

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934 For the fiscal year ended December 31, 2005
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 (IRS Employer Identification No.)
incorporation or organization)

221 West Philadelphia Street, York, Pennsylvania 17405-0872
(Address of principal executive offices) (Zip code)

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

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

Title of each class	Name of each exchange on which registered
None	Not applicable

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, par value \$.01 per share
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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

The aggregate market value of the voting common stock held by non-affiliates of the registrant computed by reference to the closing price as of the last business day of the registrants most recently completed second quarter June 30, 2005, was \$3,986,847,108.

The number of shares of the registrant's Common Stock outstanding as of the close of business on March 10, 2006 was 79,020,253.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the definitive Proxy Statement of DENTSPLY International Inc. to be used in connection with the 2006 Annual Meeting of Stockholders (the "Proxy Statement") are incorporated by reference into Part III of this Annual Report on Form 10-K to the extent provided herein. Except as specifically incorporated by reference herein the Proxy Statement is not deemed to be filed

PART I

Item 1. Business

Certain statements made by the Company, including without limitation, statements containing the words "plans", "anticipates", "believes", "expects", or words of similar import may be deemed to be forward-looking statements and 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 and uncertainties discussed within Part I of this Annual Report on Form 10-K.

History and Overview

DENTSPLY International Inc. ("DENTSPLY" or the "Company"), a Delaware corporation, was created by a merger of Dentsply International Inc. ("Old Dentsply") and GENDEX Corporation in 1993. Old Dentsply, founded in 1899, was a manufacturer and distributor of artificial teeth, dental equipment, and dental consumable products. GENDEX, founded in 1983, was a manufacturer of dental x-ray equipment and handpieces.

DENTSPLY is the world's largest designer, developer, manufacturer and marketer of a broad range of products for the dental market. The Company's worldwide headquarters and executive offices are located in York, Pennsylvania.

Through the year ended December 31, 2005, the Company operated within four operating segments all of which were primarily engaged in the design, manufacture and distribution of dental products in three principal categories: 1) Dental consumables, 2) Dental laboratory products, and 3) Specialty dental products. In January 2006, the Company reorganized its operating group structure by consolidating into three operating groups. These operating groups do not align with the three principle product categories which are discussed in the principle product section. Reporting under the new group structure will begin in the first quarter of 2006. Sales of the Company's dental products accounted for approximately 97.5% of DENTSPLY's consolidated sales for the year ended December 31, 2005. The remaining 2.5% of consolidated sales are primarily related to materials sold to the investment casting industry.

The Company conducts its business in over 120 foreign countries, principally through its foreign subsidiaries. DENTSPLY has a long-established presence in Canada and in the European market, particularly in Germany, Switzerland, France, Italy and the United Kingdom. The Company also has a significant market presence in Central and South America including Brazil, Mexico, Argentina, Colombia, and Chile; in South Africa; and in the Pacific Rim including Japan, Australia, New Zealand, China (including Hong Kong), Thailand, India, Philippines, Taiwan, Korea, Vietnam and Indonesia. DENTSPLY has also established marketing activities in Moscow, Russia to serve the countries of the former Soviet Union.

For 2005, 2004, and 2003, the Company's sales to customers outside the United States, including export sales, accounted for approximately 59%, 60% and 58%, respectively, of consolidated net sales. Reference is made to the information about the Company's United States and foreign sales by shipment origin set forth in Note 4 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K.

As a result of the Company's significant international operations, DENTSPLY is subject to fluctuations in exchange rates of various foreign currencies and other risks associated with foreign trade. The impact of currency fluctuations in any given period can be favorable or unfavorable. The impact of foreign currency fluctuations on operating income are partially offset by sales in the United States of products sourced from plants and third party suppliers located overseas, principally in Germany and Switzerland. The Company enters into forward foreign exchange contracts to selectively hedge assets, liabilities and purchases denominated in foreign currencies. Reference is made to the information regarding foreign exchange risk management activities set forth in Quantitative and Qualitative Disclosure About Market Risk under Item 7A and Note 16 of the Notes to Consolidated Financial Statements in this Annual Report on

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

Certain provisions of DENTSPLY's Certificate of Incorporation and By-laws and of Delaware law could have the effect of making it difficult for a third party to acquire control of DENTSPLY. Such provisions include the division of the Board of Directors of DENTSPLY into three classes, with the three-year term of a class expiring each year, a provision allowing the Board of Directors to issue preferred stock having rights senior to those of the common stock and certain procedural requirements which make it difficult for stockholders to amend DENTSPLY's By-laws and call special meetings of stockholders. In addition, members of DENTSPLY's management and participants in its Employee Stock Ownership Plan collectively own approximately 10% of the outstanding common stock of DENTSPLY.

Principal Products

The worldwide professional dental industry encompasses the diagnosis, treatment and prevention of disease and ailments of the teeth, gums and supporting bone. DENTSPLY's principal dental product categories are dental consumables, dental laboratory products and dental specialty products. These products are produced by the Company in the United States and internationally and are distributed throughout the world under some of the most well-established brand names and trademarks in the industry, including ANKYLOS(R), AQUASIL(TM), AQUASIL ULTRA(TM), BIOPURE(TM), CAULK(R), CAVITRON(R), CERAMCO(R), CERCON(R), CITANEST(R), DELTON(R), DENTSPLY(R), DETREY(R), ELEPHANT(R), ESTHET.X(R), FRIADENT(R), FRIALIT(R), GAC ORTHOWORKS(TM), GOLDEN GATE(R), IN-OVATION(TM), INTERACTIVE MYSTIQUE(TM), MAILLEFER(R), MIDWEST(R), NUPRO(R), ORAQIX(R), PEPGEN P-15(TM), POLOCAINE(R), PRIME & BOND(R), PROFILE(R), PROTAPER(TM), RINN(R), R&R(R), SANI-TIP(R), SEAL&PROTECT(TM), SHADEPILOT(TM), THERMAFIL(R), TRUBYTE(R), XENO(R) and XYLOCAINE(R).

Dental Consumables. Consumable products consist of dental sundries used in dental offices in the treatment of patients and small equipment used by the dental professional. DENTSPLY's products in this category include dental anesthetics, prophylaxis paste, dental sealants, impression materials, restorative materials, bone grafting materials, tooth whiteners, and topical fluoride. The Company manufactures thousands of different consumable products marketed under more than one hundred brand names. Small equipment products consist of various durable goods used in dental offices for treatment of patients. DENTSPLY's small equipment products include high and low speed handpieces, intraoral curing light systems and ultrasonic scalers and polishers. Sales of general dental consumables accounted for approximately 36% and 34% of the Company's consolidated sales for the years ended December 31, 2005 and 2004, respectively.

Dental Laboratory Products. Laboratory products are used in dental laboratories in the preparation of dental appliances. DENTSPLY's products in this category include dental prosthetics, including artificial teeth, precious metal dental alloys, dental ceramics, and crown and bridge materials. Equipment in this category includes computer aided machining (CAM) ceramics systems and porcelain furnaces. Sales of dental laboratory products accounted for approximately 28% and 33% of the Company's consolidated sales for the years ended December 31, 2005 and 2004, respectively.

Dental Specialty Products. Specialty dental products are used for specific purposes within the dental office and laboratory settings. DENTSPLY's products in this category include endodontic (root canal) instruments and materials, implants, and orthodontic appliances and accessories. Sales of specialty products accounted for approximately 34% and 31% of the Company's consolidated sales for the years ended December 31, 2005 and 2004, respectively.

Markets, Sales and Distribution

DENTSPLY distributes approximately 55% of its dental products through domestic and foreign distributors, dealers and importers. However, certain highly technical products such as precious metal dental alloys, dental ceramics, crown and bridge porcelain products, endodontic instruments and materials, orthodontic appliances, implants and bone substitute and grafting materials are sold directly to the dental laboratory or dental professional in some markets. During 2005, one customer, Henry Schein Incorporated, accounted for 11.1% percent of DENTSPLY's consolidated net sales. No other single customer represented ten percent or more of DENTSPLY's consolidated net sales during 2005 and no single customer represented ten percent or more of DENTSPLY's consolidated net sales during 2004.

Reference is made to the information about the Company's foreign and domestic operations and export sales set forth in Note 4 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K.

Although much of its sales are made to distributors, dealers, and importers, DENTSPLY focuses its marketing efforts on the dentists, dental hygienists, dental assistants, dental laboratories and dental schools who are the end users of its products. As part of this end-user "pull through" marketing approach, DENTSPLY employs approximately 1,800 highly trained, product-specific sales and technical staff to provide comprehensive marketing and service tailored to the particular sales and technical support requirements of the dealers and the end users. The Company conducts extensive distributor and end-user marketing programs and trains laboratory technicians and dentists in the proper use of its products, introducing them to the latest technological developments at its educational centers located throughout the world in key dental markets. The Company also maintains ongoing relationships with various dental associations and recognized worldwide opinion leaders in the dental field, although there is no assurance that these influential dental professionals will continue to support the Company's products.

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

The United States, Canada, Western Europe, Japan, Australia and certain other countries are highly developed markets that demand the most advanced dental procedures and products and have the highest level of expenditures on dental care. In these markets, the focus of dental care is increasingly upon preventive care and specialized dentistry. In addition to basic procedures such as the excavation and filling of cavities and tooth extraction and denture replacement, dental professionals perform an increasing volume of preventive and cosmetic procedures. These markets require varied and complex dental products, utilize sophisticated diagnostic and imaging equipment, and demand high levels of attention to protection against infection and patient cross-contamination.

In certain countries in Central America, South America, Eastern Europe, the Pacific Rim, Middle East and Africa, most dental care is often limited to the excavation and filling of cavities and other restorative techniques, reflecting more modest per capita expenditures for dental care. These markets demand diverse products such as high and low speed handpieces, restorative compounds, finishing devices, custom restorative devices, basic surgical instruments, bridgework and artificial teeth for dentures.

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

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

- o Increasing worldwide population.

- o Growth of the population 65 or older - The percentage of the United States, European, Japanese and other regions population over age 65 is expected to nearly double by the year 2030. In addition to having significant needs for dental care, the elderly are well positioned to pay for the required procedures since they control sizable amounts of discretionary income.
- o Natural teeth are being retained longer - Individuals with natural teeth are much more likely to visit a dentist in a given year than those without any natural teeth remaining.
- o The changing dental practice in the U.S. - Dentistry in North America has been transformed from a profession primarily dealing with pain, infections and tooth decay to one with increased emphasis on preventive care and cosmetic dentistry.
- o Per capita and discretionary incomes are increasing in emerging nations - As personal incomes continue to rise in the emerging nations of the Pacific Rim and Latin America, healthcare, including dental services, are a growing priority.
- o The Company's business is less susceptible than other industries to general downturns in the economies in which it operates. Several of the products the Company offers relate to dental procedures that are considered necessary by patients regardless of the economic environment.

Product Development

Technological innovation and successful product development are critical to strengthening the Company's prominent position in worldwide dental markets, maintaining its leadership positions in product categories where it has a high market share, and increasing market share in product categories where gains are possible. While many of DENTSPLY's existing products undergo evolutionary improvements, the Company also continues to successfully launch innovative products that represent fundamental change. Its research centers throughout the world employ approximately 350 scientists, Ph.D.'s, engineers, technicians and support staff dedicated to research and product development. The Company directly invested approximately 3% of net sales during the years ended December 31, 2005, 2004 and 2003, or \$47.0 million, \$44.6 million, and \$43.3 million, respectively, in connection with the development of new products and in the improvement of existing products. In addition to the direct investment in product development and improvement, the Company also invests in these activities through acquisitions, by entering into licensing agreements and by purchasing technologies developed by other third parties.

The benefits from the Company's advanced technology function, which was established in 2004 to focus on new and emerging technologies in dentistry, were evident in 2005 as discussed in the Overview section of Management's Discussion and Analysis. The continued development of this function is a critical step in meeting the Company's strategic goal of taking a leadership role in defining the future of dentistry.

There can be no assurance that DENTSPLY will be able to continue to develop innovative products or that regulatory approval of any new products will be obtained, or that if such approvals are obtained, such products will be favorably accepted in the marketplace. Additionally, there is no assurance that entirely new technology or approaches to dental treatment will not be introduced that could render the Company's current products obsolete.

Acquisition Activities

DENTSPLY believes that the dental products industry continues to experience consolidation with respect to both product manufacturing and distribution, although it continues to be fragmented creating a number of acquisition opportunities. As a result, during the past five years, the Company has made several acquisitions including three significant acquisitions made during 2001. These acquisitions included the Degussa Dental Group, Friadent GmbH and the dental injectable anaesthetic assets of AstraZeneca. In addition to these significant acquisitions, the Company has also continued to make smaller acquisitions, including a group of three orthodontic companies acquired by the Company during 2005. The Company continues to view acquisitions as a key part of its growth strategy. These acquisition activities are intended to supplement the

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

Operating and Technical Expertise

DENTSPLY believes that its manufacturing capabilities are important to its success. The manufacture of the Company's products requires substantial and varied technical expertise. Complex materials technology and processes are necessary to manufacture the Company's products. The Company continues to automate its global manufacturing operations in order to remain a low cost producer.

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

- o The Company formed Dentsply North America, which is a sales organization that effectively combines the field and sales management functions for the United States' distributor businesses.
- o A Corporate Purchasing office was established to leverage the buying power of Dentsply around the world and reduce the Company's product costs through lower prices and reduced related overhead.
- o The Company has centralized its warehousing and distribution in North America and Europe. While the initial gains from this strategy have been realized, ongoing efforts are in place to maximize additional opportunities that can be gained through improving the Company's functional expertise in supply chain management.
- o The Company considers the implementation of lean manufacturing techniques as a fundamental part of its supply chain strategy. With a focus on reducing non-value added activities, over the last decade, numerous manufacturing sites have dramatically reduced inventory levels, increased space utilization and improved labor productivity. This was accomplished while reducing manufacturing lead times and improving the Company's delivery performance to dealers and end-users.
- o DENTSPLY has seen improved productivity and cost reductions from the operation of a North American Shared Services group. As a result, the Company is currently in the process of finalizing the transition of certain processes in Europe to a Shared Services group in Yverdon, Switzerland which it expects to be fully implemented in 2006.
- o Information technology initiatives are underway to generate enhanced worldwide financial data; to standardize worldwide telecommunications; implement improved manufacturing, customer relations management (CRM) and financial accounting systems; and to train IT users to maximize the capabilities of global systems.
- o DENTSPLY continues to pursue opportunities to leverage its assets by consolidating business units where appropriate and to optimize its diversity of worldwide manufacturing capabilities.
- o DENTSPLY is in the process of developing a new business system which will provide a framework of best in class tools to help streamline decision making, gain efficiencies and accelerate internal growth by setting standards across all key areas of the business.

Financing

DENTSPLY's total long-term debt, including the current portion of long-term debt, at December 31, 2005 was \$680.9 million and the ratio of long-term debt to total capitalization was 35.4%. This capitalization ratio is down from 54.4% at December 31, 2001, the quarter in which the Degussa Dental acquisition was completed. DENTSPLY defines total capitalization as the sum of total long-term debt, including the current portion, plus total stockholders equity. DENTSPLY may incur additional debt in the future, including, but not limited to, the funding of additional acquisitions and capital expenditures. DENTSPLY's ability to make payments on its indebtedness, and to fund its operations depends on its future performance and financial results, which, to a certain extent, are subject to general economic, financial, competitive, regulatory and other factors and the interest rate environment that are beyond its control. Although Management believes that the Company has and will continue to have sufficient liquidity, there can be no assurance that DENTSPLY's business will generate sufficient cash flow from operations in the future to service its debt and operate its business.

The Company's cash decreased \$71.8 million during the year ended December 31, 2005 to \$434.5 million. In 2005, the Company repaid \$60.1 million of maturing long-term borrowings and repurchased \$164.8 million in treasury stock. The Company continued to maintain significant cash balances during 2005 rather than pre-pay debt, as a result of pre-payment penalties that would be incurred in retiring both the debt and the related interest rate swap agreements. Additionally, the Company has not repaid this debt prior to its due date due to the low cost of the debt, net of earnings on the cash. The Company has \$530.7 million of long-term borrowings coming due in 2006. The Company intends to repay these debt obligations with cash and/or funds available to the Company under the revolving credit facility. Any portion of the debt that is repaid through the use of the revolving credit facility will be contractually due in May 2010, upon the expiration of the facility, thus effectively converting the maturity of the debt beyond 2006. The Company currently intends to effectively refinance \$119.9 million of the long-term borrowings coming due in 2006 through use of the revolving credit facility.

DENTSPLY's existing borrowing documentation contains a number of covenants and financial ratios which it is required to satisfy. The most restrictive of these covenants pertain to asset dispositions, maintenance of certain levels of net worth, and prescribed ratios of indebtedness to total capital and operating income plus depreciation and amortization to interest expense. Any breach of any such covenants or restrictions would result in a default under the existing borrowing documentation that would permit the lenders to declare all borrowings under such documentation to be immediately due and payable and, through cross default provisions, would entitle DENTSPLY's other lenders to accelerate their loans. DENTSPLY may not be able to meet its obligations under its outstanding indebtedness in the event that any cross default provision is triggered. At December 31, 2005, the Company was in compliance with these covenants.

Additional information about DENTSPLY's working capital, liquidity and capital resources is provided in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report on Form 10-K.

Competition

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

The size and number of the Company's competitors vary by product line and from region to region. There are many companies that produce some, but not all, of the same types of products as those produced by the Company. Certain of DENTSPLY's competitors may have greater resources than does the Company in certain of its product offerings.

The worldwide market for dental supplies is highly competitive. There can be no assurance that the Company will successfully identify new product opportunities and develop and market new products successfully, or that new products and technologies introduced by competitors will not render the Company's products obsolete or noncompetitive.

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Regulation

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

Dental devices of the types sold by DENTSPLY are generally classified by the FDA into a category that renders them subject only to general controls that apply to all medical devices, including regulations regarding alteration, misbranding, notification, record-keeping and good manufacturing practices. DENTSPLY's facilities are subject to periodic inspection by the FDA to monitor DENTSPLY's compliance with these regulations. There can be no assurance that the FDA will not raise compliance concerns. Failure to satisfy FDA requirements can result in FDA enforcement actions, including product seizure, injunction and/or criminal or civil proceedings. In the European Union, DENTSPLY's products are subject to the medical devices laws of the various member states which are based on a Directive of the European Commission. Such laws generally regulate the safety of the products in a similar way to the FDA regulations. DENTSPLY products in Europe bear the CE sign showing that such products adhere to the European regulations.

All dental amalgam filling materials, including those manufactured and sold by DENTSPLY, contain mercury. Various groups have alleged that dental amalgam containing mercury is harmful to human health and have actively lobbied state and federal lawmakers and regulators to pass laws or adopt regulatory changes restricting the use, or requiring a warning against alleged potential risks, of dental amalgams. The FDA's Dental Devices Classification Panel, the National Institutes of Health and the United States Public Health Service have each indicated that no direct hazard to humans from exposure to dental amalgams has been demonstrated. If the FDA were to reclassify dental mercury and amalgam filling materials as classes of products requiring FDA pre-market approval, there can be no assurance that the required approval would be obtained or that the FDA would permit the continued sale of amalgam filling materials pending its determination. In Europe, in particular in Scandinavia and Germany, the contents of mercury in amalgam filling materials has been the subject of public discussion. As a consequence, in 1994 the German health authorities required suppliers of dental amalgam to amend the instructions for use for amalgam filling materials to include a precaution against the use of amalgam for children under eighteen years of age and to women of childbearing age. DENTSPLY also manufactures and sells non-amalgam dental filling materials that do not contain mercury.

Sources and Supply of Raw Materials and Finished Goods

All of the raw materials used by the Company in the manufacture of its products are purchased from various suppliers and are available from numerous sources. No single supplier accounts for a significant percentage of DENTSPLY's raw material requirements.

There are a limited number of suppliers for the dental injectable anesthetic products sold by the Company. While the Company had some supply disruptions in 2005 and anticipates some supply disruptions in 2006, the Company currently has contract manufacturing relationships for the supply of dental injectable anesthetic product for most of the markets served by the Company.

There can be no assurance that the Company will be able to obtain an adequate supply of its injectable anesthetic products in the future.

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Intellectual Property

Products manufactured by DENTSPLY are sold primarily under its own trademarks and trade names. DENTSPLY also owns and maintains more than 2,000 patents throughout the world and is licensed under a small number of patents owned by others.

DENTSPLY's policy is to protect its products and technology through patents and trademark registrations in the United States and in significant international markets for its products. The Company carefully monitors trademark use worldwide, and promotes enforcement of its patents and trademarks in a manner that is designed to balance the cost of such protection against obtaining the greatest value for the Company. DENTSPLY believes its patents and trademark properties are important and contribute to the Company's marketing position but it does not consider its overall business to be materially dependent upon any individual patent or trademark.

Employees

As of December 31, 2005, the Company and its subsidiaries employed approximately 8,000 employees. A small percentage of the Company's employees are represented by labor unions. Hourly workers at the Company's Ransom & Randolph facility in Maumee, Ohio are represented by Local No. 12 of the International Union, United Automobile, Aerospace and Agriculture Implement Workers of America under a collective bargaining agreement that expires on January 31, 2008. Hourly workers at the Company's Midwest Dental Products facility in Des Plaines, Illinois are represented by International Association of Machinists and Aerospace Workers, AFL-CIO in Chicago under a collective bargaining agreement that expires on May 31, 2006. In addition, approximately 35% of DeguDent employees and 25% of DeTrey employees, two of the Company's German operating units, are represented by labor unions. The Company provides pension and postretirement benefits to many of these employees (see Note 14 to the consolidated financial statements). The Company believes that its relationship with its employees is good.

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

Environmental Matters

DENTSPLY believes that its operations comply in all material respects with applicable environmental laws and regulations. Maintaining this level of compliance has not had, and is not expected to have, a material effect on the Company's capital expenditures or on its business.

Securities and Exchange Act Reports

DENTSPLY makes available free of charge through its website at www.dentsply.com its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after such materials are filed with or furnished to, the Securities and Exchange Commission.

The public may read and copy any materials the Company files with the SEC at its Public Reference Room at the following address:

100 F Street, NE
Washington, D.C. 20549

The public may obtain information on the operation of this Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, since the Company is an electronic filer, the public may access reports, the proxy and information statements and other information filed or furnished by the Company at the

Item 1A. Risk Factors

Following are the significant risk factors that could materially impact DENTSPLY's business. These risk factors are also discussed in more detail and in context throughout Part I, Item 1 of this Annual Report on Form 10-K.

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

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

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

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

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

DENTSPLY, with its significant international operations, is subject to fluctuations in exchange rates of various foreign currencies and other risks associated with foreign trade and the impact of currency fluctuations in any given period can be favorable or unfavorable.

DENTSPLY's business is subject to periodic review and inspection by the FDA and similar foreign authorities to monitor DENTSPLY's compliance with the regulations administered by such authorities. There can be no assurance that these authorities will not raise compliance concerns. Failure to satisfy any such requirements can result in governmental enforcement actions, including

possible product seizure, injunction and/or criminal or civil proceedings.

All dental amalgam filling materials, including those manufactured and sold by DENTSPLY, contain mercury. The FDA's Dental Devices Classification Panel, the National Institutes of Health and the United States Public Health Service have each indicated that no direct hazard to humans from exposure to dental amalgams has been demonstrated. If the FDA were to reclassify dental mercury and amalgam filling materials as classes of products requiring FDA pre-market approval, there can be no assurance that the required approval would be obtained or that the FDA would permit the continued sale of amalgam filling materials pending its determination.

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

Certain provisions of DENTSPLY's Certificate of Incorporation and By-laws and of Delaware law could have the effect of making it difficult for a third party to acquire control of DENTSPLY. Such provisions include the division of the Board of Directors of DENTSPLY into three classes, with the three-year term of a class expiring each year, a provision allowing the Board of Directors to issue preferred stock having rights senior to those of the common stock and certain procedural requirements which make it difficult for stockholders to amend DENTSPLY's By-laws and call special meetings of stockholders. In addition, members of DENTSPLY's management and participants in its Employee Stock Ownership Plan collectively own approximately 10% of the outstanding common stock of DENTSPLY.

ITEM 1B. Unresolved Staff Comments

None

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Item 2. Properties

The following is a current list of DENTSPLY's principal manufacturing and distribution locations as of December 31, 2005:

Location	Function	Leased or Owned
United States:		
Los Angeles, California (1)	Manufacture and distribution of investment casting products	Leased
Yucaipa, California (2)	Manufacture and distribution of dental laboratory products and dental ceramics	Owned
Lakewood, Colorado (2)	Manufacture and distribution of bone grafting materials and hydroxylapatite plasma-feed coating materials and distribution of dental implant products	Leased
Milford, Delaware (3)	Manufacture of consumable dental products	Owned
Des Plaines, Illinois (3)	Manufacture and assembly of dental handpieces	Leased
Elgin, Illinois (3)	Manufacture of dental x-ray film holders, film mounts and accessories	Owned
Elgin, Illinois (3)	Manufacture of dental x-ray film holders, film mounts and accessories	Leased
Maumee, Ohio (1)	Manufacture and distribution of investment casting products	Owned
York, Pennsylvania (2)	Manufacture and distribution of artificial teeth and other dental laboratory products;	Owned
York, Pennsylvania (3)	Manufacture of small dental equipment and preventive dental products	Owned
Johnson City, Tennessee (1)	Manufacture and distribution of endodontic instruments and materials	Leased
Bohemia, New York (2)	Manufacture and distribution of orthodontic products and materials	Leased
Middletown, Pennsylvania (5)	Distribution of Dental Products	Leased

Foreign:

Catanduva, Brazil (1)	Manufacture and distribution of dental anesthetic products	Owned
Petropolis, Brazil (1)	Manufacture and distribution of artificial teeth and consumable dental products	Owned
Tianjin, China (2)	Manufacture and distribution of dental products	Leased
Plymouth, England (4)	Manufacture of dental hand instruments	Leased
Ivry Sur-Seine, France (4)	Manufacture and distribution of investment casting products	Leased
Bohmte, Germany (4)	Manufacture and distribution of dental laboratory products	Owned

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Location	Function	Leased or Owned
Hanau, Germany (4)	Manufacture and distribution of precious metal dental alloys, dental ceramics and dental implant products	Owned
Konstanz, Germany (4)	Manufacture and distribution of consumable dental products	Owned
Mannheim, Germany (2)	Manufacture and distribution of dental implant products	Owned
Munich, Germany (1)	Manufacture and distribution of endodontic instruments and materials	Owned
Radolfzell, Germany (5)	Distribution of dental products	Leased
Rosbach, Germany (4)	Manufacture and distribution of dental ceramics	Owned
Nasu, Japan (2)	Manufacture and distribution of precious metal dental alloys, consumable dental products and orthodontic products	Owned
Hoorn, Netherlands (4)	Manufacture and distribution of precious metal dental alloys and dental ceramics	Owned
Las Piedras, Puerto Rico (2)	Manufacture of crown and bridge materials	Owned
Ballaigues, Switzerland (1)	Manufacture and distribution of endodontic instruments	Owned
Ballaigues, Switzerland (1)	Manufacture and distribution of endodontic instruments, plastic components and packaging material	Owned
Le Creux, Switzerland (1)	Manufacture and distribution of endodontic instruments	Owned

- (1)- These properties are included in the Australia/Latin America/Endodontics/Non-Dental segment.
- (2)- These properties are included in the U.S. Dental Laboratory Business/Implants/Orthodontics/Japan/Asia segment.
- (3)- These properties are included in the U.S. Consumable Business/Canada segment.
- (4)- These properties are included in the Dental Consumables - Europe, CIS, Middle East, Africa/European Dental Laboratory Business.
- (5)- These properties are distribution warehouses not managed by named segments.

In addition, the Company maintains sales and distribution offices at certain of its foreign and domestic manufacturing facilities, as well as at various other United States and international locations. Most of the various sites around the world that are used exclusively for sales and distribution are leased.

The Company also owns it's corporate headquarters located in York, Pennsylvania and a facility in Elk Grove Village Illinois that was the anticipated manufacturing site for the dental pharmaceutical products discussed in the Pharmaceutical Business section of Management's Discussion and Analysis (MD&A). As discussed in the MD&A, the Company has made the decision to close this facility, and as such it is no longer a principle manufacturing or distribution site.

DENTSPLY believes that its properties and facilities are well maintained

and are generally suitable and adequate for the purposes for which they are used.

Item 3. Legal Proceedings

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 and subsequently, the Judge entered a decision that the Company's tooth distribution practices do not violate the antitrust laws. The Department of Justice appealed this decision to the U.S. Third Circuit Court of Appeals and the Third Circuit reversed the decision of the District Court. The Company's petition to the U.S. Supreme Court asking it to review the Third Circuit Court decision was denied. The effect of this decision will be the issuance of an injunction requiring DENTSPLY to discontinue its policy of not allowing its tooth dealers to take on new competitive teeth lines. This decision relates only to the distribution of artificial teeth sold in the U.S., which affects less than 2.5% of the Company's net sales. While the Company believes its tooth distribution practices do not violate the antitrust laws, the Company is confident that it can continue to develop this business regardless of the final legal outcome.

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 appealed this decision to the Third Circuit and the Court upheld the decision of the District Court in dismissing the Plaintiffs' damages claims, with the exception of allowing the Plaintiffs to pursue a damage claim based on a theory of resale price maintenance agreements between the Company and its tooth dealers. The Plaintiffs have filed a petition with the U.S. Supreme Court asking it to review this decision of the Third Circuit. 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. The Judge has entered an Order granting class certification, as an Opt-in class (this means that after Notice of the class action is sent to possible class members, a party will have to determine if they meet the class definition and take affirmative action in order to join the class) 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 for which they were not paid. The Notice of the class action was sent on February 23, 2005 to the approximately 29,000 dentists licensed to practice in California during the relevant period and a total of 166 dentists have opted into the class action. As the result of a recent decision by a California Appellate Court, the plaintiffs have filed an appeal to convert the claim to an opt-out claim from its current status as an opt-in claim. 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. The Company's primary level insurance carrier has confirmed coverage for the breach of warranty claims in this matter up to their policy limits.

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

Not applicable.

Executive Officers of the Registrant

The following table sets forth certain information regarding the executive officers of the Company as of March 10, 2006.

Name	Age	Position
Gerald K. Kunkle Jr.	59	Chairman of the Board and Chief Executive Officer
Bret W. Wise	45	President and Chief Operating Officer
Christopher T. Clark	44	Senior Vice President
William R. Jellison	48	Senior Vice President and Chief Financial Officer
Rudolf Lehner	48	Senior Vice President
Rachel P. McKinney	48	Senior Vice President
James G. Mosch	48	Senior Vice President
J. Henrik Roos	48	Senior Vice President
Brian M. Addison	51	Vice President, Secretary and General Counsel

Gerald K. Kunkle Jr. was elected Chairman of the Board on May 11, 2005 and Chief Executive Officer of the Company effective January 1, 2004. Prior thereto, Mr. Kunkle served as Vice Chairman of the Board since January 2004 and President and Chief Operating Officer since January 1997. Prior to joining DENTSPLY, Mr. Kunkle served as President of Johnson and Johnson's Vistakon Division, a manufacturer and marketer of contact lenses, from January 1994 and, from early 1992 until January 1994, was President of Johnson and Johnson Orthopedics, Inc., a manufacturer of orthopedic implants, fracture management products and trauma devices.

Bret W. Wise was named President and Chief Operating Officer of the Company effective January 1, 2006. Prior to that time, Mr. Wise was Executive Vice President since January 10, 2005 and oversaw the Operating Groups headed by Christopher Clark and Rudolf Lehner in addition to the Corporate Planning and Business Development and Corporate Research and Development functions. Prior to that time, he was Senior Vice President and Chief Financial Officer of the Company since December 2002. Prior to that time, Mr. Wise was Senior Vice President and Chief Financial Officer with Ferro Corporation of Cleveland, OH. Prior to joining Ferro Corporation in 1999, Mr. Wise held the position of Vice President and Chief Financial Officer at WCI Steel, Inc., of Warren, OH, from 1994 to 1999. Prior to joining WCI Steel, Inc., Mr. Wise was a partner with KPMG LLP.

Christopher T. Clark was named Senior Vice President effective November 1, 2002 and oversees the following areas: Dentsply North America Sales Organization; and the DENTSPLY Canada, DENTSPLY Pharmaceutical, DENTSPLY Professional, Dentsply Rinn and L.D. Caulk operating units. Through December 31, 2004, he was responsible for the following areas: North American Group Marketing and Administration; Alliance and Government Sales; and the Ransom and Randolph, DENTSPLY Sankin, L.D. Caulk, and DeDent operating units. Prior to this appointment, Mr. Clark served as Vice President and General Manager of the Gendex operating unit since June 1999. Prior to that time, he served as Vice President and General Manager of the Trubyte operating unit since July of 1996. Prior to that, Mr. Clark was Director of Marketing of the Trubyte Operating Unit since September 1992 when he started with the Company.

William R. Jellison was named Senior Vice President and Chief Financial Officer of the Company effective January 10, 2005. In this position, he is also responsible for Accounting, Treasury, Tax, Information Technology and Internal Audit. Prior to that and through December 31, 2004 he was Senior Vice President since November 1, 2002, responsible for the following operating units: DENTSPLY Asia, DENTSPLY Professional, Dentsply Endodontics, including Tulsa Dental Products, Maillefer, and Vereinigte Dentalwerke ("VDW"). From the period April 1998 to November 1, 2002, Mr. Jellison served as Senior Vice President and Chief Financial Officer of the Company. Prior to that time, Mr. Jellison held various

financial management positions including Vice President of Finance, Treasurer and Corporate Controller for Donnelly Corporation of Holland, Michigan since 1980. Mr. Jellison is a Certified Management Accountant.

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Rudolf Lehner was named Senior Vice President effective December 12, 2001 and oversees the following operating units: DeDent, DeguDent Germany, DeguDent Austria, DENTSPLY France, DENTSPLY Italy, DENTSPLY Russia, DENTSPLY United Kingdom, Elephant Dental and Middle East/Africa. Through December 31, 2004, he was responsible for the following operating units: DeguDent Germany, DeguDent Austria, DENTSPLY France, DENTSPLY Italy, DENTSPLY Russia, DENTSPLY United Kingdom, Elephant Dental and Middle East/Africa. Prior to that time, Mr. Lehner was Chief Operating Officer of Degussa Dental since mid-2000. From 1999 to mid 2000, he had the overall responsibilities for Sales & Marketing at Degussa Dental. From 1994 to 1999, Mr. Lehner held the position of Chief Executive Officer of Elephant Dental. From 1990 to 1994, he had overall responsibility for international activities at Degussa Dental. Prior to that, Mr. Lehner held various positions at Degussa Dental and its parent, Degussa AG, since starting in 1984.

James G. Mosch was named Senior Vice President effective November 1, 2002 and oversees the following operating units: DENTSPLY Australia, DENTSPLY Brazil, DENTSPLY Latin America, DENTSPLY Mexico, Maillefer, Ransom and Randolph, Tulsa Dental Products and Vereinigte Dentalwerke ("VDW"). Through December 31, 2004, he was responsible for the following operating units: DENTSPLY Pharmaceutical, DENTSPLY Australia, DENTSPLY Brazil, DENTSPLY Canada, DENTSPLY Latin America and DENTSPLY Mexico. Prior to this appointment, Mr. Mosch served as Vice President and General Manager of the DENTSPLY Professional operating unit since July 1994 when he started with the Company.

Rachel P. McKinney was named Senior Vice President, Global Human Resources effective December 25, 2005. Prior to that time, she was Vice President, Human Resources since March of 2003. Prior to that time, she held leadership positions in human resources at Compaq Computer Corporation, Burger King Corporation, Miller Brewing Company, Air Product and Chemical Company and Aetna/Partners National Health Plans.

J. Henrik Roos was named Senior Vice President effective June 1, 1999 and oversees the following operating units: CeraMed, Dentsply Asia, Dentsply Prosthetics, Dentsply Sankin, Friadent, GAC, GAC S.A., Glenroe and Raintree. Through December 31, 2004, he was responsible for the following operating units: CeraMed, Dentsply Prosthetics, Friadent and GAC. Prior to his Senior Vice President appointment, Mr. Roos served as Vice President and General Manager of the Company's Gendex division from June 1995 to June 1999. Prior to that, he served as President of Gendex European operations in Frankfurt, Germany since joining the Company in August 1993.

Brian M. Addison has been Vice President, Secretary and General Counsel of the Company since January 1, 1998. Prior to that he was Assistant Secretary and Corporate Counsel since December 1994. Prior to that he was a Partner at the Harrisburg, Pennsylvania law firm of McNees, Wallace & Nurick, and prior to that he was Senior Counsel at Hershey Foods Corporation.

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PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The information set forth under the caption "Supplemental Stock Information" is filed as part of this Annual Report on Form 10-K.

In December 2004, the Board of Directors approved a stock repurchase program under which the Company may repurchase shares of Company stock on the open market in an amount to maintain up to 3,000,000 shares of treasury stock. In September 2005, the Board of Directors increased the authorization to repurchase shares under the stock repurchase program in an amount to maintain up to 5,500,000 shares of treasury stock. The table below contains certain information with respect to the repurchase of shares of the Company's common stock during the quarter ended December 31, 2005.

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 be Purchased Under The Share Repurchase Program
October 1-31, 2005	21.7	\$ 1,163	\$ 53.59	2,670.4
November 1-30, 2005	-	-	\$ -	2,931.0
December 1-31, 2005	-	-	\$ -	2,966.7
	-----	-----		
	21.7	\$ 1,163	\$ 53.59	

Item 6. Selected Financial Data

The information set forth under the caption "Selected Financial Data" is filed as part of this Annual Report on Form 10-K.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information set forth under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" is filed as part of this Annual Report on Form 10-K.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

The information set forth under the caption "Quantitative and Qualitative Disclosure About Market Risk" is filed as part of this Annual Report on Form 10-K.

