

FORM 10-Q

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

For the quarterly period ended September 30, 2004

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 (I.R.S. Employer  
incorporation or organization) Identification No.)

221 West Philadelphia Street, 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.

( X ) Yes ( ) No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

( X ) 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, 2004 the Company had 80,687,915 shares of Common Stock outstanding, with a par value of \$.01 per share.

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FORM 10-Q

For Quarter Ended September 30, 2004

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
	(in thousands, except per share amounts)			
Net sales	\$ 390,592	\$ 375,503	\$ 1,231,298	\$ 1,141,217
Cost of products sold	191,548	191,702	614,496	576,579
Gross profit	199,044	183,801	616,802	564,638
Selling, general and administrative expenses	128,825	120,020	397,855	370,493
Restructuring and other costs (Note 9)	2,108	--	3,165	--
Operating income	68,111	63,781	215,782	194,145
Other income and expenses:				
Interest expense	6,431	6,102	18,232	18,650
Interest income	(1,235)	(377)	(3,124)	(1,003)
Other (income) expense, net	347	(1,526)	1,145	(2,601)
Income before income taxes	62,568	59,582	199,529	179,099
Provision for income taxes	16,225	19,295	58,196	57,923
Income from continuing operations	46,343	40,287	141,333	121,176
Income from discontinued operations, (Including gain on sale in the nine months ended September 30, 2004 of \$43,031) (Note 6)	340	1,027	43,225	2,623
Net income	\$ 46,683	\$ 41,314	\$ 184,558	\$ 123,799
Earnings per common share - basic (Note 3)				
Continuing operations	\$ 0.58	\$ 0.51	\$ 1.76	\$ 1.54
Discontinued operations	--	0.01	0.54	0.03
Total earnings per common share - basic	\$ 0.58	\$ 0.52	\$ 2.30	\$ 1.57
Earnings per common share - diluted (Note 3)				
Continuing operations	\$ 0.57	\$ 0.50	\$ 1.73	\$ 1.51
Discontinued operations	--	0.01	0.53	0.03
Total earnings per common share - diluted	\$ 0.57	\$ 0.51	\$ 2.26	\$ 1.54
Cash dividends declared per common share	\$ 0.05250	\$ 0.05250	\$ 0.15750	\$ 0.14450
Weighted average common shares outstanding (Note 3):				
Basic	80,495	78,999	80,304	78,712
Diluted	82,110	81,007	81,910	80,458

See accompanying notes to unaudited interim consolidated condensed financial statements.

DENTSPLY INTERNATIONAL INC. AND SUBSIDIARIES  
CONSOLIDATED CONDENSED BALANCE SHEETS  
(unaudited)

	September 30, 2004	December 31, 2003
	(in thousands)	
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 407,350	\$ 163,755
Accounts and notes receivable-trade, net	241,869	241,385
Inventories, net (Notes 1 and 7)	212,052	205,587
Prepaid expenses and other current assets	93,687	88,463
Assets held for sale (Note 6)	--	28,262
<b>Total Current Assets</b>	<b>954,958</b>	<b>727,452</b>
Property, plant and equipment, net	381,091	376,211
Identifiable intangible assets, net	237,763	246,475
Goodwill, net	958,065	963,264
Other noncurrent assets	86,160	114,736
Noncurrent assets held for sale (Note 6)	--	17,449
<b>Total Assets</b>	<b>\$ 2,618,037</b>	<b>\$ 2,445,587</b>
<b>Liabilities and Stockholders' Equity</b>		
Current Liabilities:		
Accounts payable	\$ 73,953	\$ 86,338
Accrued liabilities	163,595	172,684
Income taxes payable	55,518	26,551
Notes payable and current portion of long-term debt	22,478	21,973
Liabilities of discontinued operations (Note 6)	--	20,206
<b>Total Current Liabilities</b>	<b>315,544</b>	<b>327,752</b>
Long-term debt	781,960	790,202
Deferred income taxes	66,993	66,861
Other noncurrent liabilities	140,726	137,016
Noncurrent liabilities of discontinued operations (Note 6)	--	1,269
<b>Total Liabilities</b>	<b>1,305,223</b>	<b>1,323,100</b>
Minority interests in consolidated subsidiaries	79	418
Commitments and contingencies (Note 11)		
<b>Stockholders' Equity:</b>		
Preferred stock, \$.01 par value; .25 million shares authorized; no shares issued	--	--
Common stock, \$.01 par value; 200 million shares authorized; 81.4 million shares issued at September 30, 2004 and December 31, 2004	814	814
Capital in excess of par value	186,126	166,952
Retained earnings	1,061,497	889,601
Accumulated other comprehensive income (Note 2)	96,373	104,920
Unearned ESOP compensation	--	(380)
Treasury stock, at cost, 0.9 million shares at September 30, 2004 and 2.1 million shares at December 31, 2003	(32,075)	(39,838)
<b>Total Stockholders' Equity</b>	<b>1,312,735</b>	<b>1,122,069</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 2,618,037</b>	<b>\$ 2,445,587</b>

See accompanying notes to unaudited interim consolidated condensed financial statements.

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

	Nine Months Ended September 30,	
	2004	2003
	(in thousands)	
Cash flows from operating activities:		
Income from continuing operations	\$ 141,333	\$ 121,176
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	30,301	28,224
Amortization	6,282	6,590
Restructuring and other costs	3,165	--
Cash flows from discontinued operating activities	(1,713)	1,522
Other, net	5,132	9,291
Net cash provided by operating activities	184,500	166,803
Cash flows from investing activities:		
Capital expenditures	(36,902)	(54,280)
Acquisitions of businesses, net of cash acquired	(16,556)	(5,613)
Expenditures for identifiable intangible assets	--	(2,410)
Proceeds from sale of Gendex	102,500	--
Cash flows used in discontinued operations' investing activities	(148)	(1,229)
Other, net	(1,015)	556
Net cash provided by (used in) investing activities	47,879	(62,976)
Cash flows from financing activities:		
Payments on long-term borrowings	(571)	(50,026)
Net change in short-term borrowings	750	(1,750)
Cash paid for treasury stock	(24,799)	--
Cash dividends paid	(12,595)	(10,846)
Proceeds from exercise of stock options	35,831	13,332
Other, net	10,248	7,320
Net cash provided (used in) by financing activities	8,864	(41,970)
Effect of exchange rate changes on cash and cash equivalents	2,352	3,501
Net increase in cash and cash equivalents	243,595	65,358
Cash and cash equivalents at beginning of period	163,755	25,652
Cash and cash equivalents at end of period	\$ 407,350	\$ 91,010

See accompanying notes to unaudited interim consolidated condensed financial statements.

DENTSPLY INTERNATIONAL INC.

NOTES TO UNAUDITED INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

September 30, 2004

The accompanying unaudited 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 statement of financial position, results of operations and cash flows for the interim periods. These interim financial statements conform to the requirements for interim financial statements and consequently do not include all the disclosures normally required by generally accepted accounting principles. Disclosures included in the Company's most recent Form 10-K filed March 15, 2004 are updated where appropriate.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all majority-owned subsidiaries. Intercompany accounts and transactions are eliminated in consolidation.

Inventories

Inventories are stated at the lower of cost or market. At September 30, 2004, the cost of \$10.9 million or 5% and at December 31, 2003, the cost of \$11.4 million or 6% of inventories were 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.

If the FIFO method had been used to determine the cost of the LIFO inventories, the amounts at which net inventories are stated would be higher than reported by \$1.2 million at September 30, 2004 and by \$1.0 million at December 31, 2003.

Identifiable Finite-lived Intangible Assets

Identifiable finite-lived intangible assets, which primarily consist of patents, trademarks and licensing agreements, are amortized on a straight-line basis over their estimated useful lives. These assets are reviewed for impairment whenever events or circumstances provide evidence that suggest that the carrying amount of the asset may not be recoverable. The Company performs ongoing impairment analysis on intangible assets related to new technology. Impairment is based upon an evaluation of the identifiable undiscounted cash flows. If impaired, the resulting charge reflects the excess of the asset's carrying cost over its fair value.

Goodwill and Indefinite-Lived Intangible Assets

The Company follows Statement of Financial Accounting Standards No. 142 ("SFAS 142"), "Goodwill and Other Intangible Assets" which requires that an annual impairment approach be applied to goodwill and indefinite-lived intangible assets. The Company performs annual impairment tests based upon a fair value approach rather than an evaluation of the undiscounted cash flows. If impairment is identified under SFAS 142, the resulting charge is determined by recalculating goodwill through a hypothetical purchase price allocation of the fair value and reducing the current carrying value to the extent it exceeds the recalculated goodwill. If impairment is identified on indefinite-lived intangibles, the resulting charge reflects the excess of the asset's carrying cost over its fair value. The Company's goodwill decreased by \$5.2 million during the nine months ended September 30, 2004 to \$958.1 million, which was due primarily to the effects of foreign currency translation.

The Company performed the required annual impairment tests in the second quarter of 2004 and no impairment was identified. This impairment assessment included an evaluation of 22 reporting units. In addition to minimum annual impairment tests, SFAS 142 also requires that impairment assessments be made more frequently if events or changes in circumstances indicate that the goodwill or indefinite-lived intangible assets might be impaired. As the Company learns of such changes in circumstances through periodic analysis of actual results or through the annual development of operating unit business plans in the fourth quarter of each year, for example, impairment assessments are performed as necessary.

## Derivative Financial Instruments

The Company records all derivative instruments on the balance sheet at their fair value and changes in fair value are recorded each period in current earnings or comprehensive income in accordance with Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities".

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

## Revenue Recognition

Revenue, net of related discounts and allowances, is recognized at the time of shipment in accordance with shipping terms and as title and risk of loss pass to customers. Net sales include shipping and handling costs collected from customers in connection with the sale.

