

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 1998  
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OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 0-16211

DENTSPLY International Inc.

-----  
(Exact name of registrant as specified in its charter)

Delaware

39-1434669

-----  
(State or other jurisdiction of  
incorporation or organization)

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

570 West College Avenue, P. O. Box 872, York, PA 17405-0872

-----  
(Address of principal executive offices)

(Zip Code)

(717) 845-7511

-----  
(Registrant's telephone number, including area code)

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

Yes

No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: At November 5, 1998 the Company had 52,495,539 shares of Common Stock outstanding, with a par value of \$.01 per share.

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DENTSPLY INTERNATIONAL INC.  
FORM 10-Q

For Quarter Ended September 30, 1998  
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PART I  
FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS  
DENTSPLY INTERNATIONAL INC.  
CONSOLIDATED CONDENSED BALANCE SHEETS

	(unaudited)	
	September 30,	December 31,
	1998	1997
	-----	-----

ASSETS

Current assets: (in thousands)

Cash and cash equivalents	\$ 10,262	\$ 9,848
Accounts and notes receivable-trade, net	127,439	114,366
Inventories	159,662	124,748
Prepaid expenses and other current assets	31,930	28,065
	-----	-----
Total Current Assets	329,293	277,027
Property, plant and equipment, net	159,307	147,130
Other noncurrent assets, net	20,135	13,314
Identifiable intangible assets, net	100,850	103,513
Costs in excess of fair value of net assets acquired, net	279,916	233,392
	-----	-----
Total Assets	\$ 889,501	\$ 774,376
LIABILITIES AND STOCKHOLDERS' EQUITY	=====	=====
Current liabilities:		
Accounts payable	\$ 40,091	\$ 38,942
Accrued liabilities	102,703	71,563
Income taxes payable	25,948	34,839
Notes payable and current portion of long-term debt	30,591	24,005
	-----	-----
Total Current Liabilities	199,333	169,349
Long-term debt	178,569	105,505
Deferred income taxes	30,229	27,647
Other liabilities	47,820	43,954
	-----	-----
Total Liabilities	455,951	346,455
	-----	-----
Minority interests in consolidated subsidiaries	11,456	3,988
Stockholders' equity:	-----	-----
Preferred stock, \$.01 par value; .25 million shares authorized; no shares issued	-	-
Common stock, \$.01 par value; 100 million shares authorized; 54.3 million shares issued at September 30, 1998 and 54.2 million shares issued at December 31, 1997	543	542
Capital in excess of par value	152,924	150,738
Retained earnings	330,082	301,058
Accumulated other comprehensive income	(11,049)	(16,720)
Employee stock ownership plan reserve	(8,357)	(9,497)
Treasury stock, at cost, 1.8 million shares at September 30, 1998 and .1 million shares at December 31, 1997	(42,049)	(2,188)
	-----	-----
Total Stockholders' Equity	422,094	423,933
	-----	-----
Total Liabilities and Stockholders' Equity	\$ 889,501	\$ 774,376
	=====	=====

See accompanying notes to unaudited consolidated condensed financial statements.

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DENTSPLY INTERNATIONAL INC.  
CONSOLIDATED CONDENSED STATEMENTS OF INCOME  
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1998	1997	1998	1997
	-----	-----	-----	-----
	(in thousands, except per share data)			
Net sales	\$196,995	\$172,674	\$574,827	\$523,340
Cost of products sold	93,884	84,872	272,528	256,717
	-----	-----	-----	-----

Gross profit	103,111	87,802	302,299	266,623
Selling, general and administrative expenses	71,162	57,914	203,477	176,161
Restructuring and other costs	-	-	29,000	-
	-----	-----	-----	-----
Operating income	31,949	29,888	69,822	90,462
Interest expense	4,357	3,074	11,120	9,291
Interest income	(278)	(234)	(937)	(1,125)
Other (income) expense, net	738	327	174	(1,578)
	-----	-----	-----	-----
Income before income taxes	27,132	26,721	59,465	83,874
Provision for income taxes	9,505	10,465	22,257	32,851
	-----	-----	-----	-----
Net income	\$ 17,627	\$ 16,256	\$ 37,208	\$ 51,023
	=====	=====	=====	=====

Earnings per common share:				
Basic	\$ .33	\$ .30	\$ .69	\$ .95
Diluted	\$ .33	\$ .30	\$ .69	\$ .94

Cash dividends declared per common share	\$ .05125	\$ .05125	\$ .15375	\$ .14375
--	-----------	-----------	-----------	-----------

Weighted average common shares outstanding:				
Basic	52,780	53,979	53,610	53,906
Diluted	52,936	54,282	53,902	54,183

See accompanying notes to unaudited consolidated condensed financial statements.

