases in certain discretionary spending categories, such as travel expenses, partially offset by benefits from expense reductions in other areas of the business. The Company continues to maintain its focus on reducing costs and achieving operational efficiencies through the consolidation of operations or functions where opportunities exist.

Restructuring and Other Costs

(in millions)	Year Ended December 31, 2010	2009	$ Change	% Change
Restructuring and other costs	$11.0	$6.9	$4.1	NM

NM- not meaningful

The Company recorded net restructuring and other costs of $11.0 million in 2010 compared to $6.9 million in 2009. The Company incurred $5.8 million of costs related to several restructuring plans. These costs consist of employee severance benefits, payments due under operating contracts and other restructuring costs. The restructuring plans related to the continued effort to streamline the Company's operations to better leverage the Company's resources by reducing costs and obtaining operational efficiencies. Additionally the Company recorded certain other costs of $5.2 million of which $3.7 million was related to legal matters.

In 2009, the Company incurred $5.9 million of costs related to several restructuring plans in response to the worldwide economic crisis that began in late 2008. The restructuring plans related to the closure and/or consolidation of certain production and selling facilities in the United States, Europe and South America to better leverage the Company's resources by reducing costs and obtaining operational efficiencies. Additionally, the Company executed targeted reductions in workforce both in the manufacturing and non-manufacturing business functions in certain locations. Also, the Company recorded certain other costs related to legal matters and an impairment of an intangible asset.

Other Income and Expenses

	Year Ended December 31,		
(in millions)	2010	2009	$ Change
Net interest expense	$20.8	$16.9	$3.9
Other expense, net	1.8	1.0	0.8
Net interest and other expense	$22.6	$17.9	$4.7

Net Interest Expense

The change in net interest expense in 2010 compared to 2009, for the year ended December 31, was mainly the result of higher average debt levels in the U.S., and lower cash levels due as a result of stock repurchases and investments in acquisitions combined with weaker average euro exchange and lower average euro interest rates on higher average euro cash balances. Interest income decreased $0.7 million on lower average interest rates on euro investment balances which were 50 basis points lower in the current year than the prior year and the U.S. dollar was 7% stronger against the euro. Interest expense increased $3.2 million on higher average debt partially offset by lower interest rate difference on net investment hedges. The impact of the Company's net investment hedges typically move in the opposite direction of currency movements, reducing some of the volatility caused by movement in exchange rates on the Company's income and equity.

Other Expense, Net

Other expense in the 2010 period included approximately $3.3 million of currency transaction losses and $1.5 million of other non-operating income. The 2009 period included $0.3 million of currency transaction losses and $0.7 million of other non-operating costs.

Income Taxes and Net Income

(in millions, except per share amounts)	Year Ended December 31, 2010	2009	$ Change
Effective income tax rate	25.0 %	24.5 %	
Equity in net loss of unconsolidated affiliated company	$(1.1)	$—	$(1.1)
Net income attributable to noncontrolling interests	$1.6	$0.2	$1.4
Net income attributable to DENTSPLY International	$265.7	$274.3	$(8.6)
Diluted earnings per common share	$1.82	$1.83	

Income Taxes

The Company's effective income tax rates for 2010 and 2009 were 25.0% and 24.5%, respectively. In 2010, the Company's effective income tax rate included the impact of restructuring and other costs, acquisition related activity, provisions for a credit risk adjustment to outstanding derivatives and various income tax adjustments, which impacted income before income taxes and the provision for income taxes by $14.9 million and $3.3 million, respectively. In 2009, the Company's effective income tax rate included the impact of restructuring and other costs, acquisition related activity and various income tax adjustments, which impacted income before income taxes and the provision for income taxes by $11.0 million and $8.8 million, respectively. In 2009, various income tax adjustments included the impact of settlements with taxing authorities and statutes closures.

Equity in net loss of unconsolidated affiliated company

The Company's 16% ownership investment of DIO Corporation on December 9, 2010 resulted in a net loss of $1.1 million on an after-tax basis for 2010. The net loss of DIO was the result of mark-to-market charges related to the derivative accounting for the convertible bonds issued by DIO to DENTSPLY. The Company's portion of the mark-to-market net loss incurred by DIO was approximately $1.1 million.

Net income attributable to noncontrolling interests

The portion of consolidated net income attributable to noncontrolling interests increased $1.4 million from 2009 to 2010.

Net income attributable to DENTSPLY International

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

tax rate to the expected annual effective tax rate.

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

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

(in thousands, except per share amounts)	Year Ended December 31, 2009 Income (Expense)	Per Diluted Common Share
Net income attributable to DENTSPLY International	$274,258	$1.83
Amortization on purchased intangible assets, net of tax	6,973	0.05
Restructuring and other costs, net of tax and noncontrolling interests	5,075	0.03
Acquisition related activities, net of tax and noncontrolling interests	1,830	0.01
Income tax related adjustments	(5,423)	(0.03)
Rounding	—	(0.01)
Adjusted non-US GAAP earnings	$282,713	$1.88

Operating Segment Results

Net Sales, Excluding Precious Metal Content (in millions)	Year Ended December 31, 2010	2009	$ Change	% Change
U.S., Germany and Certain Other European Regions Consumable Businesses	$526.8	$526.7	$0.1	—
France, U.K., Italy and Certain Other European Countries, CIS, Middle East, Africa, Pacific Rim Businesses	$445.6	$436.8	$8.8	2.0 %
Canada/Latin America/Endodontics/ Orthodontics	$662.6	$618.4	$44.2	7.1 %
Dental Laboratory Business/ Implants/Non-Dental	$400.1	$412.2	$(12.1)	(2.9)%

Segment Operating Income (in millions)	Year Ended December 31,			
	2010	2009	$ Change	% Change
U.S., Germany and Certain Other European Regions Consumable Businesses	$176.1	$158.4	$17.7	11.2 %
France, U.K., Italy and Certain Other European Countries, CIS, Middle East, Africa, Pacific Rim Businesses	$17.2	$19.7	$(2.5)	(12.7)%
Canada/Latin America/Endodontics/ Orthodontics	$195.8	$185.8	$10.0	5.4 %
Dental Laboratory Business/ Implants/Non-Dental	$83.4	$92.6	$(9.2)	(9.9)%

U.S., Germany and Certain Other European Regions Consumable Businesses

Net sales, excluding precious metal content, were unchanged between the years ended December 31, 2010 and 2009. On a constant currency basis, net sales, excluding precious metals content, increased 1.6%, which included positive endodontic sales and dental consumable product sales, excluding small equipment, where 2009 was favorably impacted by increased net sales from promotional activities.

Operating income increased $17.7 million during the year ended December 31, 2010 compared to 2009. Operating income was positively impacted by gross profit, which was a result of higher net sales in European consumables markets, improved manufacturing performance and an increase in sales price. Additionally, the 2009 results included a roll-off of inventory step-up related to acquisitions of $4 million. Operating income was further helped by a $6 million decrease in selling, general and administrative expenses for 2010, of which half was due to foreign currency translation.

France, U.K., Italy and Certain Other European Countries, CIS, Middle East, Africa, Pacific Rim Businesses

Net sales, excluding precious metal content, increased $8.8 million, or 2.0%, during the year ended December 31, 2010 compared to 2009. On a constant currency basis, net sales, excluding precious metal content, increased $8.6 million, or 2.0%. This increase is primarily related to the continuing business recovery in the CIS markets.

Operating income decreased $2.5 million during the year ended December 31, 2010 compared to 2009. The decrease was primarily attributable to $4 million higher expenses for certain investments in emerging markets partially offset by an increase of $1.5 million in gross profit, primarily due to foreign currency translation.