The Company offers certain cash rebate programs to customers based on targeted sales increases. The Company has three primary programs which include the precious metal alloy rebate program, the Corporate general dental practices program and the Corporate group dental practices program. These rebate programs are developed to incent the customers to purchase product quantities in excess of their previous year's purchases. In accounting for these rebate programs, the Company records an accrual throughout the year as a reduction of net sales for the estimated rebate as sales take place in accordance with EITF 01-09, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)".

The Company establishes a provision recorded against revenue for product returns in instances when incorrect products or quantities are inadvertently shipped. In addition, the Company establishes provisions for costs or losses that are expected with regard to returns for which revenue has been recognized for event-driven circumstances relating to product quality issues, complaints and / or other product specific issues.

## Stock Compensation

The Company has stock-based employee compensation plans and applies the intrinsic value method in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations in accounting for these plans. Under this method, no compensation expense is recognized for fixed stock option plans, provided that the exercise price is greater than or equal to the price of the stock at the date of grant. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation", to stock-based employee compensation.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
	(in thousands, except per share amounts)			
Net income, as reported	\$ 46,683	\$ 41,314	\$ 184,558	\$ 123,799
Deduct: Stock-based employee compensation expense determined under fair value method, net of related tax	(3,345)	(2,791)	(9,817)	(8,209)
Pro forma net income	\$ 43,338	\$ 38,523	\$ 174,741	\$ 115,590
Basic earnings per common share				
As reported	\$ 0.58	\$ 0.52	\$ 2.30	\$ 1.57
Pro forma under fair value based method	\$ 0.54	\$ 0.49	\$ 2.18	\$ 1.47
Diluted earnings per common share				
As reported	\$ 0.57	\$ 0.51	\$ 2.26	\$ 1.54
Pro forma under fair value based method	\$ 0.53	\$ 0.48	\$ 2.13	\$ 1.44

NOTE 2 - COMPREHENSIVE INCOME

The components of comprehensive income, net of tax, are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
	(in thousands)			
Net income	\$ 46,683	\$ 41,314	\$ 184,558	\$ 123,799
Other comprehensive income:				
Foreign currency translation adjustments	16,689	9,888	(1,535)	58,391
Unrealized gain on available-for-sale securities	15	1,250	64	7,869
Net gain (loss) on derivative financial instruments	(2,097)	2,514	(7,076)	967
Total comprehensive income	\$ 61,290	\$ 54,966	\$ 176,011	\$ 191,026

During the quarter and the nine months ended September 30, 2004, foreign currency translation adjustments included translation gains of \$22.2 million and losses of \$5.8 million, respectively, offset by losses of \$5.5 million and gains of \$4.2 million, respectively, on the Company's loans designated as hedges of net investments. During the quarter and the nine months ended September 30, 2003, the Company had translation gains of \$24.2 million and \$87.3 million, respectively, offset by losses of \$14.3 million and \$28.9 million, respectively, on its loans designated as hedges of net investments.

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

	September 30, 2004	December 31, 2003
	(in thousands)	
Foreign currency translation adjustments	\$ 107,997	\$ 109,532
Net loss on derivative financial instruments	(10,629)	(3,553)
Unrealized gain on available-for-sale securities	215	151
Minimum pension liability	(1,210)	(1,210)
	\$ 96,373	\$ 104,920

The cumulative foreign currency translation adjustments included translation gains of \$187.2 million and \$193.0 million as of September 30, 2004 and December 31, 2003, respectively, offset by losses of \$79.2 million and \$83.5 million, respectively, on loans designated as hedges of net investments.

NOTE 3 - EARNINGS PER COMMON SHARE

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
	(in thousands, except per share amounts)			
<b>Basic Earnings Per Common Share Computation</b>				
Income from continuing operations	\$ 46,343	\$ 40,287	\$141,333	\$121,176
Income (loss) from discontinued operations	340	1,027	43,225	2,623
Net income	\$ 46,683	\$ 41,314	\$184,558	\$123,799
Common shares outstanding	80,495	78,999	80,304	78,712
Earnings per common share from continuing operations	\$ 0.58	\$ 0.51	\$ 1.76	\$ 1.54
Earnings per common share from discontinued operations	--	0.01	0.54	0.03
Total earnings per common share - basic	\$ 0.58	\$ 0.52	\$ 2.30	\$ 1.57
<b>Diluted Earnings Per Common Share Computation</b>				
Income from continuing operations	\$ 46,343	\$ 40,287	\$141,333	\$121,176
Income (loss) from discontinued operations	340	1,027	43,225	2,623
Net income	\$ 46,683	\$ 41,314	\$184,558	\$123,799
Common shares outstanding	80,495	78,999	80,304	78,712
Incremental shares from assumed exercise of dilutive options	1,615	2,008	1,606	1,746
Total shares	82,110	81,007	81,910	80,458
Earnings per common share from continuing operations	\$ 0.57	\$ 0.50	\$ 1.73	\$ 1.51
Earnings per common share from discontinued operations	--	0.01	0.53	0.03
Total earnings per common share - diluted	\$ 0.57	\$ 0.51	\$ 2.26	\$ 1.54

Options to purchase 17,000 and 53,500 shares of common stock that were outstanding during the quarters ended September 30, 2004 and 2003 were not included in the computation of diluted earnings per share since the options' exercise prices were greater than the average market price of the common shares and, therefore, the effect would be antidilutive. Antidilutive options outstanding during the nine months ended September 30, 2004 and 2003 were 85,400 and were 104,300 million, respectively.

#### NOTE 4 - BUSINESS ACQUISITIONS/DIVESTITURES

In March 2001, the Company acquired the dental injectible anesthetic assets of AstraZeneca ("AZ Assets"). The total purchase price of this transaction was composed of an initial \$96.5 million payment which was made at closing in March 2001 and a \$20 million contingency payment (including related accrued interest) associated with the first year sales of injectible dental anesthetic which was paid during the first quarter of 2002.

In a separate agreement, as amended, the Company acquired the know-how, patent and trademark rights to the non-injectible periodontal anesthetic product known as Oraqix(R) with a purchase price composed of the following: a \$2.0 million payment upon submission of a New Drug Application ("NDA") in the U.S. and a Marketing Authorization Application ("MAA") in Europe for the Oraqix(R) product under development; payments of \$6.0 million and \$2.0 million upon the approval of the NDA and MAA, respectively, for licensing rights; and a \$10.0 million prepaid royalty payment upon approval of both applications. The \$2.0 million payment related to the application filings was accrued and classified within the restructuring and other costs line item during the fourth quarter of 2001 and was paid during the first quarter of 2002. The MAA was approved in Sweden, the European Union member reference state, and the Company made the required \$2.0 million payment to AstraZeneca in the second quarter of 2003. The NDA application was approved in December 2003 and as a result the remaining payments of \$16.0 million became due and were accrued in 2003 and the payments were made in January 2004. These payments were capitalized and will be amortized over the term of the licensing agreements.

#### NOTE 5 - SEGMENT INFORMATION

The Company follows Statement of Financial Accounting Standards No. 131 ("SFAS 131"), "Disclosures about Segments of an Enterprise and Related Information". SFAS 131 establishes standards for disclosing information about reportable segments in financial statements. The Company has numerous operating businesses covering a wide range of products and geographic regions, primarily serving the professional dental market. Professional dental products represented approximately 98% of sales for the periods ended September 30, 2004 and 2003.

Operating businesses are organized into five operating groups, which have overlapping product offerings, geographical presence, customer bases, distribution channels, and regulatory oversight. In determining reportable segments, the Company considers its operating and management structure and the types of information subject to regular review by its chief operating decision-maker. The accounting policies of the segments are consistent with those described for the consolidated financial statements in the summary of significant accounting policies (see Note 1). The Company measures segment income for reporting purposes as net operating profit before restructuring, interest and taxes.

A description of the activities provided within each of the Company's five reportable segments follows:

##### Dental Consumables - U.S. and Europe/Japan/Non-Dental

This business group includes responsibility for the design, manufacturing, sales, and distribution for certain small equipment and chairside consumable products in the U.S., Germany, Scandinavia, Iberia and Eastern Europe; the design and manufacture of certain chairside consumable and laboratory products in Japan, the sales and distribution of all Company products in Japan; and the Company's non-dental business.

##### Endodontics/Professional Division Dental Consumables/Asia

This business group includes the responsibility for the design and manufacturing for endodontic products in the U.S., Switzerland and Germany; certain small equipment and chairside consumable products in the U.S.; and laboratory products in China. The business is responsible for sales and distribution of all Company products throughout Asia - except Japan; all Company endodontic products in the U.S., Canada, Switzerland, Benelux, Scandinavia, and Eastern Europe, and certain endodontic products in Germany; and certain small equipment and chairside consumable products in the U.S.

Dental Consumables - United Kingdom, France, Italy, CIS, Middle East, Africa/European Dental Laboratory Business

This business group includes responsibility for the design and manufacture of dental laboratory products in Germany and the Netherlands and the sales and distribution of these products in Europe, Eastern Europe, Middle East, Africa and the CIS. The group also has responsibility for sales and distribution of the Company's other dental products in France, United Kingdom, Italy, Middle East, Africa and the CIS.

Australia/Canada/Latin America/U.S. Pharmaceutical

This business group includes responsibility for the design, manufacture, sales and distribution of dental anesthetics in the U.S. and Brazil and chairside consumable and laboratory products in Brazil. It also has responsibility for the sales and distribution of all Company dental products sold in Australia, Canada, Latin America and Mexico.

U.S. Dental Laboratory Business/Implants/Orthodontics

This business group includes the responsibility for the design, manufacture, sales and distribution for laboratory products in the U.S. and the sales and distribution of U.S. manufactured laboratory products in certain international markets; the design, manufacture, world-wide sales and distribution of the Company's dental implant and bone generation products; and the world-wide sales and distribution of the Company's orthodontic products.

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

Generally, the Company evaluates performance of the operating groups based on the groups' operating income and net third party sales excluding precious metal content.