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DENTSPLY INTERNATIONAL INC.  
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS  
(unaudited)

	Nine Months Ended September 30,	
	1998	1997
	-----	-----
Cash flows from operating activities:		
Net income	\$ 37,208	\$ 51,023
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	13,053	11,699
Amortization	14,791	12,500
Non-cash restructuring and other costs	29,000	-
Cash expended on restructuring	(1,125)	-
Inventories	(22,320)	4,095
Other, net	(19,978)	(16,932)
	-----	-----
Net cash provided by operating activities	50,629	62,385
	-----	-----
Cash flows from investing activities:		

Acquisition of businesses, net of cash acquired	(49,943)	(77,392)
Property, plant and equipment additions	(24,925)	(23,017)
Other, net	(496)	413
	-----	-----
Net cash used in investing activities	(75,364)	(99,996)
	-----	-----
Cash flows from financing activities:		
Debt repayment	(45,092)	(66,180)
Proceeds from long-term debt	113,322	111,366
Increase (decrease) in bank overdrafts and other short-term borrowings	5,865	(2,442)
Cash paid for treasury stock	(42,049)	(928)
Other, net	(2,747)	(925)
	-----	-----
Net cash provided by financing activities	29,299	40,891
	-----	-----
Effect of exchange rate changes on cash and cash equivalents	(4,150)	(1,064)
	-----	-----
Net increase (decrease) in cash and cash equivalents	414	2,216
Cash and cash equivalents at beginning of period	9,848	5,619
	-----	-----
Cash and cash equivalents at end of period	\$ 10,262	\$ 7,835
	=====	=====
Supplemental disclosures of cash flow information:		
Interest paid	7,918	6,439
Income taxes paid	31,092	30,571
Non-cash activities:		
Liabilities assumed from acquisitions	22,885	33,163
Cancellation of loan and accounts receivable from acquired subsidiaries	-	4,310
Note receivable for inventory and fixed assets associated with arbitration ruling terminating the Implant Distribution Agreement	-	144
Non-cash implant termination costs applied against the restructuring reserve	2,770	-
Non-cash write-down of property, plant and equipment	5,973	

See accompanying notes to unaudited consolidated condensed financial statements.

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DENTSPLY INTERNATIONAL INC.  
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS, CONTINUED  
(unaudited)

In January 1998, the Company purchased the assets of Blendax Professional Dental Business ("Blendax") for \$6.1 million. In March 1998, the Company purchased the assets of InfoSoft, Inc. ("InfoSoft") for \$8.6 million. In April and May of 1998, the Company purchased a 67% majority interest in GAC ("GAC") for \$22.7 million. In May 1998, the Company purchased the capital stock of Crescent Dental Manufacturing ("Crescent") for \$5.2 million and also the capital stock of Herpo Productos Dentarios Ltda. ("Herpo") for \$7.4 million. In conjunction with the acquisitions, liabilities were assumed as follows:

	Blendax	InfoSoft	GAC	Crescent	Herpo
	-----	-----	-----	-----	-----
Estimated fair value of assets acquired	\$ 6,711	\$ 10,651	\$ 35,979	\$ 5,781	\$ 13,842
Cash paid for assets or capital stock	(6,112)	(8,618)	(22,740)	(5,214)	(7,395)
	-----	-----	-----	-----	-----
Liabilities assumed	\$ 599	\$ 2,033	\$ 13,239	\$ 567	\$ 6,447
	=====	=====	=====	=====	=====

In January 1997, the Company purchased the assets of DW Industries, Inc. ("DW")

for \$16.3 million and all of the capital stock of Laboratoire SPAD, S.A. ("SPAD") for \$36.0 million. In March 1997, the Company purchased all of the capital stock of New Image Industries, Inc. ("New Image") for \$10.9 million. In July 1997, the Company purchased certain assets of EFOS Corporation ("EFOS") for \$15.0 million and all of the capital stock of SIMFRA S.A. ("SIMFRA") for \$3.9 million. In conjunction with the acquisitions, liabilities were assumed as follows:

	DW	SPAD	New Image	EFOS	SIMFRA
	-----	-----	-----	-----	-----
Fair value of assets acquired	\$ 17,838	\$ 43,453	\$ 31,973	\$ 15,025	\$ 6,827
Cash paid for assets	(16,253)	(35,992)	(10,860)	(14,988)	(3,860)
	-----	-----	-----	-----	-----
Liabilities assumed	\$ 1,585	\$ 7,461	\$ 21,113	\$ 37	\$ 2,967
	=====	=====	=====	=====	=====

See accompanying notes to unaudited consolidated condensed financial statements.

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DENTSPLY INTERNATIONAL INC.  
CONSOLIDATED CONDENSED STATEMENT OF STOCKHOLDERS' EQUITY  
(unaudited)

(in thousands)	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income	ESOP Reserve	Treasury Stock	Total Stockholders' Equity
	-----	-----	-----	-----	-----	-----	-----
Balance at December 31, 1997	\$ 542	\$150,738	\$301,058	\$ (16,720)	\$ (9,497)	\$ (2,188)	\$423,933
Comprehensive Income:							
Net income			37,208				37,208
Other comprehensive income							
Foreign currency translation adjustments				5,671			5,671
Comprehensive Income							42,879
Exercise of stock options and warrants	1	1,308	-	-	-	2,188	3,497
Tax benefit related to stock options and warrants exercised	-	878	-	-	-	-	878
Repurchase of 1,764,000 shares of common stock	-	-	-	-	-	(42,049)	(42,049)
Net change in ESOP reserve	-	-	-	-	1,140	-	1,140
Cash dividends declared, \$.05125 per share	-	-	(8,184)	-	-	-	(8,184)
Balance at September 30, 1998	\$ 543	\$152,924	\$330,082	\$ (11,049)	\$ (8,357)	\$ (42,049)	\$422,094
	=====	=====	=====	=====	=====	=====	=====

<FN>  
See accompanying notes to unaudited consolidated condensed financial statements.  
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DENTSPLY INTERNATIONAL INC.

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

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SEPTEMBER 30, 1998

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The accompanying interim consolidated condensed financial statements reflect all adjustments (consisting only of normal recurring adjustments) which in the opinion of management are necessary for a fair presentation of financial position, results of operations and cash flows for the interim periods. These interim financial statements conform with the requirements for interim financial statements and consequently do not include all the disclosures normally required by generally accepted accounting principles. Disclosures are updated where appropriate.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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Principles of Consolidation

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The consolidated condensed financial statements include the accounts of DENTSPLY International Inc. (the "Company") and its subsidiaries. Minority interests in net income of consolidated subsidiaries are not material and are included in other (income) expense, net.

Inventories

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Inventories are stated at the lower of cost or market. At September 30, 1998 and December 31, 1997, the cost of \$17.1 million or 11% and \$14.9 million or 12%, 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 method.

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. For income tax purposes, depreciation is computed using various methods.

Derivatives

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The Company's only involvement with derivative financial instruments is forward contracts to hedge certain assets and liabilities denominated in foreign currencies, or swap agreements which convert current floating interest debt to fixed rates.

NOTE 2 - EARNINGS PER COMMON SHARE

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In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, Earnings per Share ("SFAS 128"). This Statement simplifies the standards for computing earnings per share ("EPS") and makes them comparable to international EPS standards. It replaces the presentation of primary EPS with a presentation of basic EPS and requires dual presentation of basic and diluted EPS on the face of the income statement of all entities with complex capital structures. SFAS 128 also requires a reconciliation of the numerator and denominator of the basic EPS computation to the numerator and denominator of the diluted EPS computation. As required, the Company adopted SFAS 128 in the fourth quarter of 1997; accordingly, all per share amounts have been restated to reflect basic and diluted EPS. All shares held by the DENTSPLY Employee Stock Ownership Plan are considered outstanding