Item 8. Financial Statements and Supplementary Data

The information set forth under the captions "Management's Report on Internal Control Over Financial Reporting," "Report of Independent Registered Public Accounting Firm," "Consolidated Statements of Income," "Consolidated Balance Sheets," "Consolidated Statements of Stockholders' Equity and Comprehensive Income," "Consolidated Statements of Cash Flows," and "Notes to Consolidated Financial Statements" is filed as part of this Annual Report on Form 10-K.

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

Not applicable.

Item 9A. Controls and Procedures

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

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures as of the end of the period covered by this report were effective.

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

Management's report on the Company's internal control over financial reporting is included in this Annual Report on Form 10-K and is incorporated herein by reference. The Company's independent registered public accounting firm has issued a report on management's assessment of the Company's internal control over financial reporting, as stated in their report which is included in this Annual Report on Form 10-K.

(c) Changes in Internal Controls Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting that occurred during the quarter ended December 31, 2005 that have materially affected, or are likely to materially affect, its internal control over financial reporting.

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors and Executive Officers of the Registrant

The information (i) set forth under the caption "Executive Officers of the Registrant" in Part I of this Annual Report on Form 10-K and (ii) set forth under the captions "Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the 2006 Proxy Statement is incorporated herein by reference.

Code of Ethics

The Company has adopted a Code of Business Conduct and Ethics that applies to the Chief Executive Officer and the Chief Financial Officer and substantially all of the Company's management level employees. This Code of Business Conduct and Ethics is provided as Exhibit 14 of this Annual Report on Form 10-K.

Item 11. Executive Compensation

The information set forth under the caption "Executive Compensation" in the 2006 Proxy Statement is incorporated herein by reference.

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

The information set forth under the caption "Security Ownership of Certain Beneficial Owners and Management" and "Securities Authorized for Issuance Under Equity Compensation Plans" in the 2006 Proxy Statement is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

No relationships or transactions are required to be reported.

Item 14. Principal Accountant Fees and Services

The information set forth under the caption "Relationship with Independent Registered Public Accounting Firm" in the 2006 Proxy Statement is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) Documents filed as part of this Report

1 Financial Statements

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

Consolidated Statements of Income - Years ended December 31, 2005, 2004 and 2003 Consolidated Balance Sheets - December 31, 2005 and 2004 Consolidated Statements of Stockholders' Equity and Comprehensive

Income - Years ended December 31, 2005, 2004 and 2003 Consolidated
Statements of Cash Flows - Years ended December 31, 2005, 2004 and 2003
Notes to Consolidated Financial Statements

2 Financial Statement Schedule

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

Schedule II -- Valuation and Qualifying Accounts.

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

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3 Exhibits. The Exhibits listed below are filed or incorporated by reference as part of this Annual Report on Form 10-K.

Exhibit Number	Description
3.1	Restated Certificate of Incorporation (10)
3.2	By-Laws, as amended (9)
4.1.	(a) United States Commercial Paper Issuing and paying Agency Agreement dated as of August 12,1999 between the Company and the Chase Manhattan Bank. (7)
	(b) United States Commercial Paper Dealer Agreement dated as of March 28, 2002 between the Company and Salomon Smith Barney Inc. (11)
	(c) United States Commercial Paper Dealer Agreement dated as of April 30, 2002 between the Company and Credit Suisse First Boston Corporation. (11)
	(d) Euro Commercial Paper Note Agreement dated as of July 18, 2002 between the Company and Citibank International plc. (11) (e) Euro Commercial Paper Dealer Agreement dated as of July 18, 2002 between the Company and Citibank International plc and Credit Suisse First Boston (Europe) Limited. (11)
4.2	(a) Note Agreement (governing Series A, Series B and Series C Notes) dated March 1, 2001 between the Company and Prudential Insurance Company of America. (8)
	(b) First Amendment to Note Agreement dated September 1, 2001 between the Company and Prudential Insurance Company of America. (9)
4.3	5-Year Competitive Advance, Revolving Credit and Guaranty Agreements dated as of May 9, 2005 among the Company, the Initial Lenders named therein, the banks named therein, Citibank N.A. as Administrative Agent, JPMorgan Chase Bank, N.A. as Syndication Agent, Harris Trust and Savings Bank, Manufacturers and Traders Trust Company, and Wachovia Bank, N.A. as Co-Documentation Agents, and Citigroup Global Markets, Inc. and J.P. Morgan Securities Inc. as Joint Lead Arrangers and Joint Bookrunners. (9)
4.4	(a) Eurobonds Agency Agreement dated December 13, 2001 between the Company and Citibank, N.A. (9)
	(b) Eurobond Subscription Agreement dated December 11, 2001 between the Company and Credit Suisse First Boston (Europe) Limited, UBS AG, ABN AMRO Bank N.V., First Union Securities, Inc.; and Tokyo-Mitsubishi International plc (the Managers). (9)
	(c) Pages 4 through 16 of the Company's Eurobond Offering Circular dated December 11, 2001. (9) 10.1 1993 Stock Option Plan (2)
10.2	1998 Stock Option Plan (1)
10.3	2002 Amended and Restated Equity Incentive Plan
10.4	(a) Trust Agreement for the Company's Employee Stock Ownership Plan between the Company and T. Rowe Price Trust Company dated as of November 1, 2000. (8)
	(b) Plan Recordkeeping Agreement for the Company's Employee Stock Ownership Plan between the Company and T. Rowe Price Trust Company dated as of November 1, 2000. (8)
11	Employment Agreement dated January 1, 1996 between the Company and Thomas L. Whiting (4)*
11	Employment Agreement dated October 11,1996 between the Company and Gerald K. Kunkle Jr. (5)*
11	Employment Agreement dated April 20, 1998 between the Company and William R. Jellison (6)*
11	Employment Agreement dated September 10, 1998 between the Company and Brian M. Addison (6)*
11	Employment Agreement dated June 1, 1999 between the Company and J. Henrik Roos (7)*
10.10	Employment Agreement dated October 1, 2001 between the Company and Rudolf Lehner (9)*
10.11	Employment Agreement dated November 1, 2002 between the Company and Christopher T. Clark (11)*
10.12	Employment Agreement dated November 1, 2002 between the Company and James G. Mosch (11)*
10.13	Employment Agreement dated December 1, 2002 between the Company and Bret W. Wise (11)*
10.14	DENTSPLY International Inc. Directors' Deferred Compensation Plan effective January 1, 1997 (5)*
10.15	Board Compensation Arrangement

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Exhibit

Number	Description
10.16	Supplemental Executive Retirement Plan effective January 1, 1999 * (13)
10.17	Written Description of the Amended and Restated Incentive Compensation Plan
10.18	AZ Trade Marks License Agreement, dated January 18, 2001 between AstraZeneca AB and Maillefer Instruments Holdings, S.A. (8)
10.19	Sale and Purchase Agreement of Gendex Equipment Business between the Company and Danaher Corporation Dated December 11, 2003. (12)
10.20 (a)	Precious metal inventory Purchase and Sale Agreement dated November 30, 2001 between Fleet Precious Metal Inc. and the Company. (9)
(b)	Precious metal inventory Purchase and Sale Agreement dated December 20, 2001 between JPMorgan Chase Bank and the Company. (9)
(c)	Precious metal inventory Purchase and Sale Agreement dated December 20, 2001 between Mitsui & Co., Precious Metals Inc. and the Company. (9)
10.21	Rental Contract between Hesta Beteiligungsgesellschaft GmbH and Dentsply DeTrey GmbH effective January 1, 2004. (13)
14	DENTSPLY International Inc. Code of Business Conduct and Ethics
21	Subsidiaries of the Company
23	Consent of Independent Registered Public Accounting Firm - PricewaterhouseCoopers LLP
31	Section 302 Certification Statements
32	Section 906 Certification Statement

* Management contract or compensatory plan.

- (1) Incorporated by reference to exhibit included in the Company's Registration Statement on Form S-8 (No. 333-56093).
- (2) Incorporated by reference to exhibit included in the Company's Registration Statement on Form S-8 (No. 33-71792).
- (3) Incorporated by reference to exhibit included in the Company's Registration Statement on Form S-8 (No. 33-79094).
- (4) Incorporated by reference to exhibit included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, File No. 0-16211.
- (5) Incorporated by reference to exhibit included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, File No. 0-16211.
- (6) Incorporated by reference to exhibit included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, File No. 0-16211.
- (7) Incorporated by reference to exhibit included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999, File No. 0-16211.
- (8) Incorporated by reference to exhibit included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000, File No. 0-16211.
- (9) Incorporated by reference to exhibit included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, File No. 0-16211.
- (10) Incorporated by reference to exhibit included in the Company's Registration Statement on Form S-8 (No. 333-101548).
- (11) Incorporated by reference to exhibit included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, File No. 0-16211.
- (12) Incorporated by reference to exhibit included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003, File No. 0-16211.
- (13) Incorporated by reference to exhibit included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004, File No. 0-16211.

Loan Documents

The Company and certain of its subsidiaries have entered into various loan and credit agreements and issued various promissory notes and guaranties of such notes, listed below, the aggregate principal amount of which is less than 10% of

its assets on a consolidated basis. The Company has not filed copies of such documents but undertakes to provide copies thereof to the Securities and Exchange Commission supplementally upon request.

(1) Master Grid Note dated November 4, 1996 executed in favor of The Chase Manhattan Bank in connection with a line of credit up to \$20,000,000 between the Company and The JPMorganChase Bank.

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

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SCHEDULE II

DENTSPLY INTERNATIONAL INC.
VALUATION AND QUALIFYING ACCOUNTS
FOR THE THREE YEARS ENDED DECEMBER 31, 2005

Description	Balance at Beginning of Period	Additions			Write-offs Net of Recoveries	Translation Adjustment	Balance at End of Period
		Charged (Credited) To Costs And Expenses	Charged to Other Accounts				
Allowance for doubtful accounts:							
For Year Ended December 31,							
2003	18,492	569	(29)	(4,771)	2,041	16,302	
2004	16,302	2,126	(133)	(1,997)	926	17,224	
2005	17,224	2,063	(581)	(2,884)	(1,031)	14,791	
Allowance for trade discounts:							
For Year Ended December 31,							
2003	1,091	1,494	19	(1,681)	139	1,062	
2004	1,062	1,655	(24)	(1,605)	70	1,158	
2005	1,158	1,111	-	(1,781)	(20)	468	
Inventory valuation reserves:							
For Year Ended December 31,							
2003	30,670	2,845	(22)	(3,418)	3,037	33,112	
2004	33,112	3,173	(2,357) (a)	(7,308)	1,278	27,898	
2005	27,898	1,994	(682)	(2,360)	(1,743)	25,107	
Deferred tax asset valuation allowance:							
For Year Ended December 31,							
2003	5,956	5,764	-	(2,596)	1,139	10,263	
2004	10,263	11,951	-	(375)	1,582	23,421	
2005	23,421	19,928	-	(604)	(3,161)	39,584	

<FN>

(a) Related primarily to the sale of Gendex.

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DENTSPLY INTERNATIONAL INC. AND SUBSIDIARIES
SELECTED FINANCIAL DATA

	Year ended December 31,				
	2005	2004	2003	2002	2001
	(dollars in thousands, except per share amounts)				
Statement of Income Data:					
Net sales	\$ 1,715,135	\$ 1,694,232	\$ 1,567,994	\$ 1,415,893	\$ 1,044,252
Net sales without precious metal content	1,543,916	1,481,872	1,364,346	1,230,371	993,956
Gross profit	869,018	846,518	770,533	703,714	542,281
Restructuring, impairment and other costs (income)	232,755	7,124	3,700	(2,732)	5,073
Operating income	72,922	295,130	267,983	249,452	170,209
Income before income taxes	71,038	274,155	251,196	214,090	179,522
Net income from continuing operations	\$ 45,413	\$ 210,286	\$ 169,853	\$ 143,641	\$ 117,714
Net income from discontinued operations	-	42,879	4,330	4,311	3,782

Total net income	\$ 45,413	\$ 253,165	\$ 174,183	\$ 147,952	\$ 121,496
Earnings per common share - basic:					
Continuing operations	\$ 0.57	\$ 2.61	\$ 2.16	\$ 1.84	\$ 1.51
Discontinued operations	-	0.54	0.05	0.05	0.05
Total earnings per common share - basic	\$ 0.57	\$ 3.15	\$ 2.21	\$ 1.89	\$ 1.56
Earnings per common share - diluted					
Continuing operations	\$ 0.56	\$ 2.56	\$ 2.11	\$ 1.80	\$ 1.49
Discontinued operations	-	0.53	0.05	0.05	0.05
Total earnings per common share - diluted	\$ 0.56	\$ 3.09	\$ 2.16	\$ 1.85	\$ 1.54
Cash dividends declared per common share	\$ 0.25000	\$ 0.21750	\$ 0.19700	\$ 0.18400	\$ 0.18333
Weighted Average Common Shares Outstanding:					
Basic	79,595	80,387	78,823	78,180	77,671
Diluted	81,008	82,014	80,647	79,994	78,975
Balance Sheet Data:					
Cash and cash equivalents	\$ 434,525	\$ 506,369	\$ 163,755	\$ 25,652	\$ 33,710
Property, plant and equipment, net	316,218	399,880	371,990	313,178	240,890
Goodwill and other intangibles, net	1,001,827	1,261,993	1,213,960	1,134,506	1,012,160
Total assets	2,407,329	2,798,145	2,445,587	2,087,033	1,798,151
Total debt	682,316	852,819	812,175	774,373	731,158
Stockholders' equity	1,241,580	1,443,973	1,122,069	835,928	609,519
Return on average stockholders' equity	3.4%	19.7%	17.8%	20.5%	21.5%
Long-term debt to total capitalization	35.4%	37.1%	42.0%	48.0%	54.4%
Other Data:					
Depreciation and amortization	\$ 50,560	\$ 49,296	\$ 45,661	\$ 41,352	\$ 51,512
Capital expenditures	45,293	52,036	73,157	55,476	47,529
Interest expense, net	8,768	19,629	24,205	27,389	18,256
Cash flows from operating activities	232,769	306,259	257,992	172,983	211,068
Inventory days	90	92	93	100	93
Receivable days	53	47	50	49	46
Income tax rate	36.1%	23.3%	32.4%	32.9%	34.4%

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

Certain statements made by the Company, including without limitation, statements in the Overview section below and other statements containing the words "plans", "anticipates", "believes", "expects", or words of similar import may be deemed to be forward-looking statements and 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 and uncertainties discussed within Item I, Part I of this Annual Report on Form 10-K.

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 principal benchmarks used by the Company in evaluating its business are: (1) internal growth in the United States, Europe and all other regions; (2) operating margins of each segment, (3) the development, introduction and contribution of innovative new products; (4) growth through acquisition; and (5) continued focus on controlling costs and enhancing efficiency. The Company defines "internal growth" as the increase in 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 have been acquired or divested.

Management believes that an average overall internal growth rate of 4-6% is a long-term sustainable rate for the Company. This annualized growth rate expectation typically includes approximately 1-2% of price increases. The Company typically implements most of its price changes in the third or fourth quarters of the year. These price changes and other marketing and promotional programs, which are offered to customers from time to time, in the ordinary course of business, may impact customer purchasing activity. During 2005, the Company's overall internal growth was approximately 2.0% compared to 4.0% in 2004. Internal growth rates in the United States (43.9% of sales) and Europe

(36.5% of sales), the largest dental markets in the world, were 5.2% and negative 2.7%, respectively during 2005 compared to 3.4% and 4.1%, respectively for 2004. As discussed further within the Results of Continuing Operations, the lower sales in Europe were primarily due to issues related to a new dental reimbursement program effective in 2005 in Germany, the Company's most significant market in this region. The internal growth rate in all other regions during 2005, which represents approximately 19.6% of sales, was 4.0%, compared to 5.2% in 2004. Among the other regions, the Asian region, excluding Japan, has historically been one of our highest growth markets and management believes it represents a long-term growth opportunity for the industry and the Company. Also within the other region is the Japanese market, which represents the third largest dental market in the world behind the United States and Germany. Although Japan's dental market growth has been weak in the past few years, as it closely parallels its economic growth, the Company also views this market as an important long-term growth opportunity, both in terms of a recovery in the Japanese economy and the opportunity to increase market share. There can be no assurance that the Company's assumptions concerning the growth rates in its markets or the dental market generally will be correct and if such rates are less than expected, the Company's projected growth rates and results of operations may be adversely effected.

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. During 2005, over 30 new products were introduced around the world and the Company expects over 25 new products to be introduced in 2006. Of specific note, in late 2004, the Company introduced Oraqix(R), a new non-injectable anesthetic gel for use in scaling and root planing procedures and BioPure MTAD, a new irrigant used in root canal procedures. In the first quarter of 2005, the Company introduced Calamus, a unique obturation delivery system used in root canal procedures and Xenon IV, the Company's first introduction of single component self etching adhesive technology to the U.S. market. In addition, during the second quarter of 2005, the Company introduced Interactive Mystique, the world's first low friction translucent ceramic orthodontic bracket. It has a clear interactive clip called Neoclip, which can be rapidly placed and removed from the Mystique bracket. During the third quarter of 2005, the Company introduced Cercon Arts, a software system for the Company's Cercon product that allows the technician to develop copings from a stone model, and provides better utilization of the Cercon materials. During the fourth quarter of 2005, the Company introduced BioForce, a Nickel Titanium arch wire that uniquely addresses the current trends in orthodontic treatment of low force,

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reduced friction and shorter treatment time, all within one wire. The Company also introduced Aquasil Ultra Digit during the fourth quarter of 2005, which is a new delivery system for the Company's Aquasil impression material products that is extremely user friendly, comes in a unit dose, and provides easier and better placement of impression materials. Additionally, during the fourth quarter of 2005, the Company introduced Cercon implant abutments that provide superior cosmetics for implant users compared to traditional abutments.

New advances in technology are anticipated to have a significant influence on future products in dentistry. As a result, the Company has pursued several research and development initiatives to support this development. Specifically, the Company continues to work on product activities with the Georgia Institute of Technology's Research Institute and Doxa AB to pursue potential new advances in dentistry. In addition, the Company licenses and purchases technologies developed by other third parties. Specifically, in 2004, the Company purchased the rights to a unique compound called SATIF from Sanofi-Aventi. The Company is currently working to develop products based on this technology and believes that this compound will provide such benefits to future products as greater protection against acid attack, the ability to desensitize exposed dentin and the ability to retard, or to inhibit the formation of staining on the enamel. Also, during 2005, the Company entered into a long-term collaborative agreement with IDMoS Dental Systems Limited, a wholly owned subsidiary of IDMoS, plc for the commercialization of IDMoS' tooth caries detection and monitoring technology. Under the agreement, DENTSPLY will have exclusive worldwide rights to market products based on the technology and IDMoS will be responsible for further development of the technology. The Company believes that IDMoS technology will bring unique capabilities to preventive dentistry in the area of caries detection and monitoring. The Company also believes that this technology may have clinical benefits significantly beyond other devices and technologies in the market today, including radiology. Although the Company believe these activities will lead to new innovative dental products, they involve new

technologies and there can be no assurance that commercialized products will be developed.

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 (see also Acquisition Activity in Part I, Item 1 of this Form 10-K). As further discussed in Note 3 to the Consolidated Financial Statements, during 2005 the Company purchased GAC SA, Raintree Essix and Glenroe Technologies. All three of the acquired companies specialize in the orthodontics products market. These acquisitions increased full year 2005 sales by \$24.1 million.

The Company also remains focused on reducing costs and achieving operational efficiencies. Management expects to continue to consolidate operations or functions and reduce the cost of those operations and functions while improving service levels. In addition, the Company remains focused on enhancing efficiency through expanded use of technology and process improvement initiatives. The Company believes that the benefits from these opportunities will improve the cost structure and offset areas of rising costs such as energy, benefits, regulatory oversight and compliance and financial reporting.

PHARMACEUTICAL BUSINESS

As previously announced in early 2006, the Company made the decision to close its Chicago based pharmaceutical manufacturing facility and to pursue the outsourcing of the production of the injectable dental anesthetic products and the non-injectable Oraqix(R) products that were to be produced at the plant. The Company expects that the decision to shut down the anesthetics manufacturing facility will immediately improve short and mid-term cash flows and eliminate the uncertainty concerning FDA approval of the facility. While the Company had supply disruptions in 2005 and anticipates some supply disruptions in 2006 in relation to the supply of the injectable dental anesthetic products, the Company currently has contract manufacturing relationships for the supply of the injectable dental anesthetic products for most of the markets served by the Company. As there are a limited number of suppliers for the injectable dental anesthetic products sold by the Company, there can be no assurance that the Company will be able to obtain an adequate supply of its injectable dental anesthetic products in the future. The Company currently has supply agreements in place for the supply of the non-injectable Oraqix(R) products and has not experienced supply disruptions to date, nor does it anticipate supply disruptions of the Oraqix(R) products in the future.

The following details in this section provide the history and background related to the pharmaceutical manufacturing facility and DENTSPLY's anesthetics business.

The Company completed construction of the dental anesthetic manufacturing facility outside of Chicago in 2004. In early 2005, the plant received the approval and validation of the manufacturing practices by the Medicines and Healthcare products Regulatory Agency ("MHRA"), the agency responsible for drug product approvals in the United Kingdom, and which is accepted by Ireland, Australia and New Zealand. As a result, the facility began manufacturing and

releasing products to the market in the United Kingdom and Australia in the second quarter of 2005. The Company made a submission to the Food and Drug Administration ("FDA") in spring 2005 to obtain the necessary facility approval to sell in the United States the injectable anesthetic products manufactured at the facility. The FDA conducted a Pre-Approval Inspection in July 2005 and identified items that needed to be addressed in connection with the U.S. inspection and submission.

After the Company received the results of the FDA's Pre-Approval Inspection in the third quarter of 2005, the Company conducted an extensive review of the items identified by the FDA and developed action plans to address these items. Included in this review were the expected time-line and costs for responding to the FDA findings, the expected time required for FDA re-application and approval, the expected ramp-up costs to achieve anticipated volumes for the U.S., European and Japanese markets, and the extension of contract manufacturing

agreements to provide a supply of injectable anesthetic product until the manufacturing facility could achieve full production under the revised timeline. Based on this review, the Company concluded that the start-up of its pharmaceutical manufacturing facility would be delayed, and did not expect to begin producing injectable anesthetics at the facility for the U.S. and Japanese markets until 2007. As a result of the Company's review and its changed expectations, the Company concluded that the indefinite-lived injectable anesthetic intangible asset acquired from AstraZeneca in 2001 became impaired in the third quarter of 2005, resulting in a \$131.3 million pre-tax charge (\$111.6 million after tax) (see also Note 15 to the Consolidated Financial Statements). This impairment did not impact the Company's needle-free Oraqix(R) product.

From the end of the third quarter of 2005 through December of 2005, the Company continued to evaluate the actions necessary to address the items raised in the FDA's pre-approval inspection. As of the end of the third quarter of 2005, the Company had anticipated that it would continue to manufacture products at the plant for the U.K., Australia, and New Zealand markets, for which regulatory approval had already been obtained. However, upon further evaluation, the Company decided in December of 2005 to suspend manufacturing at the plant to allow improvements identified in the Company's corrective action plan to be made.

In conjunction with the evaluation of the actions necessary to address the items raised in the FDA's pre-approval inspection, the Company also began to evaluate strategic alternatives for the facility, including but not limited to a potential shut-down of the dental anesthetics manufacturing facility and obtaining long-term third party supply sources for both the injectable anesthetic products and the Oraqix(R) product. In order to fully evaluate the potential options at the Company's disposal with regard to a potential closure and the disposition of the facility, the Company began a comprehensive internal analysis of the assets that included initiating discussions with potential buyers, and evaluating the possibility of obtaining extensions for the supply of products from third party manufacturers.

Based on the outcome of the analyses performed by the Company, as well as both strategic and financial considerations, in December of 2005 the Company began to establish a plan for a course of action to shut down the manufacturing facility, sell the manufacturing facility assets and begin negotiations with third party manufacturers to obtain a long-term source of supply for the anesthetic products.

After the Company made the decision to establish a plan for this alternative course of action with regard to the manufacturing facility, an extensive review was performed on the activities required to complete the facility closure and the risk factors associated with those activities. Included in those activities and risk factors were the activities to wind down operations at the facility and to prepare the assets for eventual disposition, the pursuit of a buyer for the assets, the expected time frame for the sale of the assets, the pursuit of long-term ongoing contract manufacturing agreements to provide a supply of injectable anesthetic product and the risks associated with being unable to procure such long-term contracts. The Company also obtained an independent third party appraisal of the indefinite-lived injectable anesthetic intangible and the long-lived assets associated with the pharmaceutical manufacturing facility, due to the sensitivity of the assumptions and the risks associated with these assets. As a result of the Company's review, its changed expectations and the review of the third party appraisal of the assets, it was determined that an additional impairment of the indefinite-lived injectable anesthetic intangible asset acquired from AstraZeneca in 2001, as well as an impairment of the long-lived assets related to the manufacturing facility, had occurred during the fourth quarter of 2005. Additional discussion of the Company's review and changed expectations is provided in Note 15 to the Consolidated Financial Statements. The impairment recorded by the Company in the fourth quarter of 2005 was \$99.5 million (\$66.5 million after tax). This impairment did not impact the Company's needle-free Oraqix(R) product.

Additionally, as a result of these activities, pre-tax restructuring charges of \$2.3 million (\$1.5 million after tax) were also incurred related to employee severance cost for which the Company was contractually obligated. The Company also expects pre-tax restructuring charges in the range of \$6 million to \$9 million in 2006 associated with the completion of the closure of the facility. These costs primarily related to additional contract termination costs, severance costs and utility costs during the shut down period (see also

Note 15 to the Consolidated Financial Statements).

FACTORS IMPACTING COMPARABILITY BETWEEN YEARS

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.

Revisions in Classification

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

The Company has revised its 2004 and 2003 cash flow statement classifications to present realization of cross-currency swap value of \$13.7 million and \$10.7 million, respectively, into cash flows from investing activities from cash flows from financing activities

RESULTS OF CONTINUING OPERATIONS, 2005 COMPARED TO 2004

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.

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 typically adjusted when the prices of underlying precious metals change.

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.

	Year Ended December 31,		
	2005	2004	2003
	(in millions)		
Net Sales	\$ 1,715.1	\$ 1,694.2	\$ 1,568.0
Precious Metal Content of Sales	(171.2)	(212.3)	(203.7)
	-----	-----	-----
Net Sales Excluding Precious Metal Content	\$ 1,543.9	\$ 1,481.9	\$ 1,364.3
	=====	=====	=====

Net sales in 2005 increased \$20.9 million, or 1.2%, to \$1,715.1 million. Net sales, excluding precious metal content, increased \$62.0 million, or 4.2%, to \$1,543.9 million. Sales growth excluding precious metal content was comprised of 2.0% internal growth, 1.6% related to acquisitions and 0.6% due to foreign currency translation. The 2.0% internal growth was comprised of 5.2% in the United States, a negative 2.7% in Europe and 4.0% for all other regions combined.

The 5.2% internal sales growth, excluding precious metal content, in the United States was driven by strong growth in the dental consumable and dental specialty product categories, offset somewhat by lower sales in the dental laboratory product category. In Europe, the negative 2.7% internal growth resulted from lower sales in the dental laboratory category partially offset by strong growth in the specialty dental and dental consumables product categories. The decrease in the laboratory category was primarily related to reimbursement changes in the German dental market prosthetic procedures which became effective in 2005. The internal growth of 4.0% in all other regions was largely the result of strong growth in the Asian and Latin American regions, partially offset by lower sales growth in the Middle East, Australia and Canada.

Gross Profit

Gross profit was \$869.0 million in 2005 compared to \$846.5 million in 2004, an increase of \$22.5 million, or 2.7%. Gross profit, measured against sales including precious metal content, represented 50.7% of net sales in 2005 compared to 50.0% in 2004. The gross profit for 2005, measured against sales excluding precious metal content, represented 56.3% of net sales compared to 57.1% in 2004. This margin decline from 2005 to 2004 was due to the decrease in the laboratory product sales in Europe as discussed previously and costs related to the anesthetic manufacturing facility, partially offset by the impact of new products and manufacturing improvements in many of the Company's businesses.

Operating Expenses

Selling, general and administrative ("SG&A") expenses, which include research and development costs, increased \$19.0 million, or 3.5%, to \$563.3 million during 2005 from \$544.3 million in 2004. The 3.5% increase in expenses reflects additional SG&A expenses of \$11.6 million from acquired companies and increases from unfavorable translation impacts of approximately \$2.5 million. The unfavorable translation impacts were caused by higher average foreign currency exchange rates for the full year of 2005 versus full year 2004 when translating the expenses from the local currencies in which the Company's subsidiaries conduct operations, into United States Dollars. SG&A expenses, measured against sales including precious metal content, increased to 32.8% compared to 32.1% in 2004. SG&A expenses, as measured against sales excluding precious metal content, decreased to 36.5% compared to 36.7% in 2004. The higher expense ratio in 2005 measured against sales including precious metal content is primarily the result of lower precious metal sales in 2005 versus 2004 due to the changes in the German reimbursements as previously discussed. The higher expense level in 2004 measured against sales excluding precious metal content was primarily related to higher litigation settlement costs, costs related to the Sarbanes-Oxley compliance and costs related to the launch of the Oraqix(R) product in 2004. In 2005, the Company continued to efficiently manage expenses, which served to further reduce SG&A costs. These reductions were partially offset by increased costs in 2005 related to the initiation of a global tax project.

During 2005, the Company recorded restructuring and impairment costs of \$233.1 million (\$179.6 million net of tax). This amount is primarily attributable the impairment of the indefinite-lived injectable anesthetic intangible acquired from AstraZeneca in 2001 as well as the impairment of the fixed assets associated with the pharmaceutical manufacturing facility. This impairment charge was recorded as a result of event driven impairment analyses conducted in accordance with Statement of Financial Accounting Standards No. 142 ("SFAS 142"), "Goodwill and Other Intangible Assets", and Statement of Financial Accounting Standards No. 144 ("SFAS 144"), "Accounting for the Impairment or Disposal of Long-Lived Assets" (see also Note 15 to the Consolidated Financial Statements). Included in the \$232.8 million charge are restructuring charges of \$3.1 million that were recorded during 2005 primarily as a result of the decision to shut down the anesthetics manufacturing facility in Chicago Illinois. These costs were partially offset by a change in estimate of \$1.2 million primarily related to the reversal of severance costs accrued in 2004 associated with the European Shared Services Center that were no longer necessary. The Company anticipates the remaining costs to complete the shut down of the pharmaceutical manufacturing facility will be approximately \$6 million to

\$9 million which will be expensed primarily during the first half of 2006 as the related costs are incurred. The plans to shut down the pharmaceutical manufacturing facility and other operational improvements are expected to improve operating margin rates by 0.5% to 1.0% in 2006.

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During 2004, the Company recorded restructuring and other costs of \$7.1 million (\$5.0 million net of tax). These costs were primarily related to the creation of a European Shared Services Center in Yverdon, Switzerland, and the consolidation of certain sales/customer service and distribution facilities in Europe and Japan. The primary objective of these restructuring initiatives is to improve operational efficiencies and to reduce costs within the related businesses. These plans are expected to be fully complete during 2006. 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-operated facility in Radolfzell, Germany, which was substantially completed during the first quarter of 2004. This transfer was completed in an effort to improve customer service levels and reduce costs. The Company also incurred additional charges related to the consolidation of its U.S. laboratory businesses, which was initiated in the fourth quarter of 2003. 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 was substantially complete at the end of 2004.

The Company anticipates remaining restructuring costs to complete the European Shared Services Center initiative of \$0.5 million, related to employee termination costs and other restructuring charges, which will be expensed as incurred during 2006. The projected future annual expense reductions related to the European Shared Services Center initiative are \$1.5 million to \$2.0 million when fully implemented.

Other Income and Expenses

Net interest expense and other expenses were \$1.9 million during 2005 compared to \$21.0 million in 2004. The 2005 period included \$8.8 million of net interest expense, \$6.7 million of currency transaction gains and \$0.2 million of other nonoperating gains. The 2004 period included \$19.6 million of net interest expense, \$1.2 million of currency transaction losses and \$0.2 million of other nonoperating costs. The decrease in net interest expense was primarily due to increased interest income generated from the Company's higher average cash levels, lower average debt levels and the effectiveness of the cross-currency interest rate swaps designated as net investment hedges, put into place in the first and fourth quarters of 2005.

Income Taxes

The Company's effective tax rates for 2005 and 2004 were 36.1% and 23.3%, respectively. Management believes that the operating tax rate for 2006 will be in the range of 29.5% to 30%. During 2005, the Company recorded a tax charge of \$4.6 million from the repatriation under the American Jobs Creation Act of 2004, a tax charge of \$7.6 million related to the effects of foreign earnings, and a tax benefit of \$11.0 million from the release of deferred tax liabilities related to the undistributed earnings of foreign earnings due to the availability of foreign tax credits.

Earnings

Net income from continuing operations for 2005 of \$45.4 million was a decrease compared to net income from continuing operations of \$210.3 million in 2004. The 2005 net income included pretax impairment and restructuring charges primarily associated with the injectable anesthetic facility and indefinite-lived intangible assets of \$232.8 million (\$178.9 million after-tax). The negative impacts of the impairment and restructuring charges were partially offset by net non-recurring benefits related to tax reorganization and repatriation activities of \$8.9 million. Income from continuing operations and diluted earnings per share from continuing operations in 2004 included pretax charges of \$7.1 million (\$5.0 million after tax), relating to restructuring activities, and a net income tax benefit of \$19.5 million, primarily related to adjustments and settling audits of tax returns.

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.

There was no income from discontinued operations during 2005 and \$42.9 million in 2004. Fully diluted earnings per share from discontinued operations were \$0.53 for 2004. The income from discontinued operations in 2004 was almost entirely related to the gain realized on the sale of Gendex business.

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Operating Segment Results

In January 2005, the Company reorganized its operating group structure consolidating into four operating groups from the five groups under the prior management structure. These four operating groups are managed by four Senior Vice Presidents and represent the Company's 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 4 of the Consolidated Financial Statements. The management of each group is evaluated for performance and incentive compensation purposes on net third party sales, excluding precious metal content, and segment operating income. In January 2006, the Company reorganized its operating group structure consolidating into three operating groups. Segment information will be disclosed under this new structure beginning in the first quarter of 2006.

U.S. Consumable Business/Canada

Net sales for this group were \$342.3 million during 2005, a 7.1% increase compared to \$319.6 million in 2004. Internal growth was 6.3% and currency translation added 0.8% to sales in 2005. The 6.3% internal growth rate was primarily attributable to the chairside consumable products business and the Oraqix(R) product, which is part of the dental anesthetics business.

Operating profit decreased \$2.0 million during 2005 to \$95.6 million compared to \$97.6 million in 2004. The decrease was related to non-capitalizable costs associated with the pharmaceutical plant in Chicago, partially offset by strong margins on improved sales in the chairside consumable products business. In addition, operating profit benefited slightly from currency translation.

During 2005, the Company recorded a \$233.1 million (\$179.6 million after tax) impairment and restructuring charge against the indefinite-lived injectable anesthetic assets and the long-lived assets associated with the pharmaceutical manufacturing facility (see also Pharmaceutical Business section in the MD&A and Note 15 to the Consolidated Financial Statements). This impairment does not impact the Company's needle-free Oraqix(R) product.

Dental Consumables--Europe, CIS, Middle East, Africa/European Dental Laboratory Business

Net sales for this group were \$387.5 million during 2005, an 8.2% decrease compared to \$422.2 million in 2004. Internal growth was negative 8.2%. Changes in German reimbursement programs related to prosthetic procedures, as discussed earlier, resulted in lower sales in Germany during 2005 which was the primary driver of the negative 8.2% internal sales growth rate.

Operating profit decreased \$25.3 million during 2005 to \$49.4 million from \$74.8 million in 2004. The reduction in operating profit was driven primarily by lower sales and a negative mix shift, particularly in the German businesses.

Australia/Latin America/Endodontics/Non-dental

Net sales for this group increased \$20.4 million during 2005, or 6.1%, to \$357.8 million from \$337.4 million in 2004. Internal growth was 4.2% with currency translation adding 1.9%. Solid growth was shown in the endodontic business, the non-dental business and the Latin American businesses, offset slightly by decreases in the Australian business.

Operating profit was \$146.8 million during 2005, a \$3.3 million increase from \$143.5 million in 2004. The increase was primarily related to the continued

strength of the endodontic business, offset slightly by decreases in Australia and Brazil. Australia was negatively impacted by interruptions in the anesthetic supply.

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U.S. Dental Laboratory Business/Implants/Orthodontics/Japan/Asia

Net sales for this group were \$459.5 million during 2005, a 13.2% increase compared to \$406.0 million in 2004. Internal growth was 7.1%, currency translation added 0.2% to sales in 2005, and 5.9% was added through acquisitions. Significant growth in the implant, orthodontic, Japanese and Asian businesses, were partially offset by weakness in the U.S. laboratory markets.

Operating profit increased \$23.1 million during 2005 to \$77.8 million from \$54.7 million in 2004. Operating profits increased year-over-year for all businesses primarily due to the sales increases and reduced expenses. In addition, operating profit benefited from currency translation.

RESULTS OF CONTINUING OPERATIONS, 2004 COMPARED TO 2003

Net Sales

Net sales in 2004 increased \$126.2 million, or 8.1%, to \$1,694.2 million. Net sales, excluding precious metal content, increased \$117.5 million, or 8.6%, to \$1,481.9 million. Sales growth excluding precious metal content was comprised of 4.0% internal growth and 4.6% of foreign currency translation. The 4.0% internal growth was comprised of 3.4% in the United States, 4.1% in Europe and 5.2% for all other regions combined.