The following tables set forth information about the Company's operating groups for the quarters and nine month periods ended September 30, 2004 and 2003:

Third Party Net Sales

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2004	2003	2004	2003
	(in thousands)			
Dental Consumables - U.S. and Europe/ Japan/Non-dental	\$ 71,699	\$ 64,950	\$ 216,407	\$ 200,040
Endodontics/Professional Division Dental Consumables/Asia	99,901	96,003	302,878	281,503
Dental Consumables - UK, France, Italy, CIS, Middle East, Africa/European Dental Laboratory Business	101,754	102,958	353,012	322,359
Australia/Canada/Latin America/ U.S. Pharmaceutical	29,580	29,829	88,458	85,430
U.S. Dental Laboratory Business/ Implants/Orthodontics	80,668	74,907	255,314	235,737
All Other (a)	6,990	6,856	15,229	16,148
Total	\$ 390,592	\$ 375,503	\$1,231,298	\$1,141,217

Third Party Net Sales, excluding precious metal content

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2004	2003	2004	2003
	(in thousands)			
Dental Consumables - U.S. and Europe/ Japan/Non-dental	\$ 67,642	\$ 62,206	\$ 207,339	\$ 190,645
Endodontics/Professional Division Dental Consumables/Asia	98,293	95,358	298,525	279,075
Dental Consumables - UK, France, Italy, CIS, Middle East, Africa/European Dental Laboratory Business	70,334	68,719	242,449	217,394
Australia/Canada/Latin America/ U.S. Pharmaceutical	29,344	29,736	87,778	84,386
U.S. Dental Laboratory Business/ Implants/Orthodontics	72,877	65,896	226,951	206,207
All Other (a)	6,990	6,856	15,229	16,148
Total excluding Precious Metal Content	345,480	328,771	1,078,271	993,855
Precious Metal Content	45,112	46,732	153,027	147,362
Total including Precious Metal Content	\$ 390,592	\$ 375,503	\$1,231,298	\$1,141,217

Intersegment Net Sales

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2004	2003	2004	2003
	(in thousands)			
Dental Consumables - U.S. and Europe/ Japan/Non-dental	\$ 57,125	\$ 49,468	\$ 169,184	\$ 147,861
Endodontics/Professional Division Dental Consumables/Asia	39,090	37,057	120,719	116,596
Dental Consumables - UK, France, Italy, CIS, Middle East, Africa/European Dental Laboratory Business	17,969	18,949	63,646	61,090
Australia/Canada/Latin America/ U.S. Pharmaceutical	8,130	8,273	27,567	23,895
U.S. Dental Laboratory Business/ Implants/Orthodontics	8,438	7,167	23,949	24,294
All Other (a)	35,007	35,544	116,939	115,425
Eliminations	(165,759)	(156,458)	(522,004)	(489,161)
Total	\$ --	\$ --	\$ --	\$ --

Segment Operating Income

	Three Months Ended September 30, 2004		Nine Months Ended September 30, 2004	
	2003	2003	2003	2003
	(in thousands)			
Dental Consumables - U.S. and Europe/ Japan/Non-dental	\$ 20,477	\$ 17,375	\$ 61,640	\$ 52,996
Endodontics/Professional Division				
Dental Consumables/Asia	37,595	36,598	117,438	112,864
Dental Consumables - UK, France, Italy, CIS, Middle East, Africa/European Dental Laboratory Business	4,754	5,784	26,337	19,380
Australia/Canada/Latin America/ U.S. Pharmaceutical	5,114	3,479	12,045	9,614
U.S. Dental Laboratory Business/ Implants/Orthodontics	11,614	8,667	38,988	30,666
All Other (a)	(9,335)	(8,122)	(37,501)	(31,375)
Segment Operating Income	70,219	63,781	218,947	194,145
Reconciling Items:				
Restructuring and other costs	2,108	--	3,165	--
Interest Expense	6,431	6,102	18,232	18,650
Interest Income	(1,235)	(377)	(3,124)	(1,003)
Other (income) expense, net	347	(1,526)	1,145	(2,601)
Income before income taxes	\$ 62,568	\$ 59,582	\$ 199,529	\$ 179,099

Assets

	September 30, 2004	December 31, 2003
	(in thousands)	
Dental Consumables - U.S. and Europe/ Japan/Non-dental	\$ 195,037	\$ 187,248
Endodontics/Professional Division		
Dental Consumables/Asia	1,223,429	1,215,723
Dental Consumables - UK, France, Italy, CIS, Middle East, Africa/European Dental Laboratory Business	573,337	590,208
Australia/Canada/Latin America/ U.S. Pharmaceutical	290,400	256,299
U.S. Dental Laboratory Business/ Implants/Orthodontics	303,347	311,782
All Other (a)	32,487	(115,673)
Total	\$ 2,618,037	\$ 2,445,587

(a) Includes: one operating division not managed by named segments, operating expenses of two distribution warehouses not managed by named segments, Corporate and inter-segment eliminations.

NOTE 6 - DISCONTINUED OPERATIONS

On February 27, 2004, the Company sold the assets and related liabilities of the Gendex business to Danaher Corporation for \$102.5 million cash, plus the assumption of certain pension liabilities. Although the sales agreement contained a provision for a post-closing adjustment to the purchase price based on changes in certain balance sheet accounts, no such adjustments were necessary. This transaction resulted in a pre-tax gain of \$72.9 million (\$43.0 million after-tax). Gendex is a manufacturer of dental x-ray equipment and accessories and intraoral cameras. The sale of Gendex narrows the Company's product lines to focus primarily on dental consumables.

During the first quarter of the year 2004, the Company discontinued the operations of the Company's dental needle business (see Note 9).

The Gendex business and the dental needle business are distinguishable as separate components of the Company in accordance with Statement of Financial Accounting Standards No. 144 ("SFAS 144"), "Accounting for the Impairment or Disposal of Long-Lived Assets". The Gendex business and the needle business were classified as held for sale at December 31, 2003 in accordance with SFAS 144. The statements of operations and related financial statement disclosures for all prior years have been restated to present the Gendex business and needle business as discontinued operations separate from continuing operations.

Discontinued operations net revenue and income before income taxes for the periods presented were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
	(in thousands)			
Net sales	\$ (43)	\$24,918	\$17,392	\$73,340
Gain on sale of Gendex	-	-	72,943	-
Income before income taxes (including gain on sale in the nine months ended September 30, 2004)	247	1,563	73,088	4,249

NOTE 7 - INVENTORIES

Inventories consist of the following:

	September 30, 2004	December 31, 2003
	(in thousands)	
Finished goods	\$129,306	\$123,290
Work-in-process	42,118	41,997
Raw materials and supplies	40,628	40,300
	\$212,052	\$205,587

NOTE 8 - BENEFIT PLANS

The components of the net periodic benefit cost for the Company's benefit plans are as follows:

	Pension Benefits		Other Postretirement Benefits	
	Three Months Ended September 30, 2004		Three Months Ended September 30, 2003	
	(in thousands)			
Service cost	\$ 1,220	\$ 1,188	\$ 67	\$ 84
Interest cost	1,475	1,289	171	261
Expected return on plan assets	(904)	(713)	--	--
Net amortization and deferral	198	119	(55)	(95)
Net periodic benefit cost	\$ 1,989	\$ 1,883	\$ 183	\$ 250

	Pension Benefits		Other Postretirement Benefits	
	Nine Months Ended September 30, 2004		Nine Months Ended September 30, 2003	
	(in thousands)			
Service cost	\$ 3,469	\$ 3,184	\$ 202	\$ 253
Interest cost	4,424	3,846	512	783
Expected return on plan assets	(2,502)	(2,153)	--	--
Net amortization and deferral	512	356	(166)	(286)
Net periodic benefit cost	\$ 5,903	\$ 5,233	\$ 548	\$ 750

Information related to the funding of the Company's benefit plans for 2004 is as follows:

	Pension Benefits	Other Postretirement Benefits
	(in thousands)	
Actual, September 30, 2004	\$4,341	\$1,092
Projected for the remainder of the year	1,214	364
Total for year	\$5,555	\$1,456

NOTE 9 - RESTRUCTURING AND OTHER COSTS AND CHARGES

During the third quarter of 2004, the Company recorded restructuring and other costs of \$1.9 million. These costs were related to the restructuring and consolidation of the Company's European laboratory business. The primary objective of this restructuring plan is to improve operational efficiencies and to reduce costs within this business. The charge relates to severance costs for the elimination of approximately 40 administrative and manufacturing positions primarily in Germany. This plan is expected to be substantially complete by the first quarter of 2005. As of September 30, 2004, all of these positions remained to be eliminated and the full severance accrual remained outstanding.

During the fourth quarter of 2003, the Company recorded restructuring and other costs of \$4.5 million. These costs were primarily related to impairment charges recorded to certain investments in emerging technologies. The products related to these technologies were abandoned and therefore these assets were no longer viewed as being recoverable. In addition, certain costs were associated with the restructuring or consolidation of the Company's operations, primarily its U.S. laboratory businesses and the closure of its European central warehouse in Nijmegen, The Netherlands. Included in this charge were severance costs of \$0.9 million, lease/contract termination costs of \$0.6 million and intangible and other asset impairment charges of \$3.0 million. In addition, during the quarter and the nine months ended September 30, 2004, the Company recorded charges of \$0.2 million and \$1.3 million, respectively, for additional severance, lease termination and other restructuring costs incurred during the periods related to this plan. This restructuring plan will result in the elimination of approximately 65 administrative and manufacturing positions primarily in the United States, 12 of which remain to be eliminated as of September 30, 2004. Certain of these positions will need to be replaced at the consolidated site and therefore the net reduction in positions is expected to be approximately 25. This plan is expected to be substantially complete by December 31, 2004. The major components of these charges and the remaining outstanding balances at September 30, 2004 are as follows:

	2003 Provisions	Amounts Applied 2003	2004 Provisions (in thousands)	Amounts Applied 2004	Balance September 30, 2004
Severance	\$ 908	\$ (49)	\$ 444	\$ (989)	\$ 314
Lease/contract terminations	562	(410)	82	(180)	54
Other restructuring costs	27	(27)	784	(784)	--
Intangible and other asset impairment charges	3,000	(3,000)	--	--	--
	\$ 4,497	\$ (3,486)	\$ 1,310	\$ (1,953)	\$ 368

During the second quarter of 2002, the Company recorded a charge of \$1.7 million for restructuring and other costs. The charge primarily related to the elimination of duplicative functions created as a result of combining the Company's Ceramed and U.S. Friadent divisions. Included in this charge were severance costs of \$0.6 million, lease/contract termination costs of \$0.9 million and \$0.2 million of impairment charges on fixed assets that will be disposed of as a result of the restructuring plan. This restructuring plan resulted in the elimination of approximately 35 administrative and manufacturing positions in the United States and was substantially complete as of December 31, 2002.