Canada/Latin America/Endodontics/Orthodontics

Net sales, excluding precious metal content, increased $44.2 million, or 7.1%, during the year ended December 31, 2010 compared to 2009. On a constant currency basis, net sales, excluding precious metal content, increased by 5.5% primarily driven by dental specialty and non-dental products. In addition, the 5.5% of constant currency growth included 1.1% of acquisition growth.

Operating income increased $10.0 million during the year ended December 31, 2010 compared to 2009. The increase was driven by a $25 million increase in gross profit which was primarily from the endodontics business, as well as

favorable impacts from foreign currency translation. Offsetting this increase in gross profit was a $15 million increase in selling, general and administrative costs, which included incremental investments to promote certain dental specialty products, the negative impact of foreign currency translation and increased expenses in the Latin America businesses.

Dental Laboratory Business/Implants/Non-Dental

Net sales, excluding precious metal content, decreased $12.1 million, or 2.9%, during the year ended December 31, 2010 compared to 2009. On a constant currency basis, net sales, excluding precious metal content were flat as growth in the dental

implant and non-dental businesses was offset by the dental laboratory business.

Operating income decreased $9.2 million during the year ended December 31, 2010 compared to 2009, primarily due to lower operating income in the dental laboratory business.

CRITICAL ACCOUNTING JUDGMENTS AND POLICIES

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

Inventories

Inventories are stated at the lower of cost or market. The cost of inventories is determined primarily by the first-in, first-out (“FIFO”) or average cost methods, with a small portion being determined by the last in, first-out (“LIFO”) method. The Company establishes reserves for inventory estimated to be obsolete or unmarketable equal to the difference between the cost of inventory and estimated market value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those anticipated, additional inventory reserves may be required.

Business Acquisitions

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

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

Goodwill and Other Long-Lived Assets

Goodwill and Indefinite-Lived Assets

The Company follows the accounting standards for goodwill and indefinite-lived intangibles, which require an annual test for impairment to goodwill using a fair value approach. In addition to minimum annual impairment tests, the

Company also requires that impairment assessments be made more frequently if events or changes in circumstances indicate that the goodwill or indefinite-lived assets might be impaired. If impairment related to goodwill is identified, the resulting charge is determined by recalculating goodwill through a hypothetical purchase price allocation of the fair value and reducing the current carrying value to the extent it exceeds the recalculated goodwill. If the carrying amount of an indefinite-lived intangible asset exceeds its fair value, an impairment loss is recognized.

Other Long-Lived Assets

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

determined using the discounted cash flow and market participant assumptions. The resulting charge reflects the excess of the asset's carrying cost over its fair value.

Impairment Assessment

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

Litigation

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

Income Taxes

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

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

Certain items of income and expense are not reported in tax returns and financial statements in the same year. The tax effect of such temporary differences is reported as deferred income taxes. Deferred tax assets are recognized if it is more likely than not that the assets will be realized in future years. The Company establishes a valuation allowance for deferred tax assets for which realization is not likely. As of December 31, 2011, the Company recorded a valuation allowance of $71.8 million against the benefit of certain deferred tax assets of foreign and domestic subsidiaries.

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

LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operating activities during the year ended December 31, 2011 were $393.5 million compared to $377.5 million during the year ended December 31, 2010. The increase of $16.0 million in operating cash flow in the 2011 period compared to 2010 is depressed by certain adjustments in the period relating to the Astra Tech acquisition, legal settlements and other items. Improvements in inventory of $30.8 million and accrued liabilities of $40.3 million were offset by an increase in accounts receivable of $3.6 million and decreased tax liabilities of $80.2 million in 2011 when compared to 2010. As a result of the Astra Tech purchase, the Company's cash, cash equivalents and short-term investments decreased by $462.9 million during the year ended December 31, 2011 to $77.1 million.

For the years ended December 31, 2011 and 2010, the number of days for sales outstanding in accounts receivable, on a constant currency basis, was unchanged at 54 days. On a constant currency basis, the number of days of sales in inventory was unchanged at 100 days for the years ended December 31, 2011 and 2010.

Investing activities during 2011 include capital expenditures of $71.2 million. Investments of $1.8 billion relate to the acquisition of Astra Tech and several smaller dental product businesses. Financing activity includes $19.1 million during 2011 to acquire the remaining shares of two non-controlling interests in subsidiaries and a contingent payment on a previous acquisition.

At December 31, 2011, the Company had authorization to maintain up to 34.0 million shares of treasury stock under its stock repurchase program as approved by the Board of Directors. Under this program, the Company purchased approximately 2.2 million shares, or approximately 1.5% of average diluted shares outstanding, during 2011 at an average price of $36.34. As of December 31, 2011 and 2010, the Company held 21.1 million and 21.0 million shares of treasury stock, respectively. The Company also received proceeds of $42.3 million primarily as a result of 1.9 million stock option exercises during the year ended December 31, 2011.

DENTSPLY's total long-term debt, including the current portion, at December 31, 2011 and 2010 was $1,491.4 million and $606.5 million, respectively. The Company's long-term borrowings increased by a net of $884.9 million during the year ended December 31, 2011. This net change included a net increase in borrowings of $876.9 million during the year ended 2011, plus an increase of $8.0 million due to exchange rate fluctuations on debt denominated in foreign currencies. During the year ended December 31, 2011, the Company's ratio of long-term debt, including the current portion, to total capitalization increased to 44.2% compared to 24.1% at December 31, 2010. DENTSPLY defines total capitalization as the sum of total long-term debt, including the current portion, plus total equity.

On April 4, 2011, the Company entered into a group of U.S. dollar denominated interest rate swaps with an initial total notional value of $150.0 million to effectively convert the underlying fixed interest rate of 4.1% on the Company's $250.0 million Private Placement Note (“Note”) to variable rate based upon three month LIBOR for a term of five years ending February 2016. The notional value of the swaps will decline proportionately as portions of the Note come due. These interest rate swaps are designated as fair value hedges of the interest rate risk associated with the hedged portion of the fixed rate Note. Accordingly, the Company will carry the portion of the hedged debt at fair value, with the change in debt and swap offsetting each other in the consolidated statements of operations.
On June 24, 2011, the Company entered into a $500.0 million T-Lock which was closed out August 19, 2011, to hedge the base rate interest variability exposure of the Company's then planned ten year bond issuance. The T-Lock was cash settled for a payment of $34.6 million, of which $3.8 million was deemed ineffective and expensed in the current period, while $30.8 million remained effective on the Company's issuance of $450.0 million ten year bonds. The effective portion of the fair value is recognized in AOCI. As interest is accrued on the bond in the future, the Company will release the pro rata amount in AOCI into interest expense on the consolidated statements of operations.
On July 27, 2011, the Company entered into a new Revolving Credit Agreement to replace the 2010 Revolving Credit Agreement dated May 7, 2010, that had provided for a multi-currency revolving credit facility in an aggregate amount of up to $200.0 million through May 7, 2013. The new Credit Agreement provides for a new five-year, $500.0 million multi-currency revolving credit facility through July 27, 2016 (the “Facility”) to provide working capital from time to time for the Company and for other general corporate purposes. The Facility is unsecured and contains certain affirmative and negative covenants relating to the Company's operations and financial condition, including prescribed leverage and interest coverage ratios. The Facility contains customary events of default. Upon the occurrence of an event of default, all outstanding borrowings under the Credit Agreement may be accelerated and become immediately due and payable. In connection with this transaction, the Company paid in full all outstanding revolving loans, together with interest and all other amounts due in connection with such repayment, under the 2010 Revolving Credit Agreement. At December 31, 2011 outstanding borrowings, in the form of issued commercial paper, were $266.8 million under the multi-currency revolving facility.