and are included in the earnings per common share computation.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1998	1997	1998	1997
Basic EPS Computation	-----	-----	-----	-----
Numerator (Income)	\$17,627	\$16,256	\$37,208	\$51,023
	-----	-----	-----	-----
Denominator:				
Common shares outstanding	52,780	53,979	53,610	53,906
	-----	-----	-----	-----
Basic EPS	\$ 0.33	\$ 0.30	\$ 0.69	\$ 0.95
	=====	=====	=====	=====
Diluted EPS Computation				
Numerator (Income)	\$17,627	\$16,256	\$37,208	\$51,023
	-----	-----	-----	-----
Denominator:				
Common shares outstanding	52,780	53,979	53,610	53,906
Incremental shares from assumed exercise of dilutive options and warrants	156	303	292	277
	-----	-----	-----	-----
Total shares	52,936	54,282	53,902	54,183
	-----	-----	-----	-----
Diluted EPS	\$ 0.33	\$ 0.30	\$ 0.69	\$ 0.94
	=====	=====	=====	=====

#### NOTE 3 - BUSINESS ACQUISITIONS

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In January 1998, the Company purchased the assets of Blendax Professional Dental Business from Procter & Gamble in a cash transaction valued at approximately DM13 million or \$7 million. Blendax is a distributor doing business principally in Germany, Austria and the United Kingdom. The Blendax product line consists of rotary cutting instruments, impression materials, composite filling material and fluoride rinses and gels.

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In March 1998, the Company purchased the assets of InfoSoft Inc. for \$8.6 million. Located in White Marsh, Maryland, the primary business of InfoSoft is the development and sale of full-featured, practice management software. InfoSoft is also the number one dental practice-management claims processor in America.

In April and May of 1998, the Company purchased a 67% majority interest in GAC International Inc. for approximately \$22.7 million. Located in Islip, New York, GAC provides a full line of high quality orthodontic products.

In May 1998, the Company purchased 100% of the capital stock of Crescent Dental Manufacturing Co. for \$5.2 million. Located in Lyons, Illinois, Crescent has a diverse product offering and is one of the leading American manufacturers of prophylaxis cups and brushes, amalgamators and other professional dental equipment and supplies.

In May 1998, the Company also purchased 100% of the capital stock of Herpo Produtos Dentarios Ltda. for \$7.4 million. Located in Rio de Janeiro, Brazil, Herpo has a broad product line focusing on alginate impression materials, artificial teeth and dental anesthetics. Herpo operates several production facilities in Rio de Janeiro and Bonsucesso, Brazil, including a modern dental anesthetic production plant.



NOTE 4 - INVENTORIES

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Inventories consist of the following:

	September 30, 1998	December 31, 1997
	-----	-----
	(in thousands)	
Finished goods	\$ 86,617	\$ 63,987
Work-in-process	28,701	24,844
Raw materials and supplies	44,344	35,917
	-----	-----
	\$159,662	\$124,748
	=====	=====

Pre-tax income was \$.5 million and \$.3 million lower in the nine months ended September 30, 1998 and 1997 as a result of using the LIFO method compared to the first-in, first-out (FIFO) method. If the FIFO method had been used to determine the cost of the LIFO inventories, the amounts at which net inventory is stated would be lower than reported at September 30, 1998 and December 31, 1997 by \$.8 million and \$1.3 million, respectively.

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NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

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Property, plant and equipment consist of the following:

	September 30, 1998	December 31, 1997
	-----	-----
	(in thousands)	
Assets, at cost:		
Land	\$ 12,645	\$ 15,045
Buildings and improvements	71,366	68,009
Machinery and equipment	136,292	117,243
Construction in progress	18,877	11,856
	-----	-----
	239,180	212,153
Less: Accumulated depreciation	79,873	65,023
	-----	-----
	\$159,307	\$147,130
	=====	=====

NOTE 6 - NOTES PAYABLE AND LONG-TERM DEBT

-----

The increases from December 31, 1997 in notes payable and current portion of long-term debt (\$6.6 million) and long-term debt (\$73.0 million) were primarily due to utilization of the Company's credit facilities for the acquisition of Blendax, InfoSoft, GAC, Crescent and Herpo (see Note 3), along with the repurchase of 1.8 million shares of the Company's common stock.