As part of combining Austenal with the Company in 2002, \$4.4 million of liabilities were established through purchase accounting for the restructuring of the acquired company's operations, primarily in the United States and Germany. Included in this liability were severance costs of \$2.9 million, lease/contract termination costs of \$1.4 million and other restructuring costs of \$0.1 million. During 2003, the Company reversed a total of \$1.1 million, which was recorded to goodwill, as a change in estimate as it determined the costs to complete the plan were lower than originally estimated. This restructuring plan included the elimination of approximately 75 administrative and manufacturing positions in the United States and Germany. This plan was substantially complete at March 31, 2004.

The major components of the 2002 restructuring charges and the amounts recorded through purchase price accounting and the remaining outstanding balances at September 30, 2004 are as follows:

	2002 Provisions	Amounts Recorded Through Purchase Accounting	Amounts Applied 2002	Change in Estimate 2002 (in thousands)	Amounts Applied 2003	Change in Estimate Recorded Through Purchase Accounting 2003	Amounts Applied 2004	Balance September 30, 2004
Severance	\$ 541	\$ 2,927	\$ (530)	\$ (164)	\$ (988)	\$ (878)	\$ (575)	\$ 333
Lease/contract terminations	895	1,437	(500)	120	(665)	(245)	(351)	691
Other restructuring costs	38	60	(60)	(36)	--	--	--	2
Fixed asset impairment charges	195	--	(195)	--	--	--	--	--
	\$ 1,669	\$ 4,424	\$ (1,285)	\$ (80)	\$ (1,653)	\$ (1,123)	\$ (926)	\$ 1,026

During the fourth quarter 2003, the Company made the decision to discontinue the operations of its dental needle business. The business consists of one manufacturing location which ceased operations on March 31, 2004. As a result of this decision, the Company recorded a charge in the fourth quarter of 2003 of \$1.6 million as a reduction in income from discontinued operations. Included in this charge were severance costs of \$0.4 million, fixed asset impairment charges of \$0.5 million, \$0.4 million of impairment charges related to goodwill and other restructuring costs of \$0.3 million. In addition, during the nine months ended September 30, 2004, the Company recorded charges of \$0.4 million for additional severance, other restructuring costs and fixed asset impairment charges incurred during the period related to this closing. This plan resulted in the elimination of approximately 55 administrative and manufacturing positions in the United States. This plan was substantially complete at March 31, 2004. The major components of these charges are as follows:

	2003 Provisions	Amounts Applied 2003	2004 Provisions (in thousands)	Amounts Applied 2004	Balance September 30, 2004
Severance	\$ 405	\$ --	\$ 72	\$ (477)	\$--
Other restructuring costs	300	(300)	125	(125)	--
Fixed asset impairment charges	520	(520)	246	(246)	--
Goodwill impairment charges	360	(360)	--	--	--
	\$ 1,585	\$ (1,180)	\$ 443	\$ (848)	\$--

In the first and second quarters of 2003, the Company recorded charges and reserve reversals which represented corrections of errors from prior periods. The net after-tax impact of these corrections for the nine month period ended September 30, 2003 was a charge of \$1.3 million, included in income from continuing operations (see Note 19 of the Consolidated Financial Statements included in the Company's Form 10-K for the period ended December 31, 2003).

## NOTE 10 - DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

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

A portion of the Company's borrowings and certain inventory purchases are denominated in foreign currencies which exposes the Company to market risk associated with exchange rate movements. The Company's policy generally is to hedge major foreign currency transaction exposures through foreign exchange forward contracts. These contracts are entered into with major financial institutions thereby minimizing the risk of credit loss. In addition, the Company's investments in foreign subsidiaries are denominated in foreign currencies, which creates exposures to changes in exchange rates. The Company uses debt denominated in the applicable foreign currency as a means of hedging a portion of this risk.

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

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

### Cash Flow Hedges

The Company uses interest rate swaps to convert a portion of its variable rate debt to fixed rate debt. As of September 30, 2004, the Company has two groups of significant variable rate to fixed rate interest rate swaps. One of the groups of swaps was entered into in January 2000 and February 2001, has a notional amount totaling 180 million Swiss francs, and effectively converts the underlying variable interest rates on the debt to a fixed rate of 3.3% for a period of approximately four years. The other significant group of swaps entered into in February 2002, has notional amounts totaling 12.6 billion Japanese yen, and effectively converts the underlying variable interest rates to an average fixed rate of 1.6% for a term of ten years. As part of entering into the Japanese yen swaps in February 2002, the Company entered into reverse swap agreements with the same terms to offset 115 million of the 180 million of Swiss franc swaps. Additionally, in the third quarter of 2003, the Company exchanged the remaining portion of the Swiss franc swaps, 65 million Swiss francs, for a forward-starting variable to fixed interest rate swap. Completion of this exchange allowed the Company to pay down debt and the forward-starting interest rate swap locks in the rate of borrowing for future Swiss franc variable rate debt, that will arise upon the maturity of the Company's fixed rate Swiss franc notes in 2005, at 4.2% for a term of seven years.

The Company selectively enters into commodity price swaps to effectively fix certain variable raw material costs. In April 2004, the Company entered into a commodity price swap agreement with notional amounts totaling 80,000 troy ounces of silver bullion, used in the production of its amalgam products, to hedge forecasted purchases throughout the remainder of calendar year 2004. The average fixed rate of this agreement is \$5.95 per troy ounce. The Company generally hedges between 33% and 67% of its projected annual silver needs related to these products. Additionally, in April 2004, the Company entered into a commodity price swap agreement with notional amounts totaling 1,200 troy ounces of platinum bullion, used in the production of its impression material products, to hedge forecasted purchases throughout the remainder of calendar year 2004. The average fixed rate of this agreement is \$781.00 per troy ounce. The Company generally hedges between 33% and 67% of its projected annual platinum needs related to these products.

The Company enters into forward exchange contracts to hedge the foreign currency exposure of its anticipated purchases of certain inventory from Japan. In addition, exchange contracts are used by certain of the Company's subsidiaries to hedge intercompany inventory purchases which are denominated in non-local currencies. The forward contracts that are used in these programs mature in twelve months or less. The Company generally hedges between 33% and 67% of its anticipated purchases from the supplying locations.

#### Fair Value Hedges

The Company uses interest rate swaps to convert a portion of its fixed rate debt to variable rate debt. In December 2001, the Company issued 350 million in Eurobonds at a fixed rate of 5.75% maturing in December 2006 to partially finance the Degussa Dental acquisition. Coincident with the issuance of the Eurobonds, the Company entered into two integrated transactions: (a) an interest rate swap agreement with notional amounts totaling Euro 350 million which converted the 5.75% fixed rate Euro-denominated financing to a variable rate (based on the London Interbank Borrowing Rate ("LIBOR")) Euro-denominated financing; and (b) a cross-currency basis swap which converted this variable rate Euro-denominated financing to variable rate U.S. dollar-denominated financing.

The Euro 350 million interest rate swap agreement was designated as a fair value hedge of the Euro 350 million in fixed rate debt pursuant to SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133). In accordance with SFAS No. 133, the interest rate swap and underlying Eurobond have been marked-to-market via the income statement. As of September 30, 2004 and December 31, 2003, the accumulated fair value of the interest rate swap was \$13.4 million and \$14.1 million, respectively, and was recorded in Other Noncurrent Assets. The notional amount of the underlying Eurobond was increased by a corresponding amount at September 30, 2004 and December 31, 2003.

From inception through the first quarter of 2003, the cross-currency element of the integrated transaction was not designated as a hedge and changes in the fair value of the cross-currency element of the integrated transaction were marked-to-market in the income statement, offsetting the impact of the change in exchange rates on the Eurobonds that were also recorded in the income statement. As of September 30, 2004 and December 31, 2003, the accumulated fair value of the cross-currency element of the integrated transaction was \$37.7 million and \$56.6 million, respectively, and was recorded in Other Noncurrent Assets. The notional amount of the underlying Eurobond was increased by a corresponding amount at September 30, 2004 and December 31, 2003. See Hedges of Net Investments in Foreign Operations below for further information related to the cross-currency element of the integrated transaction.

## Hedges of Net Investments in Foreign Operations

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 long-term intercompany loans, for which settlement is not planned or anticipated in the foreseeable future 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.

At September 30, 2004 and December 31, 2003, the Company had Euro-denominated, Swiss franc-denominated and Japanese yen-denominated debt (at the parent company level) to hedge the currency exposure related to a designated portion of the net assets of its European, Swiss and Japanese subsidiaries. During 2003, the Company designated its Euro-denominated debt as a hedge of a portion of the net assets of its European subsidiaries, due to the change in the cross-currency element of the integrated transaction discussed below. At September 30, 2004 and December 31, 2003, the accumulated translation losses related to foreign currency denominated-debt included in Accumulated other comprehensive income were \$79.2 million and \$83.5 million, respectively.