The internal sales growth, excluding precious metal content, in the United States was driven by strong growth in specialty dental products, offset by negative growth in anesthetic products due to competitive pressures 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 5.2% in all other regions was largely the result of strong growth in the Asian region, Canada and the Middle East/Africa, offset by lower sales in Japan.

Gross Profit

Gross profit was \$846.5 million in 2004 compared to \$770.5 million in 2003, an increase of \$76.0 million, or 9.9%. Gross profit, measured against sales including precious metal content, represented 50.0% of net sales in 2004 compared to 49.1% in 2003. The gross profit for 2004, measured against sales excluding precious metal content, represented 57.1% of net sales compared to 56.5% in 2003. This margin improvement from 2003 to 2004 was due primarily to favorable geographic and product mix shifts in addition to ongoing operational improvements related to the Company's restructuring and process improvement initiatives.

Operating Expenses

SG&A expense increased \$45.4 million, or 9.1%, to \$544.3 million during 2004 from \$498.9 million in 2003. The 9.1% increase in expenses reflects increases for the translation impact from a weaker U.S. dollar of approximately \$25.3 million. The unfavorable translation impacts were caused by higher average foreign currency exchange rates for the full year of 2004 versus full year 2003 when translating the expenses from the local currencies in which the Company's subsidiaries conduct operations, into United States Dollars. SG&A expenses, measured against sales including precious metal content, increased to 32.1% compared to 31.8% in 2003. SG&A expenses, as measured against sales excluding precious metal content, increased to 36.7% compared to 36.6% in 2003. The higher expense level in 2004 was primarily related to litigation settlement costs, additional costs related to the Sarbanes-Oxley compliance and costs related to the launch of the Oraqix(R) product. In addition, the Company continued to efficiently manage expenses during 2005, which served to partially offset these additional costs. Moving forward, as the Company leverages expenses, it expects to reinvest a portion of these savings to further strengthen research and development and selling activities.

During 2004, the Company recorded restructuring and other costs of \$7.1

million (\$5.0 million net of tax). These costs were primarily related to the creation of a European Shared Services Center in Yverdon, Switzerland, and the consolidation of certain sales/customer service and distribution facilities in Europe and Japan. The primary objective of these restructuring initiatives is to improve operational efficiencies and to reduce costs within the related businesses. These plans are expected to be fully complete during 2006. In

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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-operated facility in Radolfzell, Germany, which was substantially completed during the first quarter of 2004. This transfer was completed in an effort to improve customer service levels and reduce costs. The Company also incurred additional charges related to the consolidation of its U.S. laboratory businesses, which was initiated in the fourth quarter of 2003. 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 was substantially complete at the end of 2004.

During 2003, the Company recorded restructuring and other costs of \$3.7 million (\$2.3 million net of tax). The largest portion of this was an impairment charge related to certain investments made in emerging technologies that the Company no longer viewed as recoverable. In addition, as noted above, in December 2003, the Company commenced the consolidation of its U.S. laboratory businesses and recorded a charge for a portion of the costs to complete the consolidation (see Note 15 to the Consolidated Financial Statements).

Other Income and Expenses

Net interest expense and other expenses were \$21.0 million during 2004 compared to \$16.8 million in 2003. The 2004 period included \$19.6 million of net interest expense, \$1.2 million of currency transaction losses and \$0.2 million of other nonoperating costs. The 2003 period included \$24.2 million of net interest expense, \$0.3 million of currency transaction gains and \$7.1 million of other nonoperating income, which included gains on the PracticeWorks common stock and warrants sold in the fourth quarter of 2003 of \$7.4 million (\$4.7 million net of tax). The decrease in net interest expense was primarily due to increased interest income generated from the Company's higher average cash levels.

Income Taxes

The effective tax rate decreased to 23.3% in 2004 from 32.4% in 2003. During 2004, the Company recorded a tax benefit of \$19.5 million primarily from the reversal of previously accrued taxes from the settlement of prior years' domestic and foreign tax audits, benefits of additional R&D credits and other adjustments. The impact of this benefit on the effective tax rate for 2004 was 7.1%.

Earnings

Income from continuing operations increased \$40.4 million, or 23.8%, to \$210.3 million in 2004 from \$169.9 million in 2003. Fully diluted earnings per share from continuing operations were \$2.56 in 2004, an increase of 21.3% from \$2.11 in 2003. Income from continuing operations and diluted earnings per share from continuing operations in 2004 included the benefit of the tax adjustments (\$19.5 million or \$0.24 per share) and the restructuring and other costs (\$5.0 million or \$0.06 per share) described above. In addition, income from continuing operations and diluted earnings per share from continuing operations in 2003 included the gain on the sale of the PracticeWorks securities (\$4.7 million or \$0.06 per share) and the restructuring and other costs (\$2.3 million or \$0.03 per share) described above.

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.

Income from discontinued operations was \$42.9 million during 2004 and \$4.3

million in 2003. Fully diluted earnings per share from discontinued operations were \$0.53 and \$0.05 for 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

In January 2005, the Company reorganized its operating group structure consolidating into four operating groups from the five groups under the prior management structure. These four operating groups are managed by four Senior Vice Presidents and represent the Company's 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 4 of the Consolidated Financial Statements. The management of each group is evaluated for performance and incentive compensation purposes on net third party sales, excluding precious metal content, and segment operating income. In January 2006, the Company reorganized its operating group structure consolidating into three operating groups. Segment information will be disclosed under this new structure beginning in the first quarter of 2006.

U.S. Consumable Business/Canada

Net sales for this group were \$319.6 million in 2004, a 3.5% increase compared to \$308.8 million in 2003. Internal growth was 2.7% and currency translation added 0.8% to sales in 2004. The U.S. consumables and Canadian businesses had the highest growth in the group, which was offset by lower sales in the U.S. Pharmaceutical business.

Operating profit decreased \$0.5 million during 2004 to \$97.6 million from \$98.1 million in 2003. The operating losses of the U.S. Pharmaceutical business were partially offset by the growth of the U.S. Consumable and Canadian businesses. Operating profit also benefited slightly from currency translation.

Dental Consumables--Europe, CIS, Middle East, Africa/European Dental Laboratory Business

Net sales for this group were \$422.2 million in 2004, an increase of \$48.4 million, or 13.0%, compared to \$373.8 million in 2003. Internal growth was 2.7% and currency translation added 10.3% to sales in 2004. The sales growth was driven by the Europe, Middle East, and African consumable businesses, offset by lower sales in the European Dental Laboratory businesses, primarily in Germany, and lower sales in the United Kingdom consumables business.

Operating profit increased \$18.4 million in 2004 to \$74.8 million from \$56.4 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/Latin America/Endodontics/Non-dental

Net sales for this group increased \$24.0 million during 2004, or 7.7%, to \$337.4 million compared to \$313.4 million in 2003. Internal growth was 4.6% and currency translation added 3.1%. The higher internal sales growth was primarily driven by sales growth of the Australian, Endodontic and Non-dental businesses, offset by lower sales in the Latin American businesses.

Operating profit was \$143.5 million in 2004, a \$12.9 million increase from \$130.6 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/Japan/Asia

Net sales for this group was \$406.0 million in 2004, a 9.7% increase compared to \$370.1 million in 2003. Internal growth was 6.2% and currency translation added 3.5% 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 and negative growth in the Japanese business.

Operating profit increased \$9.4 million during 2004, to \$54.7 million from

\$45.3 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.

FOREIGN CURRENCY

Since approximately 55% of the Company's 2005 revenues were generated in currencies other than the U.S. dollar, the value of the U.S. dollar in relation to those currencies affects the results of operations of the Company. The impact of currency fluctuations in any given period can be favorable or unfavorable. The impact of foreign currency fluctuations of European currencies on operating income is partially offset by sales in the U.S. of products sourced from plants and third party suppliers located overseas, principally in Germany and Switzerland. On a net basis, net income benefited from changes in currency translation in 2005 and 2004 compared to prior years.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The Company has identified below the accounting estimates believed to be critical to its business and results of operations. These critical estimates represent those accounting policies that involve the most complex or subjective decisions or assessments.

Goodwill and Other Long-Lived Assets

The Company follows Statement of Financial Accounting Standards No. 142 ("SFAS 142"), "Goodwill and Other Intangible Assets" which requires that at least an annual impairment test be applied to goodwill and indefinite-lived intangible assets. The Company performs impairment tests on at least an annual basis using a fair value approach rather than an evaluation of the undiscounted cash flows. If impairment related to goodwill 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.

Other long-lived assets, such as identifiable intangible assets and fixed assets, are amortized or depreciated over their estimated useful lives. In accordance with Statement of Financial Accounting Standards No. 144 ("SFAS 144"), "Accounting for the Impairment or Disposal of Long-Lived Assets", 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 with impairment being 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.

Assessment of the potential impairment of goodwill, indefinite-lived intangible assets and long-lived assets is an integral part of the Company's normal ongoing review of operations. Testing for potential impairment of these assets is significantly dependent on numerous assumptions and reflects management's best estimates at a particular point in time. The dynamic economic environments in which the Company's businesses operate and key economic and business assumptions with respect to projected selling prices, increased competition and introductions of new technologies can significantly affect the outcome of impairment tests. Estimates based on these assumptions may differ significantly from actual results. Changes in factors and assumptions used in assessing potential impairments can have a significant impact on both the existence and magnitude of impairments, as well as the time at which such impairments are recognized. If there are unfavorable changes in these environments or assumptions, future cash flows, the key variable in assessing the impairment of these assets, may decrease and as a result the Company may be required to recognize impairment charges. Future changes in the environment and the economic outlook for the assets being evaluated could also result in additional impairment charges being recognized. Information with respect to the Company's significant accounting policies on long-lived assets is included in Note 1 to the Consolidated Financial Statements.

Inventories

Inventories are stated at the lower of cost or market. The cost of

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

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Accounts Receivable

The Company sells dental equipment and supplies both through a worldwide network of distributors and directly to end users. For customers on credit terms, the Company performs ongoing credit evaluation of those customers' financial condition and generally does not require collateral from them. The Company establishes allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of the Company's customers were to deteriorate, their ability to make required payments may become impaired, and increases in these allowances may be required. In addition, a negative impact on sales to those customers may occur.

Accruals for Product Returns, Customer Rebates and Product Warranties

The Company makes provisions for customer returns, customer rebates and for product warranties at the time of sale. These accruals are based on past history, projections of customer purchases and sales and expected product performance in the future. Because the actual results for product returns, rebates and warranties are dependent in part on future events, these matters require the use of estimates. The Company has a long history of product performance in the dental industry and thus has an extensive knowledge base from which to draw in measuring these estimates.

Income Taxes

Income taxes are determined using the liability method of accounting for income taxes in accordance with Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" ("SFAS 109"). Under SFAS 109, tax expense includes US and international income taxes plus the provision for US taxes on undistributed earnings of international subsidiaries not deemed to be permanently invested.

Certain items of income and expense are not reported in tax returns and financial statements in the same year. The tax effect of such temporary differences is reported as deferred income taxes. Deferred tax assets are recognized if it is more likely than not that the assets will be realized in future years. The Company establishes a valuation allowance for deferred tax assets for which realization is not likely. As of December 31, 2005, the Company recorded a valuation allowance of \$39.5 million against the benefit of certain net operating loss carryforwards of foreign and domestic subsidiaries.

The Company operates within multiple taxing jurisdictions and in the normal course of business is examined in various jurisdictions. Tax accruals related to the estimated outcome of these examinations are recorded in accordance with Statement of Financial Accounting Standards No. 5 "Accounting for Contingencies" ("SFAS 5"). The reversal of the accruals is recorded when examinations are completed, statutes of limitation close or tax laws change.

On October 22, 2004, the American Jobs Creation Act of 2004 (the "AJCA") was signed into law. The AJCA enacted a provision that provides the Company with the opportunity to repatriate up to \$500 million of reinvested earnings and to claim a deduction equal to 85% of the repatriated amount. During the quarter ended December 31, 2005, the Company completed its evaluation of the repatriation provision and will reinvest approximately \$345 million of foreign earnings in the United States. As a result, the Company recognized \$4.6 million, net of available foreign tax credits, of related tax expense for the repatriation plan.

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Pension and Other Postretirement Benefits

Substantially all of the employees of the Company and its subsidiaries are covered by government or Company-sponsored defined benefit or defined contribution plans. Additionally, certain union and salaried employee groups in the United States are covered by a postretirement healthcare plan. Costs for Company-sponsored plans are based on expected return on plan assets, discount rates, employee compensation increase rates and health care cost trends. Expected return on plan assets, discount rates, and health care cost trend assumptions are particularly important when determining the Company's benefit obligations and net periodic benefit costs associated with postretirement benefits. Changes in these assumptions can impact the Company's pretax earnings. In determining the cost of postretirement benefits, certain assumptions are established annually to reflect market conditions and plan experience to appropriately reflect the expected costs as actuarially determined. These assumptions include medical inflation trend rates, discount rates, employee turnover and mortality rates. The Company predominantly uses liability durations in establishing its discount rates, which are observed from indices of high-grade corporate bond yields in the respective economic regions of the plans. The expected return on plan assets is the weighted average long-term expected return based upon asset allocations and historic average returns for the markets where the assets are invested, principally in foreign locations. Additional information related to the impact of changes in these assumptions is provided in Note 14 to the Consolidated Financial Statements.

Derivative Financial Instruments

The Company adopted Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities", on January 1, 2001. This standard, as amended by SFAS 138 and 149, requires that all derivative instruments be recorded on the balance sheet at their fair value and that changes in fair value be recorded each period in current earnings or comprehensive income.

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.

Litigation

The Company and its subsidiaries are from time to time parties to lawsuits arising out of their respective operations. The Company records liabilities when a loss is probable and can be reasonably estimated. These estimates made by management are based on an analysis made by internal and external legal counsel which considers information known at the time. The Company believes it has estimated any liabilities for probable losses well in the past; however, the unpredictability of court decisions could cause liability to be incurred in excess of estimates. Legal costs related to these lawsuits are expensed as incurred.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operating activities during the year ended December 31, 2005 were \$232.8 million compared to \$306.3 million during the year ended December 31, 2004. The decrease of \$73.5 million was primarily the result of an increase in overall working capital primarily caused by an increase in accounts receivable of \$31.6 million, an increase in inventories of \$7.4 million, a decrease in accounts payable of \$6.7 million and a decrease in accrued liabilities of \$14.5 million. The increase in accounts receivable was primarily caused by the record low accounts receivable levels at the end of 2004 compared to more normalized levels in 2005. The increase in inventories was mainly attributable to an increase in the required on hand inventory levels in line with the increase in sales. The decrease in accounts payable was due primarily to the timing of payments made in 2005 versus 2004. The decrease in accrued liabilities was primarily attributable to the payment of certain non-recurring liabilities in the first quarter of 2005 that were accrued as of December 31, 2004.

Investing activities during 2005 include capital expenditures of \$45.3 million. The Company expects that capital expenditures will range from \$55 million to \$60 million in 2006. Additionally, during 2005, the Company had expenditures related to the acquisition of identifiable intangible assets of \$3.5

million. Acquisition-related activity for the year ended December 31, 2005 was

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\$18.1 million which was primarily due to the acquisitions of GAC SA, Raintree Essix, L.L.C. and Glenroe Technologies, Inc. (see Note 3 to the Consolidated Financial Statements).

In December 2004, the Board of Directors approved a stock repurchase program under which the Company may repurchase shares of Company stock on the open market in an amount to maintain up to 3,000,000 shares of treasury stock. In September 2005, the Board of Directors increased the authorization to repurchase shares under the stock repurchase program in an amount to maintain up to 5,500,000 shares of treasury stock. Under this program, the Company purchased approximately 3,002,000 shares during 2005 at an average price of \$54.85. As of December 31, 2005, the Company held 2,533,000 shares of treasury stock. The Company also received proceeds of \$31.8 million as a result of the exercise of 1,226,000 stock options during the year ended December 31, 2005.

The Company's long-term borrowings decreased by a net of \$170.5 million during the year ended December 31, 2005. This net change included a decrease of \$112.4 million due to exchange rate fluctuations on debt denominated in foreign currencies, changes in the value of interest rate swaps, net repayments of \$60.1 million during the year, and an increase of \$2.0 million as a result of long-term debt assumed from acquired companies. During the year ended December 31, 2005, the Company's ratio of long-term debt to total capitalization decreased to 35.4% compared to 37.1% at December 31, 2004.

Under its multi-currency revolving credit agreement, the Company is able to borrow up to \$500 million through May 2010. This facility is unsecured and contains certain affirmative and negative covenants relating to its operations and financial condition. The most restrictive of these covenants pertain to asset dispositions and prescribed ratios of indebtedness to total capital and operating income plus depreciation and amortization to interest expense. At December 31, 2005, the Company was in compliance with these 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 \$500 million with \$106.4 million outstanding under the multi-currency facility and \$6.7 million outstanding under the commercial paper facilities at December 31, 2005.

The Company also has access to \$49.2 million in uncommitted short-term financing under lines of credit from various financial institutions. The lines of credit have no major restrictions and are provided under demand notes between the Company and the lending institutions.

At December 31, 2005, the Company had total unused lines of credit related to the revolving credit agreement and the uncommitted short-term lines of credit of \$436.2 million.

At December 31, 2005, the Company held \$64.8 million of precious metals on consignment from several financial institutions. These consignment agreements allow the Company to acquire the precious metal at market rates at a point in time which is approximately the same time and for the same price as alloys are sold to the Company's customers. In the event that the financial institutions would discontinue offering these consignment arrangements, and if the Company could not obtain other comparable arrangements, the Company may be required to obtain third party financing to fund an ownership position in the required precious metal inventory levels.

The Company's cash decreased \$71.8 million during the year ended December 31, 2005 to \$434.5 million. In 2005, the Company repaid \$60.1 million of maturing long-term borrowings and repurchased \$164.8 million of treasury stock. The Company continued to maintain significant cash balances during 2005 rather than pre-pay debt, as a result of pre-payment penalties that would be incurred in retiring both the debt and the related interest rate swap agreements. Additionally, the Company has not repaid this debt due to the low cost of the debt, net of earnings on the cash. The Company has \$530.7 million of long-term borrowings coming due in 2006. The Company intends to repay these debt

obligations with cash and/or funds available to the Company under the revolving credit facility. Any portion of the debt that is repaid through the use of the revolving credit facility will be contractually due in May 2010, upon the expiration of the facility, thus effectively converting the maturity of the debt beyond 2006. The Company currently intends to effectively refinance \$119.9 million of the long-term borrowings coming due in 2005 through use of the revolving credit facility.

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The following table presents the Company's scheduled contractual cash obligations at December 31, 2005:

Contractual Obligations	Less Than 1 Year	1-3 Years	3-5 Years (in thousands)	Greater Than 5 Years	Total
Long-term borrowings	\$ 410,779	\$ 43,767	\$ 226,337	\$ -	\$680,883
Operating leases	20,175	20,383	7,966	5,275	53,799
Interest on long-term borrowings, net of interest rate swap agreements	2,362	(35,657)	(17,924)	12,015	(39,204)
Postretirement obligations	6,673	13,574	14,635	41,817	76,699
Precious metal consignment agreements	64,845	-	-	0	64,845
	<u>\$ 504,834</u>	<u>\$ 42,067</u>	<u>\$ 231,014</u>	<u>\$ 59,107</u>	<u>\$837,022</u>

The Company expects on an ongoing basis, to be able to finance cash requirements, including capital expenditures, stock repurchases, debt service, operating leases and potential future acquisitions, from the current cash balances, funds generated from operations and amounts available under its existing credit facilities.

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NEW ACCOUNTING PRONOUNCEMENTS

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 123R ("SFAS 123R"), "Share-Based Payment". This standard eliminates the guidance of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and amends FASB Statement No. 123, "Accounting for Stock Based Compensation" ("SFAS 123"). The standard requires that all public companies report share-based compensation expense at the grant date fair value of the related share-based awards and no longer permits companies to account for options under the intrinsic value approach of APB 25. SFAS 123R is effective for annual periods beginning after June 15, 2005. As the Company has accounted for stock option grants under the APB 25 in the past, this statement is expected to have a material impact on the Company's financial statements once effective (\$0.14 to \$0.16 per diluted share on an annualized basis). The Company will use the modified prospective transition method, utilizing the Black-Scholes option pricing model for the calculation of the fair value of its employee stock options. Under the modified prospective method, stock option awards that are granted, modified or settled after January 1, 2006 will be measured and accounted for in accordance with SFAS 123(R). Compensation cost for stock option awards granted prior to, but not vested, as of January 1, 2006 would be based on the grant date attributes originally used to value those awards for pro forma purposes under SFAS 123.

In November 2004, the FASB issued Statement of Financial Accounting Standards No. 151, "Inventory Costs - An Amendment of ARB No. 43, Chapter 4" ("SFAS 151"). This statement amends the guidance in ARB No. 43, Chapter 4, "Inventory Pricing", to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). Under ARB No. 43, in certain circumstances, items such as idle facility expense, excessive spoilage, double freight, and rehandling costs that were considered to be unusually abnormal were required to be treated as period charges. Under SFAS 151, these charges are required to be treated as period charges regardless of whether they meet the criterion of unusually abnormal. Additionally, SFAS 151 requires that allocation of fixed production overhead to the cost of conversion be based on the normal capacity of the production facilities. SFAS 151 is effective for all fiscal years beginning after June 15, 2005. The Company does not expect the application of this standard to have a material impact on the Company's financial statements.

In December 2004, the FASB issued Statement of Financial Accounting

Standards No. 153, "Exchanges of Nonmonetary Assets an amendment of APB Opinion No. 29" ("SFAS 153"). This statement amends Opinion 29 to eliminate the exceptions that allowed for other than fair value measurement when similar productive assets were exchanged, and replaced the exceptions with a general exception for exchanges of nonmonetary assets that do not have commercial substance. SFAS 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The application of this statement did not have a material impact on the Company's financial statements.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections" ("SFAS 154"). SFAS 154 requires retroactive application of a voluntary change in accounting principle to prior period financial statements unless it is impracticable. SFAS 154 also requires that a change in method of depreciation, amortization or depletion for long-lived, non-financial assets be accounted for as a change in accounting estimate that is affected by a change in accounting principle. SFAS 154 replaces APB Opinion No. 20, "Accounting Changes" and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements". SFAS 154 is effective for fiscal years beginning after December 15, 2005. The Company will adopt the provisions of SFAS 154 as of January 1, 2006 and does not expect that its adoption will have a material impact on its financial statements.

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QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

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

Financial Instruments

The fair value of financial instruments is determined by reference to various market data and other valuation techniques as appropriate. The Company believes the carrying amounts of cash and cash equivalents, accounts receivable (net of allowance for doubtful accounts), prepaid expenses and other current assets, accounts payable, accrued liabilities, income taxes payable and notes payable approximate fair value due to the short-term nature of these instruments. The Company estimates the fair value of its total long-term debt was \$682.6 million versus its carrying value of \$680.9 million as of December 31, 2005. The fair value approximated the carrying value since much of the Company's debt is variable rate and reflects current market rates. The fixed rate Eurobonds are effectively converted to variable rate as a result of an interest rate swap and the interest rates on revolving debt and commercial paper are variable and therefore the fair value of these instruments approximates their carrying values. The Company has fixed rate Swiss franc denominated notes with estimated fair values that differ from their carrying values. At December 31, 2005, the fair value of these instruments was \$147.4 million versus their carrying values of \$145.7 million. The fair values differ from the carrying values due to lower market interest rates at December 31, 2005 versus the rates at issuance of the notes.

Derivative Financial Instruments

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.

Foreign Exchange Risk Management The Company enters into forward foreign exchange contracts to selectively hedge assets and liabilities denominated in foreign currencies. Market value gains and losses are recognized in income currently and the resulting gains or losses offset foreign exchange gains or losses recognized on the foreign currency assets and liabilities hedged. Determination of hedge activity is based upon market conditions, the magnitude of the foreign currency assets and liabilities and perceived risks. The Company's significant contracts outstanding as of December 31, 2005 are summarized in the table that follows. These foreign exchange contracts generally have maturities of less than twelve months and the counterparties to the transactions are typically large international financial institutions.

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, which are included in Accumulated Other Comprehensive Income.

At December 31, 2005 and 2004, the Company had Euro-denominated, Swiss franc-denominated, and Japanese yen-denominated debt and cross-currency interest rate swaps (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. At December 31, 2005 and 2004, the accumulated translation gains on investments in foreign subsidiaries, primarily denominated in Euros, Swiss francs and Japanese yen, net of these net investment debt hedges, were \$56.2 million and \$179.4 million, respectively, which were included in Accumulated Other Comprehensive Income.

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Interest Rate Risk Management The Company uses interest rate swaps to convert a portion of its variable rate debt to fixed rate debt. As of December 31, 2005, 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 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. The other swap, effective March, 2005, has a notional amount of 65 million Swiss francs, and effectively converts the underlying variable interest rates to a fixed rate of 4.2% for a term of seven years.

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 Euro 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) 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 December 31, 2005 and 2004, the accumulated fair value of the interest rate swap was \$5.3 million and \$14.7 million, respectively, and was recorded in Prepaid Expenses and Other Current Assets and Other Noncurrent Assets. The notional amount of the underlying Eurobond was increased by a corresponding amount at December 31, 2005 and 2004.

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. 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 \$0.90) 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 4.29% on \$315 million 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, included 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.

No gain or loss was recognized upon the amendment of the cross-currency element of the integrated transaction, as the interest rate of 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 designated the Euro 350 million Eurobonds as a hedge of net investment, on the date of the amendment and thus the impact of translation changes related to the final principal payment are recorded in Accumulated Other Comprehensive Income.

The cross-currency element of the integrated transaction continued to be marked-to-market in the income statement (completely offset by the corresponding change in the Eurobonds) through June of 2005. In June 2005, the Company terminated the cross-currency element of the integrated transaction in response to the rapid rise in USD short-term interest rates, converting the debt back into a euro variable instrument. Upon termination, the Company realized the remaining \$20.1 million of accumulated value of the swap. At December 31, 2004, the accumulated fair value of the cross-currency element of the integrated transaction was \$14.7 million, recorded in Prepaid Expenses and Other Current Assets and Other Noncurrent Assets. The notional amount of the underlying Eurobond was increased by a corresponding amount at December 31, 2004.

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In the first quarter of 2005, the Company entered into cross-currency interest rate swaps with a notional principal value of CHF 457 million paying 3 month Swiss Franc Libor and receiving 3 month U.S. dollar Libor on \$384.4 million. These cross-currency swaps are designated as a net investment hedge of the Swiss net assets. Additionally, in the fourth quarter of 2005, the Company entered into cross-currency interest rate swaps with a notional principal value of EUR 358 million paying 3 month Euro Libor and receiving 3 month U.S. dollar Libor on \$419.7 million. These cross-currency swaps are designated as a net investment hedge of the Euro denominated net assets. The interest rate differential is recognized in earnings as it is accrued, the foreign currency revaluation is recorded in Accumulated Other Comprehensive Income, net of tax effects.

The fair value of these swap agreements is the estimated amount the Company would receive (pay) at the reporting date, taking into account the effective interest rates and foreign exchange rates. As of December 31, 2005 and 2004, the estimated net fair values of the swap agreements were \$29.2 million and \$35.7 million, respectively.

Commodity Price Risk Management The Company selectively enters into commodity price swaps to effectively fix certain variable raw material costs. These swaps are used purely to stabilize the cost of components used in the production of certain of the Company's products. The Company

generally accounts for the commodity swaps as cash flow hedges under SFAS 133. As a result, the Company records the fair value of the swap primarily through other comprehensive income based on the tested effectiveness of the commodity swap. Realized gains or losses in Accumulated Other Comprehensive Income are released and recorded to costs of products sold as the products associated with the commodity swaps are sold.

Off Balance Sheet Arrangements

Consignment Arrangements

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

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

At December 31, 2005, the Company had 130,026 troy ounces of precious metal, primarily gold, platinum and palladium, on consignment for periods of less than one year with a market value of \$64.8 million. Under the terms of the consignment agreements, the Company also makes compensatory payments to the consignor banks based on a percentage of the value of the consigned precious metals inventory. At December 31, 2005, the average annual rate charged by the consignor banks was 1.0%. These compensatory payments are considered to be a cost of the metals purchased and are recorded as part of the cost of products sold.

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EXPECTED MATURITY DATES							December 31, 2005	
(represents notional amounts for derivative financial instruments)							Carrying	Fair
2006	2007	2008	2009	2010	2011 and beyond	Value	Value	
(dollars in thousands)								

Financial Instruments

Notes Payable:

U.S. dollar denominated	\$ 1,049	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,049	\$ 1,049
Average interest rate	2.53%						2.53%	
Denmark krone denominated	26	-	-	-	-	-	26	26
Average interest rate	6.00%						6.00%	
Euro denominated	171	-	-	-	-	-	171	171
Average interest rate	2.94%						2.94%	
Japanese yen denominated	187	-	-	-	-	-	187	187
Average interest rate	1.38%						1.38%	
	1,433	-	-	-	-	-	1,433	1,433
	2.49%						2.49%	
Current Portion of Long-term Debt:								
U.S. dollar denominated	439	-	-	-	-	-	439	439
Average interest rate	4.29%						4.29%	
Swiss franc denominated	103,412	-	-	-	-	-	103,412	104,215
Average interest rate	4.77%						4.77%	
Euro denominated	306,928	-	-	-	-	-	306,928	306,928
Average interest rate	5.74%						5.74%	
	410,779	-	-	-	-	-	410,779	411,582
	5.49%						5.49%	

Long Term Debt:								
U.S. dollar denominated	-	78	53	14	6,700	-	6,844	6,844
Average interest rate		6.79%	7.16%	8.28%	4.35%		4.41%	
Swiss franc denominated		42,273	-	-	-	-	42,273	43,146
Average interest rate		4.49%					4.49%	
Japanese yen denominated	-	1,364	-	-	106,359	-	107,723	107,723
Average interest rate		0.03%			0.42%		0.41%	
Euro denominated	-	-	-	-	113,264	-	113,264	113,264
Average interest rate					5.75%			
	-	43,714	53	14	226,323	-	270,104	270,977
		4.35%	7.16%	8.28%	3.20%		3.39%	

Derivative Financial Instruments

Foreign Exchange

Forward Contracts:

Forward sale, 5.3 million

Australian dollars	3,886	-	-	-	-	-	70	70
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Forward purchase, 1.8 million

Canadian dollars	(1,542)	-	-	-	-	-	13	13
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Forward sale, 2.2 billion

Japanese yen	18,780	-	-	-	-	-	52	52
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Forward sale, 14.3 million

Mexican Pesos	1,348	-	-	-	-	-	(38)	(38)
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Forward sale, 22.0 million

Canadian dollars	18,900	-	-	-	-	-	(140)	(140)
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Forward purchase, 1.2 billion

Japanese yen	(10,412)	-	-	-	-	-	(145)	(145)
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Forward purchase, 1.0 million

Swiss francs	(776)	-	-	-	-	-	(16)	(16)
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Interest Rate Swaps:

Interest rate swaps - Japanese yen

Average interest rate	-	-	-	-	106,359	(2,999)	(2,999)	
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Interest rate swaps - Swiss francs

Average interest rate	-	-	-	-	49,407	(5,971)	(5,971)	
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Interest rate swaps - Euro

Average interest rate	419,348	-	-	-	-	5,316	5,316	
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Cross-Currency Basis Swaps:

Swiss franc 457.5 million @ 1.19

pay CHF 3mo. Libor rec. USD 3mo. Libor	-	-	-	-	384,380	-	36,630	36,630
--	---	---	---	---	---------	---	--------	--------

Euros 358.0 million @ \$1.17

pay EUR 3mo. Libor rec. USD 3mo. Libor	-	-	-	-	419,685	-	(3,811)	(3,811)
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Management's Report on Internal Control Over Financial Reporting

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

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

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2005. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control--Integrated Framework. Based on its assessment management concluded that, as of December 31, 2005, the Company's internal control over financial reporting was effective based on those criteria.

Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2005 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as

stated in their report which is included herein.