NOTE 7 - COMPREHENSIVE INCOME

-----

As of January 1, 1998 the Company adopted Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income ("Statement 130"). Statement 130 establishes new rules for the reporting and display of comprehensive income and its components; however, the adoption of this Statement had no impact on the Company's net income or stockholders' equity. Statement 130 requires the Company's currency translation adjustments, which prior to adoption were

reported separately in stockholders' equity, to be included in other comprehensive income.

Total comprehensive income amounted to \$42,879 and \$42,816 for the periods ending September 30, 1998 and 1997, respectively. The following are the components of comprehensive income:

	Nine Months Ended September 30,	
	1998	1997
	-----	
	(in thousands)	
Net income	\$ 37,208	\$ 51,023
Foreign currency translation adjustments	5,671	(8,207)
	-----	
Comprehensive income	\$ 42,879	\$ 42,816
	=====	

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The component of accumulated other comprehensive income is represented by foreign currency translation adjustments as follows:

	Accumulated Other Comprehensive Income	
	September 30, 1998	December 31, 1997
	-----	
	(in thousands)	
Foreign currency translation adjustments	\$ (11,049)	\$ (16,720)
	=====	

NOTE 8 - RESTRUCTURING AND OTHER COSTS

In the second quarter of 1998, the Company recorded a pre-tax charge of \$29 million for restructuring and other costs. This charge included costs of \$26 million to rationalize and restructure the Company's worldwide laboratory business (primarily for the closure of the Company's German tooth manufacturing facility). The remaining \$3 million of the charge was recorded to cover termination costs associated with its former implant products. Included in the \$26 million restructuring charge are costs to cover severance, the write-down of property, plant and equipment, and tooth product rationalization. The principal actions involve the closure of the Company's Dreieich, Germany tooth facility and rationalization of certain tooth products in Europe, North America and Australia. The Company anticipates the restructuring will reduce production costs and increase operational efficiencies, contributing to future earnings. The restructuring results in the elimination of approximately 275 administrative and manufacturing positions, mostly in Germany. The closure of the German tooth facility should be complete by the second quarter of 1999 with benefits of the restructuring beginning to be realized by the end of 1999.

At September 30, 1998, \$26.7 million remained in the restructuring accrual. Through the third quarter 1998, the Company has paid approximately \$1.1 million for legal and professional service fees and employee related costs for the German workforce. During this same period, the reserve has also been reduced by approximately \$2.8 million for non-cash implant termination costs and approximately \$6.0 million for a non-cash write down of property, plant and equipment.

The major components of the restructuring reserve are as follows:

Severance	\$12,000
Write-down of property, plant and equipment (net)	7,000

Less non-cash reduction in reserve	(6,000)
Implant termination costs	3,000
Less non-cash reduction in reserve	(2,800)
Other	7,000
Less payments applied for closure of Dreieich, Germany facility	(1,100)
	-----
Reserve balance	\$19,100
	=====

## DENTSPLY INTERNATIONAL INC.

## Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations

Any statements released by the Company that are forward-looking, including without limitation, statements containing the words "plans", "anticipates", "believes", "expects", or words of similar import constitute forward-looking statements which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that forward-looking statements involve risks and uncertainties which may affect the Company's business and prospects, including economic, competitive, governmental, technological and other factors discussed in the Company's 1997 Form 10-K filing with the Securities and Exchange Commission under the section entitled Factors That May Affect Future Results.

## RESULTS OF OPERATIONS

## Quarter Ended September 30, 1998 Compared to Quarter Ended September 30, 1997

For the quarter ended September 30, 1998, net sales increased \$24.3 million, or 14.1%, to \$197.0 million, up from \$172.7 million in the same period of 1997. Acquisitions, net of divestitures, accounted for 9.4% of the sales growth for the quarter. Base business sales were up 4.7% with a base business sales increase of nearly 8% in the U.S., offset by a decline of 1.3% in Europe including a significant drop in sales to the Commonwealth of Independent States (C.I.S.) and a drop in German laboratory business sales, and a decline of 3.8% in the Pacific Rim and Latin America. Exchange rate fluctuations in Europe, Asia and Latin America had a negligible impact on sales in the third quarter. Sales in the Pacific Rim and Latin America were adversely impacted by the downturn in the Asian and Latin American economies and the termination of distributors in Taiwan, Korea, Colombia and Chile which have been replaced by newly established local DENTSPLY subsidiaries in the second and the third quarters of 1998. Base business sales growth in other territories was strong but was partially offset by the adverse impact of the translation effect of the strong U.S. dollar.