On August 23, 2011, the Company issued $1.0 billion of senior unsecured notes to partially finance the Astra Tech acquisition. The notes were issued in three tranches; $250.0 million two-year floating rate notes at a variable rate of three month USD LIBOR plus 1.5%, $300.0 million five-year fixed rate notes with a semi-annual coupon of 2.75%, and $450.0 million ten-year fixed rate notes with a semi-annual coupon of 4.125%. Underwriting fees and discounts totaled $7.6 million resulting in net proceeds of $992.4 million. The bonds are rated BBB+ by Standard and Poor's(S&P) and Baa2 by Moody's Investors Service (Moody's).

On August 24, 2011, the Company amended its Corporate Commercial Paper Program, increasing the facility to a total of $500.0 million and adding a second dealer, JPMorgan Securities LLC, in addition to Citigroup Global Markets Inc. The commercial paper facility is unsecured and is rated A-2 and P-2 by S&P and Moody's, respectively. The Company issued $175.0 million on

August 30, 2011 to partly finance the acquisition of Astra Tech.
On August 31, 2011, the Company closed on an additional $250.0 million committed 364-day Revolving Credit Agreement to partially backstop its commercial paper facility. The Facility is unsecured and contains certain affirmative and negative covenants relating to the Company's operations and financial condition, including prescribed leverage and interest coverage ratios. The Facility contains customary events of default. Upon the occurrence of an event of default, all outstanding borrowings under the Credit Agreement may be accelerated and become immediately due and payable.
On September 1, 2011, the Company refinanced the 65.0 million Swiss franc five-year term loan with PNC Bank which was due March 1, 2012. The new loan bears interest at Swiss franc three-month LIBOR plus 1.125% spread and is due September 1, 2016. The loan is designated as a hedge of net investment in the Company's Switzerland based operations. The loan is unsecured and contains certain affirmative and negative covenants relating to the Company's operations and financial condition, including prescribed leverage and interest coverage ratios. The facility contains customary events of default. Upon the occurrence of an event of default, all outstanding borrowings under the Credit Agreement may be accelerated and become immediately due and payable. The Company simultaneously entered into a pay fixed - receive variable interest rate swap with PNC Bank to fix the Swiss franc interest rate at 0.7% for the five-year term of the loan. The interest rate swap is designated as a cash flow hedge of the base interest rate risk on the Swiss loan. The refinanced loan also had an interest rate swap designated as a cash flow hedge which was cash settled upon early termination for a payment of $1.8 million, reported in other income (expense), net in the consolidated statement of operations during the quarter ended September 30, 2011.
On September 28, 2011, the Company refinanced the 12.5 billion Japanese yen three-year term loan with a syndicate of Japanese lenders arranged by Bank of Tokyo Mitsubishi Trust Company (“BTMU”) which was due March 28, 2012. The new loan bears interest at Japanese yen three month LIBOR plus 0.90% spread and is due September 29, 2014. The loan is designated as a hedge of our net investment in our Japanese based operations. The loan is unsecured and contains certain affirmative and negative covenants relating to the Company's operations and financial condition, including prescribed leverage and interest coverage ratios. The Facility contains customary events of default. Upon the occurrence of an event of default, all outstanding borrowings under the Credit Agreement may be accelerated and become immediately due and payable. The Company simultaneously entered into two pay fixed - receive variable interest rate swaps with Citibank NA and BTMU to fix the Japanese yen interest rate at 0.2% for the three-year term of the loan. The interest rate swaps are designated as cash flow hedges of the base interest rate risk on the Japanese loan. The refinanced loan also had an interest rate swap designated as a cash flow hedge which was cash settled upon early termination for an a payment of $1.1 million, reported in other income(expense), net during the quarter ended September 30, 2011.
Effective November 18, 2011, the Company extended the Swiss franc 80.4 million maturing cross currency basis swaps until November 18, 2014. This Net Investment Hedge was traded at an exchange rate of 0.9182 franc per dollar which resulted in additional cash investment of $23.1 million into the hedge value. The Company will receive three-month USD LIBOR and pays three-month Swiss franc LIBOR minus 44.5 basis points.

The Company also has access to $65.1 million in uncommitted short-term financing under lines of credit from various financial institutions. The lines of credit have no major restrictions and are provided under demand notes between the Company and the lending institutions. At December 31, 2011, $8.5 million was outstanding under these short-term lines of credit. At December 31, 2011, the Company had total unused lines of credit related to the revolving credit agreement and the uncommitted short-term lines of credit of $548.2 million.

At December 31, 2011, the Company held $136.8 million of precious metals on consignment from several financial institutions. These consignment agreements allow the Company to acquire the precious metal at market rates at a point in time, which is approximately the same time, and for the same price as alloys are sold to the Company's customers. In the event that the financial institutions would discontinue offering these consignment arrangements, and if the Company could not obtain other comparable arrangements, the Company may be required to obtain third party financing to fund an ownership position in the required precious metal inventory levels.

The following table presents the Company's scheduled contractual cash obligations at December 31, 2011:

Contractual Obligations (in thousands)	Less Than 1 Year	1-3 Years	3-5 Years	Greater Than 5 Years	Total
Long-term borrowings	$1,409	$489,856	$546,745	$450,796	$1,488,806
Operating leases	38,946	46,630	29,267	27,416	142,259
Interest on long-term borrowings, net of interest rate swap agreements	46,850	79,604	57,366	85,945	269,765
Postretirement obligations	9,841	22,848	23,767	71,864	128,320
Cross currency swaps	13,790	165,825	—	—	179,615
Precious metal consignment agreements	136,849	—	—	—	136,849
	$247,685	$804,763	$657,145	$636,021	$2,345,614

Due to the uncertainty with respect to the timing of future cash flows associated with the Company's unrecognized tax benefits at December 31, 2011, the Company is unable to make reasonably reliable estimates of the period of cash settlement with the respective taxing authority. Therefore, $21.9 million of the unrecognized tax benefit has been excluded from the contractual obligations table above (See Note 12, Income Taxes, to the consolidated financial statements).

The Company expects on an ongoing basis to be able to finance cash requirements, including capital expenditures, stock repurchases, debt service, operating leases and potential future acquisitions, from the current cash, cash equivalents and short-term investment balances, funds generated from operations and amounts available under its existing credit facilities, which is further discussed in Note 10, Financing Arrangements, to the consolidated financial statements. As noted in the Company's consolidated statements of cash flows, the Company continues to generate strong cash flows from operations, which is used to finance the Company's activities.

NEW ACCOUNTING PRONOUNCEMENTS

Refer to Note 1, Significant Accounting Policies, to the Consolidated Financial Statements for a discussion of recent accounting guidance and pronouncements.

Item 7A.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

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

Financial Instruments

The fair value of financial instruments is determined by reference to various market data and other valuation techniques as appropriate. The Company believes the carrying amounts of cash and cash equivalents, short-term investments, accounts receivable (net of allowance for doubtful accounts), prepaid expenses and other current assets, accounts payable, accrued liabilities, income taxes payable and notes payable approximate fair value due to the short-term nature of these instruments. The Company estimated the fair value and carrying value of its total long term-debt, including the current portion of long-term debt, was $1,512.5 million and $1,491.4 million, respectively, as of December 31, 2011. As of December 31, 2010, the fair value and carrying value of its long-term debt, including the current portion of long-term debt was $611.2 million and $606.5 million, respectively. The interest

rate on the $450.0 million Senior Notes, the $300.0 million Senior Notes, and the $250.0 million Private Placement Notes are fixed rates of 4.1%, 2.8%, and 4.1%, respectively, and their fair value is based on the market interest rates as of December 31, 2011. The interest rates on variable rate term loan debt and commercial paper are consistent with current market conditions, therefore the fair value of these instruments approximates their carrying values. At December 31, 2011, an increase of 1.0% in the interest rate on the variable interest rate debt would increase the Company's interest expense by approximately $6.3 million. The following table shows the Company's principal outstanding debt amounts and the associated weighted average interest rates as of December 31, 2011.