In the first quarter of 2003, the Company amended the cross-currency element of the integrated transaction to realize the \$ 51.8 million of accumulated value of the cross-currency swap. The amendment eliminated the final payment (at a fixed rate of \$.90) of \$315 million by the Company in exchange for the final payment of Euro 350 million by the counterparty in return for the counterparty paying the Company LIBOR plus 4.29% for the remaining term of the agreement or approximately \$14.0 million on an annual basis. Other cash flows associated with the cross-currency element of the integrated transaction, including the Company's obligation to pay on \$315 million LIBOR plus approximately 1.34% and the counterparty's obligation to pay on Euro 350 million LIBOR plus approximately 1.47%, remained unchanged by the amendment. Additionally, the cross-currency element of the integrated transaction continues to be marked-to-market.

No gain or loss was recognized upon the amendment of the cross currency element of the integrated transaction, as the interest rate of LIBOR plus 4.29% was established to ensure that the fair value of the cash flow streams before and after amendment were equivalent.

As a result of the amendment, the Company became economically exposed to the impact of exchange rates on the final principal payment on the Euro 350 million Eurobonds, and has designated the Euro 350 million Eurobonds as a hedge of its net investments in Euro-based foreign subsidiaries. Since March 2003, the effect of currency on the net investments in Euro-based foreign subsidiaries has resulted in gains of \$52.9 million, net of the Eurobond hedge, which has been recorded as part of "Accumulated other comprehensive income".

## Other

The aggregate net fair value of the Company's derivative instruments at September 30, 2004 and December 31, 2003 was \$41.6 million and \$63.1 million, respectively.

In accordance with SFAS 52, "Foreign Currency Translation", the Company utilizes long-term intercompany loans, for which settlement is not planned or anticipated in the foreseeable future, to eliminate foreign currency transaction exposures of certain foreign subsidiaries. Net gains or losses related to these long-term intercompany loans are included in "Accumulated other comprehensive income".

NOTE 11- COMMITMENTS AND CONTINGENCIES

DENTSPLY and its subsidiaries are from time to time parties to lawsuits arising out of their respective operations. The Company believes it is unlikely that pending litigation to which DENTSPLY is a party will 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. On January 5, 1999 the Department of Justice filed a Complaint against the Company in the U.S. District Court in Wilmington, Delaware alleging that the Company's tooth distribution practices violate the antitrust laws and seeking an order for the Company to discontinue its practices. The trial in the government's case was held in April and May 2002. On August 14, 2003, the Judge entered a decision that the Company's tooth distribution practices do not violate the antitrust laws. On October 14, 2003, the Department of Justice appealed this decision to the U.S. Third Circuit Court of Appeals. Oral argument of this case in the Third Circuit was held in September 2004.

Subsequent to the filing of the Department of Justice Complaint in 1999, several private party class actions were filed based on allegations similar to those in the Department of Justice case, on behalf of laboratories, and denture patients in seventeen states who purchased Trubyte teeth or products containing Trubyte teeth. These cases were transferred to the U.S. District Court in Wilmington, Delaware. The private party suits seek damages in an unspecified amount. The Court has granted the Company's Motion on the lack of standing of the laboratory and patient class actions to pursue damage claims. The Plaintiffs in the laboratory case have appealed this decision to the Third Circuit and briefs of the parties have been submitted. Also, private party class actions on behalf of indirect purchasers were filed in California and Florida state courts. The California and Florida cases have been dismissed by the Plaintiffs following the decision by the Federal District Court Judge issued in August 2003.

On March 27, 2002, a Complaint was filed in Alameda County, California (which was transferred to Los Angeles County) by Bruce Glover, D.D.S. alleging, inter alia, breach of express and implied warranties, fraud, unfair trade practices and negligent misrepresentation in the Company's manufacture and sale of Advance(R) cement. The Complaint seeks damages in an unspecified amount for costs incurred in repairing dental work in which the Advance(R) product allegedly failed. In January 2004, the Judge entered an Order granting class certification only on the claims of breach of warranty and fraud. In general, the Class is defined as California dentists who purchased and used Advance(R) cement and were required, because of failures of the cement, to repair or reperform dental procedures. The Company challenged the certification of a class in higher courts, but such challenges have been unsuccessful. In July, the Court issued a decision that the class would be opt-in, as proposed by the Company, rather than opt-out (this means that after Notice of the class action is sent to possible class members, a party will have to determine they meet the class definition and take affirmative action in order to join the class). The Advance(R) cement product was sold from 1994 through 2000 and total sales in the United States during that period were approximately \$5.2 million. In the third quarter of 2004, the Company's insurance carrier confirmed coverage for the breach of warranty claims in this matter.

On July 13, 2004, the Company was served with a Complaint filed by 3M Innovative Properties Company in the U.S. District Court for the Western District of Wisconsin, alleging that the Company's Aquasil(R) Ultra silicone impression material, introduced in late 2002, infringes a 3M patent. 3M seeks an injunction and damages in the case and its patent expires in November 2005. The Company is defending against the 3M allegations. The trial in this matter is currently scheduled for February 2005.

DENTSPLY INTERNATIONAL INC.

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

Certain statements made by the Company, 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 materially affect the Company's business and prospects, and should be read in conjunction with the risk factors discussed herein and within the Company's Annual Report on Form 10-K for the year ended December 31, 2003.

OVERVIEW

Dentsply International Inc. is the world's largest manufacturer of professional dental products. The Company is headquartered in the United States, and operates in more than 120 other countries, principally through its foreign subsidiaries. While the United States and Europe are the Company's largest markets, the Company serves all of the major professional dental markets worldwide.

The Company monitors numerous benchmarks in evaluating its business, including: (1) internal growth in the United States, Europe and the Pacific Rim; (2) the development and introduction of innovative new products; (3) growth through acquisition; and (4) continued focus on controlling costs and enhancing efficiency. We define "internal growth" as the increase in our net sales from period to period, excluding precious metal content, the impact of changes in currency exchange rates, and the net sales, for a period of twelve months following the transaction date, of businesses that we have acquired or divested.

Management believes that an internal growth rate of 4-6% is a long-term sustainable rate for the Company. During the nine months ended September 30, 2004, the Company's overall internal growth was approximately 3.9% compared to 4.4% for the same period of 2003. Our internal growth rates in the United States and Europe, the largest dental markets in the world, were 2.6% and 4.6%, respectively during the nine months ended September 30, 2004. Our internal growth rate in all other regions during the nine months ended September 30, 2004, which represents approximately 19% of our sales, was 5.5%, due largely to strong growth in the Asian region, excluding Japan. Although a small component of our business (approximately 4% of sales), the Asian region, excluding Japan, has historically been one of the highest growth regions for the Company and management believes it represents a long-term growth opportunity for the industry and the Company. Japan represents the third largest dental market in the world behind the United States and Europe. Japan's dental market growth has been weak as it closely parallels its economic growth. The Company also views the Japanese market as an important growth opportunity, both in terms of a recovery in the Japanese economy and the opportunity to increase our market share.

Product innovation is a key component of the Company's overall growth strategy. Historically, the company has introduced in excess of twenty new products each year. Through nine months of 2004, eighteen new products have been introduced around the world and an equivalent number of new products are scheduled for introduction during the balance of the year. Specifically, in the third quarter of 2004 the Company announced the introduction of its Qraqix anesthetic gel product, a revolutionary new non-injectable anesthetic for use in scaling and root planning procedures.

New advances in technology are anticipated to have a significant influence on future products in dentistry. In anticipation of this, the company has pursued several new research and development initiatives to support this development. Specifically, earlier this year the Company entered into a five-year agreement with the Georgia Institute of Technology's Research Institute to pursue potential new advances in dentistry. In addition, we recently completed an agreement with Doxa AB to develop and commercialize products within the dental field based upon Doxa's bioactive ceramic technology. The Doxa technology is designed to induce chemical integration between the material and dentition or bone structure. These agreements are consistent with the Company's strategy of being the leading innovator in the industry.

Although the professional dental market in which the Company operates has experienced consolidation, it is still a fragmented industry. The Company continues to focus on opportunities to expand the Company's product offerings through acquisition. Management believes that there will continue to be adequate opportunities to participate as a consolidator in the industry for the foreseeable future.

The Company also remains focused on reducing costs and improving competitiveness. Management expects to continue to consolidate operations or functions and reduce the cost of those operations and functions while improving service levels. The Company believes that the benefits from these opportunities will improve the cost structure and offset areas of rising costs such as energy, benefits, regulatory oversight and compliance and financial reporting in the United States.

#### Discontinued Operations

In February 2004, the Company sold its Gendex equipment business to Danaher Corporation. Additionally, in the first quarter of 2004 the Company discontinued production of dental needles. The sale of the Gendex business and discontinuance of dental needle production have been accounted for as discontinued operations pursuant to Statement of Financial Accounting Standard No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". The results of operations for all periods presented have been restated to reclassify the results of operations for both the Gendex equipment and the dental needle businesses as discontinued operations.

#### RESULTS OF CONTINUING OPERATIONS, QUARTER ENDED SEPTEMBER 30, 2004 COMPARED TO QUARTER ENDED SEPTEMBER 30, 2003

##### Net Sales

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

As the presentation of net sales excluding precious metal content could be considered a measure not calculated in accordance with generally accepted accounting principles (a non-GAAP measure), the Company provides the following reconciliation of net sales to net sales excluding precious metal content. Our 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.

	Three Months Ended September 30,	
	2004	2003
	(in millions)	
Net Sales	\$ 390.6	\$ 375.5
Precious Metal Content of Sales	(45.1)	(46.7)
Net Sales Excluding Precious Metal Content	\$ 345.5	\$ 328.8

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 alloy products, which are used by third parties to construct crown and bridge materials. Due to the fluctuations of precious metal prices and because the precious metal content of the Company's sales is largely a pass-through to customers and has minimal effect on earnings, DENTSPLY reports sales both with and without precious metal content to show the Company's performance independent of precious metal price volatility and to enhance comparability of performance between periods. The Company uses its cost of precious metal purchased as a proxy for the precious metal content of sales, 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 generally adjusted when the prices of underlying precious metals change.