Gross profit increased \$15.3 million, or 17.4%, to \$103.1 million from \$87.8 million in the third quarter of 1997 as a result of higher net sales and an increase in the gross profit percentage in the third quarter of 1998. As a percentage of sales, gross profit increased from 50.8% in the third quarter of 1997 to 52.3% in the same period of 1998. Favorable product and geographical mix and operational improvements all contributed to the improved percentage.

Selling, general and administrative expenses increased \$13.2 million, or 22.9%. As a percentage of sales, expenses increased from 33.5% in the third quarter of 1997 to 36.1% for the same period of 1998. This increase resulted from a bad debt provision of \$3.0 million, principally for the customers in the C.I.S.; increased selling efforts both in the U.S. and overseas, as many of the new sales and distribution locations ramp up; worldwide cost of the new information technology installations (all locations should be year 2000 compliant by the

third quarter of 1999); and the impact from acquisitions including direct selling operations such as GAC.

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Restructuring and other costs of \$29 million were recorded in the second quarter of 1998. The major component of the charge includes costs of \$26 million to rationalize and restructure the Company's worldwide laboratory business primarily for the closure of the Company's German tooth manufacturing facility. The following costs are included in the \$26 million: severance, \$12 million; write-down of property, plant and equipment, \$7 million; and tooth discontinuance and other costs of \$7 million. The remaining \$3 million of the charge was recorded to cover termination costs associated with the Company's former implant products. At September 30, 1998, \$19.1 million remained in the restructuring accrual. Through the third quarter 1998 the Company has paid approximately \$1.1 million for legal and professional service fees, and employee related costs for the German workforce. The reserve has been reduced by approximately \$2.8 million for non-cash implant restructuring costs and approximately \$6.0 million for a non-cash write down of property, plant and equipment. The restructuring is expected to be complete by the end of 1999. The after-tax cash flow of the charge is expected to be approximately \$10-12 million, most of which should occur in 1999.

Interest expense increased \$1.3 million in the third quarter of 1998 due to increased interest expense on debt incurred to finance acquisitions and the stock repurchase program. Other expenses increased \$0.4 million in the third quarter of 1998 due primarily to unfavorable currency fluctuations in Europe, Asia and Latin America.

Income before income taxes increased \$0.4 million, or 1.5%. The effective tax rate for operations was lowered to 35.0% in the third quarter of 1998 compared to 39.2% in the third quarter of 1997 reflecting savings from federal, state and foreign tax planning activities. Net income increased \$1.4 million, or 8.4%, from the third quarter of 1997 due to higher sales and a strong gross profit margin along with a lower provision for income taxes in the third quarter of 1998 partially offset by the growth in expenses. Basic and diluted earnings per common share increased from \$.30 in 1997 to \$.33 in 1998, or 10.0%.

Nine Months Ended September 30, 1998 Compared to Nine Months Ended September 30, 1997

For the nine months ended September 30, 1998, net sales increased \$51.5 million, or 9.8%, to \$574.8 million, up from \$523.3 million in the same period of 1997. The increase resulted from strong sales growth in the United States both from base business and from acquisitions, net of divestitures. European sales increased modestly being adversely impacted by a decline in sales for the German laboratory business. Sales in the Pacific Rim and Latin America were adversely impacted by the following: the Asian and Latin American economies; the termination of distributors in Taiwan, Korea, Colombia and Chile which have been replaced by newly established local DENTSPLY subsidiaries in the second and third quarters of 1998; and the impact of a strong U.S. dollar.

Gross profit increased \$35.7 million, or 13.4%, to \$302.3 million from \$266.6 million in the first nine months of 1997. As a percentage of sales, gross profit increased from 50.9% in the first nine months of 1997 to 52.6% in the same period of 1998. Favorable product and geographical mix, operational improvements and the elimination of implant products all contributed to the improved percentage.