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

/s/William R. Jellison
William R. Jellison
Senior Vice President and
Chief Financial Officer

March 10, 2006

March 10, 2006

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
of DENTSPLY International Inc.:

We have completed integrated audits of DENTSPLY International Inc.'s 2005 and 2004 consolidated financial statements and of its internal control over financial reporting as of December 31, 2005 and an audit of its December 31, 2003 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements and financial statement schedule

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of DENTSPLY International, Inc. and its subsidiaries at December 31, 2005 and December 31, 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(1) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Internal control over financial reporting

Also, in our opinion, management's assessment, included in "Management's Report on Internal Control Over Financial Reporting" appearing under Item 9A, that the Company maintained effective internal control over financial reporting as of December 31, 2005 based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control - Integrated Framework issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design

and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

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

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

PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
March 10, 2006

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DENTSPLY INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	2005	2004	2003
	(in thousands, except per share amounts)		
Net sales (Note 4)	\$ 1,715,135	\$ 1,694,232	\$ 1,567,994
Cost of products sold	846,117	847,714	797,461
	-----	-----	-----
Gross profit	869,018	846,518	770,533
Selling, general and administrative expenses	563,341	544,264	498,850
Restructuring and impairment costs (Note 15)	232,755	7,124	3,700
	-----	-----	-----
Operating income	72,922	295,130	267,983
Other income and expenses:			
Interest expense	17,773	25,098	26,079
Interest income	(9,005)	(5,469)	(1,874)
Other (income) expense, net (Note 5)	(6,884)	1,346	(7,418)
	-----	-----	-----
Income before income taxes	71,038	274,155	251,196
Provision for income taxes (Note 13)	25,625	63,869	81,343
	-----	-----	-----
Income from continuing operations	45,413	210,286	169,853
Income from discontinued operations, net of tax (Note 6)	-	42,879	4,330
	-----	-----	-----
Net income	\$ 45,413	\$ 253,165	\$ 174,183

	=====	=====	=====
Earnings per common share - basic (Note 2)			
Continuing operations	\$ 0.57	\$ 2.61	\$ 2.16
Discontinued operations	-	0.54	0.05
	----	----	----
Total earnings per common share - basic	\$ 0.57	\$ 3.15	\$ 2.21
	=====	=====	=====
Earnings per common share - diluted (Note 2)			
Continuing operations	\$ 0.56	\$ 2.56	\$ 2.11
Discontinued operations	-	0.53	0.05
	----	----	----
Total earnings per common share - diluted	\$ 0.56	\$ 3.09	\$ 2.16
	=====	=====	=====
Cash dividends declared per common share	\$ 0.25000	\$ 0.21750	\$ 0.19700
Weighted average common shares outstanding (Note 2):			
Basic	79,595	80,387	78,823
Diluted	81,008	82,014	80,647
<FN>			
The accompanying notes are an integral part of these financial statements.			
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DENTSPLY INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2005	2004
	(in thousands)	
Assets		
Current Assets:		
Cash and cash equivalents	\$ 434,525	\$ 506,369
Accounts and notes receivable-trade, net (Note 1)	254,822	238,873
Inventories, net (Notes 1 and 7)	208,179	213,709
Prepaid expenses and other current assets (Notes 13 and 16)	132,517	97,458
	-----	-----
Total Current Assets	1,030,043	1,056,409
Property, plant and equipment, net (Notes 1 and 8)	316,218	399,880
Identifiable intangible assets, net (Notes 1 and 9)	68,600	265,731
Goodwill, net (Notes 1 and 9)	933,227	996,262
Other noncurrent assets (Notes 13, 14 and 16)	59,240	79,863
	-----	-----
Total Assets	\$2,407,329	\$ 2,798,145
	=====	=====
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 82,317	\$ 91,576
Accrued liabilities (Note 10)	159,846	179,765
Income taxes payable	86,859	60,387
Notes payable and current portion		
	-----	-----
of long-term debt (Note 11)	412,212	72,879
	-----	-----
Total Current Liabilities	741,234	404,607
Long-term debt (Note 11)	270,104	779,940
Deferred income taxes	42,912	58,196
Other noncurrent liabilities (Note 14)	111,311	110,829
	-----	-----
Total Liabilities	1,165,561	1,353,572
Minority interests in consolidated subsidiaries	188	600
	---	---
Commitments and contingencies (Note 17)		
Stockholders' Equity:		
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 December 31, 2005 and December 31, 2004	814	814
Capital in excess of par value	170,607	189,277
Retained earnings	1,151,856	1,126,262
Accumulated other comprehensive income	56,454	164,100
Treasury stock, at cost, 2.5 million shares at December 31, 2005		

and 0.8 million shares at December 31, 2004	(138,151)	(36,480)
	-----	-----
Total Stockholders' Equity	1,241,580	1,443,973
	-----	-----
Total Liabilities and Stockholders' Equity	\$ 2,407,329	\$ 2,798,145
	=====	=====

<FN>
The accompanying notes are an integral part of these financial statements.
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DENTSPLY INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (in thousands)	Unearned ESOP Compensation	Treasury Stock	Total Stockholders' Equity
Balance at December 31, 2002	\$ 814	\$156,898	\$ 730,971	\$ 1,624	\$ (1,899)	\$ (52,480)	\$ 835,928
Comprehensive Income:							
Net income	-	-	174,183	-	-	-	174,183
Other comprehensive income (loss), net of tax:							
Foreign currency translation adjustment	-	-	-	95,984	-	-	95,984
Unrealized gain on available-for-sale securities	-	-	-	5,005	-	-	5,005
Net gain on derivative financial instruments	-	-	-	2,430	-	-	2,430
Minimum pension liability adjustment	-	-	-	(123)	-	-	(123)
Comprehensive Income							277,479
Exercise of stock options	-	4,229	-	-	-	12,642	16,871
Tax benefit from stock options exercised	-	5,825	-	-	-	-	5,825
Cash dividends (\$0.197 per share)	-	-	(15,553)	-	-	-	(15,553)
Decrease in unearned ESOP compensation	-	-	-	-	1,519	-	1,519
	-----	-----	-----	-----	-----	-----	-----
Balance at December 31, 2003	814	166,952	889,601	104,920	(380)	(39,838)	1,122,069
Comprehensive Income:							
Net income	-	-	253,165	-	-	-	253,165
Other comprehensive income (loss), net of tax:							
Foreign currency translation adjustment	-	-	-	69,884	-	-	69,884
Unrealized gain on available-for-sale securities	-	-	-	191	-	-	191
Net loss on derivative financial instruments	-	-	-	(9,086)	-	-	(9,086)
Minimum pension liability adjustment	-	-	-	(1,809)	-	-	(1,809)
Comprehensive Income							312,345
Exercise of stock options	-	4,257	-	-	-	41,061	45,318
Tax benefit from stock options exercised	-	18,068	-	-	-	-	18,068
Treasury shares purchased	-	-	-	-	-	(37,703)	(37,703)
Cash dividends (\$0.2175 per share)	-	-	(16,504)	-	-	-	(16,504)
Decrease in unearned ESOP compensation	-	-	-	-	380	-	380
	-----	-----	-----	-----	-----	-----	-----
Balance at December 31, 2004	814	189,277	1,126,262	164,100	-	(36,480)	1,443,973
Comprehensive Income:							
Net income	-	-	45,413	-	-	-	45,413
Other comprehensive income (loss), net of tax:							
Foreign currency translation adjustment	-	-	-	(123,202)	-	-	(123,202)
Unrealized gain on available-for-sale securities	-	-	-	22	-	-	22
Net gain on derivative financial instruments	-	-	-	27,951	-	-	27,951
Minimum pension liability adjustment	-	-	-	(12,417)	-	-	(12,417)
Comprehensive Income (Loss)							(62,233)
Exercise of stock options	-	(31,313)	-	-	-	63,089	31,776
Tax benefit from stock options exercised	-	12,643	-	-	-	-	12,643
Treasury shares purchased	-	-	-	-	-	(164,760)	(164,760)
Cash dividends (\$0.250 per share)	-	-	(19,819)	-	-	-	(19,819)
	-----	-----	-----	-----	-----	-----	-----
Balance at December 31, 2005	\$ 814	\$ 170,607	\$1,151,856	\$ 56,454	\$ -	\$ (138,151)	\$ 1,241,580
	=====	=====	=====	=====	=====	=====	=====

<FN>
The accompanying notes are an integral part of these financial statements.
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DENTSPLY INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended December 31,

	2005	2004 (in thousands)	2003
Cash flows from operating activities:			
Net income from continuing operations	\$ 45,413	\$ 210,286	\$ 169,853
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	42,031	40,841	36,897
Amortization	8,529	8,455	8,764
Deferred income taxes	(91,777)	7,058	32,411
Restructuring and impairment costs	232,755	7,124	3,700
Other non-cash income	(2,017)	(394)	(1,173)
Loss on disposal of property, plant and equipment	1,506	958	459
Gain on sale of PracticeWorks securities	-	-	(5,806)
Non-cash ESOP compensation	-	380	1,519
Changes in operating assets and liabilities, net of acquisitions and divestitures:			
Accounts and notes receivable-trade, net	(31,589)	16,061	(4,899)
Inventories, net	(7,460)	4,103	15,197
Prepaid expenses and other current assets	(4,230)	(765)	4,894
Other noncurrent assets	(854)	1,643	(2,803)
Accounts payable	(6,784)	(1,386)	16,538
Accrued liabilities	(14,465)	5,756	(26,561)
Income taxes	54,045	27,584	(271)
Other noncurrent liabilities	7,666	2,828	2,146
Cash flows (used in) provided by discontinued operating activities	-	(24,273)	7,127
Net cash provided by operating activities	232,769	306,259	257,992
Cash flows from investing activities:			
Acquisitions of businesses, net of cash acquired	(18,097)	(17,165)	(15,038)
Expenditures for identifiable intangible assets	(3,473)	(7,573)	(5,836)
Proceeds from sale of Gendex	-	102,500	-
Proceeds from sale of PracticeWorks securities	-	-	23,506
Proceeds from sale of property, plant and equipment	555	1,788	2,959
Capital expenditures	(45,293)	(52,036)	(73,157)
Other	-	(1,756)	-
Realization of cross-currency swap value	23,836	13,664	10,736
Cash flows used in discontinued operations' investing activities	-	(148)	(1,811)
Net cash (used in) provided by investing activities	(42,472)	39,274	(58,641)
Cash flows from financing activities:			
Proceeds from long-term borrowings, net of deferred financing costs	-	-	634
Payments on long-term borrowings	(60,105)	(22,151)	(70,738)
(Decrease) increase in short-term borrowings	(141)	624	(3,277)
Proceeds from exercise of stock options	31,776	45,318	16,871
Cash paid for treasury stock	(164,760)	(37,703)	-
Cash dividends paid	(19,141)	(15,823)	(14,999)
Net cash used in financing activities	(212,371)	(29,735)	(71,509)
Effect of exchange rate changes on cash and cash equivalents	(49,770)	26,816	10,261
Net (decrease) increase in cash and cash equivalents	(71,844)	342,614	138,103
Cash and cash equivalents at beginning of period	506,369	163,755	25,652
Cash and cash equivalents at end of period	\$ 434,525	\$ 506,369	\$ 163,755

<FN>

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

</FN>

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DENTSPLY INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2005	2004	2003
	(in thousands)		
Supplemental disclosures of cash flow information:			
Interest paid, net of amounts capitalized	\$ 19,864	\$ 24,836	\$ 25,796
Income taxes paid	\$ 62,291	\$ 44,952	\$ 57,733

<FN>

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

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DENTSPLY INTERNATIONAL INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Description of Business

DENTSPLY designs, develops, manufactures and markets a broad range of products for the dental market. The Company believes that it is the world's leading manufacturer and distributor of dental prosthetics, precious metal dental alloys, dental ceramics, endodontic instruments and materials, prophylaxis paste, dental sealants, ultrasonic scalers and crown and bridge materials; the leading United States manufacturer and distributor of dental handpieces, dental x-ray film holders, film mounts and bone substitute/grafting materials; and a leading worldwide manufacturer or distributor of dental injectable anesthetics, impression materials, orthodontic appliances, dental cutting instruments and dental implants. The Company distributes its dental products in over 120 countries under some of the most well established brand names in the industry.

DENTSPLY is committed to the development of innovative, high-quality, cost effective products for the dental market.

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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates, if different assumptions are made or if different conditions exist.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts and Notes Receivable-Trade

The Company sells dental equipment and supplies both through a worldwide network of distributors and directly to end users. For customers on credit terms, the Company performs ongoing credit evaluation of those customers' financial condition and generally does not require collateral from them. The

Company establishes allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. Accounts and notes receivable-trade are stated net of these allowances which were \$14.8 million and \$17.2 million at December 31, 2005 and 2004, respectively. The Company recorded provisions for doubtful accounts, included in "Selling, general and administrative expenses", of approximately \$2.1 million, \$2.1 million and \$0.6 million for 2005, 2004 and 2003, respectively.

Certain of the Company's customers are offered cash rebates based on targeted sales increases. In accounting for these rebate programs, the Company records an accrual as a reduction of net sales for the estimated rebate as sales take place throughout the year in accordance with EITF 01-09, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)".

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Inventories

Inventories are stated at the lower of cost or market. At December 31, 2005 and 2004, the cost of \$10.3 million, or 5%, and \$10.8 million, or 5%, respectively, of inventories was determined by the last-in, first-out ("LIFO") method. The cost of other inventories was determined by the first-in, first-out ("FIFO") or average cost methods. The Company establishes reserves for inventory estimated to be obsolete or unmarketable equal to the difference between the cost of inventory and estimated market value based upon assumptions about future demand and market conditions.

If the FIFO method had been used to determine the cost of LIFO inventories, the amounts at which net inventories are stated would be higher than reported at December 31, 2005 and December 31, 2004 by \$2.6 million and \$1.4 million, respectively.

Valuation of Goodwill, Indefinite-Lived Intangible Assets and Other Long-Lived Assets

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

Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation. Except for leasehold improvements, depreciation for financial reporting purposes is computed by the straight-line method over the following estimated useful lives: buildings - generally 40 years and machinery and equipment - 4 to 15 years. The cost of leasehold improvements is amortized over the shorter of the estimated useful life or the term of the lease. Maintenance and repairs are charged to operations; replacements and major improvements are capitalized. These assets are reviewed for impairment whenever events or circumstances suggest that the carrying amount of the asset may not be recoverable in accordance with Statement of Financial Accounting Standards No. 144 ("SFAS 144"), "Accounting for the Impairment or Disposal of Long-Lived Assets". 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.

As a result of changes in events and circumstances surrounding the indefinite-lived injectable anesthetic intangible asset acquired from AstraZeneca in 2001 and the assets associated with the pharmaceutical manufacturing facility, additional impairment analyses were conducted during the third and fourth quarters of 2005, resulting in impairment charges being recorded in both quarters (see Note 15 - RESTRUCTURING AND IMPAIRMENT COSTS (INCOME)).

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 suggest that the carrying amount of the asset may not be recoverable in accordance with SFAS 144. The Company closely monitors intangible assets related to new technology for indicators of impairment as these assets have more risk of becoming impaired. 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.

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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 at least an annual impairment test be applied to goodwill and indefinite-lived intangible assets. The Company performs impairment tests on at least an annual basis using a fair value approach rather than an evaluation of the undiscounted cash flows. If impairment is identified on goodwill 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 performed the required annual impairment tests in the second quarter of 2005 and no impairment was identified. This impairment assessment included an evaluation of approximately 20 reporting units. In addition to the annual impairment test, 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 events or through the annual development of operating unit business plans in the fourth quarter of each year or otherwise, impairment assessments are performed as necessary.

As a result of changes in events and circumstances surrounding the indefinite-lived injectable anesthetic intangible asset acquired from AstraZeneca in 2001 and the assets associated with the pharmaceutical manufacturing facility, additional impairment analyses were conducted during the third and fourth quarters of 2005, resulting in impairment charges being recorded in both quarters (see Note 15 - RESTRUCTURING AND IMPAIRMENT COSTS (INCOME)).

Derivative Financial Instruments

The Company adopted Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities", on January 1, 2001. This standard, as amended by SFAS 138 and 149, requires that all derivative instruments be recorded on the balance sheet at their fair value and that changes in fair value be recorded each period in current earnings or Accumulated Other Comprehensive Income.

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.

Pension and Other Postretirement Benefits

Substantially all of the employees of the Company and its subsidiaries are covered by government or Company-sponsored defined benefit or defined contribution plans. Additionally, certain union and salaried employee groups in the United States are covered by a postretirement healthcare plan. Costs for Company-sponsored plans are based on expected return on plan assets, discount rates, employee compensation increase rates and health care cost trends. Expected return on plan assets, discount rates, and health care cost trend assumptions are particularly important when determining the Company's benefit obligations and net periodic benefit costs associated with postretirement benefits. Changes in these assumptions can impact the Company's pretax earnings. In determining the cost of postretirement benefits, certain assumptions are established annually to reflect market conditions and plan experience to appropriately reflect the expected costs as actuarially determined. These assumptions include medical inflation trend rates, discount rates, employee turnover and mortality rates. The Company predominantly uses liability durations in establishing its discount rates, which are observed from indices of high-grade corporate bond yields in the respective economic regions of the plans. The expected return on plan assets is the weighted average long-term expected return based upon asset allocations and historic average returns for the markets where the assets are invested, principally in foreign locations. Additional information related to the impact of changes in these assumptions is provided in Note 14 to the Consolidated Financial Statements.

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Litigation

The Company and its subsidiaries are from time to time parties to lawsuits arising out of their respective operations. The Company records liabilities when a loss is probable and can be reasonably estimated. These estimates are made by management based on an analysis made by internal and external legal counsel which considers information known at the time. Legal costs related to these lawsuits are expensed as incurred.

Foreign Currency Translation

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

Assets and liabilities of foreign subsidiaries are translated at exchange rates on the balance sheet date; revenue and expenses are translated at the average year-to-date rates of exchange. The effects of these translation adjustments are reported in stockholders' equity within "Accumulated other comprehensive income". During the year ended December 31, 2005, the Company had translation losses of \$172.3 million, partially offset by gains of \$49.1 million on its loans designated as hedges of net investments. During the years ended December 31, 2004 and 2003, the Company had translation gains of \$104.9 million and \$153.0 million, respectively, partially offset by losses of \$35.0 million and \$57.0 million, respectively, on its loans designated as hedges of net investments.

Exchange gains and losses arising from transactions denominated in a currency other than the functional currency of the entity involved and translation adjustments in countries with highly inflationary economies are included in income. Exchange gains of \$6.7 million and \$0.3 million in 2005 and 2003, respectively, and exchange losses of \$1.2 million in 2004 are included in "Other expense (income), net".

Revenue Recognition

Revenue, net of related discounts and allowances, is recognized when the earnings process is complete. This occurs when products are shipped to or received by the customer in accordance with the terms of the agreement, title and risk of loss have been transferred, collectibility is probable and pricing is fixed or determinable. Net sales include shipping and handling costs collected from customers in connection with the sale.

A significant portion of the Company's net sales is comprised of sales of precious metals generated through its precious metal alloy product offerings. As

the precious metal content of the Company's sales is largely a pass-through to customers, the Company uses its cost of precious metal purchased as a proxy for the precious metal content of sales, as the precious metal content of sales is not separately tracked and invoiced to customers. The Company believes that it is reasonable to use the cost of precious metal content purchased in this manner since precious metal alloy sale prices are typically adjusted when the prices of underlying precious metals change. The precious metals content of sales was \$171.2 million, \$212.3 million and \$203.7 million for 2005, 2004 and 2003, respectively.

Warranties

The Company provides warranties on certain equipment products. Estimated warranty costs are accrued when sales are made to customers. Estimates for warranty costs are based primarily on historical warranty claim experience.

Research and Development Costs

Research and development ("R&D") costs relate primarily to internal costs for salaries and direct overhead costs. In addition, the Company contracts with outside vendors to conduct R&D activities. All such R&D costs are charged to expense when incurred. The Company capitalizes the costs of equipment that have general R&D uses and expenses such equipment that is solely for specific R&D projects. The depreciation related to this capitalized equipment is included in the Company's R&D costs. R&D costs are included in "Selling, general and administrative expenses" and amounted to approximately \$47.0 million, \$44.6 million and \$43.3 million for 2005, 2004 and 2003, respectively.

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Income Taxes

Income taxes are determined using the liability method of accounting for income taxes in accordance with Statement of Financial Accounting Standards No. 109 ("SFAS 109"). Under SFAS 109, tax expense includes US and international income taxes plus the provision for US taxes on undistributed earnings of international subsidiaries not deemed to be permanently invested. Tax credits and other incentives reduce tax expense in the year the credits are claimed. Certain items of income and expense are not reported in tax returns and financial statements in the same year. The tax effect of such temporary differences is reported as deferred income taxes. Deferred tax assets are recognized if it is more likely than not that the assets will be realized in future years. The Company establishes a valuation allowance for deferred tax assets for which realization is not likely.

The Company accounts for income tax contingencies in accordance with the Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies".

Earnings Per Share

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

Stock Compensation

The Company has stock-based employee compensation plans which are described more fully in Note 12 - STOCKHOLDERS' EQUITY . The Company applies the intrinsic value method in accordance with Accounting Principles Board Opinion No. 25 ("APB 25"), "Accounting for Stock Issued to Employees", and related interpretations in accounting for stock compensation 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 (see also discussion of SFAS 123R in New Accounting Pronouncements).

	Year Ended December 31,		
	2005	2004	2003
	(in thousands, except per share amounts)		
Net income as reported	\$ 45,413	\$ 253,165	\$ 174,183
Deduct: Stock-based employee compensation expense determined under fair value method, net of related tax	(13,784)	(11,668)	(11,062)
Pro forma net income	\$ 31,629	\$ 241,497	\$ 163,121
Basic earnings per common share			
As reported	\$ 0.57	\$ 3.15	\$ 2.21
Pro forma under fair value based method	\$ 0.40	\$ 3.00	\$ 2.07
Diluted earnings per common share			
As reported	\$ 0.56	\$ 3.09	\$ 2.16
Pro forma under fair value based method	\$ 0.39	\$ 2.95	\$ 2.02
APB 25			
Basic	79,595	80,387	78,823
Diluted	81,008	82,014	80,647
SFAS 123			
Basic	79,595	80,387	78,823
Diluted	81,115	81,994	80,705

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Other Comprehensive Income (Loss)

Other comprehensive income (loss) includes foreign currency translation adjustments related to the Company's foreign subsidiaries, net of the related changes in certain financial instruments hedging these foreign currency investments. In addition, changes in the fair value of the Company's available-for-sale investment securities and certain derivative financial instruments and changes in its minimum pension liability are recorded in other comprehensive income (loss). These changes are recorded in other comprehensive income (loss) net of any related tax effects. For the years ended December 31, 2005, 2004 and 2003, these adjustments were net of tax effects of \$48.1 million, \$32.0 million and \$29.1 million, respectively, primarily related to foreign currency translation adjustments.

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

	December 31,	
	2005	2004
	(in thousands)	
Foreign currency translation adjustments	\$ 56,214	\$ 179,416
Net gain/(loss) on derivative financial instruments	15,312	(12,639)
Unrealized gain (loss) on available-for-sale securities	364	342
Minimum pension liability	(15,436)	(3,019)
	\$ 56,454	\$ 164,100

The cumulative foreign currency translation adjustments included translation gains of \$129.0 million and \$297.9 million as of December 31, 2005 and 2004, respectively, offset by losses of \$72.8 million and \$118.5 million, respectively, on loans designated as hedges of net investments.

Revisions in Classification

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

The Company has revised its 2004 and 2003 cash flow statement classifications to present realization of cross-currency swap value of \$13.7 million and \$10.7 million, respectively, into cash flows from investing activities from cash flows from financing activities

New Accounting Pronouncements

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123R ("SFAS 123R"), "Share-Based Payment". This standard eliminates the guidance of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and amends FASB Statement No. 123, "Accounting for Stock Based Compensation" ("SFAS 123"). The standard

requires that all public companies report share-based compensation expense at the grant date fair value of the related share-based awards and no longer permits companies to account for options under the intrinsic value approach of APB 25. SFAS 123R is effective for annual periods beginning after June 15, 2005. As the Company has accounted for stock option grants under the APB 25 in the past, this statement is expected to have a material impact on the Company's financial statements once effective (\$0.14 to \$0.16 per diluted share on an annualized basis). The Company will use the modified prospective transition method, utilizing the Black-Scholes option pricing model for the calculation of the fair value of its employee stock options. Under the modified prospective method, stock option awards that are granted, modified or settled after January 1, 2006 will be measured and accounted for in accordance with SFAS 123(R). Compensation cost for stock option awards granted prior to, but not vested, as of January 1, 2006 would be based on the grant date attributes originally used to value those awards for pro forma purposes under SFAS 123.

In November 2004, the FASB issued Statement of Financial Accounting Standards No. 151, "Inventory Costs - An Amendment of ARB No. 43, Chapter 4" ("SFAS 151"). This statement amends the guidance in ARB No. 43, Chapter 4, "Inventory Pricing", to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). Under ARB No. 43, in certain circumstances, items such as idle facility expense, excessive spoilage, double freight, and rehandling costs that were considered to be unusually abnormal were required to be treated as period charges. Under SFAS 151, these charges are required to be treated as period charges regardless of whether they meet the criterion of unusually abnormal. Additionally, SFAS 151 requires that allocation of fixed production overhead to the cost of conversion be based on the normal capacity of the production facilities. SFAS 151 is effective for all fiscal years beginning after June 15, 2005. The Company does not expect the application of this standard to have a material impact on the Company's financial statements.

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In December 2004, the FASB issued Statement of Financial Accounting Standards No. 153, "Exchanges of Nonmonetary Assets an amendment of APB Opinion No. 29" ("SFAS 153"). This statement amends APB Opinion No. 29 to eliminate the exceptions that allowed for other than fair value measurement when similar productive assets were exchanged, and replaced the exceptions with a general exception for exchanges of nonmonetary assets that do not have commercial substance. SFAS 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The application of this statement did not have a material impact on the Company's financial statements.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections" ("SFAS 154"). SFAS 154 requires retroactive application of a voluntary change in accounting principle to prior period financial statements unless it is impracticable. SFAS 154 also requires that a change in method of depreciation, amortization or depletion for long-lived, non-financial assets be accounted for as a change in accounting estimate that is affected by a change in accounting principle. SFAS 154 replaces APB Opinion No. 20, "Accounting Changes" and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements". SFAS 154 is effective for fiscal years beginning after December 15, 2005. The Company will adopt the provisions of SFAS 154 as of January 1, 2006 and does not expect that its adoption will have a material impact on its financial statements.

NOTE 2 - EARNINGS PER COMMON SHARE

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

	Earnings per common share						
	Income From Continuing Operations	Income From Discontinued Operations	Net Income	Shares	Continuing Operations	Discontinued Operations	Total
	(in thousands, except per share amounts)						
Year Ended December 31, 2005							
Basic	\$ 45,413	\$ -	\$ 45,413	79,595	\$ 0.57	\$ -	\$ 0.57
Incremental shares from assumed exercise of dilutive options	-	-	-	1,413			
	-----	-----	-----	-----			

Diluted	\$ 45,413	\$ -	\$ 45,413	81,008	\$ 0.56	\$ -	\$ 0.56
	=====	=====	=====	=====			
Year Ended December 31, 2004							
Basic	\$ 210,286	\$ 42,879	\$ 253,165	80,387	\$ 2.61	\$ 0.54	\$ 3.15
Incremental shares from assumed exercise of dilutive options	-	-	-	1,627			
	-----	-----	-----	-----			
Diluted	\$ 210,286	\$ 42,879	\$ 253,165	82,014	\$ 2.56	\$ 0.53	\$ 3.09
	=====	=====	=====	=====			
Year Ended December 31, 2003							
Basic	\$ 169,853	\$ 4,330	\$ 174,183	78,823	\$ 2.16	\$ 0.05	\$ 2.21
Incremental shares from assumed exercise of dilutive options	-	-	-	1,824			
	-----	-----	-----	-----			
Diluted	\$ 169,853	\$ 4,330	\$ 174,183	80,647	\$ 2.11	\$ 0.05	\$ 2.16
	=====	=====	=====	=====			

Options to purchase 2.2 million, 1.0 million and 1.4 million shares of common stock that were outstanding during the years ended 2005, 2004 and 2003, respectively, 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.

NOTE 3 - BUSINESS ACQUISITIONS AND DIVESTITURES

Acquisitions

The Company accounts for all acquisitions under the purchase method of accounting; accordingly, the results of the operations acquired are included in the accompanying financial statements for the periods subsequent to the respective dates of the acquisitions. The purchase prices are allocated on the basis of estimates of the fair values of assets acquired and liabilities assumed.

In March 2001, the Company acquired the know-how, patent and trademark rights to the non-injectable 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.

Effective January 2005, the Company acquired all the outstanding capital stock of GAC SA from the Gebroulaz Foundation. GAC SA is primarily a distributor of orthodontic products with subsidiaries in Switzerland, France, Germany and Norway. The Company purchased GAC SA primarily to further strengthen its orthodontic business through the acquired company's presence in the orthodontic market in Europe. In May 2005, the Company acquired the assets of Raintree Essix, L.L.C. ("Raintree"). Raintree is a brand leader for specialty plastic sheets used in orthodontic treatment, as well as other accessories for the orthodontic market. The Company purchased Raintree primarily to further strengthen its orthodontic product offerings. In May 2005, the Company also acquired all the outstanding capital stock of Glenroe Technologies, Inc. ("Glenroe"). Glenroe is a manufacturer of orthodontic accessory products including elastic force materials, specialty plastics, and intricate molded plastic parts, including NEOCLIPS, a new product used with DENTSPLY's newly launched Interactive MYSTIQUE bracket (the world's first low friction translucent ceramic bracket). The Company purchased Glenroe primarily to further strengthen its orthodontic product offerings. The above described transactions included aggregate payments at closing of approximately \$18.1 million (net of cash acquired of \$2.7 million). Each transaction includes provisions for possible additional payments based on the performance of the individual

businesses post closing (generally for three years). All of these acquired companies are included in the "U.S. Dental Laboratory Business/Implants/Orthodontics/Japan/Asia" operating segment.

The results of operations of the acquired companies are included in the accompanying financial statements since the effective dates of the transactions. The purchase price of these acquisitions has been allocated on the basis of estimates of the fair values of assets acquired and liabilities assumed. The current aggregate purchase price allocation for these acquisitions is as follows:

	(in thousands)
Current assets	\$ 6,033
Property, plant and equipment	2,063
Identifiable intangible assets and goodwill	17,094
Other long-term assets	26

Total assets	25,216

Current liabilities	(5,070)
Other long-term liabilities	(2,049)

Total liabilities	(7,119)

Net assets	\$ 18,097
	=====

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Divestitures

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. 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, dental laboratory products, and specialty dental products.

NOTE 4 - SEGMENT AND GEOGRAPHIC INFORMATION

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 in 2005, 2004 and 2003.

The operating businesses are combined into operating groups which have overlapping product offerings, geographical presence, customer bases, distribution channels, and regulatory oversight. These operating groups are considered the Company's reportable segments under SFAS 131 as the Company's chief operating decision-maker regularly reviews financial results at the operating group level and uses this information to manage the Company's operations. 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 - SIGNIFICANT ACCOUNTING POLICIES). The Company measures segment income for reporting purposes as net operating profit before restructuring, impairment, interest and taxes. A description of the services provided within each of the Company's four reportable segments is provided below. The disclosure below reflects the Company's segment reporting structure through December 31, 2005. In January 2006, the Company reorganized its operating group structure consolidating into three operating groups. Segment information will be disclosed under this new structure beginning in the first quarter of 2006.

A description of the activities of the Company's four reportable segments follows:

U.S. Consumable Business/Canada

This business group includes responsibility for the design, manufacturing, sales, and distribution for certain small equipment, chairside consumable products and dental anesthetics in the U.S. and the sales and distribution of all such Company products in Canada.

Dental Consumables - Europe, 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, the Middle East, Africa and the CIS. In addition, the group has responsibility for the design, manufacturing, sales, and distribution for certain small equipment and chairside consumable products and certain specialty products in Europe, the Middle East, Africa and the CIS.

Australia/Latin America/Endodontics/Non-dental

This business group includes responsibility for the design, manufacture, and/or sales and distribution of dental anesthetics, chairside consumable and laboratory products in Brazil. It also has responsibility for the sales and distribution of all Company dental products sold in Australia and Latin America. This business group also includes the responsibility for the design and manufacturing for endodontic products in the U.S., Switzerland and Germany and is responsible for sales and distribution of all Company endodontic products in the U.S., Canada, Switzerland, Benelux, Scandinavia, and Eastern Europe, and certain endodontic products in Germany. This business group is also responsible for the Company's non-dental business.

U.S. Dental Laboratory Business/Implants/Orthodontics/Japan/Asia

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. The business is responsible for sales and distribution of all Company products throughout Asia and Japan.

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 Company considers sales excluding precious metal content as the appropriate sales measurement due to the fluctuations of precious metal prices and due to the fact that the precious metal content is largely a pass-through to customers and has minimal effect on earnings.

The following table sets forth information about the Company's operating groups for 2005, 2004 and 2003.

Third Party Net Sales

	2005	2004 (in thousands)	2003
U.S. Consumable Business / Canada	\$ 343,310	\$ 319,665	\$ 308,827
Dental Consumables - Europe, CIS, Middle East, Africa/European Dental Laboratory Business	505,675	577,426	520,850
Australia/Latin America/Endodontics/Non-Dental	359,870	339,130	315,399
U.S. Dental Laboratory Business/Implants/Orthodontics/Japan/Asia	509,439	461,320	424,659
All Other (a)	(3,159)	(3,309)	(1,741)
Total	<u>\$ 1,715,135</u>	<u>\$ 1,694,232</u>	<u>\$ 1,567,994</u>

Third Party Net Sales, excluding precious metal content

	2005	2004 (in thousands)	2003
U.S. Consumable Business / Canada	\$ 342,254	\$ 319,647	\$ 308,827
Dental Consumables - Europe, CIS, Middle East, Africa/European Dental Laboratory Business	387,484	422,198	373,822
Australia/Latin America/Endodontics/Non-Dental	357,848	337,380	313,345
U.S. Dental Laboratory Business/Implants/Orthodontics/Japan/Asia	459,489	405,956	370,093
All Other (a)	(3,159)	(3,309)	(1,741)
	-----	-----	-----
Total excluding Precious Metal Content	1,543,916	1,481,872	1,364,346
Precious Metal Content	171,219	212,361	203,648
	-----	-----	-----
Total including Precious Metal Content	<u>\$1,715,135</u>	<u>\$ 1,694,233</u>	<u>\$ 1,567,994</u>

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

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Intersegment Net Sales

	2005	2004 (in thousands)	2003
U.S. Consumable Business / Canada	\$ 314,070	\$ 316,462	\$ 309,367
Dental Consumables - Europe, CIS, Middle East, Africa/European Dental Laboratory Business	161,290	164,205	145,791
Australia/Latin America/Endodontics/Non-Dental	65,076	56,500	54,651
U.S. Dental Laboratory Business/Implants/Orthodontics/Japan/Asia	40,743	34,609	35,609
All Other (a)	165,497	161,520	161,930
	-----	-----	-----
Total Intersegment Net Sales	746,676	733,296	707,348
Eliminations	(746,676)	(733,296)	(707,348)
	-----	-----	-----
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation and Amortization

	2005	2004 (in thousands)	2003
U.S. Consumable Business / Canada	\$ 10,089	\$ 7,958	\$ 6,956
Dental Consumables - Europe, CIS, Middle East, Africa/European Dental Laboratory Business	13,949	13,697	12,228
Australia/Latin America/Endodontics/Non-Dental	11,382	10,635	9,682
U.S. Dental Laboratory Business/Implants/Orthodontics/Japan/Asia	9,719	11,628	10,910
All Other (a)	5,421	5,378	5,885
	-----	-----	-----
Total	<u>\$ 50,560</u>	<u>\$ 49,296</u>	<u>\$ 45,661</u>

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

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Segment Operating Income

	2005	2004 (in thousands)	2003
U.S. Consumable Business / Canada	\$ 95,598	\$ 97,584	\$ 98,121
Dental Consumables - Europe, CIS, Middle East, Africa/European Dental Laboratory Business	49,437	74,756	56,408
Australia/Latin America/Endodontics/Non-Dental	146,768	143,472	130,618
U.S. Dental Laboratory Business/Implants/			

Orthodontics/Japan/Asia	77,797	54,743	45,310
All Other (a)	(63,923)	(68,301)	(58,774)
	-----	-----	-----
Segment Operating Income	305,677	302,254	271,683
Reconciling Items:			
Restructuring and impairment costs (b)	232,755	7,124	3,700
Interest Expense	17,773	25,098	26,079
Interest Income	(9,005)	(5,469)	(1,874)
Other (income) expense, net	(6,884)	1,346	(7,418)
	-----	-----	-----
Income before income taxes	\$ 71,038	\$ 274,155	\$ 251,196
	=====	=====	=====

Assets

	2005	2004 (in thousands)	2003
U.S. Consumable Business / Canada (b)	\$ 179,516	\$ 360,977	\$ 309,995
Dental Consumables - Europe, CIS, Middle East, Africa/European Dental Laboratory Business	607,346	713,592	669,876
Australia/Latin America/Endodontics/Non-Dental	566,281	582,828	573,693
U.S. Dental Laboratory Business/Implants/Orthodontics/Japan/Asia (b)	380,691	390,140	411,299
All Other (a)	673,495	750,608	480,724
	-----	-----	-----
Total	\$ 2,407,329	\$ 2,798,145	\$ 2,445,587
	=====	=====	=====

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

(b) During 2005, the Company recorded a \$233.1 million (\$179.6 million after tax) impairment and restructuring charge against the indefinite-lived injectable anesthetic asset and the long-lived pharmaceutical manufacturing facility assets. Of this charge, \$209.9 million (\$166.1 million after tax) was recorded in the U.S. Consumable Business/Canada, and the remaining \$23.3 million (\$13.5 million after tax) was recorded in the U.S. Dental Laboratory Business/Implants/Orthodontics/Japan/Asia. This impairment does not impact the Company's needle-free Oraqix(R) product.

Capital Expenditures

	2005	2004 (in thousands)	2003
U.S. Consumable Business / Canada	\$ 18,002	\$ 23,581	\$ 36,493
Dental Consumables - Europe, CIS, Middle East, Africa/European Dental Laboratory Business	5,834	8,327	9,195
Australia/Latin America/Endodontics/Non-Dental	10,393	10,888	10,819
U.S. Dental Laboratory Business/Implants/Orthodontics/Japan/Asia	5,747	6,356	7,190
All Other (a)	5,317	2,884	9,460
	-----	-----	-----
Total	\$ 45,293	\$ 52,036	\$ 73,157
	=====	=====	=====

<FN>

(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.

</FN>

Geographic Information

The following table sets forth information about the Company's operations in different geographic areas for 2005, 2004 and 2003. Net sales reported below represent revenues for shipments made by operating businesses located in the country or territory identified, including export sales. Assets reported represent those held by the operating businesses located in the respective geographic areas.

	United States	Germany (in thousands)	Other Foreign	Consolidated
2005				
Net sales	\$ 756,627	\$ 365,984	\$ 592,524	\$ 1,715,135
Long-lived assets	150,085	104,997	136,511	391,593
2004				
Net sales	\$ 727,875	\$ 436,047	\$ 530,310	\$ 1,694,232
Long-lived assets	204,807	125,897	136,511	467,215
2003				
Net sales	\$ 705,309	\$ 395,170	\$ 467,515	\$ 1,567,994
Long-lived assets	213,607	121,481	129,059	464,147

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Product and Customer Information

	Year Ended December 31,		
	2005	2004 (in thousands)	2003
Dental consumables	\$ 618,909	\$ 578,128	\$ 554,172
Dental laboratory products	473,942	559,278	521,079
Specialty dental products	580,509	520,001	459,193
Non-dental	41,775	36,825	33,550
	-----	-----	-----
	\$ 1,715,135	\$ 1,694,232	\$1,567,994

Dental consumable products consist of dental sundries and small equipment products used in dental offices in the treatment of patients. DENTSPLY's products in this category include dental injectable anesthetics, prophylaxis paste, dental sealants, impression materials, restorative materials, bone grafting materials, tooth whiteners and topical fluoride. The Company manufactures thousands of different consumable products marketed under more than a hundred brand names. Small equipment products consist of various durable goods used in dental offices for treatment of patients. DENTSPLY's small equipment products include high and low speed handpieces, intraoral curing light systems and ultrasonic scalers and polishers.

Dental laboratory products are used in dental laboratories in the preparation of dental appliances. DENTSPLY's products in this category include dental prosthetics, including artificial teeth, precious metal dental alloys, dental ceramics, and crown and bridge materials and equipment products used in laboratories consisting of computer aided machining (CAM) ceramics systems and porcelain furnaces.

Specialty dental products are used for specific purposes within the dental office and laboratory settings. DENTSPLY's products in this category include endodontic (root canal) instruments and materials, dental implants, and orthodontic appliances and accessories.

Non-dental products are comprised primarily of investment casting materials that are used in the production of jewelry, golf club heads and other casted products.

One customer, Henry Schein, Incorporated, accounted for more than ten percent of consolidated net sales in 2005, accounting for 11.1% of all sales. No customers accounted for more than ten percent of consolidated net sales in 2004 or 2003. Third party export sales from the United States are less than ten percent of consolidated net sales.

NOTE 5 - OTHER (INCOME) EXPENSE

Other (income) expense, net consists of the following:

Year Ended December 31,

	2005	2004 (in thousands)	2003
Foreign exchange transaction (gains) losses	\$ (6,668)	\$ 1,179	\$ (263)
(Gain) loss on PracticeWorks securities	-	-	(7,395)
Minority interests	(372)	223	(312)
Other	156	(56)	552
	-----	-----	-----
	\$ (6,884)	\$ 1,346	\$ (7,418)
	=====	=====	=====

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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, dental laboratory products, and specialty dental products.

During the first quarter of the year 2004, the Company discontinued the operations of the Company's dental needle business.

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:

	Year Ended December 31,		
	2005	2004	2003 (in thousands)
Net sales	\$ -	\$ 17,519	\$ 106,313
Gain on sale of Gendex	-	72,943	-
Income before income taxes (including gain on sale in 2004)	-	72,803	7,329

NOTE 7 - INVENTORIES

Inventories consist of the following:

	December 31,	
	2005	2004
	(in thousands)	
Finished goods	\$127,569	\$130,150
Work-in-process	40,887	42,427
Raw materials and supplies	39,723	41,132
	-----	-----
	\$208,179	\$213,709
	=====	=====

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NOTE 8- PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	December 31,	
	2005	2004
	(in thousands)	
Assets, at cost:		
Land	\$ 41,938	\$47,355
Buildings and improvements	194,443	197,029
Machinery and equipment	327,708	331,409
Construction in progress	10,402	73,447
	-----	-----
	574,491	649,240
Less: Accumulated depreciation	258,273	249,360
	-----	-----
	\$316,218	\$399,880
	=====	=====

NOTE 9 - GOODWILL AND INTANGIBLE ASSETS

The Company follows Statement of Financial Accounting Standards No. 142 ("SFAS 142"), "Goodwill and Other Intangible Assets". This statement requires that the amortization of goodwill and indefinite-lived intangible assets be discontinued and instead an annual impairment test approach be applied. The impairment tests are required to be performed annually (or more often if events or changes in circumstances indicate that the goodwill or indefinite-lived intangible assets might be impaired) and are based upon a fair value approach rather than an evaluation of undiscounted cash flows. If goodwill impairment is identified, the resulting charge is determined by recalculating goodwill through a hypothetical purchase price allocation of the fair value and reducing the current carrying value to the extent it exceeds the recalculated goodwill. If impairment is identified on indefinite-lived intangibles, the resulting charge reflects the excess of the asset's carrying cost over its fair value. Other intangible assets with finite lives will continue to be amortized over their useful lives.