Financial Instruments

	EXPECTED MATURITY DATES						December 31, 2011	
(in thousands)	2012	2013	2014	2015	2016	2017 and beyond	Carrying Value	Fair Value
Notes Payable:								
U.S. dollar denominated	$267,755	$—	$—	$—	$—	$—	$267,755	$267,755
Average interest rate	0.5 %						0.5 %	
Taiwan dollar denominated	135	—	—	—	—	—	135	135
Average interest rate	— %						— %	
Euro denominated	2,468	—	—	—	—	—	2,468	2,468
Average interest rate	3.3 %						3.3 %	
Brazilian real denominated	4,934	—	—	—	—	—	4,934	$4,934
Average interest rate	14.0 %						14.0 %	
Total Notes Payable	$275,292	$—	$—	$—	$—	$—	$275,292	$275,292
Average interest rates	0.8 %						0.8 %	
Current Portion of Long-term Debt:								
Brazilian real denominated	$84	$—	$—	$—	$—	$—	$84	$84
Average interest rate	11.0 %						11.0 %	
Euro denominated	1,325	—	—	—	—	—	1,325	1,325
	2.3 %						2.3 %	

Average interest rate																
Total Current Portion of Long-Term Debt	$1,409		$—		$—		$—		$—		$—		$1,409		$1,409	
Average interest rates	2.8	%											2.8	%		
Long-Term Debt:																
U.S. dollar denominated	$—		$250,000		$76,367		$101,805		$375,957		$448,497		$1,252,626		$1,273,750	
Average interest rate			2.0	%	4.1	%	4.1	%	3.0	%	4.1	%	3.4	%		
Swiss franc denominated	—		—		—		—		69,197		—		69,197		69,197	
Average interest rate									1.2	%			1.2	%		
Brazilian real denominated	—		—		—		—		1,392		—		1,392		1,392	
Average interest rate									6.6	%			6.6	%		
Japanese yen denominated	—		—		162,956		—		392		27		163,375		163,375	
Average interest rate					1.1	%			5.8	%	4.0	%	1.1	%		
Euro denominated	—		1,416		561		370		303		770		3,420		3,420	
Average interest rate			2.8	%	3.2	%	3.2	%	3.2	%	3.2	%	3.0	%		
Total Long-Term Debt,net current portion	$—		$251,416		$239,884		$102,175		$447,241		$449,294		$1,490,010		$1,511,134	
Average interest rates			2.0	%	2.1	%	4.1	%	2.8	%	4.1	%	3.0	%		

Derivative Financial Instruments

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

Foreign Exchange Risk Management

The Company uses a layered hedging program to hedge select anticipated foreign currency cash flows to reduce volatility in both cash flows and reported earnings of the consolidated Company. The Company accounts for the forward foreign exchange contracts as cash flow hedges. As a result, the Company records the fair value of the contract primarily through AOCI based on the tested effectiveness of the forward foreign exchange contracts. The Company measures the effectiveness of cash flow hedges of anticipated transactions on a spot-to-spot basis rather than on a forward-to-forward basis. Accordingly, the spot-to-spot change in the derivative fair value will be deferred in AOCI and released and recorded on the consolidated statement of operations in the same period that the hedged transaction is recorded. Any time value component of the hedge fair value is deemed ineffective and will be reported currently in “Other expense (income), net” in the period which it is applicable. Any cash flows associated with these instruments are included in cash from operations in accordance with the Company's policy of classifying the cash flows from these instruments in the same category as the cash flows from the items being hedged.

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

During the third quarter of 2011, the Company entered into five new cross currency basis swaps totaling 260.0 million euros (the “Euro Swaps”). The Euro Swaps mature in October 2013, and the Company pays three-month Euro Inter-Bank Offered Rate ("EURIBOR") minus 52.75 basis points on EUR 260.0 million and receives three month U.S. dollar LIBOR on $350.9 million. During the fourth quarter of 2011, the Company entered into three new cross currency basis swaps totaling 80.4 million Swiss franc (the “Swiss Swaps”). The Swiss Swaps mature in November 2014, and the Company pays three-month Swiss franc London Inter-Bank Offered Rate ("LIBOR") minus 44.5 basis points on Swiss francs 80.4 million and receives three-month U.S. dollar LIBOR on $87.6 million. The new contracts were entered into to replace maturing contracts. The Swiss franc and Euro cross currency interest rate swaps are designated as net investment hedges of the Swiss and Euro denominated net assets. The interest rate differential is recognized in the earnings as "Interest income" or "Interest expense" as it is accrued. The foreign currency revaluation is recorded in AOCI, net of tax effects.

At December 31, 2011 and 2010, the Company had Swiss franc-denominated and Japanese yen-denominated debt and cross currency basis swaps denominated in euro and Swiss franc to hedge the currency exposure related to a designated portion of the net assets of its European, Swiss and Japanese subsidiaries. The fair value of the cross currency interest rate swap agreements is the estimated amount the Company would (pay) receive at the reporting date, taking into account the effective interest rates and foreign exchange rates. As of December 31, 2011 and December 31, 2010, the estimated net fair values of the cross currency interest rate swap agreements were a liability of $111.9 million and a liability of $169.1 million, respectively, which are recorded in accumulated other comprehensive income, net of tax effects. At December 31, 2011 and 2010, the accumulated translation gain (loss) on investments in foreign subsidiaries, primarily denominated in Euros, Swiss francs, Japanese yen and Swedish krona, net of these net investment hedges, were $134.2 million in losses and $45.4 million in gains, respectively, which were included in AOCI, net of tax effects.

Interest Rate Risk Management

The Company uses interest rate swaps to convert a portion of its variable interest rate debt to fixed interest rate debt. As of December 31, 2011, the Company has two groups of significant interest rate swaps. One of the groups of swaps has notional amounts totaling 12.6 billion Japanese yen, and effectively converts the underlying variable interest rates to an average fixed interest rate of 0.2% for a term of three- years, ending in September 2014. Another swap has a notional amount of 65.0 million Swiss francs, and effectively converts the underlying variable interest rates to a fixed interest rate of 0.7% for a term of five- years, ending in September 2016.

On June 24, 2011 the Company entered into a $500.0 million Treasury Rate Lock (“T-Lock”) , which was terminated on August 19, 2011, to hedge the base rate interest variability exposure of the Company's planned ten year bond issuance. The T-Lock was cash settled for a payment of $34.6 million, of which $3.8 million was deemed ineffective and expensed in the current period, while $30.8 million remained effective on the Company's issuance of $450.0 million ten year bonds. The effective portion of the hedge is recognized in AOCI. As interest is accrued on the bond in the future, the Company will release the pro rata amount in AOCI into interest expense on the consolidated statements of operations.

The Company enters into interest rate swap contracts infrequently as they are only used to manage interest rate risk on long-term debt instruments and not for speculative purposes.