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Selling, general and administrative expense increased \$27.3 million, or 15.5%. As a percentage of sales, expenses increased from 33.7% in the first nine months of 1997 to 35.4% for the same period of 1998. The largest part of the percentage increase in expenses was from businesses acquired during the last twelve months; from higher expenses in the first nine months of 1998 to upgrade information systems in the United States and Europe; and from bad debt provisions, principally for customers in the C.I.S. and for the termination of distributors in countries where those distributors were replaced with local DENTSPLY

subsidiaries.

Restructuring and other costs of \$29 million were recorded in the second quarter of 1998, as previously described.

Interest expense increased \$1.8 million in the first nine months of 1998 due to interest expense on debt incurred to finance acquisitions and the stock repurchase program. Other income decreased \$1.8 million in the first nine months of 1998 due primarily to unfavorable currency fluctuations in Europe, Asia and Latin America.

Income before income taxes decreased \$24.4 million due to the \$29.0 million of restructuring and other costs. Without these costs, income before income taxes increased \$4.5 million, or 5.5%. The effective tax rate for operations was lowered to 36.7% in the first nine months of 1998 compared to 39.2% in the first nine months of 1997 reflecting improvement from tax planning activities. Net income decreased \$13.8 million due to the after tax cost of \$18.9 million for restructuring and other costs. Without these costs, net income increased \$5.1 million, or 10.0% in the first nine months of 1998 compared to 1997 due to higher sales and an improvement in gross profit percentage, and a lower effective tax rate for the company in the first nine months of 1998.

Reported basic and diluted earnings per common share were \$.69 in 1998 compared to \$.95 basic earnings per share and \$.94 diluted earnings per share in the first nine months of 1997. Earnings per share for the first nine months of 1998 included \$.35 for restructuring and other costs. Without these costs, basic earnings per common share increased from \$.95 in 1997 to \$1.04 in 1998 or 9.5% and diluted earnings per share increased from \$.94 in 1997 to \$1.04 in 1998 or 10.6%.

#### LIQUIDITY AND CAPITAL RESOURCES

Investing activities for the nine months ended September 30, 1998 include capital expenditures of \$24.9 million and acquisitions of \$49.9 million.

In January 1998, the Company acquired the assets of Blendax for approximately \$7 million. In March 1998, the Company purchased the assets of InfoSoft for \$8.6 million. In April and May of 1998, the Company purchased a 67% majority interest in GAC International Inc. for approximately \$22.7 million. In May 1998, the Company purchased 100% of the capital stock of Crescent Dental Manufacturing Co. for \$5.2 million. In May 1998, the Company also purchased 100% of the capital stock of Herpo Productos Dentarios Ltda. for \$7.4 million.

From June through September 1998, the Company repurchased 1.76 million shares of its common stock for \$42.0 million. These transactions were funded from the Company's existing loan facility along with cash flows from operations.

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The Company's current ratio was 1.7 with working capital of \$130.0 million at September 30, 1998. This compares with a current ratio of 1.6 and working capital of \$107.7 million at December 31, 1997. Working capital increased due to acquisitions and higher inventory levels as new distributor locations were added and also increased due to higher than required production in Germany. Inventory levels should improve slightly by year end.

The Company expects to be able to finance cash requirements, including capital expenditures, stock repurchases, debt service, and possible future acquisitions, from the funds generated from operations and amounts available under the existing Bank Revolving Loan Facility.

For the nine months ended September 30, 1998, cash flows from operating activities were \$50.6 million compared to \$62.4 million for the nine months ended September 30, 1997. The decrease of \$11.8 million results primarily from increases in inventories.

In July of 1998, the Company entered into interest rate swap agreements totaling \$80 million which converts the Company's variable rate financing to fixed rates.

The average fixed rate of these agreements is 5.7% and fixes the rate for an average of 5 years.

#### IMPACT OF INFLATION

The Company has generally offset the impact of inflation on wages and the cost of purchased materials by improving operating efficiencies and increasing selling prices to the extent permitted by market conditions.

#### YEAR 2000

An issue affecting DENTSPLY and all other companies is whether computer systems and applications will recognize and process data for the Year 2000 and beyond. The Year 2000 issue arose because many existing computer programs use only the last two digits to refer to a year. These computer programs do not recognize a year that begins with "20" instead of "19". The inability of many computer applications to interpret the Year 2000 correctly may cause potential business disruptions affecting all aspects of normal operations. The Year 2000 issue has global ramifications affecting not only the Company's operations but also the operations of the Company's suppliers, vendors and customers.