The Company performed the required annual impairment tests of goodwill and indefinite-lived intangible assets in the second quarter of 2005 and no impairment was identified. This impairment assessment included an evaluation of approximately 20 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.

As a result of changes in events and circumstances surrounding the indefinite-lived injectable intangible asset, an event driven impairment analysis was performed at the end of the third quarter of 2005 resulting in the recording of an impairment charge. The Company continued to monitor this asset in conjunction with the other assets associated with the Company's injectable anesthetic business throughout the fourth quarter of 2005, and as a result of additional event driven impairment analyses performed in December of 2005, additional impairment charges were recorded (see Note 15 - RESTRUCTURING AND IMPAIRMENT COSTS (INCOME)).

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The table below presents the net carrying values of goodwill and identifiable intangible assets.

	December 31,	
	2005	2004
	(in thousands)	
Goodwill	\$ 933,227	\$ 996,262
	=====	=====

Indefinite-lived identifiable intangible assets:

Trademarks	\$ 4,080	\$ 4,080
Licensing agreements	-	178,610
Finite-lived identifiable intangible assets	64,520	83,041
	-----	-----
Total identifiable intangible assets	\$ 68,600	\$ 265,731
	=====	=====

A reconciliation of changes in the Company's goodwill is as follows:

	December 31,	
	2005	2004
	(in thousands)	
Balance, beginning of the year	\$ 996,262	\$ 963,264
Acquisition activity	16,275	509
Changes to purchase price allocation	(9,481)	(9,446)
Effects of exchange rate changes	(69,829)	41,935
	-----	-----
Balance, end of the year	\$ 933,227	\$ 996,262
	=====	=====

The change in the net carrying value of goodwill in 2005 was primarily due to foreign currency translation adjustments, three acquisitions and changes to the purchase price allocations of the Degussa Dental, GAC, and Friadent acquisitions. The purchase price allocation changes were primarily related to the reversal of preacquisition tax contingencies due to expiring statutes. The change in the net carrying value of goodwill in 2004 was primarily due to foreign currency translation adjustments, changes to the purchase price allocations of the Degussa Dental and Friadent acquisitions and a small acquisition. The purchase price allocation changes were primarily related to the reversal of preacquisition tax contingencies due to expiring statutes.

The decrease in indefinite-lived licensing agreements was due to the impairment of these assets. These intangible assets relate exclusively to the royalty-free licensing rights to AstraZeneca's anesthetic trademarks and related products (see Note 15 - RESTRUCTURING AND IMPAIRMENT COSTS (INCOME)). The change in finite-lived identifiable intangible assets was due primarily to amortization for the period, the purchase of new technology and foreign currency translation adjustments.

Goodwill by reportable segment is as follows:

	December 31,	
	2005	2004
	(in thousands)	
U.S. Consumable Business / Canada	\$ 86,155	\$ 86,155
Dental Consumables - Europe, CIS, Middle East, Africa/European Dental Laboratory Business	333,503	381,379
Australia/Latin America/Endodontics/Non-Dental	173,523	170,730
U.S. Dental Laboratory Business/Implants/Orthodontics/Japan/Asia	340,046	357,998
	-----	-----
Total	\$ 933,227	\$ 996,262
	=====	=====

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Finite-lived identifiable intangible assets consist of the following:

	December 31, 2005			December 31, 2004		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(in thousands)					
Patents	\$ 54,467	\$ (39,643)	\$ 14,824	\$ 56,330	\$ (37,394)	\$ 18,936
Trademarks	33,913	(9,486)	24,427	36,782	(8,598)	28,184
Licensing agreements	30,158	(10,622)	19,536	31,960	(10,308)	21,652
Other	18,928	(13,195)	5,733	23,643	(9,374)	14,269
	-----	-----	-----	-----	-----	-----
	\$ 137,467	\$ (72,946)	\$ 64,520	\$ 148,715	\$ (65,674)	\$ 83,041
	=====	=====	=====	=====	=====	=====

Amortization expense for finite-lived identifiable intangible assets for 2005, 2004 and 2003 was \$8.5 million, \$8.5 million and \$8.8 million, respectively. The annual estimated amortization expense related to these intangible assets for each of the five succeeding fiscal years is \$6.9 million, \$6.0 million, \$5.6 million, \$5.4 million and \$4.3 million for 2006, 2007, 2008, 2009 and 2010, respectively.

NOTE 10 - ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	December 31,	
	2005	2004
	(in thousands)	
Payroll, commissions, bonuses, other		
cash compensation and employee benefits	\$ 54,294	\$ 57,738
General insurance	17,441	15,844
Sales and marketing programs	17,429	15,757
Professional and legal costs	13,559	21,840
Restructuring and other costs (Note 15)	4,871	6,224
Warranty liabilities	3,536	3,681
Other (a)	48,716	58,681
	-----	-----
	\$159,846	\$179,765
	=====	=====

(a) - The decrease in other liabilities was primarily caused by the impact of translation due to the strengthening of the dollar during 2005 against most of the local currencies in which the Company's subsidiaries conduct business. As a result of this strengthening of the dollar, the impact of translation on other accrued liabilities was approximately \$3.1 million. Additionally, due to lower debt levels, interest rate swaps, and the timing of interest payments, the accrued interest was approximately \$2.1 million lower in 2005 than in 2004.

A reconciliation of changes in the Company's warranty liability for 2005 and 2004 is as follows:

	December 31,	
	2005	2004
	(in thousands)	
Balance, beginning of the year	\$ 3,681	\$ 3,629
Accruals for warranties issued during the year	1,367	2,010
Accruals related to pre-existing warranties	291	(460)
Warranty settlements made during the year	(1,551)	(1,635)
Effects of exchange rate changes	(252)	137
	-----	-----
Balance, end of the year	\$ 3,536	\$ 3,681
	=====	=====

NOTE 11 - FINANCING ARRANGEMENTS

Short-Term Borrowings

Short-term bank borrowings amounted to \$1.4 million and \$1.5 million at December 31, 2005 and 2004, respectively. The weighted average interest rates of these borrowings were 2.5% and 3.3% at December 31, 2005 and 2004, respectively. Unused lines of credit for short-term financing at December 31, 2005 and 2004 were \$49.2 million and \$52.5 million, respectively. Substantially all other short-term borrowings were classified as long-term as of December 31, 2005 and 2004, reflecting the Company's intent and ability to refinance these obligations beyond one year and are included in the table below. The unused lines of credit have no major restrictions and are provided under demand notes between the Company and the lending institution. Interest is charged on borrowings under these lines of credit at various rates, generally below prime or equivalent money rates.

Long-Term Borrowings

	December 31,	
	2005	2004
	(in thousands)	
\$250 million multi-currency revolving credit agreement expiring May 2006, Japanese yen 12.6 billion at 0.56%	\$ -	\$ 122,463
\$500 million multi-currency revolving credit agreement expiring May 2010, Japanese yen 12.6 billion at 0.42%	106,359	-
Prudential Private Placement Notes, Swiss franc denominated, 56.3 million (84.4 million at December 2004) at 4.56% and 55.0 million (82.5 million at December 2004) at 4.42% maturing March 2007, 80.4 million at 4.96% maturing October 2006	145,662	216,762
ABN Private Placement Note, Japanese yen 6.2 billion at 1.39% maturing December 2005	-	20,285
Euro 350.0 million Eurobonds at 5.75% maturing December 2006	419,348	489,151
\$250 million commercial paper facility rated A/2-P/2 U.S. dollar borrowings	6,700	-
Other borrowings, various currencies and rates	2,814	2,625
	680,883	851,286
Less: Current portion (included in notes payable and current portion of long-term debt)	410,779	71,346
	\$ 270,104	\$ 779,940

The Company has \$530.7 million of long-term borrowings coming due in 2006. The Company intends to repay these debt obligations with cash and/or funds available to the Company under the revolving credit facility. Any portion of the debt that is repaid through the use of the revolving credit facility will be contractual due in May 2010, upon the expiration of the facility, thus effectively converting the maturity of the debt beyond 2006. The Company currently intends to effectively refinance \$119.9 million of the long-term borrowings coming due in 2005 through use of the revolving credit facility.

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The table below reflects the contractual maturity dates of the various borrowings at December 31, 2005 (in thousands). The individual borrowings under the revolving credit agreement are structured to mature on a quarterly basis but because the Company has the intent and ability to extend them until the expiration date of the agreement, these borrowings are considered contractually due in May 2010.

2006	\$410,779
2007	\$ 43,714
2008	\$ 53
2009	\$ 14
2010	\$226,323
2011 and beyond	-

	\$680,883
	=====

The Company utilizes interest rate swaps to convert the variable rate Japanese yen-denominated debt under the revolving facility to fixed rate debt. In addition, swaps are used to convert the fixed rate Eurobond to variable rate financing. The Company's use of interest rate swaps is further described in Note 16 - "Financial Instruments and Derivatives".

The Company has a \$500 million revolving credit agreement with participation from thirteen banks. The revolving credit agreements contain a number of covenants and two financial ratios which the Company is required to satisfy. The most restrictive of these covenants pertain to asset dispositions and prescribed ratios of indebtedness to total capital and operating income plus depreciation and amortization to interest expense. Any breach of any such covenants or restrictions would result in a default under the existing borrowing documentation that would permit the lenders to declare all borrowings under such documentation to be immediately due and payable and, through cross default provisions, would entitle the Company's other lenders to accelerate their loans. At December 31, 2005, the Company was in compliance with these covenants. The Company pays a facility fee of 0.10 % annually on the amount of the commitment under the \$500 million five year facility. The entire \$500 million revolving credit agreement has a usage fee of 0.10 % annually if utilization exceeds 50% of the total available facility. Interest rates on amounts borrowed under the facility will depend on the maturity of the borrowing, the currency borrowed, the interest rate option selected, and the Company's long-term credit rating

from Moody's and Standard and Poors.

The Company has complementary U.S. dollar and Euro multicurrency commercial paper facilities totaling \$250 million which have utilization, dealer, and annual appraisal fees which on average cost 0.11% annually. The \$500 million revolving credit facility acts as back-up credit to this commercial paper facility. The total available credit under the commercial paper facilities and the revolving credit facility is \$250 million. Outstanding commercial paper obligations at December 31, 2005 were \$6.7 million.

In March 2001, the Company issued Series A and B private placement notes to Prudential Capital Group totaling Swiss francs 166.9 million at an average rate of 4.49% with six year final maturities. The notes were issued to finance the acquisition of the AZ Assets. In October 2001, the Company issued a Series C private placement note to Prudential Capital Group for Swiss francs 80.4 million at a rate of 4.96% with a five year final maturity. The series A and B notes were also amended in October 2001 to increase the interest rate by 30 basis points, reflecting the Company's higher leverage. The private placement notes contain a number of covenants and two financial ratios which the Company is required to satisfy. The most restrictive of these covenants pertain to asset dispositions, maintenance of certain levels of net worth, and prescribed ratios of indebtedness to total capital and operating income plus depreciation and amortization to interest expense. In December 2001, the Company issued a private placement note through ABN AMRO for Japanese yen 6.2 billion at a rate of 1.39% with a four year final maturity. The Series C note and the ABN note were issued to partially finance the Degussa Dental acquisition. The Company has completely retired the ABN note and has made the initial mandatory prepayment under series A and B notes.

In December 2001, the Company issued Euro 350 million Eurobonds with a coupon of 5.75%, maturing December 2006 at an effective yield of 5.89%. These bonds were issued to partially finance the Degussa Dental acquisition.

At December 31, 2005, the Company had total unused lines of credit, including lines available under its short-term arrangements and revolving credit agreement, of \$436.2 million.

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NOTE 12 - STOCKHOLDERS' EQUITY

In December 2004, the Board of Directors approved a stock repurchase program under which the Company may repurchase shares of Company stock on the open market in an amount to maintain up to 3,000,000 shares of treasury stock. In September 2005, the Board of Directors increased the authorization to repurchase shares under the stock repurchase program in an amount to maintain up to 5,500,000 shares of treasury stock. Under this program, the Company purchased 3,002,000 shares during 2005 at an average price of \$54.85. As of December 31, 2005 and 2004, the Company held 2,533,000 and 757,000 shares of treasury stock, respectively. The Company also received proceeds of \$31.8 million as a result of the exercise of 1,226,000 stock options during the year ended December 31, 2005.

The Company has stock options outstanding under three stock option plans (1993 Plan, 1998 Plan and 2002 Amended and Restated Plan). Further grants can only be made under the 2002 Plan. Under the 1993 and 1998 Plans, a committee appointed by the Board of Directors granted to key employees and directors of the Company options to purchase shares of common stock at an exercise price determined by such committee, but not less than the fair market value of the common stock on the date of grant. Options generally expire ten years after the date of grant under these plans and grants become exercisable over a period of three years after the date of grant at the rate of one-third per year, except that they become immediately exercisable upon death, disability or retirement.

The 2002 Plan authorized grants of 7.0 million shares of common stock, (plus any unexercised portion of canceled or terminated stock options granted under the DENTSPLY International Inc. 1993 and 1998 Stock Option Plans), subject to adjustment as follows: each January, if 7% of the outstanding common shares of the Company exceed 7.0 million, the excess becomes available for grant under the Plan. The 2002 Plan enables the Company to grant "incentive stock options" ("ISOs") within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, to key employees of the Company, and "non-qualified stock options" ("NSOs") which do not constitute ISOs to key employees and non-employee directors of the Company. The 2002 Plan also enables the Company to grant stock which is subject to certain forfeiture risks and restrictions ("Restricted

Stock"), stock delivered upon vesting of units ("Restricted Stock Units") and stock appreciation rights ("SARs"). ISOs and NSOs are collectively referred to as "Options". Options, Restricted Stock, Restricted Stock Units and Stock Appreciation Rights are collectively referred to as "Awards". Grants of equity compensation to key employees are solely discretionary with the Board of Directors of the Company. Awards generally expire ten years from date of grant and become exercisable over a period of three years after the date of grant at the rate of one-third per year, except that they become immediately exercisable upon death, disability or retirement. Such awards are granted at exercise prices not less than the fair market value of the common stock on the grant date.

Future option grants may only be made under the 2002 Plan, which will include the unexercised portion of canceled or terminated options granted under the 1993 or 1998 Plans. The number of shares available for grant under the 2002 plan as of December 31, 2005 was 4,025,000 shares. Each non-employee director receives an automatic grant of NSOs to purchase 9,000 shares of common stock on the date he or she becomes a non-employee director and an additional 9,000 options on the third anniversary of the date on which the non-employee director was last granted an option.

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The following is a summary of the status of the Plans as of December 31, 2005, 2004 and 2003 and changes during the years ending on those dates:

	Outstanding		Exercisable		Available for Grant
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares
December 31, 2002	7,691,589	\$ 24.50	4,649,889	\$ 18.99	7,253,405
Authorized (Lapsed)	-				177,882
Granted	1,434,300	43.84			(1,434,300)
Exercised	(829,155)	19.30			-
Expired/Canceled	(119,277)	29.38			119,277
December 31, 2003	8,177,457	28.35	5,225,300	22.22	6,116,264
Authorized (Lapsed)	-				8,100
Granted	1,127,799	53.61			(1,127,799)
Exercised	(2,117,484)	21.03			-
Expired/Canceled	(252,817)	26.57			252,817
December 31, 2004	6,934,955	34.76	4,498,889	27.99	5,249,382
Authorized (Lapsed)	-				36,900
Granted	1,330,482	55.36			(1,330,482)
Exercised	(1,265,760)	25.40			-
Expired/Canceled	(69,230)	62.74			69,230
December 31, 2005	6,930,447	\$ 40.14	4,626,109	\$ 33.85	4,025,030

The following table summarizes information about stock options outstanding under the Plans at December 31, 2005:

	Options Outstanding			Options Exercisable	
Exercise Price Range	Number Outstanding at December 31 2005	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Number Exercisable at December 31 2005	Weighted Average Exercise Price
\$10.01 - \$15.00	52,300	0.7	\$ 14.28	52,300	\$ 14.28
15.01 - 20.00	794,635	3.3	16.36	794,635	16.36
20.01 - 25.00	604,950	4.8	24.76	604,950	24.76

25.01 - 30.00	18,345	5.6	28.81	18,345	28.81
30.01 - 35.00	724,162	5.5	31.17	724,162	31.17
35.01 - 40.00	1,095,518	6.4	36.94	1,075,017	36.95
40.01 - 45.00	1,319,178	7.4	44.19	875,189	44.23
45.01 - 50.00	54,600	8.0	48.60	21,638	48.40
50.01 - 60.00	2,266,759	9.1	55.13	459,873	54.95
	-----			-----	
	6,930,447	6.9	\$ 40.14	4,626,109	\$ 33.85
	=====			=====	

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The Company uses the Black-Scholes option pricing model to value option awards. The per share weighted average fair value of stock options and the weighted average assumptions used to determine these values are as follows:

	Year Ended December 31,		
	2005	2004	2003
	----	----	----
Per share fair value	\$ 15.07	\$ 13.46	\$ 14.85
Expected dividend yield	0.50%	0.44%	0.48%
Risk-free interest rate	4.40%	3.56%	3.36%
Expected volatility	20%	20%	31%
Expected life (years)	5.50	5.50	5.50

The Black-Scholes option pricing model was developed for tradable options with short exercise periods and is therefore not necessarily an accurate measure of the fair value of compensatory stock options.

The rollforward of the common shares and the treasury shares outstanding is as follows:

	Common Shares	Treasury Shares (in thousands)	Outstanding Shares
Balance at December 31, 2002	81,388	(2,990)	78,398
Exercise of stock options	-	853	853
	-----	-----	-----
Balance at December 31, 2003	81,388	(2,137)	79,251
Exercise of stock options	-	2,165	2,165
Repurchase of common stock at cost	-	(785)	(785)
	-----	-----	-----
Balance at December 31, 2004	81,388	(757)	80,631
Exercise of stock options	-	1,226	1,226
Repurchase of common stock at cost	-	(3,002)	(3,002)
	-----	-----	-----
Balance at December 31, 2005	81,388	(2,533)	78,855
	=====	=====	=====

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NOTE 13 - INCOME TAXES

The components of income before income taxes from continuing operations are as follows:

	Year Ended December 31,		
	2005	2004	2003
	----	----	----
		(in thousands)	
United States ("U.S.")	\$ 53,473	\$111,779	\$113,994
Foreign	17,565	162,376	137,202
	-----	-----	-----
	\$ 71,038	\$274,155	\$251,196
	=====	=====	=====

The components of the provision for income taxes from continuing operations are as follows:

Year Ended December 31,

	2005	2004	2003
	----	----	----
	(in thousands)		
Current:			
U.S. federal	\$ 62,892	\$ 20,706	\$ 28,693
U.S. state	2,717	197	1,941
Foreign	51,793	35,908	18,298
	-----	-----	-----
Total	117,402	56,811	48,932
Deferred:			
U.S. federal	(63,821)	2,556	12,077
U.S. state	(1,129)	479	2,466
Foreign	(26,827)	4,023	17,868
	-----	-----	-----
Total	(91,777)	7,058	32,411
	-----	-----	-----
	\$ 25,625	\$ 63,869	\$ 81,343
	=====	=====	=====

The reconciliation of the U.S. federal statutory tax rate to the effective rate is as follows:

	Year Ended December 31,		
	2005	2004	2003
Statutory federal income tax rate	35.0%	35.0%	35.0%
Effect of:			
State income taxes, net of federal benefit	2.5	0.2	1.1
Federal benefit of R&D credits	(2.4)	(1.5)	(0.2)
Tax effect of international operations	10.7	(6.3)	(5.0)
Net effect of tax audit activity	7.2	(2.0)	-
Federal benefit of extraterritorial income exclusion	(2.6)	(0.9)	(0.9)
Federal tax on unremitted earnings of certain foreign subsidiaries	(15.6)	1.0	2.5
Section 965 Repatriation	6.6	-	-
Other	(5.3)	(2.2)	(0.1)
Effective income tax rate on continuing operations	36.1%	23.3%	32.4%

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The tax effect of temporary differences giving rise to deferred tax assets and liabilities are as follows:

	December 31, 2005		December 31, 2004	
	Current Asset (Liability)	Noncurrent Asset (Liability)	Current Asset (Liability)	Noncurrent Asset (Liability)
	(in thousands)			
Employee benefit accruals	\$2,142	\$10,341	\$2,722	\$10,230
Product warranty accruals	890	-	860	-
Insurance premium accruals	5,957	-	6,016	-
Commission and bonus accrual	1,993	-	(1,361)	-
Sales and marketing accrual	1,768	-	1,819	-
Restructuring and other cost accruals	1,047	-	636	738
Differences in financial reporting and tax basis for:				
Inventory	14,937	-	6,161	-
Property, plant and equipment	-	(7,120)	-	(35,872)
Identifiable intangible assets	-	(61,373)	-	(67,925)
Unrealized losses (gains) included in other comprehensive income	23,857	2,663	9,163	62,795
Miscellaneous Accruals	7,693	-	10,070	-
Other	22,087	15,532	2,401	9,740
Taxes on unremitted earnings of foreign subsidiaries	-	(7,374)	-	(18,379)
Discontinued Operations	-	-	25	(34)
Foreign tax credit carryforward	-	15,700	-	-
Tax loss carryforwards	-	40,974	-	24,107
Valuation allowance for tax loss carryforwards	-	(39,584)	-	(23,421)
	-----	-----	-----	-----
	\$ 82,371	\$ (30,241)	\$ 38,512	\$ (38,021)
	=====	=====	=====	=====

Current and noncurrent deferred tax assets and liabilities are included in the following balance sheet captions:

	December 31,	
	2005	2004
	(in thousands)	
Prepaid expenses and other current assets	\$ 82,371	\$40,369
Income taxes payable	-	(1,857)
Other noncurrent assets	12,671	20,175
Deferred income taxes	(42,912)	(58,196)

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The Company's effective tax rate for 2005 was 36.1%. During 2005, the Company recorded a tax cost of \$4.6 million from the repatriation under the American Jobs Creation Act of 2004, a tax cost of \$7.6 million related to the effects of foreign earnings, and a tax benefit of \$11.0 million from the release of deferred tax liabilities related to the undistributed earnings of foreign earnings due to the availability of foreign tax credits.

The Company operates within multiple taxing jurisdictions and in the normal course of business is examined in various jurisdictions. Tax accruals related to the estimated outcome of these examinations are recorded in accordance with Statement of Financial Accounting Standards No. 5 "Accounting for Contingencies" ("SFAS 5"). The reversal of the accruals is recorded when examinations are completed, statutes of limitation close or tax laws change.

The Company has \$15.7 million of foreign tax credit carryforwards which will expire in 2015.

Certain foreign and domestic subsidiaries of the Company have tax loss carryforwards of \$214.3 million at December 31, 2005, of which \$137.7 million expire through 2025 and \$76.6 million may be carried forward indefinitely. The tax benefit of certain tax loss carryforwards has been offset by a valuation allowance as of December 31, 2005, because it is uncertain whether the benefits will be realized in the future. The valuation allowance at December 31, 2005 and 2004 was \$39.6 million and \$23.4 million, respectively.

The Company has provided federal income taxes on certain undistributed earnings of its foreign subsidiaries that the Company anticipates will be repatriated. Deferred federal income taxes have not been provided on \$35 million of cumulative earnings of foreign subsidiaries that the Company has determined to be permanently reinvested. It is not practicable to estimate the amount of tax that might be payable on these permanently reinvested earnings.

On October 22, 2004, the American Jobs Creation Act of 2004 (the "AJCA") was signed into law. The AJCA enacted a provision that provides the Company with the opportunity to repatriate up to \$500 million of reinvested earnings and to claim a deduction equal to 85% of the repatriated amount. During the quarter ended December 31, 2005, the Company completed its evaluation of the repatriation provision and will reinvest approximately \$345 million of foreign earnings in the United States. As a result, the Company recognized \$4.6 million, net of available foreign tax credits, of related tax expense for the repatriation plan.

There was no pretax income from discontinued operations and no income tax expense related to discontinued operations for the year ended December 31, 2005. The pretax income from discontinued operations for the years ended December 31, 2004 and 2003 was \$72.8 million and \$7.3 million, respectively. The income tax expense related to discontinued operations for the years ended December 31, 2004 and 2003 was \$29.9 million and \$3.0 million, respectively.

NOTE 14 - BENEFIT PLANS

Substantially all of the employees of the Company and its subsidiaries are covered by government or Company-sponsored benefit plans. Total costs for Company-sponsored defined benefit, defined contribution and employee stock ownership plans amounted to \$17.7 million in 2005, \$11.7 million in 2004 and \$13.5 million in 2003.

Defined Contribution Plans

The DENTSPLY Employee Stock Ownership Plan ("ESOP") is a non-contributory defined contribution plan that covers substantially all of the United States based non-union employees of the Company. Contributions to the ESOP are expected to be \$4.3 million for 2005 (to be contributed in Q1 2006), and were \$0.4 million for 2004 and \$2.2 million for 2003. Beginning in 2005, annual contributions to the ESOP are made in the first quarter of the subsequent

year based upon Covered Compensation at a rate determined annually by the Board of Directors. Prior to 2005, the Company made annual contributions to the ESOP of not less than the amounts required to service ESOP debt, which was extinguished in 2004. In connection with the refinancing of ESOP debt in March 1994, the Company agreed to make additional cash contributions totaling at least \$0.6 million through 2003. Dividends received by the ESOP on allocated shares are either reinvested in participants' accounts or passed through to Plan participants, at the participant's election. Most ESOP shares were initially pledged as collateral for its debt. As the debt was repaid, shares were released from collateral and allocated to active employees based on the proportion of debt service paid in the year. At December 31, 2005, the ESOP held 5.0 million shares, all of which were allocated to plan participants as the ESOP debt was fully repaid in 2004. Shares acquired prior to December 31, 1992 are accounted for in accordance with Statement of Position ("SOP") 76-3, "Accounting Practices for Certain Employee Stock Ownership Plans". Accordingly, all shares held by the ESOP are considered outstanding and are included in the earnings per common share computations.

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The ESOP loan was extinguished on March 31, 2004. All future allocations will come from a combination of forfeited shares and shares acquired in the open market. The Company has targeted future ESOP allocations at 6% of Covered Compensation. The share allocation will be accounted at fair value at the point of allocation, each year-end, in accordance with SOP 93-6, "Employers' Accounting for Employee Stock Ownership Plans". The 2005 annual expense, net of forfeitures, is \$4.3 million based on the year-end share price of \$53.69.

The Company sponsors an employee 401(k) savings plan for its United States workforce to which enrolled participants may contribute up to IRS defined limits.

Defined Benefit Plans

The Company maintains a number of separate contributory and non-contributory qualified defined benefit pension plans and other postretirement medical plans for certain union and salaried employee groups in the United States. Pension benefits for salaried plans are based on salary and years of service; hourly plans are based on negotiated benefits and years of service. Annual contributions to the pension plans are sufficient to satisfy legal funding requirements. Pension plan assets are held in trust and consist mainly of common stock and fixed income investments.

The Company maintains defined benefit pension plans for its employees in Germany, Japan, The Netherlands, and Switzerland. These plans provide benefits based upon age, years of service and remuneration. Substantially all of the German plans are unfunded book reserve plans. Other foreign plans are not significant individually or in the aggregate. Most employees and retirees outside the United States are covered by government health plans.

Postretirement Healthcare

The plans for postretirement healthcare have no plan assets. The postretirement healthcare plan covers certain union and salaried employee groups in the United States and is contributory, with retiree contributions adjusted annually to limit the Company's contribution for participants who retired after June 1, 1985. The Company also sponsors unfunded non-contributory postretirement medical plans for a limited number of union employees and their spouses and retirees of a discontinued operation.

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Reconciliations of changes in the above plans' benefit obligations, fair value of assets, and statement of funded status are as follows:

	Pension Benefits		Other Postretirement Benefits	
	December 31,		December 31,	
	2005	2004	2005	2004
	(in thousands)			
Reconciliation of Benefit Obligation				
Benefit obligation at beginning of year	\$ 151,431	\$ 122,567	\$ 11,611	\$ 12,200
Service cost	5,425	4,790	79	130
Interest cost	5,905	5,927	678	685

Participant contributions	1,765	1,583	700	705
Actuarial (gains) losses	12,289	11,688	(1,086)	61
Amendments	(138)	238	-	-
Divestitures	2,066	(924)	-	-
Effects of exchange rate changes	(19,633)	10,938	-	-
Benefits paid	(7,263)	(5,376)	(1,665)	(2,170)
	-----	-----	-----	-----
Benefit obligation at end of year	\$ 151,847	\$ 151,431	\$ 10,317	\$ 11,611
	=====	=====	=====	=====
Reconciliation of Plan Assets				
Fair value of plan assets at beginning of year	\$ 70,993	\$ 60,108	\$ -	\$ -
Actual return on assets	4,642	2,439	-	-
Effects of exchange rate changes	(8,732)	5,090	-	-
Employer contributions	6,932	7,149	965	1,465
Participant contributions	1,765	1,583	700	705
Benefits paid	(7,243)	(5,376)	(1,665)	(2,170)
	-----	-----	-----	-----
Fair value of plan assets at end of year	\$ 68,357	\$ 70,993	\$ -	\$ -
	=====	=====	=====	=====
Reconciliation of Funded Status				
Actuarial present value of projected benefit obligations	\$ 151,847	\$ 151,431	\$ 10,317	\$ 11,611
Plan assets at fair value	68,357	70,993	-	-
	-----	-----	-----	-----
Funded status	(83,490)	(80,438)	(10,317)	(11,611)
Unrecognized transition obligation	939	1,336	-	-
Unrecognized prior service cost	564	865	(1,071)	(1,756)
Unrecognized net actuarial loss (gain)	27,970	20,371	2,376	3,736
	-----	-----	-----	-----
Net amount recognized	\$ (54,017)	\$ (57,866)	\$ (9,012)	\$ (9,631)
	=====	=====	=====	=====

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The amounts recognized in the accompanying Consolidated Balance Sheets are as follows:

	Pension Benefits		Other Postretirement Benefits	
	December 31, 2005	2004	December 31, 2005	2004
		(in thousands)		
Other noncurrent assets	\$ 1,634	\$ 14,269	\$ -	\$ -
Other noncurrent liabilities	(77,131)	(77,076)	(9,012)	(9,631)
Accumulated other comprehensive loss	21,480	4,941	-	-
	-----	-----	-----	-----
Net amount recognized	\$ (54,017)	\$ (57,866)	\$ (9,012)	\$ (9,631)
	=====	=====	=====	=====

	December 31, 2005	2004
		(in thousands)
Accumulated benefit obligation	\$ 141,538	\$ 141,077
Increase in other comprehensive loss	16,539	3,118

Information for pension plans with an accumulated benefit obligation in excess of plan assets:

	December 31, 2005	2004
		(in thousands)
Projected benefit obligation	\$ 151,847	\$ 99,910
Accumulated benefit obligation	141,538	89,566
Fair value of plan assets	68,357	18,885

Components of the net periodic benefit cost for the plans are as follows:

Pension Benefits	Other Postretirement Benefits
------------------	-------------------------------

	2005	2004	2003	2005	2004	2003
	(in thousands)					
Service cost	\$ 5,425	\$ 4,823	\$ 4,137	\$ 79	\$ 130	\$ 235
Interest cost	5,905	5,936	5,358	678	685	726
Expected return on plan assets	(3,491)	(3,474)	(3,018)	-	-	-
Net amortization and deferral	946	549	576	(411)	(430)	(265)
Net periodic benefit cost	\$ 8,785	\$ 7,834	\$ 7,053	\$ 346	\$ 385	\$ 696

The weighted average assumptions used to determine benefit obligations for the Company's plans, principally in foreign locations, are as follows:

	Pension Benefits			Other Postretirement Benefits		
	2005	2004	2003	2005	2004	2003
Discount rate	3.7%	4.3%	5.0%	5.5%	6.0%	6.0%
Rate of compensation increase	2.0%	2.1%	3.0%	n/a	n/a	n/a
Initial health care cost trend	n/a	n/a	n/a	9.5%	9.5%	9.5%
Ultimate health care cost trend	n/a	n/a	n/a	5.0%	5.0%	5.0%
Years until ultimate trend is reached	n/a	n/a	n/a	8.0	8.0	9.0

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The weighted average assumptions used to determine net periodic benefit cost for the Company's plans, principally in foreign locations, are as follows:

	Pension Benefits			Other Postretirement Benefits		
	2005	2004	2003	2005	2004	2003
Discount rate	4.3%	5.0%	5.1%	6.0%	6.0%	6.8%
Expected return on plan assets	5.4%	5.6%	5.5%	n/a	n/a	n/a
Rate of compensation increase	2.0%	2.0%	3.0%	n/a	n/a	n/a
Initial health care cost trend	n/a	n/a	n/a	9.5%	9.5%	10.0%
Ultimate health care cost trend	n/a	n/a	n/a	5.0%	5.0%	5.0%
Years until ultimate trend is reached	n/a	n/a	n/a	9.0	9.0	10.0
Measurement Date	12/31/2005	12/31/2004	12/31/2003	12/31/2005	12/31/2004	12/31/2003

Assumed health care cost trend rates have an impact on the amounts reported for postretirement benefits. A one percentage point change in assumed healthcare cost trend rates would have the following effects for the year ended December 31, 2005:

	Other Postretirement Benefits	
	1% Increase	1% Decrease
	(in thousands)	
Effect on total of service and interest cost components	\$ 59	\$ (51)
Effect on postretirement benefit obligation	\$770	\$ (680)

Plan Assets:

The weighted average asset allocations of the plans at December 31, 2005 and 2004 by asset category are as follows:

	Target Allocation	December 31,	
		2005	2004
Equity	30%-65%	32%	31%
Debt	30%-65%	59%	57%
Real estate	0%-15%	3%	6%
Other	0%-15%	6%	6%
Total		100%	100%

Equity securities do not include Company stock of Dentsply International Inc. The expected return on plan assets is the weighted average long-term expected return based upon asset allocations and historic average returns for the markets where the assets are invested, principally in foreign locations.

Cash Flows:

The Company expects to contribute \$0.3 million to its U.S. defined benefit pension plans, \$1.1 million to its postretirement medical plans, and \$6.3 million to its other postretirement benefit plans in 2006.

Estimated Future Benefit Payments

	Pension Benefits	Other Postretirement Benefits
	-----	-----
	(in thousands)	
2006	\$ 5,569	\$ 1,104
2007	5,919	1,090
2008	5,517	1,048
2009	5,761	992
2010	6,907	975
	-----	-----
2011-2015	37,337	4,480
	=====	=====

NOTE 15 - RESTRUCTURING AND IMPAIRMENT COSTS (INCOME)

Restructuring and Impairment Costs (Income)

Restructuring and Impairment costs (income) consists of the following:

	Year Ended December 31,		
	2005	2004	2003
	(in thousands)		
Restructuring and other costs	\$ 3,095	\$ 7,144	\$ 4,497
Reversal of restructuring charges due to changes in estimates	(1,168)	(20)	(797)
Impairment of Pharmaceutical assets	230,828	-	-
	-----	-----	-----
Total restructuring and impairment costs	\$ 232,755	\$ 7,124	\$ 3,700
	=====	=====	=====

Impairment of Indefinite-Lived Injectable Anesthetic Intangible Asset and Long-Lived Pharmaceutical Manufacturing Assets

During the third and fourth quarters of 2005, the Company recorded \$233.1 million (\$179.6 million after tax) of impairment and restructuring charges against the injectable anesthetic assets and the pharmaceutical manufacturing facility outside of Chicago. This charge was a result of the in-depth analysis performed upon the receipt of the results of the Food and Drug Administration's (FDA's) Pre-Approval Inspection of the pharmaceutical manufacturing facility during the third quarter of 2005, and the Company's decision in the fourth quarter of 2005 to pursue the outsourcing of the manufacturing of the dental anesthetic products and cease construction of the pharmaceutical manufacturing facility (see also "Pharmaceutical Business" section in the MD&A). These impairments did not impact the Company's needle-free Oraqix(R) product.

During the third quarter of 2005, the Company received the results of the Food and Drug Administration's (FDA's) Pre-Approval Inspection of its pharmaceutical manufacturing facility located outside of Chicago. This facility was built to manufacture the Company's injectable anesthetic product, which was part of the assets acquired from AstraZeneca in 2001. The Company conducted an extensive review of the items identified by the FDA and developed action plans to address these items. Included in this review were the expected time-line and costs for responding to the FDA findings, the expected time required for FDA re-application and approval, the expected ramp-up costs to achieve anticipated volumes for the U.S., European and Japanese markets, and the extension of contract manufacturing agreements to provide a supply of injectable anesthetic

product until the plant could achieve full production under the revised timeline. As a result of this review, the Company concluded that the start-up of its pharmaceutical manufacturing facility would be delayed, and did not expect to begin producing injectable anesthetics at the facility for the U.S. and Japanese markets until 2007.