Commodity Risk Management

The Company selectively enters into commodity swaps to effectively fix certain variable raw material costs. These swaps are used purely to stabilize the cost of components used in the production of certain of the Company's products. The Company generally accounts for the commodity swaps as cash flow hedges. As a result, the Company records the fair value of the swap primarily through AOCI based on the tested effectiveness of the commodity swap. The Company measures the effectiveness of cash flow hedges of anticipated transactions on a spot-to-spot basis rather than on a forward-to-forward basis. Accordingly, the spot-to-spot change in the derivative fair value will be deferred in AOCI and released and recorded on the consolidated statement of operations in the same period that the hedged transaction is recorded. Any time value component of the hedge fair value is deemed ineffective and will be reported currently in “Interest expense” in the period which it is applicable. Any cash flows associated with these instruments are included in cash from operations in accordance with the Company's policy of classifying the cash flows from these instruments in the same category as the cash flows from the items being hedged.
At December 31, 2011, the Company had swaps in place to purchase 1,126 troy ounces of platinum bullion for use in production at an average fixed rate of $1,527 per troy ounce. In addition, the Company had swaps in place to purchase 125,058 troy ounces of silver bullion for use in production at an average fixed rate of $28 per troy ounce.

Off Balance Sheet Arrangements

Consignment Arrangements

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

As precious metal prices fluctuate, the Company evaluates the impact of the precious metal price fluctuation on its target gross margins for precious metal dental alloy products and revises the prices customers are charged for precious metal dental alloy products accordingly, depending upon the magnitude of the fluctuation. While the Company does not separately invoice customers for the precious metal content of precious metal dental alloy products, the underlying precious metal content is the primary component of the cost and sales price of the precious metal dental alloy products. For practical purposes, if the precious metal prices go up or down by a small amount, the Company will not immediately modify prices, as long as the cost of precious metals embedded in the Company’s precious metal dental alloy price closely approximates the market price of the precious metal. If there is a significant change in the price of precious metals, the Company adjusts the price for the precious metal dental alloys, maintaining its margin on the products.

At December 31, 2011, the Company had 134,657 troy ounces of precious metal, primarily gold, platinum and palladium, on consignment for periods of less than one year with a market value of $136.8 million. Under the terms of the consignment agreements, the Company also makes compensatory payments to the consignor banks based on a

percentage of the value of the consigned precious metals inventory. At December 31, 2011, the average annual rate charged by the consignor banks was 0.63%. These compensatory payments are considered to be a cost of the metals purchased and are recorded as part of the cost of products sold.

Management's Report on Internal Control Over Financial Reporting

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

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

Management of the Company has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2011. In making its assessment, management used the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Based on its assessment management concluded that, as of December 31, 2011, the Company’s internal control over financial reporting was effective based on the criteria established in Internal Control – Integrated Framework issued by the COSO.

The scope of management's assessment of the effectiveness of internal control over financial reporting includes all of the Company's consolidated operations except for the operations of Astra Tech AB (“Astra Tech”), which the Company acquired through a purchase business combination during the year ended December 31, 2011. Astra Tech represents approximately $207.1 million of the Company's consolidated revenues for the year ended December 31, 2011 and $1.1 billion (this excludes goodwill arising from the acquisition accounting of Astra Tech because controls relating to goodwill were included in our assessment) of the Company's consolidated total assets as of December 31, 2011.

The effectiveness of the Company’s internal control over financial reporting as of December 31, 2011 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report, which appears herein.

/s/	Bret W. Wise Bret W. Wise Chairman of the Board and Chief Executive Officer February 24, 2012	/s/	William R. Jellison William R. Jellison Senior Vice President and Chief Financial Officer February 24, 2012

Report of Independent Registered Public Accounting Firm

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

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of DENTSPLY International Inc. and its subsidiaries at December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and the financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in “Management's Report on Internal Control over Financial Reporting” appearing under Item 15(a)(1). Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

As described in Management's Report on Internal Control over Financial Reporting, management has excluded Astra Tech AB ("Astra Tech") from its assessment of internal control over financial reporting as of December 31, 2011

because it was acquired by the Company in a purchase business combination during 2011. We have also excluded Astra Tech from our audit of internal control over financial reporting. Astra Tech is a wholly-owned subsidiary whose total assets and total revenues represent $1.1 billion and $207.1 million, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2011.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 24, 2012

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

	Year Ended December 31,		
	2011	2010	2009
Net sales	$2,537,718	$2,221,014	$2,159,378
Cost of products sold	1,264,278	1,090,856	1,053,015
Gross profit	1,273,440	1,130,158	1,106,363
Selling, general and administrative expenses	936,847	738,901	718,230
Restructuring and other costs	35,865	10,984	6,890
Operating income	300,728	380,273	381,243
Other income and expenses:			
Interest expense	43,814	25,089	21,896
Interest income	(9,456)	(4,254)	(5,032)
Other expense (income), net	10,259	1,782	1,023
Income before income taxes	256,111	357,656	363,356
Provision for income taxes	11,016	89,225	88,944
Equity in net income (loss) of unconsolidated affiliated company	2,351	(1,096)	—
Net income	247,446	267,335	274,412
Less: Net income attributable to noncontrolling interests	2,926	1,627	154
Net income attributable to DENTSPLY International	$244,520	$265,708	$274,258
Earnings per common share:			
Basic	$1.73	$1.85	$1.85
Diluted	$1.70	$1.82	$1.83
Weighted average common shares outstanding:			
Basic	141,386	143,980	148,319
Diluted	143,553	145,985	150,102

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

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

	December 31, 2011	2010
Assets		
Current Assets:		
Cash and cash equivalents	$77,128	$540,038
Accounts and notes receivable-trade, net	427,709	344,796
Inventories, net	361,762	308,738
Prepaid expenses and other current assets	146,304	121,473
Total Current Assets	1,012,903	1,315,045
Property, plant and equipment, net	591,445	423,105
Identifiable intangible assets, net	791,100	78,743
Goodwill, net	2,190,063	1,303,055
Other noncurrent assets, net	169,887	138,003
Total Assets	$4,755,398	$3,257,951
Liabilities and Equity		
Current Liabilities:		
Accounts payable	$149,117	$114,479
Accrued liabilities	289,201	224,745
Income taxes payable	9,054	13,113
Notes payable and current portion of long-term debt	276,701	7,754
Total Current Liabilities	724,073	360,091
Long-term debt	1,490,010	604,015
Deferred income taxes	249,822	72,489
Other noncurrent liabilities	407,342	311,444
Total Liabilities	2,871,247	1,348,039
Commitments and contingencies		
Equity:		
Preferred stock, $.01 par value; .25 million shares authorized; no shares issued	—	—
Common stock, $.01 par value; 200.0 million shares authorized; 162.8 million shares issued at December 31, 2011 and 2010, respectively	1,628	1,628
Capital in excess of par value	229,687	204,902
Retained earnings	2,535,709	2,320,350
Accumulated other comprehensive income	(190,970)	24,156
Treasury stock, at cost, 21.1 million shares at December 31, 2011 and 21.0 million shares at December 31, 2010	(727,977)	(711,650)
Total DENTSPLY International Equity	1,848,077	1,839,386
Noncontrolling Interests	36,074	70,526
Total Equity	1,884,151	1,909,912
Total Liabilities and Equity	$4,755,398	$3,257,951

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

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

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total DENTSPLY International Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2008	$1,628	$187,154	$1,838,958	$39,612	$(479,630)	$1,587,722	$71,691	$1,659,413
Comprehensive Income:								
Net income	—	—	274,258	—	—	274,258	154	274,412
Other comprehensive income (loss), net of tax:								
Foreign currency translation adjustment	—	—	—	50,566	—	50,566	3,008	53,574
Net loss on derivative financial instruments	—	—	—	(13,960)	—	(13,960)	—	(13,960)
Pension liability adjustments	—	—	—	7,324	—	7,324	—	7,324
Comprehensive Income						318,188	3,162	321,350
Exercise of stock options	—	(11,515)	—	—	24,921	13,406	—	13,406
Tax benefit from stock options exercised	—	3,505	—	—	—	3,505	—	3,505
Share based compensation expense	—	16,276	—	—	—	16,276	—	16,276
Funding of Employee Stock Option Plan	—	(63)	—	—	1,408	1,345	—	1,345
Treasury shares purchased	—	—	—	—	(78,718)	(78,718)	—	(78,718)
RSU dividends	—	138	(138)	—	—	—	—	—
Cash dividends ($0.200 per share)	—	—	(29,619)	—	—	(29,619)	—	(29,619)
Balance at December 31, 2009	$1,628	$195,495	$2,083,459	$83,542	$(532,019)	$1,832,105	$74,853	$1,906,958