Net sales during the quarter ended September 30, 2004 increased \$15.1 million, or 4.0%, over 2003 to \$390.6 million. Net sales, excluding precious metal content, increased \$16.7 million, or 5.1%, to \$345.5 million. Sales growth, excluding precious metal content, was comprised of 1.7% internal growth and 3.4% foreign currency translation. The 1.7% internal growth was comprised of 1.6% in the United States, 0.4% in Europe and 4.0% for all other regions combined.

The internal sales growth, excluding precious metal content, in the United States was impacted by strong growth in orthodontic products, offset by lower sales in certain products within the dental consumable category including anesthetic products. Growth in the 2004 quarter was negatively impacted by the hurricane activity that occurred in the Southeast part of the United States during the period. In Europe, internal growth was primarily driven by strong growth in implant and endodontic products, offset by lower sales in the dental consumable category. The growth in Europe during the quarter was negatively impacted by lower growth in Germany which represents more than half of sales in Europe. The slow sales in Germany are believed to be the result of changes in government reimbursement that occurred effective January 1, 2004 and further changes that are anticipated as of January 1, 2005. We believe that these changes may result in lower sales in Germany in the fourth quarter of 2004 as dentists and patients defer procedures until the new reimbursement rules are effective in 2005. The internal growth of 4.0% in all other regions was largely the result of strong growth in the Asian region offset by weak growth in Latin America.

#### Gross Profit

Gross profit was \$199.0 million for the quarter ended September 30, 2004 compared to \$183.8 million in 2003, an increase of \$15.2 million, or 8.3%. Gross profit, measured against sales including precious metal content, represented 51.0% of net sales in 2004 compared to 48.9% in 2003. The gross profit for 2004, measured against sales excluding precious metal content, represented 57.6% of net sales compared to 55.9% in 2003. This margin improvement from 2003 to 2004 was due to higher average realized selling prices, new product introductions, reduced costs related to improvements in the operational side of the business and favorable mix changes.

#### Operating Expenses

Selling, general and administrative ("SG&A") expense increased \$8.8 million, or 7.3%, to \$128.8 million during the third quarter of 2004 from \$120.0 million in 2003. The 7.3% increase in expenses reflects increases for the translation impact from a weaker U.S. dollar of approximately \$4.9 million. SG&A expenses, measured against sales including precious metal content, increased to 33.0% compared to 32.0% in 2003. SG&A expenses, measured against sales excluding precious metal content, increased to 37.3% compared to 36.5% in 2003. The increase in costs as a percentage of sales was largely the result of costs related to the launch of the OraQix(R) product and additional costs related to the Sarbanes-Oxley compliance.

During the third quarter of 2004, the Company recorded restructuring and other costs of \$2.1 million. These costs were primarily related to the restructuring and consolidation of our European lab business, initiated in the third quarter of 2004. In addition, these costs were related to costs incurred in the consolidation of its U.S. laboratory businesses which was initiated in the fourth quarter of 2003.

#### Other Income and Expenses

Net interest expense and other expenses were \$5.5 million during the quarter ended September 30, 2004 compared to \$4.2 million in 2003. The 2004 period included \$5.2 million of net interest expense, \$0.1 million of currency transaction losses and \$0.2 million of other non-operating expense. The 2003 period included \$5.7 million of net interest expense, \$1.0 million of currency transaction gains and \$0.5 million of other non-operating income including an unrealized gain on the PracticeWorks warrants sold in the fourth quarter of 2003. The decrease in net interest expense was primarily due to increased interest income generated from the Company's higher cash levels.

#### Earnings

The effective tax rate decreased to 25.9% for the quarter ended September 30, 2004 from 32.4% in 2003. The 2004 period includes a benefit of \$2.9 million resulting from the resolution of certain tax matters related to prior periods. These benefits reduced the effective tax rate by 4.6% during the quarter ended September 30, 2004. The Company operates and is subject to audit in many taxing jurisdictions throughout the world. The Company makes provisions based on the expected outcome of tax assessments and audits given the best information available and adjusts such provisions upon resolution of the assessments or audits, or when additional information about the outcome is available.

Income from continuing operations increased \$6.0 million, or 15.0%, to \$46.3 million during the third quarter of 2004 from \$40.3 million in 2003. Fully diluted earnings per share from continuing operations during the 2004 period were \$0.57, an increase of 14.0% from \$0.50 in 2003. The third quarter of 2004 includes pretax charges of \$2.1 million related to restructuring activities and a reduction of income taxes of \$2.9 million related to tax matters from prior periods.

#### Discontinued Operations

In February 2004, the Company sold its Gendex equipment business to Danaher Corporation. Also in the first quarter of 2004, the Company discontinued production of dental needles. Accordingly, the Gendex equipment and needle businesses have been reported as discontinued operations for all periods presented.

The gain from discontinued operations was \$0.3 million during the quarter ended September 30, 2004 compared to income of \$1.0 million for the same period in 2003. Fully diluted earnings per share from discontinued operations was a gain of less than \$0.01 for the quarter ended September 30, 2004 and income of \$0.01 for the same period in 2003.

#### Operating Segment Results

The Company has five operating groups, managed by five Senior Vice Presidents that equate to its operating segments. 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 5 of the Consolidated Condensed Financial Statements. The management of each group is evaluated for performance and incentive compensation purposes on third party net sales, excluding precious metal content, and segment operating income.

##### Dental Consumables--U.S. and Europe/Japan/Non-dental

Net sales for this group were \$67.6 million during the quarter ended September 30, 2004, an 8.7% increase compared to \$62.2 million in 2003. Internal growth was 5.6% and currency translation added 3.1% to sales in 2004. The Japanese and Non-dental businesses in the group had the highest growth, offset by lower growth in the U.S. and European Consumable businesses.

Operating profit increased \$3.1 million during the three months ended September 30, 2004 to \$20.5 million in 2003. Sales growth (third party and inter-segment) and an improved mix of products in the U.S. and European dental consumable businesses and the leveraging of expenses in the Japanese business were the most significant contributors to the increase.

##### Endodontics/Professional Division Dental Consumables/Asia

Net sales for this group increased \$2.9 million during the three months ended September 30, 2004, or 3.1%, to \$98.3 million up from \$95.4 million in 2003. Internal growth was 1.8% and currency translation added 1.3% to 2004 sales. Sales growth was highest in the Endodontics and Asian businesses offset by lower sales in certain consumables products in the United States.

Operating profit was \$37.6 million during the quarter ended September 30, 2004, an increase of \$1.0 million from \$36.6 million in 2003. This increase was driven by sales growth in the group's Endodontics and Asian businesses. In addition, operating profit benefited from currency translation.

##### Dental Consumables--United Kingdom, France, Italy, CIS, Middle East, Africa/European Dental Laboratory Business

Net sales for this group were \$70.3 million during the quarter ended September 30, 2004, a 2.3% increase compared to \$68.7 million in 2003. Internal growth was negative 6.0% with currency translation adding 8.3%. Changes in German reimbursement programs resulted in slower sales in Germany during the 2004 quarter which was the primary driver of the negative 6% internal sales growth.

Operating profit decreased \$1.0 million during the three months ended September 30, 2004 to \$4.8 million from \$5.8 million in 2003. The reduction in operating profits was driven primarily by lower sales, particularly in the German businesses. In addition, operating profit benefited from currency translation.

#### Australia/Canada/Latin America/U.S. Pharmaceutical

Net sales for this group decreased \$0.4 million during the quarter ended September 30, 2004, or 1.3%, to \$29.3 million from \$29.7 million in 2003. The lower internal sales was attributable to the Mexican and Brazilian businesses within the Latin America group and decreases in the U.S. Pharmaceutical sales.

Operating profit was \$5.1 million during the second quarter of 2004, a \$1.6 million increase from \$3.5 million in 2003. The increase was driven by improved gross profit margins and the leveraging of overhead expenses in the International operations within the group.

#### U.S. Dental Laboratory Business/Implants/Orthodontics

Net sales for this group was \$72.9 million during the three months ended September 30, 2004, a 10.6% increase compared to \$65.9 million in 2003. Internal growth was 8.5% and currency translation added 2.1% to sales in 2004. The internal growth increase was primarily due to strong growth in the implant and orthodontics businesses.

Operating profit increased \$2.9 million during the three months ended September 30, 2004 to \$11.6 million from \$8.7 million in 2003. This increase was driven by improved sales and improved gross profit margins in the implant business as well as improved leveraging of SG&A expenses in the implant and U.S. Dental Laboratory businesses.

#### RESULTS OF CONTINUING OPERATIONS, NINE MONTHS ENDED SEPTEMBER 30, 2004 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2003

#### Net Sales

The following is a reconciliation of net sales to net sales excluding precious metal content.

	Nine Months Ended September 30,	
	2004	2003
	(in millions)	
Net Sales	\$ 1,231.3	\$ 1,141.2
Precious Metal Content of Sales	(153.0)	(147.3)
Net Sales Excluding Precious Metal Content	\$ 1,078.3	\$ 993.9

Net sales during the nine months ended September 30, 2004 increased \$90.1 million, or 7.9%, over 2003 to \$1,231.3 million. Net sales, excluding precious metal content, increased \$84.4 million, or 8.5%, to \$1,078.3 million. Sales growth, excluding precious metal content, was comprised of 3.9% internal growth and 4.6% foreign currency translation. The 3.9% internal growth was comprised of 2.6% in the United States, 4.6% in Europe and 5.5% for all other regions combined.

The internal sales growth, excluding precious metal content, in the United States was driven by growth in specialty dental products, offset by negative growth in certain products within the dental consumable category and in equipment products within the dental laboratory category. In Europe strong internal sales growth in specialty dental products was offset by flat growth in the dental consumable category. The internal growth of 5.5% in all other regions was largely the result of strong growth in the Asian region, Canada and the Middle East, offset by lower sales in Japan.