The Company also concluded that the receipt of the FDA's Pre-Approval Inspection Report and the results of the extensive review constituted a triggering event for performance of an event-driven impairment assessment conducted in accordance with SFAS 142 for the indefinite-lived injectable anesthetic intangible asset and in accordance with SFAS 144 for the long-lived assets related to the Pharmaceutical manufacturing facility outside of Chicago, and the Oraqix(R) definite-lived intangible asset. In performing the SFAS 142 and SFAS 144 impairment tests, the Company formulated its best estimate of cash flows from the respective assets taking into consideration (1) the Company's projected sales and manufacturing cost projections for the injectable anesthetic products (2) current and projected market share for the injectable anesthetic products and (3) the costs to complete the production facility. Additionally, due to the delay in obtaining FDA approval and the market impact, the Company increased the risk-adjusted discount rate used in the SFAS 142 impairment test to reflect the increased risk of the business caused by this delay. As a result of the changes made to the event-driven impairment analysis model in the third quarter of 2005 to address the results of the FDA's Pre-Approval Inspection and the Company's extensive review and action plans, the discounted cash flows associated with the indefinite lived injectable anesthetic intangible asset were less than the carrying value of approximately \$158 million. Thus, the Company wrote-down the value of the indefinite-lived intangible asset by \$131.3 million (\$111.6 million after tax) during the third quarter of 2005. The third quarter analysis did not reflect or cause an impairment of the Pharmaceutical manufacturing facility or the definite-lived intangible asset associated with Oraqix(R), which were tested as an asset group under SFAS 144 on an undiscounted basis, due to the Company's plans at the time to produce the injectable and Oraqix(R) products in the Chicago based manufacturing facility .

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From the end of the third quarter of 2005 through December of 2005, the Company continued to evaluate the actions necessary to address the items raised in the FDA's pre-approval inspection. As of the end of the third quarter of 2005, the Company had anticipated that it would continue to manufacture products at the plant for the U.K., Australia, and New Zealand markets, for which regulatory approval had already been obtained. However, upon further evaluation, the Company decided in December to suspend manufacturing at the plant to allow improvements identified in the Company's corrective action plan to be made.

In conjunction with the evaluation of the actions necessary to address the items raised in the FDA's pre-approval inspection, the Company also began to evaluate strategic alternatives to obtaining FDA approval, including but not limited to a potential shut-down of the dental anesthetics manufacturing facility and obtaining long-term third party supply sources for both the injectable anesthetic products and the Oraqix(R) product. In order to fully evaluate the potential options at the Company's disposal with regard to a potential closure and the disposition of the facility, the Company began a comprehensive internal analysis of the pharmaceutical assets that included initiating discussions with potential buyers, and evaluating the possibility of obtaining extensions for the supply of products.

Based on the outcome of the analyses performed by the Company, as well as both strategic and financial considerations, in December 2005 the Company began to establish a plan for a course of action to shut down the manufacturing facility, sell the manufacturing facility assets and begin negotiations to obtain a long-term source of supply for the anesthetic products.

The Company concluded that this action constituted another triggering event for performance of an event-driven impairment assessment conducted in accordance with SFAS 142 for the remaining indefinite-lived injectable anesthetic intangible assets and in accordance with SFAS 144 for the long-lived assets related to the pharmaceutical manufacturing facility, and the Oraqix(R) definite-lived intangible asset. As part of the event-driven impairment assessment, the Company reviewed the asset grouping, which had historically included the indefinite-lived injectable intangible asset, the Oraqix(R) definite-lived intangible asset and the long-lived assets associated with the pharmaceutical manufacturing facility. The Company reviewed this asset grouping to determine if the grouping was still appropriate in light of the Company's

changed expectations in regards to the pharmaceutical manufacturing facility that was the common link between the assets in the group. As a result of the Company's review, the Company concluded that due to the change in expectations with regards to the pharmaceutical manufacturing facility, the Company could no longer consider the assets as an asset group as defined by SFAS 144, as the pharmaceutical manufacturing facility was no longer feasible. As a result, the Company began to evaluate each asset on a stand alone basis in accordance with SFAS 142 and SFAS 144.

In performing the SFAS 142 and SFAS 144 impairment tests, the Company formulated its best estimate of cash flows from the respective assets taking into consideration (1) the Company's projected sales for the injectable anesthetic products and the Oraqix(R) products, (2) projected costs to purchase the future supply of the injectable anesthetic products and Oraqix(R) products from external suppliers (3) current and projected market share for the injectable anesthetic products and Oraqix(R) products (4) the costs to shut-down the production facility and (5) projected cash flow associated with the sale of the assets. Additionally, as a result of risk factors associated with the procurement of long-term supply contracts for the injectable anesthetic products, the Company increased the risk-adjusted discount rate used in the SFAS 142 impairment test to reflect the increased risk to the business. The Company also obtained an independent third party appraisal of the indefinite-lived injectable anesthetic intangible and the long-lived assets associated with the pharmaceutical manufacturing facility due to the sensitivity of the assumptions and the risks associated with these assets. As a result of the Company's review and its changed expectations, as well as the Company's review of the third party appraisal of the assets, it was determined that an additional impairment of the indefinite-lived injectable anesthetic intangible asset acquired from AstraZeneca in 2001, as well as an impairment of the long-lived assets related to the manufacturing facility, had occurred during the fourth quarter of 2005. The impairment recorded by the Company in the fourth quarter of 2005 was \$99.5 million (\$66.5 million after tax). This impairment did not impact the Company's needle-free Oraqix(R) product.

Additionally, as a result of the Company's decision to begin the establishment of a plan to shut down of the manufacturing facility, pre-tax restructuring charges of \$2.3 million (\$1.5 million after tax) were also recorded related to employee severance cost for which the Company was contractually obligated. The Company also expects pre-tax restructuring charges in the range of \$6 million to \$9 million in 2006 associated with the completion of the closure of the facility. These costs primarily related to additional contract termination costs, severance costs and utility costs during the shut down period.

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The aggregate carrying value of the indefinite-lived intangible asset, the definite-lived Oraqix(R) intangible asset and the long-lived assets related to the pharmaceutical manufacturing facility, prior to the impairment charges, was approximately \$253.9 million. After the impairment charge of \$157.5 million to the indefinite-lived injectable anesthetic intangible, the impairment of \$71.2 million to the definite-lived assets associated with the manufacturing facility, negative impact of exchange of \$0.8 million, capital expenditures of \$8.7 million and depreciation of \$1.5 million, the aggregate carrying value of the assets is \$31.6 million. As previously noted, the impairment charges did not affect the Oraqix(R) definite-lived intangible assets, which are part of the Company's Pharmaceutical division within the U.S. Consumable/ Canada Business segment.

Restructuring

During the fourth quarter of 2005, the Company recorded restructuring costs of \$2.4 million. These costs were primarily related to the decision to shut down the Pharmaceutical manufacturing facility outside of Chicago as discussed previously. In addition, these costs related to the consolidation of certain U.S. production facilities in order to better leverage the Company's resources. The primary objective of these initiatives is to reduce costs and obtain operational efficiencies. The charges recorded in 2005 were severance costs. The plans include the elimination of approximately 130 administrative and manufacturing positions, all within the U.S. These plans are expected to be substantially completed by the end of 2006. None of these positions had been eliminated as of December 31, 2005. The major components of these charges and the remaining outstanding balances at December 31, 2005 are as follows:

	2005 Provisions	Amounts Applied 2005 (in thousands)	Balance December 31, 2005
Severance	2,400	-	2,400
	-----	----	-----
	\$ 2,400	\$ -	\$ 2,400
	=====	=====	=====

During the third and fourth quarters of 2004, the Company recorded restructuring and other costs of \$5.7 million. These costs were primarily related to the creation of a European Shared Services Center in Yverdon, Switzerland, which resulted in the identification of redundant personnel in the Company's European accounting functions. In addition, these costs related to the consolidation of certain sales/customer service and distribution facilities in Europe and Japan. The primary objective of these restructuring initiatives is to improve operational efficiencies and to reduce costs within the related businesses. Included in this charge were severance costs of \$4.9 million and lease/contract termination costs of \$0.9 million. During 2005, the Company recorded additional charges of \$0.5 million related to severance and lease/contract termination contracts which were required to be expensed as incurred. Additionally, during 2005, the Company reversed \$1.2 million as a change in estimate, as it determined the costs to complete the plan were lower than originally estimated. The plans include the elimination of approximately 110 administrative and manufacturing positions primarily in Germany. These plans are expected to be complete during 2006. As of December 31, 2005, approximately 40 of these positions remained to be eliminated. The major components of these charges and the remaining outstanding balances at December 31, 2005 are as follows:

	2004 Provisions	Amounts Applied 2004	2005 Provisions	Change in Estimate 2005 (in thousands)	Amounts Applied 2005	Balance December 31, 2005
Severance	\$ 4,877	\$ (583)	\$ 322	\$ (1,168)	\$ (1,740)	\$ 1,708
Lease/contract terminations	881	-	190	-	(435)	636
	-----	-----	-----	-----	-----	-----
	\$ 5,758	\$ (583)	\$ 512	\$ (1,168)	\$ (2,175)	\$ 2,344
	=====	=====	=====	=====	=====	=====

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 2005 and 2004, the Company recorded charges of \$0.2 million and \$1.4 million, respectively, for additional severance, lease termination and other restructuring costs incurred during the period related to these plans. These restructuring plans will result in the elimination of approximately 70

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administrative and manufacturing positions primarily in the United States, 2 of which remain to be eliminated as of December 31, 2005. 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. These plans were substantially complete by December 31, 2005. The major components of these charges and the remaining outstanding balances at December 31, 2005 are as follows:

2003 Provisions	Amounts Applied 2003	2004 Provisions	Amounts Applied 2004	2005 Provisions	Amounts Applied 2005	Balance December 31, 2005
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(in thousands)

Severance	\$ 908	\$ (49)	\$ 451	\$ (1,083)	\$ 17	\$ (117)	\$ 127
Lease/contract terminations	562	(410)	13	(165)	-	-	-
Other restructuring costs	27	(27)	922	(852)	104	(174)	-
Intangible and other asset impairment charges	3,000	(3,000)	-	-	62	(62)	-
	-----	-----	-----	-----	-----	-----	-----
	\$ 4,497	\$ (3,486)	\$ 1,386	\$ (2,100)	\$ 183	\$ (353)	\$ 127
	=====	=====	=====	=====	=====	=====	=====

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 and 2004, the Company reversed a total of \$1.3 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.

In the fourth quarter of 2001, the Company recorded a charge of \$12.3 million for restructuring and other costs. The charge included costs of \$6.0 million to restructure the Company's existing operations, primarily in Germany, Japan and Brazil, as a result of the integration with Degussa Dental. Included in this charge were severance costs of \$2.1 million, lease/contract termination costs of \$1.1 million and other restructuring costs of \$0.2 million. In addition, the Company recorded \$2.6 million of impairment charges on fixed assets that were disposed of as a result of the restructuring plan. The remaining charge of \$6.3 million involves impairment charges on intangible assets. During 2002 and 2003 the Company reversed a net total of \$1.0 million and \$0.8 million, respectively, as a change in estimate as it determined the costs to complete the plan were lower than originally estimated. This restructuring plan resulted in the elimination of approximately 160 administrative and manufacturing positions in Germany, Japan and Brazil. As part of these reorganization activities, some of these positions were replaced with lower-cost outsourced services. This plan was complete at December 31, 2003.

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 year ended December 31, 2004, the Company recorded charges of \$0.5 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.

NOTE 16 - FINANCIAL INSTRUMENTS AND DERIVATIVES

Fair Value of Financial Instruments

The fair value of financial instruments is determined by reference to various market data and other valuation techniques as appropriate. The Company believes the carrying amounts of cash and cash equivalents, accounts receivable (net of allowance for doubtful accounts), prepaid expenses and other current assets, accounts payable, accrued liabilities, income taxes payable and notes payable approximate fair value due to the short-term nature of these instruments. The Company estimates the fair value of its total long-term debt was \$682.6 million versus its carrying value of \$680.9 million as of December 31, 2005. The fair value approximated the carrying value since much of the Company's debt is variable rate and reflects current market rates. The fixed rate Eurobonds are effectively converted to variable rate as a result of an interest rate swap and the interest rates on revolving debt and commercial paper are variable and therefore the fair value of these instruments approximates their carrying values. The Company has fixed rate Swiss franc denominated notes

with estimated fair values that differ from their carrying values. At December 31, 2005, the fair value of these instruments was \$147.4 million versus their carrying values of \$145.7 million. The fair values differ from the carrying values due to lower market interest rates at December 31, 2005 versus the rates at issuance of the notes.

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.

Certain of the Company's 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 major 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 changes from such market fluctuations, the Company selectively enters into commodity price swaps for certain materials used in the production of its products. 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 December 31, 2005, 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 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. The other swap, effective March, 2005, has a notional amount of 65 million Swiss francs, and effectively converts the underlying variable interest rates to a fixed rate of 4.2% for a term of seven years.

The Company selectively enters into commodity price swaps to effectively fix certain variable raw material costs. While the Company did not have any swaps in place for the purchase of raw materials at December 31, 2005, the Company generally hedges up to 80% 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 up to 80% of its anticipated purchases from the supplying locations.

As of December 31, 2005, \$0.1 million of deferred net gains on derivative instruments recorded in "Accumulated other comprehensive gain (loss)" are expected to be reclassified to current earnings during the next twelve months. This reclassification is primarily due to the sale of inventory that includes previously hedged purchases. The maximum term over which the Company is hedging exposures to variability of cash flows (for all forecasted transactions,

excluding interest payments on variable-rate debt) is eighteen months. Overall, the derivatives designated as cash flow hedges are nearly 100% effective.

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 Euro 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) 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 December 31, 2005 and 2004, the accumulated fair value of the interest rate swap was \$5.3 million and \$14.7 million, respectively, and was recorded in Prepaid Expenses and Other Current Assets and Other Noncurrent Assets. The notional amount of the underlying Eurobond was increased by a corresponding amount at December 31, 2005 and 2004.

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. 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 4.29% on \$315 million 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, included 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.

No gain or loss was recognized upon the amendment of the cross-currency element of the integrated transaction, as the interest rate of 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 designated the Euro 350 million Eurobonds as a hedge of net investment, on the date of the amendment and thus the impact of translation changes related to the final principal payment are recorded in Accumulated Other Comprehensive Income.

In June 2005, the Company terminated the cross-currency element of the integrated transaction in response to the rapid rise in U.S. Dollar short-term interest rates, converting the debt back into a Euro variable instrument. At termination in June, 2005 and at December 31, 2004, the accumulated fair value of the cross-currency element of the integrated transaction was \$20.2 million received in cash and \$33.0 million, recorded in Prepaid Expenses and Other Current Assets and Other Noncurrent Assets, respectively.

In the first quarter of 2005, the Company entered into cross-currency interest rate swaps with a notional principal value of Swiss Franc 457 million paying 3 month Swiss franc Libor and receiving 3 month U.S. dollar Libor on \$384.4 million. The cross-currency swaps are designated as net investment hedge of the Swiss net assets. In the fourth quarter of 2005, the Company entered into cross currency interest rate swaps with a notional principal value of Euro 358 million paying 3 month Euro Libor and receiving 3 month U.S. dollar Libor on \$419.6 million. The cross-currency swaps are designated as net investment hedge of the Swiss and Euro denominated net assets. The interest rate differential is recognized in earnings as it is accrued, the foreign currency revaluation is

recorded in Accumulated Other Comprehensive Income, net of tax effects.

The fair value of these swap agreements is the estimated amount the Company would receive (pay) at the reporting date, taking into account the effective interest rates and foreign exchange rates. As of December 31, 2005 and 2004, the estimated net fair values of the swap agreements were \$29.2 million and \$35.7 million, respectively.

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 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 December 31, 2005 and 2004, the Company had Euro-denominated, Swiss franc-denominated, and Japanese yen-denominated debt and cross-currency interest rate swaps (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. At December 31, 2005 and 2004, the accumulated translation gains on investments in foreign subsidiaries, primarily denominated in Euros, Swiss francs and Japanese yen, net of these net investment debt hedges, were \$58.4 million and \$179.4 million, respectively, which was included in Accumulated Other Comprehensive income.

Other

As of December 31, 2005, the Company had recorded assets representing the fair value of derivative instruments of \$5.3 million in "Prepaid expenses and other current assets" and \$36.6 million in "Other noncurrent assets" and liabilities representing the fair value of derivative instruments of \$3.1 million in "Accrued liabilities" and \$9.7 million in "Other noncurrent liabilities".

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

NOTE 17 - COMMITMENTS AND CONTINGENCIES

Leases

The Company leases automobiles and machinery and equipment and certain office, warehouse, and manufacturing facilities under non-cancelable operating leases. These leases generally require the Company to pay insurance, taxes and other expenses related to the leased property. Total rental expense for all operating leases was \$23.0 million for 2005, \$22.0 million for 2004 and \$20.7 million for 2003.

Rental commitments, principally for real estate (exclusive of taxes, insurance and maintenance), automobiles and office equipment are as follows (in thousands):

2006	\$ 20,175
2007	11,935
2008	8,448
2009	4,844
2010	3,122
2011 and thereafter	5,275

	\$ 53,799
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Litigation

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 and subsequently, the Judge entered a decision that the Company's tooth distribution practices do not violate the antitrust laws. The Department of Justice appealed this decision to the U.S. Third Circuit Court of Appeals and the Third Circuit reversed the decision of the District Court. The Company's petition to the U.S. Supreme Court asking it to review the Third Circuit Court decision was denied. The effect of this decision will be the issuance of an injunction requiring DENTSPLY to discontinue its policy of not allowing its tooth dealers to take on new competitive teeth lines. This decision relates only to the distribution of artificial teeth sold in the U.S., which affects less than 2.5% of the Company's net sales. While the Company believes its tooth distribution practices do not violate the antitrust laws, the Company is confident that it can continue to develop this business regardless of the final legal outcome.

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 appealed this decision to the Third Circuit and the Court upheld the decision of the District Court in dismissing the Plaintiffs' damages claims, with the exception of allowing the Plaintiffs to pursue a damage claim based on a theory of resale price maintenance agreements between the Company and its tooth dealers. The Plaintiffs have filed a petition with the U.S. Supreme Court asking it to review this decision of the Third Circuit. 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. The Judge has entered an Order granting class certification,

as an Opt-in class (this means that after Notice of the class action is sent to possible class members, a party will have to determine if they meet the class definition and take affirmative action in order to join the class) 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 for which they were not paid. The Notice of the class action was sent on February 23, 2005 to the approximately 29,000 dentists licensed to practice in California during the relevant period and a total of 166 dentists have opted into the class action. As the result of a recent decision by a California Appellate Court, the plaintiffs have filed an appeal to convert the claim to an opt-out claim from its current status as an opt-in claim. 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. The Company's primary level insurance carrier has confirmed coverage for the breach of warranty claims in this matter up to their policy limits.

Other

The Company has no material non-cancelable purchase commitments.

The Company has employment agreements with its executive officers. These agreements generally provide for salary continuation for a specified number of months under certain circumstances. If all of the employees under contract were to be terminated by the Company without cause (as defined in the agreements), the Company's liability would be approximately \$12.8 million at December 31, 2005.

NOTE 18 - QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Dentsply International Inc.
Quarterly Financial Information (Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
	(in thousands, except per share amounts)				
2005					
Net sales from continuing operations	\$ 406,975	\$ 444,834	\$ 415,964	\$ 447,362	\$ 1,715,135
Gross profit from continuing operations	208,941	227,283	209,002	223,792	869,018
Operating income from continuing operations	70,125	81,135	(56,633)	(21,705)	72,922
Net income from continuing operations	49,049	57,893	(60,805)	(724)	45,413
Net income from discontinued operations	-	-	-	-	-
Net income	\$49,049	\$57,893	\$ (60,805)	\$ (724)	\$ 45,413
Earnings per common share - basic					
Continuing operations	\$ 0.61	\$ 0.72	\$ (0.77)	\$ (0.01)	\$ 0.57 (a)
Discontinued operations	-	-	-	-	-
Total earnings per common share	\$ 0.61	\$ 0.72	\$ (0.77)	\$ (0.01)	\$ 0.57
Earnings per common share - diluted					
Continuing operations	\$ 0.60	\$ 0.71	\$ (0.77)	\$ (0.01)	\$ 0.56 (a)
Discontinued operations	-	-	-	-	-
Total earnings per common share	\$ 0.60	\$ 0.71	\$ (0.77)	\$ (0.01)	\$ 0.56
Cash dividends declared per common share	\$0.0600	\$0.0600	\$0.0600	\$ 0.0700	\$ 0.2500
2004					
Net sales from continuing operations	\$ 414,359	\$ 424,408	\$ 389,965	\$ 465,500	\$ 1,694,232
Gross profit from continuing operations	203,892	212,056	198,516	232,054	846,518
Operating income from continuing operations	70,106	77,565	68,111	79,348	295,130
Net income from continuing operations	45,768	49,222	46,343	68,953	210,286
Net income from discontinued operations	43,064	(179)	340	(346)	42,879
Net income	\$88,832	\$ 49,043	\$ 46,683	\$ 68,607	\$ 253,165
Earnings per common share - basic					
Continuing operations	\$ 0.57	\$ 0.61	\$ 0.58	\$ 0.85	\$ 2.61
Discontinued operations	0.54	-	-	-	0.54
Total earnings per common share	\$ 1.11	\$ 0.61	\$ 0.58	\$ 0.85	\$ 3.15
Earnings per common share - diluted					
Continuing operations	\$ 0.56	\$ 0.60	\$ 0.57	\$ 0.83	\$ 2.56
Discontinued operations	0.53	-	-	-	0.53
Total earnings per common share	\$ 1.09	\$ 0.60	\$ 0.57	\$ 0.83	\$ 3.09
Cash dividends declared per common share	\$0.0525	\$0.0525	\$0.0525	\$ 0.0600	\$ 0.2175

<FN>

(a) - As a result of the net loss in the third and fourth quarters of 2005, options to purchase 1,324,000 and 1,299,000 shares of common stock, respectively, that were outstanding at the end of each quarter were not included in the computation of diluted income/(loss) per share due to their antidilutive effects on the income/(loss) per share.

</FN>

Sales excluding precious metal content were \$369.3 million, \$400.8 million, \$373.5 million and \$400.3 million, respectively, for the first, second, third and fourth quarters of 2005. Sales excluding precious metal content were \$358.6 million, \$373.2 million, \$345.2 million and \$404.9 million, respectively, for the first, second, third and fourth quarters of 2004. This measurement could be considered a non-GAAP measure as discussed further in Management's Discussion

Supplemental Stock Information

The common stock of the Company is traded on the NASDAQ National Market under the symbol "XRAY". The following table sets forth high, low and closing sale prices of the Company's common stock for the periods indicated as reported on the NASDAQ National Market:

	Market Range of Common Stock		Period-end Closing Price	Cash Dividend Declared Per Common Share
	High	Low		
2005				
First Quarter	\$ 58.40	\$ 51.66	\$ 54.41	\$0.06000
Second Quarter	57.93	52.68	54.00	0.06000
Third Quarter	55.94	50.85	54.02	0.06000
Fourth Quarter	58.44	50.73	53.69	0.07000
2004				
First Quarter	\$ 45.44	\$ 41.75	\$ 44.33	\$0.05250
Second Quarter	52.26	44.09	52.10	0.05250
Third Quarter	52.91	46.30	51.94	0.05250
Fourth Quarter	56.84	50.02	56.20	0.06000
2003				
First Quarter	\$ 37.95	\$ 32.10	\$ 34.79	\$0.04600
Second Quarter	41.10	32.35	40.96	0.04600
Third Quarter	47.05	40.41	44.84	0.05250
Fourth Quarter	47.40	41.85	45.17	0.05250

The Company estimates, based on information supplied by its transfer agent, that there are approximately 57,516 holders of common stock, including 505 holders of record.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

By: /s/ Gerald K. Kunkle, Jr.

 Gerald K. Kunkle, Jr.
 Chairman of the Board
 and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ Gerald K. Kunkle, Jr.

March 10, 2006

 Gerald K. Kunkle, Jr.
 Chairman of the Board, Director, and
 Chief Executive Officer
 (Principal Executive Officer)

 Date

/s/ William R. Jellison

March 10, 2006

 William R. Jellison

 Date

Senior Vice President and
Chief Financial Officer
(Principal Financial and Accounting Officer)

/s/ John C. Miles II

John C. Miles II
Director

March 10, 2006

Date

/s/ Dr. Michael C. Alfano

Dr. Michael C. Alfano Date Director

March 10, 2006

Date

/s/ Eric K. Brandt

Eric K. Brandt
Director

March 10, 2006

Date

/s/ Paula H. Cholmondeley

Paula H. Cholmondeley
Director

March 10, 2006

Date

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/s/ Michael J. Coleman

Michael J. Coleman
Director

March 10, 2006

Date

/s/ William F. Hecht

William F. Hecht
Director

March 10, 2006

Date

/s/ Leslie A. Jones

Leslie A. Jones
Director

March 10, 2006

Date

/s/ Wendy L. Dixon

Wendy L. Dixon
Director

March 10, 2006

Date

/s/ Francis J. Lunger

Francis J. Lunger
Director

March 10, 2006

Date

/s/ W. Keith Smith

W. Keith Smith Date Director

March 10, 2006

Date

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CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-71792, 33-89786, 333-56093, and 333-101548) and Registration Statement on Form S-3 (No. 333-76089) of DENTSPLY International Inc. of our report dated March 10, 2006 relating to the financial statements, financial statement schedule, management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Philadelphia, PA
March 14, 2006

FIVE YEAR CREDIT AGREEMENT

Dated as of May 9, 2005

DENTSPLY INTERNATIONAL INC., a Delaware corporation (the "Company"), the banks, financial institutions and other institutional lenders (the "Initial Lenders") and issuers of letters of credit ("Initial Issuing Banks") listed on Schedule I hereto, JPMORGAN CHASE BANK, N.A., as syndication agent, HARRIS TRUST AND SAVINGS BANK, MANUFACTURERS AND TRADERS TRUST COMPANY and WACHOVIA BANK, NATIONAL ASSOCIATION, as co-documentation agents, CITIGROUP GLOBAL MARKETS INC. and J.P. MORGAN SECURITIES INC., as joint lead arrangers and joint bookrunners, and CITIBANK, N.A. ("Citibank"), as agent (the "Agent") for the Lenders(as hereinafter defined), agree as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01. Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Advance" means an advance by a Lender to any Borrower as part of a Borrowing and refers to a Base Rate Advance or a Eurocurrency Rate Advance (each of which shall be a "Type" of Advance).

"Affiliate" means, as to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person or is a director or officer of such Person. For purposes of this definition, the term "control" (including the terms "controlling", "controlled by" and "under common control with") of a Person means the possession, direct or indirect, of the power to vote 5% or more of the Voting Stock of such Person or to direct or cause the direction of the management and policies of such Person, whether through the ownership of Voting Stock, by contract or otherwise.

"Agent's Account" means (a) in the case of Advances denominated in Dollars, the account of the Agent maintained by the Agent at Citibank at its office at Two Penns Way, New Castle, Delaware 19720, Account No. 36852248, Attention: Bank Loan Syndications, (b) in the case of Advances denominated in any Committed Currency, the account of the Sub-Agent designated in writing from time to time by the Agent to the Company and the Lenders for such purpose and (c) in any such case, such other account of the Agent as is designated in writing from time to time by the Agent to the Company and the Lenders for such purpose.

"Applicable Lending Office" means, with respect to each Lender, such Lender's Domestic Lending Office in the case of a Base Rate Advance and such Lender's Eurocurrency Lending Office in the case of a Eurocurrency Rate Advance.

"Applicable Margin" means as of any date (a) for Base Rate Advances, 0.00% per annum, and (b) for Eurocurrency Rate Advances, a percentage per annum determined by reference to the Public Debt Rating in effect on such date as set forth below:

Public Debt Rating S&P/Moody's	Applicable Margin for Eurocurrency Rate Advances
Level 1 A or A2 or above	0.230%
Level 2 A- or A3	0.270%
Level 3 BBB+ or Baa1	0.350%

Level 4	
BBB or Baa2	0.450%
Level 5	
BBB- or Baa3	0.600%
Level 6	
Lower than Level 5	1.050%

"Applicable Percentage" means, as of any date a percentage per annum determined by reference to the Public Debt Rating in effect on such date as set forth below:

Public Debt Rating S&P/Moody's	Applicable Percentage
Level 1	
A or A2 or above	0.070%
Level 2	
A- or A3	0.080%
Level 3	
BBB+ or Baa1	0.100%
Level 4	
BBB or Baa2	0.125%
Level 5	
BBB- or Baa3	0.150%
Level 6	
Lower than Level 5	0.200%

"Applicable Utilization Fee" means, as of any date that the aggregate principal amount of the Advances plus the aggregate Available Amount of the Letters of Credit outstanding exceed 50% of the aggregate Revolving Credit Commitments, a percentage per annum determined by reference to the Public Debt Rating in effect on such date as set forth below:

Public Debt Rating S&P/Moody's	Applicable Utilization Fee
Level 1	
A or A2 or above	0.100%
Level 2	
A- or A3	0.100%
Level 3	
BBB+ or Baa1	0.100%
Level 4	
BBB or Baa2	0.100%

Level 5	
BBB- or Baa3	0.100%

Level 6	
Lower than Level 5	0.100%

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an Eligible Assignee, and accepted by the Agent, in substantially the form of Exhibit C hereto.

"Assuming Lender" has the meaning specified in Section 2.18(d).

"Assumption Agreement" has the meaning specified in Section 2.18(d) (ii).

"Available Amount" of any Letter of Credit means, at any time, the maximum amount available to be drawn under such Letter of Credit at such time (assuming compliance at such time with all conditions to drawing).

"Bankruptcy Law" means any proceeding of the type referred to in Section 6.01(e) or Title 11, U.S. Code, or any similar foreign, federal or state law for the relief of debtors.

"Base Rate" means a fluctuating interest rate per annum in effect from time to time, which rate per annum shall at all times be equal to the higher of:

(a) the rate of interest announced publicly by Citibank in New York, New York, from time to time, as Citibank's base rate; and

(b) 1/2 of one percent per annum above the Federal Funds Rate.

"Base Rate Advance" means an Advance denominated in Dollars that bears interest as provided in Section 2.07(a) (i).

"Borrowers" means, collectively, the Company and the Designated Subsidiaries from time to time.

"Borrowing" means a borrowing consisting of simultaneous Advances of the same Type made by each of the Lenders.

"Borrowing Minimum" means, in respect of Advances denominated in Dollars, \$5,000,000, in respect of Advances denominated in Euros, Euro 5,000,000, in respect of Advances denominated in Swiss Francs, CHF5,000,000, in respect of Advances denominated in Yen, JPY 500,000,000 and, in respect of Advances denominated in any other Committed Currency, such amount as the Agent may designate to the Company, which shall be a whole multiple of 5,000,000 units of such currency.

"Borrowing Multiple" means, in respect of Advances denominated in Dollars, \$1,000,000, in respect of Advances denominated in Euros, Euro 1,000,000, in respect of Advances denominated in Swiss Francs, CHF1,000,000, in respect of Advances denominated in Yen, JPY 100,000,000 and, in respect of Advances denominated in any other Committed Currency, such amount as the Agent may designate to the Company, which shall be a whole multiple of 1,000,000 units of such currency.

"Business Day" means a day of the year on which banks are not required or authorized by law to close in New York City and, if the applicable Business Day relates to any Eurocurrency Rate Advances, on which dealings are carried on in the London interbank market and banks are open for business in London and in the country of issue of the currency of such Eurocurrency Rate Advance (or, in the case of an Advance denominated in Euro, on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open).

"Commitment" means a Revolving Credit Commitment or a Letter of Credit Commitment.

"Commitment Date" has the meaning specified in Section 2.18(b).

"Commitment Increase" has the meaning specified in Section 2.18(a).

"Committed Currencies" means Euros, lawful currency of The Swiss Federation, lawful currency of Japan and any other actively traded currency that is freely convertible and transferable into Dollars and available from all Lenders.

"Company Information" has the meaning specified in Section 9.08.

"Consolidated" refers to the consolidation of accounts in accordance with GAAP.

"Convert", "Conversion" and "Converted" each refers to a conversion of Advances of one Type into Advances of the other Type pursuant to Section 2.08 or 2.09.

"Debt" of any Person means, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all obligations of such Person for the deferred purchase price of property or services (other than trade payables not overdue by more than 60 days incurred in the ordinary course of such Person's business), (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all obligations of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all obligations of such Person as lessee under leases that have been or should be, in accordance with GAAP, recorded as capital leases, (f) all obligations, contingent or otherwise, of such Person in respect of acceptances, letters of credit or similar extensions of credit, (g) all obligations of such Person in respect of Hedge Agreements, (h) all Debt of others referred to in clauses (a) through (g) above or clause (i) below and other payment obligations (collectively, "Guaranteed Debt") guaranteed directly or indirectly in any manner by such Person, or in effect guaranteed directly or indirectly by such Person through an agreement (1) to pay or purchase such Guaranteed Debt or to advance or supply funds for the payment or purchase of such Guaranteed Debt, (2) to purchase, sell or lease (as lessee or lessor) property, or to purchase or sell services, primarily for the purpose of enabling the debtor to make payment of such Guaranteed Debt or to assure the holder of such Guaranteed Debt against loss, (3) to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether such property is received or such services are rendered) or (4) otherwise to assure a creditor against loss, and (i) all Debt referred to in clauses (a) through (h) above (including Guaranteed Debt) secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any Lien on property (including, without limitation, accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Debt.

"Debt for Borrowed Money" of any Person means all items that, in accordance with GAAP, would be classified as indebtedness on a Consolidated balance sheet of such Person, provided that Debt for Borrowed Money of the Company and its Subsidiaries shall not include Debt incurred in connection with the Consignment Agreements relating to the consignment of precious metals between the Company and certain counterparties.

"Default" means any Event of Default or any event that would constitute an Event of Default but for the requirement that notice be given or time elapse or both.

"Designated Subsidiary" means any direct or indirect wholly-owned Subsidiary of the Company designated for borrowing privileges under this Agreement pursuant to Section 9.09.

"Designation Agreement" means, with respect to any Designated

Subsidiary, an agreement in the form of Exhibit E hereto signed by such Designated Subsidiary and the Company.

"Dollars" and the "\$" sign each means lawful currency of the United States of America.

"Domestic Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Domestic Lending Office" opposite its name on Schedule I hereto or in the Assumption Agreement or the Assignment and Acceptance pursuant to which it became a Lender, or such other office of such Lender as such Lender may from time to time specify to the Company and the Agent.

"EBITDA" means, for any period, net income (or net loss) plus the sum of (a) interest expense, (b) income tax expense, (c) depreciation expense and (d) amortization expense, in each case determined in accordance with GAAP for such period.

"Effective Date" has the meaning specified in Section 3.01.

"Eligible Assignee" means (i) a Lender; (ii) an Affiliate of a Lender; and (iii) any other Person approved by the Agent, each Issuing Bank and, unless an Event of Default has occurred and is continuing at the time any assignment is effected in accordance with Section 9.07, the Company, such approval not to be unreasonably withheld or delayed; provided, however, that neither the Company nor an Affiliate of the Company shall qualify as an Eligible Assignee.

"Environmental Action" means any action, suit, demand, demand letter, claim, notice of non-compliance or violation, notice of liability or potential liability, investigation, proceeding, consent order or consent agreement relating in any way to any Environmental Law, Environmental Permit or Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment, including, without limitation, (a) by any governmental or regulatory authority for enforcement, cleanup, removal, response, remedial or other actions or damages and (b) by any governmental or regulatory authority or any third party for damages, contribution, indemnification, cost recovery, compensation or injunctive relief.

"Environmental Law" means any federal, state, local or foreign statute, law, ordinance, rule, regulation, code, order, judgment, decree or judicial or agency interpretation, policy or guidance relating to pollution or protection of the environment, health, safety or natural resources, including, without limitation, those relating to the use, handling, transportation, treatment, storage, disposal, release or discharge of Hazardous Materials.

"Environmental Permit" means any permit, approval, identification number, license or other authorization required under any Environmental Law.

"Equivalent" in Dollars of any Committed Currency on any date means the equivalent in Dollars of such Committed Currency determined by using the quoted spot rate at which the Sub-Agent's principal office in London offers to exchange Dollars for such Committed Currency in London prior to 4:00 P.M. (London time) (unless otherwise indicated by the terms of this Agreement) on such date as is required pursuant to the terms of this Agreement, and the "Equivalent" in any Committed Currency of Dollars means the equivalent in such Committed Currency of Dollars determined by using the quoted spot rate at which the Sub-Agent's principal office in London offers to exchange such Committed Currency for Dollars in London prior to 4:00 P.M. (London time) (unless otherwise indicated by the terms of this Agreement) on such date as is required pursuant to the terms of this Agreement.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"ERISA Affiliate" means any Person that for purposes of Title IV of ERISA is a member of the Company's controlled group, or under common control with the Company, within the meaning of Section 414 of the Internal Revenue Code.

"ERISA Event" means (a) (i) the occurrence of a reportable event, within the meaning of Section 4043 of ERISA, with respect to any Plan unless the 30-day notice requirement with respect to such event has been waived by the PBGC, or (ii) the requirements of subsection (1) of Section 4043(b) of ERISA (without regard to subsection (2) of such Section) are met with respect to a contributing sponsor, as defined in Section 4001(a)(13) of ERISA, of a Plan, and an event described in paragraph (9), (10), (11), (12) or (13) of Section 4043(c) of ERISA is reasonably expected to occur with respect to such Plan within the following 30 days; (b) the application for a minimum funding waiver with respect to a Plan; (c) the provision by the administrator of any Plan of a notice of intent to terminate such Plan pursuant to Section 4041(a)(2) of ERISA (including any such notice with respect to a plan amendment referred to in Section 4041(e) of ERISA); (d) the cessation of operations at a facility of the Company or any ERISA Affiliate in the circumstances described in Section 4062(e) of ERISA; (e) the withdrawal by the Company or any ERISA Affiliate from a Multiple Employer Plan during a plan year for which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA; (f) the conditions for the imposition of a lien under Section 302(f) of ERISA shall have been met with respect to any Plan; (g) the adoption of an amendment to a Plan requiring the provision of security to such Plan pursuant to Section 307 of ERISA; or (h) the institution by the PBGC of proceedings to terminate a Plan pursuant to Section 4042 of ERISA, or the occurrence of any event or condition described in Section 4042 of ERISA that constitutes grounds for the termination of, or the appointment of a trustee to administer, a Plan.