Comprehensive Income:								
Net income	—	—	265,708	—	—	265,708	1,627	267,335
Other comprehensive income (loss), net of tax:								
Foreign currency translation adjustment	—	—	—	(49,519)	—	(49,519)	(4,592)	(54,111)
Net loss on derivative financial instruments	—	—	—	(12,848)	—	(12,848)	—	(12,848)
Net unrealized holding gains on available-for-sale investments	—	—	—	11,029	—	11,029	—	11,029
Pension liability adjustments	—	—	—	(8,048)	—	(8,048)	—	(8,048)
Comprehensive Income						206,322	(2,965)	203,357
Exercise of stock options	—	(10,107)	—	—	40,296	30,189	—	30,189
Tax benefit from stock options exercised	—	4,663	—	—	—	4,663	—	4,663
Share based compensation expense	—	18,803	—	—	—	18,803	—	18,803
Funding of Employee Stock Option Plan	—	208	—	—	1,132	1,340	—	1,340
Treasury shares purchased	—	—	—	—	(223,993)	(223,993)	—	(223,993)
Dividends from noncontrolling interests	—	—	—	—	—	—	(1,362)	(1,362)
RSU distributions	—	(4,313)	—	—	2,934	(1,379)	—	(1,379)
RSU dividends	—	153	(153)	—	—	—	—	—
Cash dividends ($0.200 per share)	—	—	(28,664)	—	—	(28,664)	—	(28,664)
Balance at December 31, 2010	$1,628	$204,902	$2,320,350	$24,156	$(711,650)	$1,839,386	$70,526	$1,909,912
Comprehensive Income:								
Net income	—	—	244,520	—	—	244,520	2,926	247,446
Other comprehensive								

income (loss), net of tax:								
Foreign currency translation adjustment	—	—	—	(207,813)	—	(207,813)	(196)	(208,009)
Net gain on derivative financial instruments	—	—	—	9,258	—	9,258	—	9,258
Net unrealized holding losses on available-for-sale investments	—	—	—	(11,545)	—	(11,545)	—	(11,545)
Pension liability adjustments	—	—	—	(3,164)	—	(3,164)	—	(3,164)
Comprehensive Income						31,256	2,730	33,986
Acquisition of noncontrolling interest	—	22,782	—	(1,862)	—	20,920	(37,008)	(16,088)
Exercise of stock options	—	(14,677)	—	—	56,952	42,275	—	42,275
Tax benefit from stock options exercised	—	1,039	—	—	—	1,039	—	1,039
Share based compensation expense	—	20,947	—	—	—	20,947	—	20,947
Funding of Employee Stock Option Plan	—	379	—	—	2,595	2,974	—	2,974
Treasury shares purchased	—	—	—	—	(79,500)	(79,500)	—	(79,500)
Dividends from noncontrolling interests	—	—	—	—	—	—	(174)	(174)
RSU distributions	—	(5,872)	—	—	3,626	(2,246)	—	(2,246)
RSU dividends	—	187	(187)	—	—	—	—	—
Cash dividends ($0.205 per share)	—	—	(28,974)	—	—	(28,974)	—	(28,974)
Balance at December 31, 2011	$1,628	$229,687	$2,535,709	$(190,970)	$(727,977)	$1,848,077	$36,074	$1,884,151

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

DENTSPLY INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	Year Ended December 31,		
	2011	2010	2009
Cash flows from operating activities:			
Net income	$247,446	$267,335	$274,412
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	64,039	56,868	54,087
Amortization of intangible and other assets	20,996	9,044	10,643
Amortization of deferred financing costs	8,023	428	445
Deferred income taxes	(88,402)	15,119	195
Share based compensation expense	20,947	18,803	16,276
Restructuring and other costs - non-cash	2,460	379	369
Stock option income tax benefit	(1,039)	(4,663)	(3,505)
Net interest expense on derivatives with an other-than-insignificant financing element	3,853	1,635	—
Other non-cash expense (income)	18,587	7,249	(8,650)
Loss (gain) on disposal of property, plant and equipment	570	113	(1,997)
Changes in operating assets and liabilities, net of acquisitions:			
Accounts and notes receivable-trade, net	1,469	5,115	(16,942)
Inventories, net	21,503	(9,309)	27,710
Prepaid expenses and other current assets	(933)	(3,705)	6,996
Other noncurrent assets	(1,560)	(1,154)	(192)
Accounts payable	10,816	2,165	(4,947)
Accrued liabilities	38,365	9,004	(1,708)
Income taxes	26,139	2,786	8,104
Other noncurrent liabilities	190	249	1,193
Net cash provided by operating activities	393,469	377,461	362,489
Cash flows from investing activities:			
Cash paid for acquisitions of businesses and equity investments	(1,787,516)	(35,556)	(2,986)
Capital expenditures	(71,186)	(44,236)	(56,481)
Purchase of convertible debt issued by affiliate	—	(49,654)	—
Purchase of company owned life insurance policies	—	(2,000)	—
Payments on settlement of net investment hedges	(25,575)	(34,978)	—
Expenditures for identifiable intangible assets	(3,068)	(1,606)	(14)
Liquidations of short-term investments	6	—	222
Proceeds from sale of property, plant and equipment	497	3,562	5,860
Net cash used in investing activities	(1,886,842)	(164,468)	(53,399)
Cash flows from financing activities:			
Proceeds from long-term borrowings, net of deferred financing costs	1,106,514	368,611	86,091

Payments on long-term borrowings	(251,932)	(242,137)	(58,403)
Increase (decrease) in short-term borrowings	270,209	(9,657)	(7,465)
Payments on terminated derivative instruments	(34,628)	—	—
Proceeds from exercise of stock options	42,275	30,189	13,406
Excess tax benefits from share based compensation	1,039	4,663	3,505
Cash paid for contingent consideration on prior acquisitions	(3,023)	—	—
Cash paid for acquisition of noncontrolling interests of consolidated subsidiaries	(16,088)	—	—
Cash paid for treasury stock	(79,500)	(223,993)	(78,718)
Cash dividends paid	(28,632)	(29,077)	(29,836)
Net interest payments on derivatives with an other-than-insignificant financing element	(3,853)	(1,635)	—
Net cash provided by (used in) financing activities	1,002,381	(103,036)	(71,420)
Effect of exchange rate changes on cash and cash equivalents	28,082	(20,267)	8,687
Net (decrease) increase in cash and cash equivalents	(462,910)	89,690	246,357
Cash and cash equivalents at beginning of period	540,038	450,348	203,991
Cash and cash equivalents at end of period	$77,128	$540,038	$450,348
Supplemental disclosures of cash flow information:			
Interest paid, net of amounts capitalized	$34,048	$21,856	$23,231
Income taxes paid	$58,646	$64,787	$76,207

The accompanying notes are an integral part of these financial statement

DENTSPLY INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Description of Business

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

Use of Estimates

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

Principles of Consolidation

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

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

The accompanying audited consolidated statements of operations for the year ended December 31, 2011 include the results of operations for Astra Tech AB (“Astra Tech”) for the period September 1, 2011 to December 31, 2011. The accompanying audited consolidated balance sheet at December 31, 2011 includes Astra Tech's acquired assets and assumed liabilities. (See Note 3 - Business Acquisitions and Investments in Affiliates).