In 1995, the Company commenced an upgrade of its information technology ("IT") systems for all of its locations. A primary software was chosen to upgrade the Company's computerized business application systems to world class standards and also enable the Company to become Year 2000 compliant. The upgrade included necessary hardware and software improvements, training, data conversion, systems testing and implementation, and Year 2000 compliance.

Most of the identification, planning, and development phases of the Year 2000 project have been completed. The Company is in the process of implementing the information system upgrade with an anticipated completion date of mid-1999. Work has been completed on 75% of North American, Latin American and Asian systems, as well as 60% of European systems. To date, the Company has spent approximately \$10.2 million for the IT project. An additional \$5.3 million of spending is anticipated for the remainder of

1998 and 1999. These costs encompass the total upgrade of the Company's manufacturing, distribution and financial reporting systems. The Company has not deferred other IT projects due to its Year 2000 initiative, but rather, the Year 2000 initiative has been part of the upgrade of its current IT system. Possible Year 2000 issues that are not covered by the IT upgrade are being addressed separately and may require software replacement, reprogramming or other remedial action. The Company is engaged in a program to identify affected systems and applications and to develop a plan to correct any issues in the most effective manner. The Company is in the process of formulating contingency plans to the extent necessary in fiscal 1999.

The Year 2000 initiative presents a number of uncertainties including the status and planning of third parties. Since the Year 2000 initiative has many elements and consequences that cannot be foreseen, there can be no assurance that unforeseen consequences will not arise. The Company is in the process of assessing its risk regarding its vulnerability to any failures posed by significant suppliers and customers. The risk-assessment involves a company-wide initiative promoting two-way communication with suppliers and customers to determine suppliers' and customers' Year 2000 readiness and contingency planning.

The Company's Year 2000 remediation efforts along with the information system upgrade are funded from the Company's operating cash flows and its borrowing facilities. The following table contains historical and estimated future costs of the total IT system upgrade, which includes the Year 2000 initiative. Infrastructure and daily IT-related operating expenses have been excluded from the reported costs.

	Project Costs To Date -----	Anticipated Future Costs -----
	(in thousands)	
Capital Expenditures	\$ 5,974	\$ 2,618
Expenses	4,220	2,649
	-----	-----
Total	\$ 10,194 =====	\$ 5,267 =====

Item 3 - Quantitative and Qualitative Disclosures About Market Risk

Not required.

PART II  
OTHER INFORMATION

Item 1 - Legal Proceedings

DENTSPLY and its subsidiaries are from time to time parties to lawsuits arising out of their respective operations. The Company believes that pending litigation to which DENTSPLY is a party will not have a material adverse effect upon its consolidated financial position or results of operations.

In June 1995, the Antitrust Division of the United States Department of Justice initiated an antitrust investigation regarding the policies and conduct undertaken by the Company's Trubyte Division with respect to the distribution of artificial teeth and related products. This matter remains pending with the Department of Justice. It is the Company's position that the conduct and activities of the Trubyte Division do not violate federal antitrust laws.

Item 6 - Exhibits and Reports on Form 8-K

(a) Exhibits. The following exhibits are filed herewith:

----- Number	Description -----
27	Financial Data Schedule (pursuant to Item 601(c)(1)(iv) of Regulation S-K, this exhibit shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended)

(b) Reports on Form 8-K

-----  
No reports on Form 8-K were filed by the Company during the quarter ended September 30, 1998.

Signatures  
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Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.



DENTSPLY INTERNATIONAL INC.

November 11, 1998

-----  
Date

/s/ John C. Miles II

-----  
John C. Miles II  
Chairman and  
Chief Executive Officer

November 11, 1998

-----  
Date

/s/ William R. Jellison

-----  
William R. Jellison  
Senior Vice President and  
Chief Financial Officer

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EXHIBIT INDEX

Number	Description	Sequential Page No.
-----	-----	-----
27	Financial Data Schedule (pursuant to Item 601(c)(1)(iv) of Regulation S-K, this exhibit shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended)	22



<ARTICLE>

5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS OF DENTSPLY INTERNATIONAL INC. AT SEPTEMBER 30, 1998 AND FOR THE FISCAL QUARTER THEN ENDED, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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