"EURIBO Rate" means, for any Interest Period for each Eurocurrency Rate Advance comprising part of the same Borrowing, the rate appearing on Page 248 of the Moneyline Telerate Service (or on any successor or substitute page of such Service, or any successor to or substitute for such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by the Agent from time to time for purposes of providing quotations of interest rates applicable to deposits in Euro by reference to the Banking Federation of the European Union Settlement Rates for deposits in Euro) at approximately 10:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for deposits in Euro with a maturity comparable to such Interest Period or, if for any reason such rate is not available, the average (rounded upward to the nearest whole multiple of 1/16 of 1% per annum, if such average is not such a multiple) of the respective rates per annum at which deposits in Euros are offered by the principal office of each of the Reference Banks in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal to such Reference Bank's Eurocurrency Rate Advance comprising part of such Borrowing to be outstanding during such Interest Period and for a period equal to such Interest Period (subject, however, to the provisions of Section 2.08).

"Euro" means the lawful currency of the European Union as constituted by the Treaty of Rome which established the European Community, as such treaty may be amended from time to time and as referred to in the EMU legislation.

"Eurocurrency Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Eurocurrency Lending Office" opposite its name on Schedule I hereto or in the Assumption Agreement or the Assignment and Acceptance pursuant to which it became a Lender (or, if no such office is specified, its Domestic Lending Office), or such other office of such Lender as such Lender may from time to time specify to the Company and the Agent.

"Eurocurrency Liabilities" has the meaning assigned to that term in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Eurocurrency Rate" means, for any Interest Period for each Eurocurrency Rate Advance comprising part of the same Borrowing, an interest rate per annum equal to the rate per annum obtained by dividing (a)(i) in the case of any Advance denominated in Dollars or any Committed Currency other than Euro, the rate per annum (rounded

upward to the nearest whole multiple of 1/16 of 1% per annum) appearing on Moneyline Telerate Markets Page 3750 (or any successor page) as the London interbank offered rate for deposits in Dollars or the applicable Committed Currency at approximately 11:00 A.M. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period or, if for any reason such rate is not available, the average (rounded upward to the nearest whole multiple of 1/16 of 1% per annum, if such average is not such a multiple) of the rate per annum at which deposits in Dollars or the applicable Committed Currency is offered by the principal office of each of the Reference Banks in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal to such Reference Bank's Eurocurrency Rate Advance comprising part of such Borrowing to be outstanding during such Interest Period and for a period equal to such Interest Period or, (ii) in the case of any Advance denominated in Euros, the EURIBO Rate by (b) a percentage equal to 100% minus the Eurocurrency Rate Reserve Percentage for such Interest Period. If the Moneyline Telerate Markets Page 3750 (or any successor page) is unavailable, the Eurocurrency Rate for any Interest Period for each Eurocurrency Rate Advance comprising part of the same Borrowing shall be determined by the Agent on the basis of applicable rates furnished to and received by the Agent from the Reference Banks two Business Days before the first day of such Interest Period, subject, however, to the provisions of Section 2.08.

"Eurocurrency Rate Advance" means an Advance denominated in Dollars or a Committed Currency that bears interest as provided in Section 2.07(a) (ii).

"Eurocurrency Rate Reserve Percentage" for any Interest Period for all Eurocurrency Rate Advances comprising part of the same Borrowing means the reserve percentage applicable two Business Days before the first day of such Interest Period under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) for a member bank of the Federal Reserve System in New York City with respect to liabilities or assets consisting of or including Eurocurrency Liabilities (or with respect to any other category of liabilities that includes deposits by reference to which the interest rate on Eurocurrency Rate Advances is determined) having a term equal to such Interest Period.

"Events of Default" has the meaning specified in Section 6.01.

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by it.

"GAAP" has the meaning specified in Section 1.03.

"Guaranteed Obligations" has the meaning specified in Section 7.01.

"Hazardous Materials" means (a) petroleum and petroleum products, byproducts or breakdown products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls and radon gas and (b) any other chemicals, materials or substances designated, classified or regulated as hazardous or toxic or as a pollutant or contaminant under any Environmental Law.

"Hedge Agreements" means interest rate swap, cap or collar agreements, interest rate future or option contracts, currency swap agreements, currency future or option contracts and other similar agreements.

"Increase Date" has the meaning specified in Section 2.18(a).

"Increasing Lender" has the meaning specified in Section 2.18(b).

"Information Memorandum" means the information memorandum dated April 13, 2005 used by the Agent in connection with the syndication of the Commitments.

"Interest Period" means, for each Eurocurrency Rate Advance comprising part of the same Borrowing, the period commencing on the date of such Eurocurrency Rate Advance or the date of the Conversion of any Base Rate Advance into such Eurocurrency Rate Advance and ending on the last day of the period selected by the Borrower requesting such Borrowing pursuant to the provisions below and, thereafter, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by such Borrower pursuant to the provisions below. The duration of each such Interest Period shall be one, two, three or six months, and subject to clause (c) of this definition, nine or twelve months, as the applicable Borrower may, upon notice received by the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the first day of such Interest Period, select; provided, however, that:

(a) the Borrowers may not select any Interest Period that ends after the Termination Date;

(b) Interest Periods commencing on the same date for Eurocurrency Rate Advances comprising part of the same Borrowing shall be of the same duration;

(c) in the case of any such Borrowing, the Borrowers shall not be entitled to select an Interest Period having duration of nine or twelve months unless, by 2:00 P.M. (New York City time) on the third Business Day prior to the first day of such Interest Period, each Lender notifies the Agent that such Lender will be providing funding for such Borrowing with such Interest Period (the failure of any Lender to so respond by such time being deemed for all purposes of this Agreement as an objection by such Lender to the requested duration of such Interest Period); provided that, if any or all of the Lenders object to the requested duration of such Interest Period, the duration of the Interest Period for such Borrowing shall be one, two, three or six months, as specified by the Borrower requesting such Borrowing in the applicable Notice of Borrowing as the desired alternative to an Interest Period of nine or twelve months;

(d) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, provided, however, that, if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day; and

(e) whenever the first day of any Interest Period occurs on a day of an initial calendar month for which there is no numerically corresponding day in the calendar month that succeeds such initial calendar month by the number of months equal to the number of months in such Interest Period, such Interest Period shall end on the last Business Day of such succeeding calendar month.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"issuance" with respect to any Letter of Credit means the issuance, amendment, renewal or extension of such Letter of Credit.

"Issuing Bank" means an Initial Issuing Bank or any Eligible Assignee to which a portion of the Letter of Credit Commitment hereunder has been assigned pursuant to Section 9.07 so long as such

Eligible Assignee expressly agrees to perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as an Issuing Bank and notifies the Agent of its Applicable Lending Office (which information shall be recorded by the Agent in the Register), for so long as such Initial Issuing Bank or Eligible Assignee, as the case may be, shall have a Letter of Credit Commitment.

"L/C Cash Deposit Account" means an interest bearing cash deposit account to be established and maintained by the Agent, over which the Agent shall have sole dominion and control, upon terms as may be satisfactory to the Agent.

"L/C Related Documents" has the meaning specified in Section 2.06(b)(i).

"Lenders" means each Initial Lender, each Issuing Bank, each Assuming Lender that shall become a party hereto pursuant to Section 2.18 and each Person that shall become a party hereto pursuant to Section 9.07.

"Letter of Credit" has the meaning specified in Section 2.01(b).

"Letter of Credit Agreement" has the meaning specified in Section 2.03(a).

"Letter of Credit Commitment" means, with respect to each Issuing Bank, the obligation of such Issuing Bank to issue Letters of Credit for the account of the Borrowers and their specified Subsidiaries in (a) the Dollar amount set forth opposite the Issuing Bank's name on Schedule I hereto under the caption "Letter of Credit Commitment" or (b) if such Issuing Bank has entered into one or more Assignment and Acceptances, the Dollar amount set forth for such Issuing Bank in the Register maintained by the Agent pursuant to Section 9.07(d) as such Issuing Bank's "Letter of Credit Commitment", in each case as such amount may be reduced prior to such time pursuant to Section 2.05.

"Letter of Credit Facility" means, at any time, an amount equal to the least of (a) the aggregate amount of the Issuing Banks' Letter of Credit Commitments at such time, (b) \$50,000,000 and (c) the aggregate amount of the Revolving Credit Commitments, as such amount may be reduced at or prior to such time pursuant to Section 2.05.

"Lien" means any lien, security interest or other charge or encumbrance of any kind, or any other type of preferential arrangement, including, without limitation, the lien or retained security title of a conditional vendor and any easement, right of way or other encumbrance on title to real property.

"Material Adverse Change" means any material adverse change in the business, financial condition or operations of the Company or the Company and its Subsidiaries taken as a whole.

"Material Adverse Effect" means a material adverse effect on (a) the business, financial condition or operations of the Company or the Company and its Subsidiaries taken as a whole, (b) the rights and remedies of the Agent or any Lender under this Agreement or any Note or (c) the ability of any Borrower to perform its obligations under this Agreement or any Note.

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, to which the Company or any ERISA Affiliate is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions.

"Multiple Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Company or any ERISA Affiliate and at least one Person other than the Company and the ERISA Affiliates or (b) was so maintained and in respect of which the Company or any ERISA Affiliate

could have liability under Section 4064 or 4069 of ERISA in the event such plan has been or were to be terminated.

"Note" means a promissory note of a Borrower payable to the order of any Lender, delivered pursuant to a request made under Section 2.16 in substantially the form of Exhibit A hereto, evidencing the aggregate indebtedness of such Borrower to such Lender resulting from the Advances made by such Lender.

"Notice of Borrowing" has the meaning specified in Section 2.02(a).

"Notice of Issuance" has the meaning specified in Section 2.03(a).

"OFAC" means the U.S. Department of the Treasury's Office of Foreign Assets Control.

"Patriot Act" means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Pub. L. 107-56, signed into law October 26, 2001.

"Payment Office" means, for any Committed Currency, such office of Citibank as shall be from time to time selected by the Agent and notified by the Agent to the Company and the Lenders.

"PBGCC" means the Pension Benefit Guaranty Corporation (or any successor).

"Permitted Liens" means such of the following as to which no enforcement, collection, execution, levy or foreclosure proceeding shall have been commenced: (a) Liens for taxes, assessments and governmental charges or levies to the extent not required to be paid under Section 5.01(b) hereof; (b) Liens imposed by law, such as materialmen's, mechanics', carriers', workmen's and repairmen's Liens and other similar Liens arising in the ordinary course of business securing obligations that are not overdue for a period of more than 30 days; (c) pledges or deposits to secure obligations under workers' compensation laws or similar legislation or to secure public or statutory obligations; and (d) easements, rights of way and other encumbrances on title to real property that do not render title to the property encumbered thereby unmarketable or materially adversely affect the use of such property for its present purposes.

"Person" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture, limited liability company or other entity, or a government or any political subdivision or agency thereof.

"Plan" means a Single Employer Plan or a Multiple Employer Plan.

"Post-Petition Interest" has the meaning specified in Section 7.05.

"Public Debt Rating" means, as of any date, the rating that has been most recently announced by either S&P or Moody's, as the case may be, for any class of non-credit enhanced long-term senior unsecured debt issued by the Company or, if any such rating agency shall have issued more than one such rating, the lowest such rating issued by such rating agency. For purposes of the foregoing, (a) if only one of S&P and Moody's shall have in effect a Public Debt Rating, the Applicable Margin, the Applicable Percentage and the Applicable Utilization Fee shall be determined by reference to the available rating; (b) if neither S&P nor Moody's shall have in effect a Public Debt Rating, the Applicable Margin, the Applicable Percentage and the Applicable Utilization Fee will be set in accordance with Level 6 under the definition of "Applicable Margin", "Applicable Percentage" or "Applicable Utilization Fee", as the case may be; (c) if the ratings established by S&P and Moody's shall fall within different levels, the Applicable Margin, the Applicable Percentage and the Applicable Utilization Fee shall be based upon the higher rating unless the such ratings differ by two or more levels, in which case the applicable

level will be deemed to be one level above the lower of such levels; (d) if any rating established by S&P or Moody's shall be changed, such change shall be effective as of the date on which such change is first announced publicly by the rating agency making such change; and (e) if S&P or Moody's shall change the basis on which ratings are established, each reference to the Public Debt Rating announced by S&P or Moody's, as the case may be, shall refer to the then equivalent rating by S&P or Moody's, as the case may be.

"Ratable Share" of any amount means, with respect to any Lender at any time, the product of such amount times a fraction the numerator of which is the amount of such Lender's Revolving Credit Commitment at such time (or, if the Revolving Credit Commitments shall have been terminated pursuant to Section 2.05 or 6.01, such Lender's Revolving Credit Commitment as in effect immediately prior to such termination) and the denominator of which is the aggregate amount of all Revolving Credit Commitments at such time (or, if the Revolving Credit Commitments shall have been terminated pursuant to Section 2.05 or 6.01, the aggregate amount of all Revolving Credit Commitments as in effect immediately prior to such termination).

"Reference Banks" means Citibank, JPMorgan Chase Bank, N.A., Bank of America, N.A. and Wachovia Bank, National Association.

"Register" has the meaning specified in Section 9.07(d).

"Required Lenders" means at any time Lenders owed at least a majority in interest of the then aggregate unpaid principal amount (based on the Equivalent in Dollars at such time) of the Advances owing to Lenders, or, if no such principal amount is then outstanding, Lenders having at least a majority in interest of the Commitments.

"Revolving Credit Commitment" means as to any Lender (a) the Dollar amount set forth opposite such Lender's name on Schedule I hereto as such Lender's "Revolving Credit Commitment", (b) if such Lender has become a Lender hereunder pursuant to an Assumption Agreement, the Dollar amount set forth in such Assumption Agreement or (c) if such Lender has entered into an Assignment and Acceptance, the Dollar amount set forth for such Lender in the Register maintained by the Agent pursuant to Section 9.07(d), as such amount may be reduced pursuant to Section 2.05 or increased pursuant to Section 2.18.

"S&P" means Standard & Poor's, a division of The McGraw-Hill Companies, Inc.

"Single Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Company or any ERISA Affiliate and no Person other than the Company and the ERISA Affiliates or (b) was so maintained and in respect of which the Company or any ERISA Affiliate could have liability under Section 4069 of ERISA in the event such plan has been or were to be terminated.

"Solvent" and "Solvency" mean, with respect to any Person on a particular date, that on such date (a) the fair value of the property of such Person is greater than the total amount of liabilities, including, without limitation, contingent liabilities, of such Person, (b) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (c) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay such debts and liabilities as they mature and (d) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute an unreasonably small capital. The amount of contingent liabilities at any time shall be computed as the amount that, in the light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

"Sub-Agent" means Citibank International plc.

"Subordinated Obligations" has the meaning specified in Section 7.05.

"Subsidiary" of any Person means any corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) more than 50% of (a) the issued and outstanding capital stock having ordinary voting power to elect a majority of the Board of Directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency), (b) the interest in the capital or profits of such limited liability company, partnership or joint venture or (c) the beneficial interest in such trust or estate is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person's other Subsidiaries.

"Termination Date" means the earlier of May 9, 2010 and the date of termination in whole of the Commitments pursuant to Section 2.05 or 6.01.

"Unissued Letter of Credit Commitment" means, with respect to any Issuing Bank, the obligation of such Issuing Bank to issue Letters of Credit for the account of the Company or its specified Subsidiaries in an amount equal to the excess of (a) the amount of its Letter of Credit Commitment over (b) the aggregate Available Amount of all Letters of Credit issued by such Issuing Bank.

"Unused Revolving Credit Commitment" means, with respect to each Lender at any time, (a) such Lender's Revolving Credit Commitment at such time minus (b) the sum of (i) the aggregate principal amount of all Advances made by such Lender (in its capacity as a Lender) and outstanding at such time, plus (ii) such Lender's Ratable Share of (A) the aggregate Available Amount of all the Letters of Credit outstanding at such time and (B) the aggregate principal amount of all Advances made by each Issuing Bank pursuant to Section 2.03(c) that have not been ratably funded by such Lender and outstanding at such time.

"Voting Stock" means capital stock issued by a corporation, or equivalent interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even if the right so to vote has been suspended by the happening of such a contingency.

SECTION 1.02. Computation of Time Periods. In this Agreement in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding".

SECTION 1.03. Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles consistent with those applied in the preparation of the financial statements referred to in Section 4.01(e) ("GAAP").

ARTICLE II

AMOUNTS AND TERMS OF THE ADVANCES AND LETTERS OF CREDIT

SECTION 2.01. The Advances and Letters of Credit. (a) The Advances. Each Lender severally agrees, on the terms and conditions hereinafter set forth, to make Advances to any Borrower from time to time on any Business Day during the period from the Effective Date until the Termination Date in an amount (based in respect of any Advances to be denominated in a Committed Currency by reference to the Equivalent thereof in Dollars determined on the date of delivery of the applicable Notice of Borrowing) not to exceed such Lender's Unused Revolving Credit Commitment. Each Borrowing shall be in an amount not less than the Borrowing Minimum or the Borrowing Multiple in excess thereof and shall consist of Advances of the same Type and in the same currency made on the same day by the Lenders ratably according to their respective Revolving Credit Commitments. Within the limits of each Lender's Revolving Credit Commitment, any Borrower may borrow under this Section 2.01(a), prepay pursuant to Section 2.10 and reborrow under this Section 2.01(a).

(b) Letters of Credit. Each Issuing Bank agrees, on the terms and conditions hereinafter set forth, in reliance upon the agreements of the other Lenders set forth in this Agreement, to issue letters of credit (each, a "Letter of Credit") denominated in Dollars for the account of any Borrower and

its specified Subsidiaries from time to time on any Business Day during the period from the Effective Date until 30 days before the Termination Date in an aggregate Available Amount (i) for all Letters of Credit issued by each Issuing Bank not to exceed at any time the lesser of (x) the Letter of Credit Facility at such time and (y) such Issuing Bank's Letter of Credit Commitment at such time and (ii) for each such Letter of Credit not to exceed an amount equal to the Unused Commitments of the Lenders at such time. No Letter of Credit shall have an expiration date (including all rights of the applicable Borrower or the beneficiary to require renewal) later than 10 Business Days before the Termination Date. Within the limits referred to above, the Borrowers may from time to time request the issuance of Letters of Credit under this Section 2.01(b). Each letter of credit listed on Schedule 2.01(b) shall be deemed to constitute a Letter of Credit issued hereunder, and each Lender that is an issuer of such a Letter of Credit shall, for purposes of Section 2.03, be deemed to be an Issuing Bank for each such letter of credit, provided that any renewal or replacement of any such letter of credit shall be issued by an Issuing Bank pursuant to the terms of this Agreement.

SECTION 2.02. Making the Advances. (a) Except as otherwise provided in Section 2.03(c), each Borrowing shall be made on notice, given not later than (x) 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Borrowing in the case of a Borrowing consisting of Eurocurrency Rate Advances denominated in Dollars, (y) 4:00 P.M. (London time) on the third Business Day prior to the date of the proposed Borrowing in the case of a Borrowing consisting of Eurocurrency Rate Advances denominated in any Committed Currency, or (z) 11:00 A.M. (New York City time) on the date of the proposed Borrowing in the case of a Borrowing consisting of Base Rate Advances, by any Borrower to the Agent (and, in the case of a Borrowing consisting of Eurocurrency Rate Advances, simultaneously to the Sub-Agent), which shall give to each Lender prompt notice thereof by telecopier. Each such notice of a Borrowing (a "Notice of Borrowing") shall be by telephone, confirmed immediately in writing, or telecopier in substantially the form of Exhibit B hereto, specifying therein the requested (i) date of such Borrowing, (ii) Type of Advances comprising such Borrowing, (iii) aggregate amount of such Borrowing, and (iv) in the case of a Borrowing consisting of Eurocurrency Rate Advances, initial Interest Period and currency for each such Advance. Each Lender shall, before 1:00 P.M. (New York City time) on the date of such Borrowing, in the case of a Borrowing consisting of Advances denominated in Dollars, and before 2:00 P.M. (London time) on the date of such Borrowing, in the case of a Borrowing consisting of Eurocurrency Rate Advances denominated in any Committed Currency, make available for the account of its Applicable Lending Office to the Agent at the applicable Agent's Account, in same day funds, such Lender's ratable portion of such Borrowing. After the Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article III, the Agent will make such funds available to the Borrower requesting the Borrowing at the Agent's address referred to in Section 9.02 or at the applicable Payment Office, as the case may be.

(b) Anything in subsection (a) above to the contrary notwithstanding, (i) the Borrowers may not select Eurocurrency Rate Advances for any Borrowing if the aggregate amount of such Borrowing is less than the Borrowing Minimum or if the obligation of the Lenders to make Eurocurrency Rate Advances shall then be suspended pursuant to Section 2.08 or 2.12 and (ii) the Eurocurrency Rate Advances may not be outstanding as part of more than fifteen separate Borrowings.

(c) Each Notice of Borrowing shall be irrevocable and binding on the Borrower requesting the Borrowing. In the case of any Borrowing that the related Notice of Borrowing specifies is to be comprised of Eurocurrency Rate Advances, such Borrower shall indemnify each Lender against any loss, cost or expense incurred by such Lender as a result of any failure to fulfill on or before the date specified in such Notice of Borrowing for such Borrowing the applicable conditions set forth in Article III, including, without limitation, any loss (including loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Advance to be made by such Lender as part of such Borrowing when such Advance, as a result of such failure, is not made on such date.

(d) Unless the Agent shall have received notice from an Lender prior to the time of any Borrowing that such Lender will not make available to the Agent such Lender's ratable portion of such Borrowing, the Agent may assume that such Lender has made such portion available to the Agent on the date of such Borrowing in accordance with subsection (a) of this Section 2.02, and the Agent may, in reliance upon such assumption, make available to the Borrower

requesting the Borrowing on such date a corresponding amount. If and to the extent that such Lender shall not have so made such ratable portion available to the Agent, such Lender and such Borrower severally agree to repay to the Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to such Borrower until the date such amount is repaid to the Agent, at (i) in the case of such Borrower, the higher of (A) the interest rate applicable at the time to the Advances comprising such Borrowing and (B) the cost of funds incurred by the Agent in respect of such amount and (ii) in the case of such Lender (A) the Federal Funds Rate in the case of Advances denominated in Dollars or (B) the cost of funds incurred by the Agent in respect of such amount in the case of Advances denominated in Committed Currencies. If such Lender shall repay to the Agent such corresponding amount, such amount so repaid shall constitute such Lender's Advance as part of such Borrowing for purposes of this Agreement.

(e) The failure of any Lender to make the Advance to be made by it as part of any Borrowing shall not relieve any other Lender of its obligation, if any, hereunder to make its Advance on the date of such Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Advance to be made by such other Lender on the date of any Borrowing.

SECTION 2.03. Issuance of and Drawings and Reimbursement Under Letters of Credit. (a) Request for Issuance. (i) Each Letter of Credit shall be issued upon notice, given not later than 11:00 A.M. (New York City time) on the fifth Business Day prior to the date of the proposed Issuance of such Letter of Credit (or on such shorter notice as the applicable Issuing Bank may agree), by any Borrower to any Issuing Bank, and such Issuing Bank shall give the Agent, prompt notice thereof. Each such notice by a Borrower of Issuance of a Letter of Credit (a "Notice of Issuance") shall be by telecopier or telephone, confirmed immediately in writing, specifying therein the requested (A) date of such Issuance (which shall be a Business Day), (B) Available Amount of such Letter of Credit, (C) expiration date of such Letter of Credit (which shall not be later than 10 Business Days before the Termination Date), (D) name and address of the beneficiary of such Letter of Credit and (E) form of such Letter of Credit, such Letter of Credit shall be issued pursuant to such application and agreement for letter of credit as such Issuing Bank and the applicable Borrower shall agree for use in connection with such requested Letter of Credit (a "Letter of Credit Agreement"). If the requested form of such Letter of Credit is acceptable to such Issuing Bank in its reasonable discretion (it being understood that any such form shall have only explicit documentary conditions to draw and shall not include discretionary conditions), such Issuing Bank will, if in its reasonable discretion it elects to do so, and unless any Lender gives prior notice to such Issuing Bank or the Agent that the applicable conditions of Article III would not be satisfied at the time of such issuance, upon fulfillment of the applicable conditions set forth in Section 3.03, make such Letter of Credit available to the applicable Borrower at its office referred to in Section 9.02 or as otherwise agreed with such Borrower in connection with such Issuance. In the event and to the extent that the provisions of any Letter of Credit Agreement shall conflict with this Agreement, the provisions of this Agreement shall govern.

(b) Participations. By the Issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing or decreasing the amount thereof) and without any further action on the part of the applicable Issuing Bank or the Lenders, such Issuing Bank hereby grants to each Lender, and each Lender hereby acquires from such Issuing Bank, a participation in such Letter of Credit equal to such Lender's Ratable Share of the Available Amount of such Letter of Credit. Each Borrower hereby agrees to each such participation. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees to pay to the Agent, for the account of such Issuing Bank, in same day funds, such Lender's Ratable Share of each drawing made under a Letter of Credit funded by such Issuing Bank and not reimbursed by the applicable Borrower on the date made, or of any reimbursement payment required to be refunded to such Borrower for any reason, which amount will be advanced, and deemed to be a Advance to such Borrower hereunder, regardless of the satisfaction of the conditions set forth in Section 3.03. Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Revolving Credit Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Each Lender further acknowledges and agrees that its participation in each Letter of Credit will be automatically adjusted to reflect such Lender's Ratable Share of the Available Amount of such Letter of Credit at each time such

Lender's Revolving Credit Commitment is amended pursuant to an assignment in accordance with Section 9.07 or otherwise pursuant to this Agreement.

(c) Drawing and Reimbursement. The payment by an Issuing Bank of a draft drawn under any Letter of Credit which is not reimbursed by the applicable Borrower on the date made shall constitute for all purposes of this Agreement the making by any such Issuing Bank of an Advance, which shall be a Base Rate Advance, in the amount of such draft, without regard to whether the making of such an Advance would exceed such Issuing Bank's Unused Revolving Credit Commitment. Each Issuing Bank shall give prompt notice of each drawing under any Letter of Credit issued by it to the applicable Borrower and the Agent. Upon written demand by such Issuing Bank, with a copy of such demand to the Agent and the applicable Borrower, each Lender shall pay to the Agent such Lender's Ratable Share of such outstanding Advance pursuant to Section 2.03(b). Each Lender acknowledges and agrees that its obligation to make Advances pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Revolving Credit Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Promptly after receipt thereof, the Agent shall transfer such funds to such Issuing Bank. Each Lender agrees to fund its Ratable Share of an outstanding Advance on (i) the Business Day on which demand therefor is made by such Issuing Bank, provided that notice of such demand is given not later than 11:00 A.M. (New York City time) on such Business Day, or (ii) the first Business Day next succeeding such demand if notice of such demand is given after such time. If and to the extent that any Lender shall not have so made the amount of such Advance available to the Agent, such Lender agrees to pay to the Agent forthwith on demand such amount together with interest thereon, for each day from the date of demand by any such Issuing Bank until the date such amount is paid to the Agent, at the Federal Funds Rate for its account or the account of such Issuing Bank, as applicable. If such Lender shall pay to the Agent such amount for the account of any such Issuing Bank on any Business Day, such amount so paid in respect of principal shall constitute a Revolving Credit Advance made by such Lender on such Business Day for purposes of this Agreement, and the outstanding principal amount of the Advance made by such Issuing Bank shall be reduced by such amount on such Business Day.

(d) Letter of Credit Reports. Each Issuing Bank shall furnish (A) to the Agent and each Lender (with a copy to the Company) on the first Business Day of each month a written report summarizing Issuance and expiration dates of Letters of Credit issued by such Issuing Bank during the preceding month and drawings during such month under all Letters of Credit and (B) to the Agent and each Lender (with a copy to the Company) on the first Business Day of each calendar quarter a written report setting forth the average daily aggregate Available Amount during the preceding calendar quarter of all Letters of Credit issued by such Issuing Bank.

(e) Failure to Make Advances. The failure of any Lender to make the Advance to be made by it on the date specified in Section 2.03(c) shall not relieve any other Lender of its obligation hereunder to make its Advance on such date, but no Lender shall be responsible for the failure of any other Lender to make the Advance to be made by such other Lender on such date.

SECTION 2.04. Fees. (a) Facility Fee. The Company agrees to pay to the Agent for the account of each Lender a facility fee on the aggregate amount of such Lender's Commitment from the date hereof in the case of each Initial Lender and from the effective date specified in the Assumption Agreement or in the Assignment and Acceptance pursuant to which it became a Lender in the case of each other Lender until the Termination Date at a rate per annum equal to the Applicable Percentage in effect from time to time, payable in arrears quarterly on the last day of each March, June, September and December, commencing June 30, 2005, and on the later of the Termination Date and the date all Advances to each Lender are paid in full.

(b) Letter of Credit Fees. (i) Each Borrower shall pay to the Agent for the account of each Lender a commission on such Lender's Ratable Share of the average daily aggregate Available Amount of all Letters of Credit issued for the account of such Borrower and outstanding from time to time at a rate per annum equal to the sum of (x) the Applicable Margin for Eurocurrency Rate Advances in effect from time to time during such calendar quarter plus (y) the Applicable Utilization Fee in effect from time to time, payable in arrears quarterly on the last day of each March, June, September and December,

commencing with the quarter ended June 30, 2005, and on the later or the Termination Date and the date that all Letters of Credit have been fully drawn or terminated; provided that the Applicable Margin shall be 2% above the Applicable Margin in effect upon the occurrence and during the continuation of an Event of Default if such Borrower is required to pay default interest pursuant to Section 2.07(b).

(ii) Each Borrower shall pay to each Issuing Bank, for its own account, a fronting fee and such other commissions, issuance fees, transfer fees and other fees and charges in connection with the Issuance or administration of each Letter of Credit as such Borrower and such Issuing Bank shall agree.

(c) Agent's Fees. The Company shall pay to the Agent for its own account such fees as may from time to time be agreed between the Company and the Agent.

SECTION 2.05. Optional Termination or Reduction of the Commitments. The Company shall have the right, upon at least three Business Days' notice to the Agent, to terminate in whole or permanently reduce ratably in part the Unused Revolving Credit Commitments or the Unissued Letter of Credit Commitments of the Lenders, provided that each partial reduction shall be in the aggregate amount of \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof.

SECTION 2.06. Repayment. (a) Advances. Each Borrower shall repay to the Agent for the ratable account of the Lenders on the Termination Date the aggregate principal amount of the Advances made to it and then outstanding.

(b) Letter of Credit Drawings. The obligations of each Borrower under any Letter of Credit Agreement and any other agreement or instrument relating to any Letter of Credit issued for the account of such Borrower shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement, such Letter of Credit Agreement and such other agreement or instrument under all circumstances, including, without limitation, the following circumstances (it being understood that any such payment by such Borrower is without prejudice to, and does not constitute a waiver of, any rights such Borrower might have or might acquire as a result of the payment by any Lender of any draft or the reimbursement by such Borrower thereof):

(i) any lack of validity or enforceability of this Agreement, any Note, any Letter of Credit Agreement, any Letter of Credit or any other agreement or instrument relating thereto (all of the foregoing being, collectively, the "L/C Related Documents");

(ii) any change in the time, manner or place of payment of, or in any other term of, all or any of the obligations of such Borrower in respect of any L/C Related Document or any other amendment or waiver of or any consent to departure from all or any of the L/C Related Documents;

(iii) the existence of any claim, set-off, defense or other right that such Borrower may have at any time against any beneficiary or any transferee of a Letter of Credit (or any Persons for which any such beneficiary or any such transferee may be acting), any Issuing Bank, the Agent, any Lender or any other Person, whether in connection with the transactions contemplated by the L/C Related Documents or any unrelated transaction;

(iv) any statement or any other document presented under a Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(v) payment by any Issuing Bank under a Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of such Letter of Credit;

(vi) any exchange, release or non-perfection of any collateral, or any release or amendment or waiver of or consent to departure from any guarantee, for all or any of the obligations of such Borrower in respect of the L/C Related Documents; or

(vii) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including, without limitation, any other circumstance that might otherwise constitute a defense available to, or a discharge of, such Borrower or a guarantor.

SECTION 2.07. Interest on Advances. (a) Scheduled Interest.

Each Borrower shall pay interest on the unpaid principal amount of each Advance made to it and owing to each Lender from the date of such Advance until such principal amount shall be paid in full, at the following rates per annum:

(i) Base Rate Advances. During such periods as such Advance is a Base Rate Advance, a rate per annum equal at all times to the sum of (x) the Base Rate in effect from time to time plus (y) the Applicable Margin in effect from time to time plus (z) the Applicable Utilization Fee, if applicable, in effect from time to time, payable in arrears quarterly on the last day of each March, June, September and December during such periods and on the date such Base Rate Advance shall be Converted or paid in full.

(ii) Eurocurrency Rate Advances. During such periods as such Advance is a Eurocurrency Rate Advance, a rate per annum equal at all times during each Interest Period for such Advance to the sum of (x) the Eurocurrency Rate for such Interest Period for such Advance plus (y) the Applicable Margin in effect from time to time plus (z) the Applicable Utilization Fee, if applicable, in effect from time to time, payable in arrears on the last day of such Interest Period and, if such Interest Period has a duration of more than three months, on each day that occurs during such Interest Period every three months from the first day of such Interest Period and on the date such Eurocurrency Rate Advance shall be Converted or paid in full.

(b) Default Interest. Upon the occurrence and during the continuance of an Event of Default under Section 6.01(a), the Agent may, and upon the request of the Required Lenders shall, require the Borrowers to pay interest ("Default Interest") on (i) the unpaid principal amount of each Advance owing to each Lender, payable in arrears on the dates referred to in clause (a)(i) or (a)(ii) above, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid on such Advance pursuant to clause (a)(i) or (a)(ii) above and (ii) to the fullest extent permitted by law, the amount of any interest, fee or other amount payable hereunder that is not paid when due, from the date such amount shall be due until such amount shall be paid in full, payable in arrears on the date such amount shall be paid in full and on demand, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid on Base Rate Advances pursuant to clause (a)(i) above; provided, however, that following acceleration of the Advances pursuant to Section 6.01, Default Interest shall accrue and be payable hereunder whether or not previously required by the Agent.

SECTION 2.08. Interest Rate Determination. (a) Each Reference Bank agrees, if requested by the Agent, to furnish to the Agent timely information for the purpose of determining each Eurocurrency Rate. If any one or more of the Reference Banks shall not furnish such timely information to the Agent for the purpose of determining any such interest rate, the Agent shall determine such interest rate on the basis of timely information furnished by the remaining Reference Banks. The Agent shall give prompt notice to the Company and the Lenders of the applicable interest rate determined by the Agent for purposes of Section 2.07(a)(i) or (ii), and the rate, if any, furnished by each Reference Bank for the purpose of determining the interest rate under Section 2.07(a)(ii).

(b) If, with respect to any Eurocurrency Rate Advances, the Lenders owed at least 51% of the aggregate principal amount thereof notify the Agent that (i) they are unable to obtain matching deposits in the London inter-bank market at or about 11:00 A.M. (London time) on the second Business Day before the making of a Borrowing in sufficient amounts to fund their respective Advances as a part of such Borrowing during its Interest Period or (ii) the Eurocurrency Rate for any Interest Period for such Advances will not adequately reflect the cost to such Lenders of making, funding or maintaining their respective Eurocurrency Rate Advances for such Interest Period, the Agent shall forthwith so notify the Company and the Lenders, whereupon (A) the Borrower of such Eurocurrency Rate Advances will, on the last day of the then existing Interest Period therefor, (1) if such Eurocurrency

Rate Advances are denominated in Dollars, either (x) prepay such Advances or (y) Convert such Advances into Base Rate Advances and (2) if such Eurocurrency Rate Advances are denominated in any Committed Currency, either (x) prepay such Advances or (y) exchange such Advances into an Equivalent amount of Dollars and Convert such Advances into Base Rate Advances and (B) the obligation of the Lenders to make, or to Convert Advances into, Eurocurrency Rate Advances shall be suspended until the Agent shall notify the Company that such Lenders have determined that the circumstances causing such suspension no longer exist.

(c) If any Borrower shall fail to select the duration of any Interest Period for any Eurocurrency Rate Advances in accordance with the provisions contained in the definition of "Interest Period" in Section 1.01, the Agent will forthwith so notify such Borrower and the Lenders and such Advances will automatically, on the last day of the then existing Interest Period therefor, (i) if such Eurocurrency Rate Advances are denominated in Dollars, Convert into Base Rate Advances and (ii) if such Eurocurrency Rate Advances are denominated in a Committed Currency, be exchanged for an Equivalent amount of Dollars and Convert into Base Rate Advances.

(d) On the date on which the aggregate unpaid principal amount of Eurocurrency Rate Advances comprising any Borrowing shall be reduced, by payment or prepayment or otherwise, to less than the Borrowing Minimum, such Advances shall automatically (i) if such Eurocurrency Rate Advances are denominated in Dollars, Convert into Base Rate Advances and (ii) if such Eurocurrency Rate Advances are denominated in a Committed Currency, be exchanged for an Equivalent amount of Dollars and Convert into Base Rate Advances.