Cash and Cash Equivalents

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

Short-term Investments

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

Accounts and Notes Receivable-Trade

The Company sells dental and certain healthcare products through a worldwide network of distributors and directly to end users. For customers on credit terms, the Company performs ongoing credit evaluation of those customers' financial condition and generally does not require collateral from them. The Company establishes allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The Company records a provision for doubtful

accounts, which is included in “Selling, general and administrative expenses.”

Accounts receivable – trade is stated net of these allowances that were $15.0 million and $8.8 million at December 31, 2011 and 2010, respectively. The 2011 amount includes $7.4 million related to Astra Tech. For the years ended December 31, 2011 and 2010, the Company wrote-off $1.4 million and $2.6 million, respectively, of accounts receivable that were previously reserved. The Company increased the provision for doubtful accounts by $0.5 million during 2011. In 2010, the Company reduced the provision for doubtful accounts by $0.2 million.

Additionally, notes receivable – trade is stated net of these allowances that were $0.9 million and $0.8 million at December 31, 2011 and 2010, respectively. The Company recorded provisions for doubtful accounts on notes receivable – trade of $1.0 million for 2011 and $0.7 million for 2010. Additionally, the Company wrote-off $0.9 million in 2011.

Inventories

Inventories are stated at the lower of cost or market. At December 31, 2011 and 2010, the cost of $7.1 million, or 2.0%, and $6.9 million, or 2.2%, respectively, of inventories was determined by the last in, first-out (“LIFO”) method. The cost of other inventories was determined by the first-in, first-out (“FIFO”) or average cost methods. The Company establishes reserves for inventory estimated to be obsolete or unmarketable equal to the difference between the cost of inventory and estimated market value based upon assumptions about future demand and market conditions.

If the FIFO method had been used to determine the cost of LIFO inventories, the amounts at which net inventories are stated would be higher than reported at December 31, 2011 and 2010 by $5.6 million and $4.9 million, respectively.

Valuation of Goodwill and Other Long-Lived Assets

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

Goodwill

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

resulting charge is determined by recalculating goodwill through a hypothetical purchase price allocation of the fair value and reducing the current carrying value to the extent it exceeds the recalculated goodwill.

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

Indefinite-Lived Intangible Assets

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

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

Identifiable Definite-Lived Intangible Assets

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

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

Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation. Except for leasehold improvements, depreciation for financial reporting purposes is computed by the straight-line method over the following estimated useful lives: buildings - generally 40 years and machinery and equipment - 4 to 15 years. The cost of leasehold improvements is amortized over the shorter of the estimated useful life or the term of the lease. Maintenance and repairs are expensed as incurred to the statement of operations; replacements and major improvements are capitalized. These assets groups are reviewed for impairment whenever events or circumstances suggest that the carrying amount of the asset group may not be recoverable. Impairment is based upon an evaluation of the identifiable undiscounted cash flows. If impaired, the resulting charge reflects the excess of the asset group’s carrying cost over its fair value.

Marketable Securities

The Company's marketable securities consist of debt instruments that are classified as available-for-sale in “Other noncurrent assets, net” on the consolidated balance sheets as the instruments mature in December 2015. The Company determined the appropriate classification at the time of purchase and will re-evaluate such designation as of each

balance sheet date. In addition, the Company reviews the securities each quarter for indications of possible impairment. Once identified, the determination of whether the impairment is temporary or other-than-temporary requires significant judgment. The primary factors that the Company considers in classifying the impairment include the extent and time the fair value of each investment has been below cost and the existence of a credit loss. If a decline in fair value is judged other-than-temporary, the basis of the securities is written down to fair value and the amount of the write-down is included as a realized loss.

Derivative Financial Instruments

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

The Company employs derivative financial instruments to hedge certain anticipated transactions, firm commitments, and

assets and liabilities denominated in foreign currencies. Additionally, the Company utilizes interest rate swaps to convert floating rate debt to fixed rate, fixed rate debt to floating rate, cross currency basis swaps to convert debt denominated in one currency to another currency, and commodity swaps to fix its variable raw materials costs.

Pension and Other Postretirement Benefits

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

Accruals for Self-Insured Losses

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

Litigation

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

Accumulated Other Comprehensive Income

AOCI includes foreign currency translation adjustments related to the Company's foreign subsidiaries, net of the related changes in certain financial instruments hedging these foreign currency investments. In addition, changes in the Company's fair value of certain derivative financial instruments, net unrealized holding gain on available-for-sale securities and pension liability adjustments and prior service costs, net are recorded in AOCI. These changes are recorded in AOCI net of any related tax adjustments. For the years ended December 31, 2011, 2010 and 2009, these tax adjustments were $167.5 million, $158.7 million and $143.0 million, respectively, primarily related to foreign currency translation adjustments.

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

(in thousands)	December 31, 2011	2010
Foreign currency translation adjustments	$(37,216)	$170,597
Net loss on derivative financial instruments	(117,390)	(126,648)
Net unrealized holding (loss) gain on available for-sale securities	(516)	11,029
Pension liability adjustments	(33,986)	(30,822)
Foreign currency translation related to acquisition of noncontrolling interests	(1,862)	—
	$(190,970)	$24,156

The cumulative foreign currency translation adjustments included translation gains of $96.3 million and $294.6 million as of December 31, 2011 and 2010, respectively, offset by losses of $133.5 million and $124.0 million, respectively, on loans designated as hedges of net investments.

Foreign Currency Translation

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

Assets and liabilities of foreign subsidiaries are translated at foreign exchange rates on the balance sheet date; revenue and expenses are translated at the average year-to-date foreign exchange rates. The effects of these translation adjustments are reported in Equity within AOCI of the consolidated balance sheets. During the year ended December 31, 2011, the Company had losses of $9.6 million on its loans designated as hedges of net investments and translation losses of $200.1 million. During the year ended December 31, 2010, the Company had losses of $16.3 million on its loans designated as hedges of net investments and translation losses of $33.2 million.

Foreign exchange gains and losses arising from transactions denominated in a currency other than the functional currency of the entity involved and remeasurement adjustments in countries with highly inflationary economies are included in income. Net foreign exchange transaction losses of $2.9 million, $3.3 million and $0.3 million in 2011, 2010, and 2009, respectively, are included in “Other expense (income), net” on the consolidated statements of operations.

Revenue Recognition

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

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

A portion of the Company’s net sales is comprised of sales of precious metals generated through its precious metal dental alloy product offerings. As the precious metal content of the Company’s sales is largely a pass-through to

customers, the Company uses its cost of precious metal purchased as a proxy for the precious metal content of sales, as the precious metal content of sales is not separately tracked and invoiced to customers. The Company believes that it is reasonable to use the cost of precious metal content purchased in this manner since precious metal alloy sale prices are typically adjusted when the prices of underlying precious metals change. The precious metals content of sales was $205.1 million, $189.2 million and $168.7 million for 2011, 2010 and 2009, respectively.

Cost of Products Sold

Cost of products sold represents costs directly related to the manufacture and distribution of the Company’s products. Primary

costs include raw materials, packaging, direct labor, overhead, shipping and handling, warehousing and the depreciation of manufacturing, warehousing and distribution facilities. Overhead and related expenses include salaries, wages, employee benefits, utilities, lease costs, maintenance and property taxes.

Warranties

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

Selling, General and Administrative Expenses

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

Research and Development Costs

Research and development (“R&D”) costs relate primarily to internal costs for salaries and direct overhead expenses. In addition, the Company contracts with outside vendors to conduct R&D activities. All such R&D costs are charged to expense when incurred. The Company capitalizes the costs of equipment that have general R&D uses and expenses such equipment that is solely for specific R&D projects. The depreciation expense related to this capitalized equipment is included in the Company’s R&D costs. R&D costs are included in “Selling, general and administrative expenses” and amounted to $66.7 million, $49.4 million and $50.3 million for 2011, 2010 and 2009, respectively.