## Gross Profit

Gross profit was \$616.8 million for the nine months ended September 30, 2004 compared to \$564.6 million in 2003, an increase of \$52.2 million, or 9.2%. Gross profit, measured against sales including precious metal content, represented 50.1% of net sales in 2004 compared to 49.5% in 2003. The gross profit for 2004, measured against sales excluding precious metal content, represented 57.2% of net sales compared to 56.8% in 2003. This margin improvement from 2003 to 2004 was due to higher average realized selling prices, new product introductions and favorable mix changes, offset in part by startup costs that were incurred in the pharmaceutical plant in Chicago as the media and the stability trials were being conducted.

## Operating Expenses

Selling, general and administrative ("SG&A") expense increased \$27.4 million, or 7.4%, to \$397.9 million during the first nine months of 2004 from \$370.5 million in 2003. The 7.4% increase in expenses reflects increases for the translation impact from a weaker U.S. dollar of approximately \$19.0 million. SG&A expenses, measured against sales including precious metal content, decreased to 32.3% compared to 32.5% in 2003. SG&A expenses, as measured against sales excluding precious metal content, decreased to 36.9% compared to 37.3% in 2003. The continued leveraging of expenses was the primary reason for the percentage decrease in SG&A expenses from 2003 to 2004. The benefits of the expense leveraging were partially offset by costs related to the launch of the Oraqix(R) product and additional costs related to the Sarbanes-Oxley compliance.

During 2004, the Company recorded restructuring and other costs of \$3.2 million. These costs were largely related to the restructuring and consolidation of our European laboratory business, initiated in the third quarter of 2004. In addition, restructuring costs were incurred related to the closure of the Company's European central warehouse in Nijmegen, The Netherlands and transfer of this function to a Company-owned facility in Radolfzell, Germany, and additional charges related to the consolidation of its U.S. laboratory businesses which was initiated in the fourth quarter of 2003. The primary objective of the European laboratory plan was to improve operational efficiencies and to reduce costs within this business and is expected to be substantially complete by the first quarter of 2005. The transfer of the European warehouse was an effort to improve customer service levels and reduce costs. This relocation was substantially complete during the first quarter of 2004. The Company made the decision to consolidate the United States laboratory businesses in order to improve operational efficiencies, to broaden customer penetration and to strengthen customer service. This plan is expected to be substantially complete by the end of 2004.

The Company anticipates the remaining costs to complete these restructuring initiatives will be approximately \$1.7 million and \$1.2 million during the fourth quarter of 2004 and the first quarter of 2005, respectively, which will be expensed as the costs are incurred. These plans are projected to result in future annual expense reductions of \$3 to \$5 million when fully implemented in 2005.

## Other Income and Expenses

Net interest expense and other expenses were \$16.3 million during the nine months ended September 30, 2004 compared to \$15.0 million in 2003. The 2004 period included \$15.1 million of net interest expense, \$0.9 million of currency transaction losses and \$0.3 million of other nonoperating costs. The 2003 period included \$17.6 million of net interest expense, \$1.5 million of currency transaction gains and \$1.1 million of other nonoperating income, including an unrealized gain on the PracticeWorks warrants sold in the fourth quarter of 2003. The decrease in net interest expense was primarily due to increased interest income generated from the Company's higher cash levels.

## Earnings

The effective tax rate decreased to 29.2% for the nine months ended September 30, 2004 from 32.3% in 2003. The 2004 period includes a benefit of \$4.1 million resulting from the resolution of certain tax matters related to prior periods. These benefits reduced the effective tax rate by 2.0% during the nine months ended September 30, 2004.

Income from continuing operations increased \$20.1 million, or 16.6%, to \$141.3 million during the nine months ended September 30, 2004 from \$121.2 million in 2003. Fully diluted earnings per share from continuing operations during the 2004 period were \$1.73, an increase of 14.6% from \$1.51 in 2003. Income from continuing operations in the 2004 period includes pretax restructuring charges of \$3.2 million and reductions in income taxes of \$4.1 million related to the resolution of certain tax matters related to prior periods. Income from continuing operations in the 2003 period includes \$1.3 million of net after-tax charges to reflect the correction of errors from prior periods (see Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's Form 10-K for the period ended December 31, 2003).

## Discontinued Operations

Income from discontinued operations was \$43.2 million during the nine months ended September 30, 2004 and \$2.6 million for the same period in 2003. Fully diluted earnings per share from discontinued operations were \$0.53 and \$0.03 for the periods ended September 30, 2004 and 2003, respectively. The income from discontinued operations in 2004 was almost entirely related to the gain realized on the sale of Gendex business.

## Operating Segment Results

### Dental Consumables--U.S. and Europe/Japan/Non-dental

Net sales for this group were \$207.3 million for the nine months ended September 30, 2004, an 8.8% increase compared to \$190.6 million in 2003. Internal growth was 4.4% and currency translation added 4.4% to sales in 2004. The U.S. and European consumables businesses had the highest growth in the group, which was offset by lower sales in the Japanese market.

Operating profit increased \$8.6 million during the nine months ended September 30, 2004 to \$61.6 million from \$53.0 million in 2003. Sales growth and lower SG&A expenses as a percentage of sales were the most significant contributors to the increase. Operating profit also benefited from currency translation.

### Endodontics/Professional Division Dental Consumables/Asia

Net sales for this group increased \$19.4 million during the nine months ended September 30, 2004, or 7.0%, to \$298.5 million up from \$279.1 million in 2003. Internal sales growth was 5.4% and currency translation added 1.6% to 2004 sales. Sales growth was driven by higher sales in the Endodontics and Asian businesses.

Operating profit was \$117.4 million during the nine months ended September 30, 2004, an increase of \$4.5 million from \$112.9 million in 2003. This increase was driven by continued sales growth in the group's businesses. In addition, operating profit benefited from currency translation.

### Dental Consumables--United Kingdom, France, Italy, CIS, Middle East, Africa/European Dental Laboratory Business

Net sales for this group was \$242.4 million for the nine months ended September 30, 2004, an increase of \$25.0 million, a 11.5% increase compared to \$217.4 million in 2003. Internal growth was 1.1% and currency translation added 10.4% to sales in 2004. The sales growth was driven by the Italian, Middle East and Africa consumable businesses, offset by lower sales in the European Dental Laboratory businesses, primarily in Germany.

Operating profit increased \$6.9 million for the nine months ended September 30, 2004 to \$26.3 million from \$19.4 million in 2003. The operating profit improvement was primarily related to the sales growth and lower SG&A expenses as a percentage of sales. In addition, operating profit benefited from currency translation.

#### Australia/Canada/Latin America/U.S. Pharmaceutical

Net sales for this group increased \$3.4 million during the nine months ended September 30, 2004, or 4.0%, to \$87.8 million compared to \$84.4 million in 2003. Internal growth was negative 1.8% and currency translation added 5.8%. The lower internal sales growth was primarily driven by the U.S. Pharmaceutical and Latin American businesses offset by the sales growth of the Canadian and Australian businesses.

Operating profit was \$12.0 million during the nine months ended September 30, 2004, a \$2.4 million increase from \$9.6 million in 2003. This increase was driven by improved sales and higher margins in the international operations in the group. In addition, operating profit benefited from currency translation.

#### U.S. Dental Laboratory Business/Implants/Orthodontics

Net sales for this group was \$227.0 million for the nine months ended September 30, 2004, a 10.1% increase compared to \$206.2 million in 2003. Internal growth was 7.3% and currency translation added 2.8% to sales in 2004. The internal growth increase was primarily due to strong growth in the orthodontics and dental implants businesses, offset by slower growth in the U.S. dental laboratory business.

Operating profit increased \$8.3 million during the nine months ended September 30, 2004, to \$39.0 million from \$30.7 million in 2003. This increase was driven by improved sales of the orthodontics and dental implants businesses and lower SG&A expenses at the U.S. dental laboratory business. In addition, operating profit benefited from currency translation.

#### CRITICAL ACCOUNTING POLICIES

There have been no material changes to the Company's disclosure in its 2003 Annual Report on Form 10-K filed March 15, 2004.

#### LIQUIDITY AND CAPITAL RESOURCES

##### Nine Months Ended September 30, 2004

Cash flows from operating activities during the nine months ended September 30, 2004 were \$184.5 million compared to \$166.8 million during the same period in 2003. The increase of \$17.7 million results primarily from increased earnings versus the prior year.

Investing activities for the nine months ended September 30, 2004 include capital expenditures of \$36.9 million. The Company expects that capital expenditures will range from \$55 million to \$60 million for the full year 2004. Acquisition activity for the nine months ended September 30, 2004 was \$16.6 million which was primarily related to the final payments due to AstraZeneca upon the approval of Oraqix(R) by the Food and Drug Administration in the United States (see Note 4 to the Consolidated Condensed Financial Statements). Additionally, in February 2004, the Company completed the sale of its Gendex equipment business and received cash proceeds of \$102.5 million.

In December 2003, the Board of Directors authorized the repurchase of up to 1.0 million shares of common stock for the year ended December 31, 2004 on the open market, with authorization expiring at the end of the year. During the first nine months of 2004, the Company repurchased 540,000 shares at an average cost per share of \$45.92 and a total cost of \$24.8 million (see also Part II, Item 2 of this Form 10-Q). In addition, the Company received proceeds of \$35.8 million as a result of the exercise of 1,816,198 stock options during the nine months ended September 30, 2004.

The Company's long-term debt decreased by \$8.2 million during the nine months ended September 30, 2004 to \$782.0 million. This change included a net decrease of \$7.6 million due to exchange rate fluctuations on debt denominated in foreign currencies and changes in the value of interest rate swaps, and net repayments of \$0.6 million made during the period. During the nine months ended September 30, 2004, the Company's ratio of long-term debt to total capitalization decreased to 37.3% compared to 41.3% at December 31, 2003.