Stock Compensation

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

Income Taxes

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

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

Earnings Per Share

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

Business Acquisitions

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

operations.

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

Equity Method Investments

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

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

The Company classifies its equity in net earnings of unconsolidated affiliates in the consolidated statements of operations under the title of "Equity in net income (loss) of unconsolidated affiliated company".

Noncontrolling Interests

The Company reports noncontrolling interest ("NCI") in a subsidiary as a separate component of Equity in the consolidated balance sheets. Additionally, the Company reports the portion of net income and comprehensive income (loss) attributed to the Company and NCI separately in the consolidated statements of operations. The Company also includes a separate column for NCI in the consolidated statements of changes in equity and comprehensive income.

Variable Interest Entities

The Company follows US GAAP accounting guidance for variable interest entities ("VIE"). The guidance includes: (1) the elimination of the exemption from consolidation for qualifying special purpose entities, (2) a new approach for determining the primary beneficiary of a VIE, which requires that the primary beneficiary have both (i) the power to control the most significant activities of the VIE and (ii) either the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE, and (3) the requirement to continually reassess who should consolidate a VIE.

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

Segment Reporting

The Company has numerous operating businesses covering a wide range of products and geographic regions, primarily serving the professional dental market. Professional dental products represented approximately 93% of sales in 2011, and 97% in both 2010 and 2009. The Company has four reportable segments and a description of the

activities of these segments is included in Note 4, Segment and Geographic Information.

Fair Value Measurement

Recurring Basis

The Company records certain financial assets and liabilities at fair value in accordance with the accounting guidance, which defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The accounting guidance establishes a hierarchal disclosure framework associated with the level of pricing observability utilized in measuring financial instruments at fair value. The three broad levels defined by the fair value hierarchy are as follows:

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

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

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

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

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

Non-Recurring Basis

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

Revision to Statement of Cash Flows

The Company revised certain items in the consolidated statements of cash flows for the three months ended March 31, 2010, six months ended June 30, 2010, nine months ended September 30, 2010 and the year ended December 31, 2010 and for the three months ended March 31, 2011, six months ended June 30, 2011 and nine months ended September 30, 2011 to correct an error in classification of settlements of certain derivative instruments designated as net investment hedges and interest payments on derivatives containing an other-than-insignificant financing element. The settlement of net investment hedges were made several times during the year ended December 31, 2010 and were reflected incorrectly in the consolidated statements of cash flows for the periods of three months ended March 31, 2010, six months ended June 30, 2010, nine months ended September 30, 2010, and full year ended December 31, 2010. Derivative instruments containing an other-than-insignificant financing element were entered into during 2009, and the payments of interest were reflected incorrectly in the consolidated statements of cash flows for each period of three months ended March 31, 2010, six months ended June 30, 2010, nine months ended September 30, 2010, full year ended December 31, 2010, three months ended March 31, 2011, six months ended June 30, 2011 and nine months ended September 30, 2011. The revisions of cash flow classifications in the consolidated statements of cash flows had no impact to the Company's consolidated statements of operations or consolidated balance sheets for any of the periods noted above. Additionally, the revisions did not impact the Company's previously issued

disclosures about compliance with respect to debt covenant calculations for any of the relevant periods. The Company has concluded that the revisions were not material to previously issued consolidated financial statements. As a result of the incorrect classification, the Company has made reclassifications to the quarterly consolidated statements of cash flows for 2011 and 2010 as follows:

(in thousands)	As Previously Reported	Revision	As Revised
Nine months ended September 30, 2011			
Net cash flows provided by operating activities	$252,145	$2,687	$254,832
Net cash provided by (used in) financing activities	1,084,637	(2,687)	1,081,950
Six months ended June 30, 2011			
Net cash flows provided by operating activities	$164,964	$1,545	$166,509
Net cash used in financing activities	(36,139)	(1,545)	(37,684)
Three months ended March 31, 2011			
Net cash flows provided by operating activities	$44,006	$723	$44,729
Net cash used in financing activities	(1,716)	(723)	(2,439)
Twelve months ended December 31, 2010			
Net cash flows provided by operating activities	$362,324	$15,137	$377,461
Net cash used in investing activities	(129,490)	(34,978)	(164,468)
Net cash used in financing activities	(101,401)	(1,635)	(103,036)
Effect of exchange rate changes on cash	(41,743)	21,476	(20,267)
Nine months ended September 30, 2010			
Net cash flows provided by operating activities	$248,890	$8,448	$257,338
Net cash used in investing activities	(51,345)	(18,568)	(69,913)
Net cash used in financing activities	(86,923)	(1,281)	(88,204)
Effect of exchange rate changes on cash	(26,727)	11,401	(15,326)
Six months ended June 30, 2010			
Net cash flows provided by operating activities	$150,468	$8,199	$158,667
Net cash used in investing activities	(27,182)	(18,568)	(45,750)
Net cash used in financing activities	(157,205)	(1,032)	(158,237)
Effect of exchange rate changes on cash	(76,082)	11,401	(64,681)
Three months ended March 31, 2010			
Net cash flows provided by operating activities	$36,544	$7,731	$44,275
Net cash used in investing activities	(15,711)	(18,568)	(34,279)
Net cash used in financing activities	(29,036)	(564)	(29,600)
Effect of exchange rate changes on cash	(37,128)	11,401	(25,727)

Reclassification of Prior Year Amounts

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

New Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board (“FASB”) amended its rules regarding the presentation of comprehensive income. The objective of this amendment is to improve the comparability, consistency and transparency of financial reporting and to increase the prominence of items reported in other comprehensive income. Specifically, this amendment requires that all non-owner changes in shareholders' equity be presented either in a

single continuous statement of comprehensive income or in two separate but consecutive statements. The new rules will become effective during interim and annual periods beginning after December 15, 2011, with the exception of the requirement to present reclassification adjustments from other comprehensive income to net income on the face of the financial statements, which has been deferred pending further deliberation by the FASB.

Because the standard only impacts the presentation of comprehensive income and does not impact what is included in comprehensive income, the standard will not have a significant impact on the Company's consolidated financial statements.

In September 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-08, “Intangibles - Goodwill and Other (Topic 350): Testing Goodwill for Impairment” (ASU 2011-08). This newly issued accounting standard is intended to reduce the cost and complexity of the annual goodwill impairment test by providing entities an option to perform a "qualitative" assessment to determine whether further impairment testing is necessary. Under the revised standard, an entity has the option to first assess qualitative factors to determine whether it is necessary to perform the current two-step impairment test. If an entity believes, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required; otherwise, no further testing is required. Prior to the issuance of the revised standard, an entity was required to perform step one of the impairment test at least annually by calculating and comparing the fair value of a reporting unit to its carrying amount. Under the revised standard, if an entity determines that step one is necessary and the fair value of the reporting unit is less than its carrying amount, then step two of the test will continue to be required to measure the amount of the impairment loss, if any. These amendments do not change the current guidance for testing other indefinite-lived intangible assets for impairment. This ASU is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The adoption of this standard will not impact the Company's financial position or results of operations.

NOTE 2 - EARNINGS PER COMMON SHARE

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

(in thousands, except for share amounts)	Net income attributable to DENTSPLY International	Shares	Earnings per common share
Year Ended December 31, 2011			
Basic	$244,520	141,386	$1.73
Incremental shares from assumed exercise of dilutive options	—	2,167	
Diluted	$244,520	143,553	$1.70