Under its multi-currency revolving credit agreement, the Company is able to borrow up to \$250 million through May 2006 ("the five-year facility") and \$125 million through May 2005 ("the 364 day facility"). The 364-day facility terminates in May 2005, but may be extended, subject to certain conditions, for additional periods of 364 days. This revolving credit agreement is unsecured and contains various financial and other covenants. The Company also has available an aggregate \$250 million under two commercial paper facilities; a \$250 million U.S. facility and a \$250 million U.S. dollar equivalent European facility ("Euro CP facility"). Under the Euro CP facility, borrowings can be denominated in Swiss francs, Japanese yen, Euros, British pounds and U.S. dollars. The multi-currency revolving credit facility serves as a back-up to these commercial paper facilities. The total available credit under the commercial paper facilities and the multi-currency facility in the aggregate is \$250 million and no debt was outstanding under the commercial paper facilities at September 30, 2004.

The Company also has access to \$75.0 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.

The Company had unused lines of credit of \$318.0 million available at September 30, 2004 subject to the Company's compliance with certain affirmative and negative covenants relating to its operations and financial condition. The most restrictive of these covenants pertain to asset dispositions, maintenance of certain levels of net worth, and prescribed ratios of indebtedness to total capital and operating income plus depreciation and amortization to interest expense. At September 30, 2004, the Company was in compliance with these covenants.

At September 30, 2004, the Company held \$63.7 million of precious metals on consignment from several financial institutions. These consignment agreements allow the Company to acquire the precious metal at 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 financing to fund an ownership position in the required precious metal inventory levels.

The Company's cash increased \$243.6 million during the nine months ended September 30, 2004 to \$407.4 million. The Company has continued to accumulate cash in 2004 rather than reduce debt due to pre-payment penalties that would be incurred in retiring debt and the related interest rate swap agreements. The Company anticipates that cash will continue to build throughout the remainder of 2004, subject to any uses of cash for acquisitions and stock purchases.

There have been no material changes to the Company's scheduled contractual cash obligations disclosed in its 2003 Annual Report on Form 10-K filed March 15, 2004. 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 funds generated from operations and amounts available under its existing credit facilities.

#### NEW ACCOUNTING PRONOUNCEMENTS

In January 2004, the Financial Accounting Standards Board ("FASB") released FASB Staff Position ("FSP") No. 106-1, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003." SFAS 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions", requires a company to consider current changes in applicable laws when measuring its postretirement benefit costs and accumulated postretirement benefit obligation. However, because of uncertainties of the effect of the provisions of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") on plan sponsors and certain accounting issues raised by the Act, FSP 106-1 allows plan sponsors to elect a one-time deferral of the accounting for the Act. The Company elected the deferral provided by FSP 106-1 to analyze the impact of the Act on prescription drug coverage provided to a limited number of retirees from one of its business units. In May 2004, FASB released FSP 106-2 "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003." This FSP provides final guidance on the accounting for the effects of the Act for employers that sponsor postretirement health care plans that provide prescription drug benefits. The FSB also requires those employers to provide certain disclosures regarding the effect of the federal subsidy provided by the Act. FSB 106-2 superceded FSB 106-1 when it became effective on July 1, 2004. The Act has not had a material impact on the Company's Postretirement benefits liabilities or on the Company's financial statements.

Item 3 - Quantitative and Qualitative Disclosures About Market Risk

There have been no significant material changes to the market risks as disclosed in the Company's Annual Report on Form 10-K filed for the year ending December 31, 2003.

Item 4 - Controls and Procedures

(a) Evaluation 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 of the end of the period covered by this report have been designed and are functioning effectively to provide reasonable assurance that the information required to be disclosed by the Company in reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. The Company believes that a controls system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

(b) Change in Internal Control over Financial Reporting

As of September 30, 2004, we are continuing our assessment of the effectiveness of our internal control procedures related to information systems access controls, financial reporting and certain entity-wide controls related to corporate governance. As of the date of this filing, we have identified deficiencies which are being remediated relating to information systems access controls, documentation of control procedures and segregation of duties. We expect to have these matters fully remediated by the end of 2004.

No changes in the Company's internal control over financial reporting occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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 it is unlikely that pending litigation to which DENTSPLY is a party will 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. On January 5, 1999 the Department of Justice filed a Complaint against the Company in the U.S. District Court in Wilmington, Delaware alleging that the Company's tooth distribution practices violate the antitrust laws and seeking an order for the Company to discontinue its practices. The trial in the government's case was held in April and May 2002. On August 14, 2003, the Judge entered a decision that the Company's tooth distribution practices do not violate the antitrust laws. On October 14, 2003, the Department of Justice appealed this decision to the U.S. Third Circuit Court of Appeals. Oral argument of this case in the Third Circuit was held in September 2004.

Subsequent to the filing of the Department of Justice Complaint in 1999, several private party class actions were filed based on allegations similar to those in the Department of Justice case, on behalf of laboratories, and denture patients in seventeen states who purchased Trubyte teeth or products containing Trubyte teeth. These cases were transferred to the U.S. District Court in Wilmington, Delaware. The private party suits seek damages in an unspecified amount. The Court has granted the Company's Motion on the lack of standing of the laboratory and patient class actions to pursue damage claims. The Plaintiffs in the laboratory case have appealed this decision to the Third Circuit and briefs of the parties have been submitted. Also, private party class actions on behalf of indirect purchasers were filed in California and Florida state courts. The California and Florida cases have been dismissed by the Plaintiffs following the decision by the Federal District Court Judge issued in August 2003.

On March 27, 2002, a Complaint was filed in Alameda County, California (which was transferred to Los Angeles County) by Bruce Glover, D.D.S. alleging, inter alia, breach of express and implied warranties, fraud, unfair trade practices and negligent misrepresentation in the Company's manufacture and sale of Advance(R) cement. The Complaint seeks damages in an unspecified amount for costs incurred in repairing dental work in which the Advance(R) product allegedly failed. In January 2004, the Judge entered an Order granting class certification only on the claims of breach of warranty and fraud. In general, the Class is defined as California dentists who purchased and used Advance(R) cement and were required, because of failures of the cement, to repair or reperform dental procedures. The Company challenged the certification of a class in higher courts, but such challenges have been unsuccessful. In July, the Court issued a decision that the class would be opt-in, as proposed by the Company, rather than opt-out (this means that after Notice of the class action is sent to possible class members, a party will have to determine they meet the class definition and take affirmative action in order to join the class). The Advance(R) cement product was sold from 1994 through 2000 and total sales in the United States during that period were approximately \$5.2 million. In the third quarter of 2004, the Company's insurance carrier confirmed coverage for the breach of warranty claims in this matter.

On July 13, 2004, the Company was served with a Complaint filed by 3M Innovative Properties Company in the U.S. District Court for the Western District of Wisconsin, alleging that the Company's Aquasil(R) Ultra silicone impression material, introduced in late 2002, infringes a 3M patent. 3M seeks an injunction and damages in the case and its patent expires in November 2005. The Company is defending against the 3M allegations. The trial in this matter is currently scheduled for February 2005.

Item 2 - Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities

In December 2003, the Board of Directors authorized the repurchase of up to 1.0 million shares of common stock for the year ended December 31, 2004 on the open market, with authorization expiring at the end of the year. During the nine months ended September 30, 2004, the Company had the following activity with respect to this repurchase program:

Period	Total Number Of Shares Purchased	Total Cost Of Shares Purchased (in thousands, except per share amounts)	Average Price Paid Per Share	Number Of Shares That May Yet Be Purchased Under The Program
January, 2004	--	\$ --	\$ --	1,000.0
February, 2004	126.5	5,413	42.79	873.5
March, 2004	148.5	6,531	43.98	725.0
April, 2004	--	--	--	725.0
May, 2004	25.5	1,222	47.92	699.5
June, 2004	75.0	3,739	49.85	624.5
July, 2004	25.0	1,225	49.00	599.5
August, 2004	139.5	6,669	47.81	460.0
September, 2004	--	--	--	460.0
	540.0	\$24,799	\$ 45.92	

Item 6 - Exhibits and Reports on Form 8-K

(a) Exhibits

- 31 Section 302 Certification Statements.
- 32 Section 906 Certification Statement.

(b) Reports on Form 8-K

On October 26, 2004, the Company filed a Form 8-K, under item 2.02, furnishing the press release issued on October 26, 2004 regarding its third quarter 2004 sales and earnings.

On November 1, 2004, the Company filed a Form 8-K, under item 2.02, furnishing a transcript of its October 27, 2004 conference call regarding the Company's discussion of its third quarter 2004 sales and earnings.

On November 5, 2004, the Company filed a Form 8-K, under item 5.02, disclosing the Company's appointment of a new Director to the Board of Directors.

Signatures

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 8, 2004  
Date

/s/ Gerald K. Kunkle, Jr.  
Gerald K. Kunkle, Jr.  
Vice Chairman and  
Chief Executive Officer

November 8, 2004  
Date

/s/ Bret W. Wise  
Bret W. Wise  
Senior Vice President and  
Chief Financial Officer

Section 302 Certifications Statement

I, Gerald K. Kunkle, Jr., certify that:

1. I have reviewed this Form 10-Q of DENTSPLY International Inc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2004

/s/ Gerald K. Kunkle, Jr.

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Vice Chairman and Chief Executive Officer

Section 302 Certifications Statement

I, Bret W. Wise, certify that:

1. I have reviewed this Form 10-Q of DENTSPLY International Inc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2004

/s/ Bret W. Wise

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Senior Vice President and Chief Financial Officer

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of DENTSPLY International Inc. (the "Company") on Form 10-Q for the period ending September 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), We, Gerald K. Kunkle, Jr., Chief Executive Officer and Vice Chairman of the Board of Directors of the Company and Bret W. Wise, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge and belief:

- (1) The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company as of the date of the Report.

/s/ Gerald K. Kunkle, Jr.  
Gerald K. Kunkle, Jr.  
Chief Executive Officer and  
Vice Chairman of the Board of Directors

/s/ Bret W. Wise  
Bret W. Wise  
Senior Vice President and  
Chief Financial Officer

November 8, 2004