(e) Upon the occurrence and during the continuance of any Event of Default, (i) each Eurocurrency Rate Advance will automatically, on the last day of the then existing Interest Period therefor, (A) if such Eurocurrency Rate Advances are denominated in Dollars, be Converted into Base Rate Advances and (B) if such Eurocurrency Rate Advances are denominated in any Committed Currency, be exchanged for an Equivalent amount of Dollars and be Converted into Base Rate Advances and (ii) the obligation of the Lenders to make, or to Convert Advances into, Eurocurrency Rate Advances shall be suspended.

(f) If Moneyline Telerate Markets Page 3750 is unavailable and fewer than two Reference Banks furnish timely information to the Agent for determining the Eurocurrency Rate for any Eurocurrency Rate Advances after the Agent has requested such information,

(i) the Agent shall forthwith notify the applicable Borrower and the Lenders that the interest rate cannot be determined for such Eurocurrency Rate Advances,

(ii) each such Advance will automatically, on the last day of the then existing Interest Period therefor, (A) if such Eurocurrency Rate Advance is denominated in Dollars, Convert into a Base Rate Advance and (B) if such Eurocurrency Rate Advance is denominated in any Committed Currency, be prepaid by the applicable Borrower or be automatically exchanged for an Equivalent amount of Dollars and be Converted into a Base Rate Advance (or if such Advance is then a Base Rate Advance, will continue as a Base Rate Advance), and

(iii) the obligation of the Lenders to make Eurocurrency Rate Advances or to Convert Advances into Eurocurrency Rate Advances shall be suspended until the Agent shall notify the Company and the Lenders that the circumstances causing such suspension no longer exist.

SECTION 2.09. Optional Conversion of Advances. The Borrower of any Advance may on any Business Day, upon notice given to the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Conversion and subject to the provisions of Sections 2.08 and 2.12, Convert all or any portion of Advances denominated in Dollars of one Type comprising the same Borrowing into Advances denominated in Dollars of the other Type; provided, however, that any Conversion of Eurocurrency Rate Advances into Base Rate Advances shall be made only on the last day of an Interest Period for such Eurocurrency Rate Advances, any Conversion of Base Rate Advances into Eurocurrency Rate Advances shall be in an amount not less than the minimum

amount specified in Section 2.02(b), no Conversion of any Advances shall result in more separate Borrowings than permitted under Section 2.02(b) and each Conversion of Advances comprising part of the same Borrowing shall be made ratably among the Lenders. Each such notice of a Conversion shall, within the restrictions specified above, specify (i) the date of such Conversion, (ii) the Dollar denominated Advances to be Converted, and (iii) if such Conversion is into Eurocurrency Rate Advances, the duration of the initial Interest Period for each such Advance. Each notice of Conversion shall be irrevocable and binding on the Borrower giving such notice.

SECTION 2.10. Prepayments of Advances. (a) Optional. Each Borrower may, upon notice at least two Business Days' prior to the date of such prepayment, in the case of Eurocurrency Rate Advances, and not later than 11:00 A.M. (New York City time) on the date of such prepayment, in the case of Base Rate Advances, to the Agent stating the proposed date and aggregate principal amount of the prepayment, and if such notice is given such Borrower shall, prepay the outstanding principal amount of the Advances comprising part of the same Borrowing in whole or ratably in part, together with accrued interest to the date of such prepayment on the principal amount prepaid; provided, however, that (x) each partial prepayment of Advances shall be in an aggregate principal amount of not less than the Borrowing Minimum or a Borrowing Multiple in excess thereof and (y) in the event of any such prepayment of a Eurocurrency Rate Advance, such Borrower shall be obligated to reimburse the Lenders in respect thereof pursuant to Section 9.04(c).

(b) Mandatory. (i) If, on any date, the Agent notifies the Company that, on any interest payment date, the sum of (A) the aggregate principal amount of all Advances denominated in Dollars plus the aggregate Available Amount of all Letters of Credit then outstanding plus (B) the Equivalent in Dollars (determined on the third Business Day prior to such interest payment date) of the aggregate principal amount of all Advances denominated in Committed Currencies then outstanding exceeds 103% of the aggregate Revolving Credit Commitments of the Lenders on such date, the Borrowers shall, as soon as practicable and in any event within two Business Days after receipt of such notice, prepay the outstanding principal amount of any Advances owing by the Borrowers in an aggregate amount sufficient to reduce such sum to an amount not to exceed 100% of the aggregate Revolving Credit Commitments of the Lenders on such date.

(ii) Each prepayment made pursuant to this Section 2.10(b) shall be made together with any interest accrued to the date of such prepayment on the principal amounts prepaid and, in the case of any prepayment of a Eurocurrency Rate Advance on a date other than the last day of an Interest Period or at its maturity, any additional amounts which the applicable Borrower shall be obligated to reimburse to the Lenders in respect thereof pursuant to Section 9.04(c). The Agent shall give prompt notice of any prepayment required under this Section 2.10(b) to the Company and the Lenders.

SECTION 2.11. Increased Costs. (a) If, due to either (i) the introduction of or any change in or in the interpretation of any law or regulation or (ii) the compliance with any guideline or request from any central bank or other governmental authority including, without limitation, any agency of the European Union or similar monetary or multinational authority (whether or not having the force of law), there shall be any increase in the cost to any Lender of agreeing to make or making, funding or maintaining Eurocurrency Rate Advances or of agreeing to issue or of issuing or maintaining or participating in Letters of Credit (excluding for purposes of this Section 2.11 any such increased costs resulting from (i) Taxes or Other Taxes (as to which Section 2.14 shall govern) and (ii) changes in the basis of taxation of overall net income or overall gross income by the United States or by the foreign jurisdiction or state under the laws of which such Lender is organized or has its Applicable Lending Office or any political subdivision thereof), then the Company shall from time to time, upon demand by such Lender (with a copy of such demand to the Agent), pay to the Agent for the account of such Lender additional amounts sufficient to compensate such Lender for such increased cost; provided, however, that before making any such demand, each Lender agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to designate a different Applicable Lending Office if the making of such designation would avoid the need for, or reduce the amount of, such increased cost and would not, in the reasonable judgment of such Lender, be otherwise disadvantageous to such Lender. A certificate as to the amount of such increased cost, submitted to the Company and the Agent by such Lender, shall be conclusive and binding for all purposes, absent manifest error.

(b) If any Lender determines that compliance with any law or regulation or any guideline or request from any central bank or other

governmental authority (whether or not having the force of law) affects or would affect the amount of capital required or expected to be maintained by such Lender or any corporation controlling such Lender and that the amount of such capital is increased by or based upon the existence of such Lender's commitment to lend or to issue or participate in Letters of Credit hereunder and other commitments of such type or the Issuance or maintenance of or participation in the Letters of Credit (or similar contingent obligations), then, upon demand by such Lender (with a copy of such demand to the Agent), the Company shall pay to the Agent for the account of such Lender, from time to time as specified by such Lender, additional amounts sufficient to compensate such Lender or such corporation in the light of such circumstances, to the extent that such Lender reasonably determines such increase in capital to be allocable to the existence of such Lender's commitment to lend or to issue or participate in Letters of Credit hereunder or to the Issuance or maintenance of or participation in any Letters of Credit. A certificate as to such amounts submitted to the Company and the Agent by such Lender shall be conclusive and binding for all purposes, absent manifest error.

SECTION 2.12. Illegality. Notwithstanding any other provision of this Agreement, if any Lender shall notify the Agent that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or any central bank or other governmental authority asserts that it is unlawful, for any Lender or its Eurocurrency Lending Office to perform its obligations hereunder to make Eurocurrency Rate Advances in Dollars or any Committed Currency or to fund or maintain Eurocurrency Rate Advances in Dollars or any Committed Currency hereunder, (a) each Eurocurrency Rate Advance will automatically, upon such demand (i) if such Eurocurrency Rate Advance is denominated in Dollars, be Converted into a Base Rate Advance and (ii) if such Eurocurrency Rate Advance is denominated in any Committed Currency, be exchanged into an Equivalent amount of Dollars and be Converted into a Base Rate Advance and (b) the obligation of the Lenders to make Eurocurrency Rate Advances or to Convert Advances into Eurocurrency Rate Advances shall be suspended until the Agent shall notify the Company that such Lender has determined that the circumstances causing such suspension no longer exist.

SECTION 2.13. Payments and Computations. (a) Each Borrower shall make each payment hereunder (except with respect to principal of, interest on, and other amounts relating to, Advances denominated in a Committed Currency), irrespective of any right of counterclaim or set-off, not later than 11:00 A.M. (New York City time) on the day when due in Dollars to the Agent at the applicable Agent's Account in same day funds. Each Borrower shall make each payment hereunder with respect to principal of, interest on, and other amounts relating to, Advances denominated in a Committed Currency, irrespective of any right of counterclaim or set-off, not later than 11:00 A.M. (at the Payment Office for such Committed Currency) on the day when due in such Committed Currency to the Agent, by deposit of such funds to the applicable Agent's Account in same day funds. The Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest, fees or commissions ratably (other than amounts payable pursuant to Section 2.03, 2.04(b), 2.11, 2.14 or 9.04(c)) to the Lenders for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Lender to such Lender for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon any Assuming Lender becoming a Lender hereunder as a result of a Commitment Increase pursuant to Section 2.18 and upon the Agent's receipt of such Lender's Assumption Agreement and recording of the information contained therein in the Register, from and after the applicable Increase Date, the Agent shall make all payments hereunder and under any Notes issued in connection therewith in respect of the interest assumed thereby to the Assuming Lender. Upon its acceptance of an Assignment and Acceptance and recording of the information contained therein in the Register pursuant to Section 9.07(c), from and after the effective date specified in such Assignment and Acceptance, the Agent shall make all payments hereunder and under the Notes in respect of the interest assigned thereby to the Lender assignee thereunder, and the parties to such Assignment and Acceptance shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves.

(b) Each Borrower hereby authorizes each Lender, if and to the extent payment owed to such Lender is not made when due hereunder or under the Note held by such Lender, to charge from time to time against any or all of such Borrower's accounts with such Lender any amount so due.

(c) All computations of interest based on the Base Rate shall be made by the Agent on the basis of a year of 365 or 366 days, as the case may be, and all computations of interest based on the Eurocurrency Rate or the

Federal Funds Rate and of fees and Letter of Credit Commissions shall be made by the Agent on the basis of a year of 360 days (or, in each case of Advances denominated in Committed Currencies where market practice differs, in accordance with market practice), in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest, fees or commissions are payable. Each determination by the Agent of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

(d) Whenever any payment hereunder or under the Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest, fee or commission, as the case may be; provided, however, that, if such extension would cause payment of interest on or principal of Eurocurrency Rate Advances to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(e) Unless the Agent shall have received notice from any Borrower prior to the date on which any payment is due to the Lenders hereunder that such Borrower will not make such payment in full, the Agent may assume that such Borrower has made such payment in full to the Agent on such date and the Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent such Borrower shall not have so made such payment in full to the Agent, each Lender shall repay to the Agent forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Agent, at (i) the Federal Funds Rate in the case of Advances denominated in Dollars or (ii) the cost of funds incurred by the Agent in respect of such amount in the case of Advances denominated in Committed Currencies.

(f) To the extent that the Agent receives funds for application to the amounts owing by any Borrower under or in respect of this Agreement or any Note in currencies other than the currency or currencies required to enable the Agent to distribute funds to the Lenders in accordance with the terms of this Section 2.13, the Agent shall be entitled to convert or exchange such funds into Dollars or into a Committed Currency or from Dollars to a Committed Currency or from a Committed Currency to Dollars, as the case may be, to the extent necessary to enable the Agent to distribute such funds in accordance with the terms of this Section 2.13; provided that each Borrower and each of the Lenders hereby agree that the Agent shall not be liable or responsible for any loss, cost or expense suffered by such Borrower or such Lender as a result of any conversion or exchange of currencies affected pursuant to this Section 2.13(f) or as a result of the failure of the Agent to effect any such conversion or exchange; and provided further that the Borrowers agree to indemnify the Agent and each Lender, and hold the Agent and each Lender harmless, for any and all losses, costs and expenses incurred by the Agent or any Lender for any conversion or exchange of currencies (or the failure to convert or exchange any currencies) in accordance with this Section 2.13(f).

SECTION 2.14. Taxes. (a) Any and all payments by each Borrower to or for the account of any Lender or the Agent hereunder or under the Notes or any other documents to be delivered hereunder shall be made, in accordance with Section 2.13 or the applicable provisions of such other documents, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Lender and the Agent, taxes imposed on its overall net income, and franchise taxes imposed on it in lieu of net income taxes, by the jurisdiction under the laws of which such Lender or the Agent (as the case may be) is organized or any political subdivision thereof and, in the case of each Lender, taxes imposed on its overall net income, and franchise taxes imposed on it in lieu of net income taxes, by the jurisdiction of such Lender's Applicable Lending Office or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities in respect of payments hereunder or under the Notes being hereinafter referred to as "Taxes"). If any Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note or any other documents to be delivered hereunder to any Lender or the Agent, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.14) such Lender or the Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Borrower shall make such deductions and (iii)

such Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, the Company shall pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or under the Notes any other documents to be delivered hereunder or from the execution, delivery or registration of, performing under, or otherwise with respect to, this Agreement or the Notes or any other documents to be delivered hereunder (hereinafter referred to as "Other Taxes").

(c) Each Borrower shall indemnify each Lender and the Agent for and hold it harmless against the full amount of Taxes or Other Taxes (including, without limitation, taxes of any kind imposed or asserted by any jurisdiction on amounts payable under this Section 2.14) imposed on or paid by such Lender or the Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto. This indemnification shall be made within 30 days from the date such Lender or the Agent (as the case may be) makes written demand therefor.

(d) Within 30 days after the date of any payment of Taxes, each Borrower shall furnish to the Agent, at its address referred to in Section 9.02, the original or a certified copy of a receipt evidencing such payment to the extent such a receipt is issued therefor, or other written proof of payment thereof that is reasonably satisfactory to the Agent. In the case of any payment hereunder or under the Notes or any other documents to be delivered hereunder by or on behalf of such Borrower through an account or branch outside the United States or by or on behalf of such Borrower by a payor that is not a United States person, if such Borrower determines that no Taxes are payable in respect thereof, such Borrower shall furnish, or shall cause such payor to furnish, to the Agent, at such address, an opinion of counsel acceptable to the Agent stating that such payment is exempt from Taxes. For purposes of this subsection (d) and subsection (e), the terms "United States" and "United States person" shall have the meanings specified in Section 7701 of the Internal Revenue Code.

(e) Each Lender organized under the laws of a jurisdiction outside the United States, on or prior to the date of its execution and delivery of this Agreement in the case of each Initial Lender and on the date of the Assumption Agreement or the Assignment and Acceptance pursuant to which it becomes a Lender in the case of each other Lender, and from time to time thereafter as reasonably requested in writing by the Company (but only so long as such Lender remains lawfully able to do so), shall provide each of the Agent and the Company with two original Internal Revenue Service Forms W-8BEN or W-8ECI, as appropriate, or any successor or other form prescribed by the Internal Revenue Service, certifying that such Lender is exempt from or entitled to a reduced rate of United States withholding tax on payments pursuant to this Agreement or the Notes. If the form provided by a Lender at the time such Lender first becomes a party to this Agreement indicates a United States interest withholding tax rate in excess of zero, withholding tax at such rate shall be considered excluded from Taxes unless and until such Lender provides the appropriate forms certifying that a lesser rate applies, whereupon withholding tax at such lesser rate only shall be considered excluded from Taxes for periods governed by such form; provided, however, that, if at the date of the Assignment and Acceptance pursuant to which a Lender assignee becomes a party to this Agreement, the Lender assignor was entitled to payments under subsection (a) in respect of United States withholding tax with respect to interest paid at such date, then, to such extent, the term Taxes shall include (in addition to withholding taxes that may be imposed in the future or other amounts otherwise includable in Taxes) United States withholding tax, if any, applicable with respect to the Lender assignee on such date. If any form or document referred to in this subsection (e) requires the disclosure of information, other than information necessary to compute the tax payable and information required on the date hereof by Internal Revenue Service Form W-8BEN or W-8ECI, that the Lender reasonably considers to be confidential, the Lender shall give notice thereof to the Company and shall not be obligated to include in such form or document such confidential information.

(f) For any period with respect to which a Lender has failed to provide the Company with the appropriate form, certificate or other document described in Section 2.14(e) (other than if such failure is due to a change in law, or in the interpretation or application thereof, occurring subsequent to the date on which a form, certificate or other document originally was required to be provided, or if such form, certificate or other document otherwise is not required under subsection (e) above), such Lender shall not be entitled to indemnification under Section 2.14(a) or (c) with respect to Taxes imposed by

the United States by reason of such failure; provided, however, that should a Lender become subject to Taxes because of its failure to deliver a form, certificate or other document required hereunder, the Company shall take such steps as the Lender shall reasonably request to assist the Lender to recover such Taxes.

SECTION 2.15. Sharing of Payments, Etc. If any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of the Advances owing to it (other than (x) as payment of an Advance made by an Issuing Bank pursuant to the first sentence of Section 2.03(c) or (y) pursuant to Section 2.11, 2.14 or 9.04(c)) in excess of its Ratable Share of payments on account of the Advances obtained by all the Lenders, such Lender shall forthwith purchase from the other Lenders such participations in the Advances owing to them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and such Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery together with an amount equal to such Lender's ratable share (according to the proportion of (i) the amount of such Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. Each Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 2.15 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Lender were the direct creditor of such Borrower in the amount of such participation.

SECTION 2.16. Evidence of Debt. (a) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of each Borrower to such Lender resulting from each Advance owing to such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder in respect of Advances. Each Borrower agrees that upon notice by any Lender to such Borrower (with a copy of such notice to the Agent) to the effect that a Note is required or appropriate in order for such Lender to evidence (whether for purposes of pledge, enforcement or otherwise) the Advances owing to, or to be made by, such Lender, such Borrower shall promptly execute and deliver to such Lender a Note in substantially the form of Exhibit A hereto, payable to the order of such Lender in a principal amount equal to the Revolving Credit Commitment of such Lender.

(b) The Register maintained by the Agent pursuant to Section 9.07(d) shall include a control account, and a subsidiary account for each Lender, in which accounts (taken together) shall be recorded (i) the date and amount of each Borrowing made hereunder, the Type of Advances comprising such Borrowing and, if appropriate, the Interest Period applicable thereto, (ii) the terms of each Assumption Agreement and each Assignment and Acceptance delivered to and accepted by it, (iii) the amount of any principal or interest due and payable or to become due and payable from each Borrower to each Lender hereunder and (iv) the amount of any sum received by the Agent from such Borrower hereunder and each Lender's share thereof.

(c) Entries made in good faith by the Agent in the Register pursuant to subsection (b) above, and by each Lender in its account or accounts pursuant to subsection (a) above, shall be prima facie evidence of the amount of principal and interest due and payable or to become due and payable from each Borrower to, in the case of the Register, each Lender and, in the case of such account or accounts, such Lender, under this Agreement, absent manifest error; provided, however, that the failure of the Agent or such Lender to make an entry, or any finding that an entry is incorrect, in the Register or such account or accounts shall not limit or otherwise affect the obligations of any Borrower under this Agreement.

SECTION 2.17. Use of Proceeds. The proceeds of the Advances shall be available (and each Borrower agrees that it shall use such proceeds) solely for general corporate purposes of such Borrower and its Subsidiaries.

SECTION 2.18. Increase in the Aggregate Revolving Credit Commitments. (a) The Company may, at any time but in any event not more than once in any calendar year prior to the Termination Date, by notice to the Agent, request that the aggregate amount of the Revolving Credit Commitments be increased by an amount of \$25,000,000 or an integral multiple thereof (each a "Commitment Increase") to be effective as of a date that is at least 90 days

prior to the scheduled Termination Date then in effect (the "Increase Date") as specified in the related notice to the Agent; provided, however that (i) in no event shall the aggregate amount of the Revolving Credit Commitments at any time exceed \$650,000,000 and (ii) on the date of any request by the Company for a Commitment Increase and on the related Increase Date the applicable conditions set forth in Article III shall be satisfied.

(b) The Agent shall promptly notify the Lenders of a request by the Company for a Commitment Increase, which notice shall include (i) the proposed amount of such requested Commitment Increase, (ii) the proposed Increase Date and (iii) the date by which Lenders wishing to participate in the Commitment Increase must commit to an increase in the amount of their respective Revolving Credit Commitments (the "Commitment Date"). Each Lender that is willing to participate in such requested Commitment Increase (each an "Increasing Lender") shall, in its sole discretion, give written notice to the Agent on or prior to the Commitment Date of the amount by which it is willing to increase its Revolving Credit Commitment. If the Lenders notify the Agent that they are willing to increase the amount of their respective Revolving Credit Commitments by an aggregate amount that exceeds the amount of the requested Commitment Increase, the requested Commitment Increase shall be allocated among the Lenders willing to participate therein in such amounts as are agreed between the Company and the Agent.

(c) Promptly following each Commitment Date, the Agent shall notify the Company as to the amount, if any, by which the Lenders are willing to participate in the requested Commitment Increase. If the aggregate amount by which the Lenders are willing to participate in any requested Commitment Increase on any such Commitment Date is less than the requested Commitment Increase, then the Company may extend offers to one or more Eligible Assignees to participate in any portion of the requested Commitment Increase that has not been committed to by the Lenders as of the applicable Commitment Date; provided, however, that the Revolving Credit Commitment of each such Eligible Assignee shall be in an amount not less than \$10,000,000.

(d) On each Increase Date, each Eligible Assignee that accepts an offer to participate in a requested Commitment Increase in accordance with Section 2.18(b) (each such Eligible Assignee, an "Assuming Lender") shall become a Lender party to this Agreement as of such Increase Date and the Revolving Credit Commitment of each Increasing Lender for such requested Commitment Increase shall be so increased by such amount (or by the amount allocated to such Lender pursuant to the last sentence of Section 2.18(b)) as of such Increase Date; provided, however, that the Agent shall have received on or before such Increase Date the following, each dated such date:

(i) (A) certified copies of resolutions of the Board of Directors of the Company or the Executive Committee of such Board approving the Commitment Increase and the corresponding modifications to this Agreement and (B) an opinion of counsel for the Company (which may be in-house counsel), in substantially the form of Exhibit E hereto;

(ii) an assumption agreement from each Assuming Lender, if any, in form and substance satisfactory to the Company and the Agent (each an "Assumption Agreement"), duly executed by such Eligible Assignee, the Agent and the Company; and

(iii) confirmation from each Increasing Lender of the increase in the amount of its Revolving Credit Commitment in a writing satisfactory to the Company and the Agent.

On each Increase Date, upon fulfillment of the conditions set forth in the immediately preceding sentence of this Section 2.18(d), the Agent shall notify the Lenders (including, without limitation, each Assuming Lender) and the Company, on or before 1:00 P.M. (New York City time), by telecopier, of the occurrence of the Commitment Increase to be effected on such Increase Date and shall record in the Register the relevant information with respect to each Increasing Lender and each Assuming Lender on such date. Each Increasing Lender and each Assuming Lender shall, before 2:00 P.M. (New York City time) on the Increase Date, make available for the account of its Applicable Lending Office to the Agent at the Agent's Account, in same day funds, in the case of such Assuming Lender, an amount equal to such Assuming Lender's ratable portion of the Borrowings then outstanding (calculated based on its Revolving Credit

Commitment as a percentage of the aggregate Revolving Credit Commitments outstanding after giving effect to the relevant Commitment Increase) and, in the case of such Increasing Lender, an amount equal to the excess of (i) such Increasing Lender's ratable portion of the Borrowings then outstanding (calculated based on its Revolving Credit Commitment as a percentage of the aggregate Revolving Credit Commitments outstanding after giving effect to the relevant Commitment Increase) over (ii) such Increasing Lender's ratable portion of the Borrowings then outstanding (calculated based on its Revolving Credit Commitment (without giving effect to the relevant Commitment Increase) as a percentage of the aggregate Revolving Credit Commitments (without giving effect to the relevant Commitment Increase)). After the Agent's receipt of such funds from each such Increasing Lender and each such Assuming Lender, the Agent will promptly thereafter cause to be distributed like funds to the other Lenders for the account of their respective Applicable Lending Offices in an amount to each other Lender such that the aggregate amount of the outstanding Advances owing to each Lender after giving effect to such distribution equals such Lender's ratable portion of the Borrowings then outstanding (calculated based on its Revolving Credit Commitment as a percentage of the aggregate Revolving Credit Commitments outstanding after giving effect to the relevant Commitment Increase).

ARTICLE III

CONDITIONS TO EFFECTIVENESS AND LENDING

SECTION 3.01. Conditions Precedent to Effectiveness of Section

2.01. Section 2.01 of this Agreement shall become effective on and as of the first date (the "Effective Date") on which the following conditions precedent have been satisfied:

(a) There shall have occurred no Material Adverse Change since December 31, 2004.

(b) There shall exist no action, suit, investigation, litigation or proceeding affecting the Company or any of its Subsidiaries pending or threatened before any court, governmental agency or arbitrator that (i) could be reasonably likely to have a Material Adverse Effect or (ii) purports to affect the legality, validity or enforceability of this Agreement or any Note or the consummation of the transactions contemplated hereby.

(c) Nothing shall have come to the attention of the Lenders during the course of their due diligence investigation to lead them to believe that the Information Memorandum was or has become misleading, incorrect or incomplete in any material respect; without limiting the generality of the foregoing, the Lenders shall have been given such access to the management, records, books of account, contracts and properties of the Company and its Subsidiaries as they shall have requested.

(d) All governmental and third party consents and approvals necessary in connection with the transactions contemplated hereby shall have been obtained (without the imposition of any conditions that are not acceptable to the Lenders) and shall remain in effect, and no law or regulation shall be applicable in the reasonable judgment of the Lenders that restrains, prevents or imposes materially adverse conditions upon the transactions contemplated hereby.

(e) The Company shall have notified each Lender and the Agent in writing as to the proposed Effective Date.

(f) The Company shall have paid all accrued fees and expenses of the Agent and the Lenders (including the accrued fees and expenses of counsel to the Agent).

(g) On the Effective Date, the following statements shall be true and the Agent shall have received for the account of each Lender a certificate signed by a duly authorized officer of the Company, dated the Effective Date, stating that:

(i) The representations and warranties contained in Section 4.01 are correct on and as of the Effective Date, and

(ii) No event has occurred and is continuing that constitutes a Default.

(h) The Agent shall have received on or before the Effective Date the following, each dated such day, in form and substance satisfactory to the Agent and (except for the Notes) in sufficient copies for each Lender:

(i) The Notes to the order of the Lenders to the extent requested by any Lender pursuant to Section 2.16.

(ii) Certified copies of the resolutions of the Board of Directors of the Company approving this Agreement and the Notes, and of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Agreement and the Notes.

(iii) A certificate of the Secretary or an Assistant Secretary of the Company certifying the names and true signatures of the officers of the Company authorized to sign this Agreement and the Notes and the other documents to be delivered hereunder.

(iv) A favorable opinion of Brian M. Addison, General Counsel for the Company, substantially in the form of Exhibit D hereto and as to such other matters as any Lender through the Agent may reasonably request.

(v) A favorable opinion of Shearman & Sterling LLP, counsel for the Agent, in form and substance satisfactory to the Agent.

(h) The Company shall have terminated the commitments of the lenders and repaid or prepaid all of the obligations under, the Facility A 364-Day Competitive Advance, Revolving Credit and Guaranty Agreement and the Facility B Five-Year Competitive Advance, Revolving Credit and Guaranty Agreement, each dated as of May 25, 2001 and among the Company, the guarantors named therein, the lenders parties thereto and ABN AMRO Bank N.V., as administrative agent., and each of the Lenders that is a party to such credit facility hereby waives, upon execution of this Agreement, any notice required by said Credit Agreement relating to the termination of commitments thereunder.

SECTION 3.02. Initial Advance to Each Designated Subsidiary. The obligation of each Lender to make an initial Advance to each Designated Subsidiary is subject to the receipt by the Agent on or before the date that is ten Business Days prior to such initial Advance of each of the following, in form and substance reasonably satisfactory to the Agent and dated such date, and (except for the Notes) in sufficient copies for each Lender:

(a) The Notes of such Designated Subsidiary to the order of the Lenders to the extent requested by any Lender pursuant to Section 2.16.

(b) Certified copies of the resolutions of the Board of Directors of such Designated Subsidiary (with a certified English translation if the original thereof is not in English) approving this Agreement and the Notes to be delivered by it, and of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Agreement.

(c) A certificate of a proper officer of such Designated Subsidiary certifying the names and true signatures of the officers of such Designated Subsidiary authorized to sign its Designation Agreement and the Notes to be delivered by it and the other documents to be delivered by it hereunder.

(d) A certificate signed by a duly authorized officer of the Company, certifying that such Designated Subsidiary has obtained all governmental and third party authorizations, consents, approvals (including exchange control approvals) and licenses required under applicable laws and regulations necessary for such Designated Subsidiary to execute and deliver its Designation Agreement and the Notes to be delivered by it and to perform its obligations hereunder and thereunder.

(e) A Designation Agreement duly executed by such Designated

Subsidiary and the Company.

(f) Favorable opinions of counsel (which may be in-house counsel) to such Designated Subsidiary substantially in the form of Exhibit D hereto, and as to such other matters as any Lender through the Agent may request.

(g) Such other approvals, opinions or documents as any Lender, through the Agent may reasonably request.

SECTION 3.03. Conditions Precedent to Each Borrowing, Issuance and Commitment Increase. The obligation of each Lender to make an Advance (other than a Advance made by any Issuing Bank or any Lender pursuant to Section 2.03(c)) on the occasion of each Borrowing, the obligation of each Issuing Bank to issue a Letter of Credit and each Commitment Increase shall be subject to the conditions precedent that the Effective Date shall have occurred and on the date of such Borrowing, such issuance or the applicable Increase Date (as the case may be) (a) the following statements shall be true (and each of the giving of the applicable Notice of Borrowing, Notice of Issuance or request for Commitment Increase and the acceptance by any Borrower of the proceeds of such Borrowing, such issuance or such Increase Date shall constitute a representation and warranty by such Borrower that on the date of such Borrowing, such issuance or such Increase Date such statements are true):

(i) the representations and warranties contained in Section 4.01 (except, in the case of Borrowings and issuances, the representations set forth in the last sentence of subsection (e) thereof and in subsection (f)(i) thereof) are correct on and as of such date, before and after giving effect to such Borrowing, such issuance or such Commitment Increase and to the application of the proceeds therefrom, as though made on and as of such date, and additionally, if such Borrowing or issuance shall have been requested by a Designated Subsidiary, the representations and warranties of such Designated Subsidiary contained in its Designation Agreement are correct on and as of the date of such Borrowing or such issuance, before and after giving effect to such Borrowing, such issuance or such Commitment Increase and to the application of the proceeds therefrom, as though made on and as of such date, and

(ii) no event has occurred and is continuing, or would result from such Borrowing, such issuance or such Commitment Increase or from the application of the proceeds therefrom, that constitutes a Default;

and (b) the Agent shall have received such other approvals, opinions or documents as any Lender through the Agent may reasonably request.

SECTION 3.04. Determinations Under Section 3.01. For purposes of determining compliance with the conditions specified in Section 3.01, each Lender shall be deemed to have consented to, approved or accepted or to be satisfied with each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to the Lenders unless an officer of the Agent responsible for the transactions contemplated by this Agreement shall have received notice from such Lender prior to the date that the Company, by notice to the Lenders, designates as the proposed Effective Date or the date of the initial Advance to the applicable Designated Subsidiary, as the case may be, specifying its objection thereto. The Agent shall promptly notify the Lenders of the occurrence of the Effective Date and each date of initial Advance to a Designated Subsidiary, as applicable.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.01. Representations and Warranties of the Company. The Company represents and warrants as follows:

(a) The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

(b) The execution, delivery and performance by the Company of this Agreement and the Notes to be delivered by it, and the consummation of the transactions contemplated hereby, are within the Company's corporate powers, have been duly authorized by all necessary corporate action, and do not contravene (i) the Company's charter or by-laws or (ii) law or any contractual restriction binding on or affecting the Company.

(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other third party is required for the due execution, delivery and performance by the Company of this Agreement or the Notes to be delivered by it.

(d) This Agreement has been, and each of the Notes to be delivered by it when delivered hereunder will have been, duly executed and delivered by the Company. This Agreement is, and each of the Notes when delivered hereunder will be, the legal, valid and binding obligation of the Company enforceable against the Company in accordance with their respective terms, except as the enforceability thereof may be limited by the effect of any applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally and by general principles of equity.

(e) The Consolidated balance sheet of the Company and its Subsidiaries as at December 31, 2004, and the related Consolidated statements of income and cash flows of the Company and its Subsidiaries for the fiscal year then ended, accompanied by an opinion of PricewaterhouseCoopers LLC, independent public accountants, and the Consolidated balance sheet of the Company and its Subsidiaries as at March 31, 2005, and the related Consolidated statements of income and cash flows of the Company and its Subsidiaries for the three months then ended, duly certified by the chief financial officer, treasurer or controller of the Company, copies of which have been furnished to each Lender, fairly present, subject, in the case of said balance sheet as at March 31, 2005, and said statements of income and cash flows for the three months then ended, to year-end audit adjustments, the Consolidated financial condition of the Company and its Subsidiaries as at such dates and the Consolidated results of the operations of the Company and its Subsidiaries for the periods ended on such dates, all in accordance with generally accepted accounting principles consistently applied. Since December 31, 2004, there has been no Material Adverse Change.

(f) There is no pending or, to the knowledge of the Company, threatened action, suit, investigation, litigation or proceeding, including, without limitation, any Environmental Action, affecting the Company or any of its Subsidiaries before any court, governmental agency or arbitrator that (i) could be reasonably likely to have a Material Adverse Effect or (ii) purports to affect the legality, validity or enforceability of this Agreement or any Note or the consummation of the transactions contemplated hereby.

(g) No Borrower is engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U issued by the Board of Governors of the Federal Reserve System), and no proceeds of any Advance will be used to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock.

(h) No Borrower is an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

(i) Neither the Information Memorandum nor any other information, exhibit or report furnished by or on behalf of the Company or any other Borrower to the Agent or any Lender in connection with the negotiation and syndication of this Agreement or pursuant to the terms of this Agreement contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements made therein not misleading.

(j) Each Borrower is, individually and together with its Subsidiaries, Solvent.

ARTICLE V

COVENANTS OF THE COMPANY

SECTION 5.01. Affirmative Covenants. So long as any Advance shall remain unpaid, and Letter of Credit is outstanding or any Lender shall have any Commitment

hereunder, the Company will:

(a) Compliance with Laws, Etc. Comply, and cause each of its Subsidiaries to comply, in all material respects, with all applicable laws, rules, regulations and orders, such compliance to include, without limitation, compliance with ERISA, Environmental Laws and the Patriot Act.

(b) Payment of Taxes, Etc. Pay and discharge, and cause each of its Subsidiaries to pay and discharge, before the same shall become delinquent, (i) all taxes, assessments and governmental charges or levies imposed upon it or upon its property and (ii) all lawful claims that, if unpaid, might by law become a Lien upon its property; provided, however, that neither the Company nor any of its Subsidiaries shall be required to pay or discharge any such tax, assessment, charge or claim that is being contested in good faith and by proper proceedings and as to which appropriate reserves are being maintained, unless and until any Lien resulting therefrom attaches to its property and becomes enforceable against its other creditors.

(c) Maintenance of Insurance. Maintain, and cause each of its Subsidiaries to maintain, insurance with responsible and reputable insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which the Company or such Subsidiary operates; provided, however, that the Company and its Subsidiaries may self-insure to the same extent as other companies engaged in similar businesses and owning similar properties in the same general areas in which the Company or such Subsidiary operates and to the extent consistent with prudent business practice.

(d) Preservation of Corporate Existence, Etc. Preserve and maintain, and cause each of its Subsidiaries to preserve and maintain, its corporate existence, rights (charter and statutory) and franchises; provided, however, that the Company and its Subsidiaries may consummate any merger or consolidation permitted under Section 5.02(b) and provided further that neither the Company nor any of its Subsidiaries shall be required to maintain corporate existence of any Subsidiary or preserve any right or franchise if the Board of Directors of the Company or such Subsidiary shall determine that the maintenance or preservation thereof is no longer desirable in the conduct of the business of the Company or such Subsidiary, as the case may be, and that the loss thereof is not disadvantageous in any material respect to the Company, such Subsidiary or the Lenders.

(e) Visitation Rights. At any reasonable time and from time to time, permit the Agent or any of the Lenders or any agents or representatives thereof, to examine and make copies of and abstracts from the records and books of account of, and visit the properties of, the Company and any of its Subsidiaries, and to discuss the affairs, finances and accounts of the Company and any of its Subsidiaries with any of their officers or directors and with their independent certified public accountants.

(f) Keeping of Books. Keep, and cause each of its Subsidiaries to keep, proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Company and each such Subsidiary in accordance with generally accepted accounting principles in effect from time to time.

(g) Maintenance of Properties, Etc. Maintain and preserve, and cause each of its Subsidiaries to maintain and preserve, all of its properties that are used or useful in the conduct of its business in good working order and condition, ordinary wear and tear excepted.

(h) Transactions with Affiliates. Conduct, and cause each of its Subsidiaries to conduct, all transactions otherwise permitted under this Agreement with any of their Affiliates on terms that are fair and reasonable and no less favorable to the Company or such Subsidiary than it would obtain in a comparable arm's-length transaction with a Person not an Affiliate.

(i) Reporting Requirements. Furnish to the Lenders:

(i) as soon as available and in any event within 45 days after the end of each of the first three quarters of each fiscal year of the Company, the Consolidated balance sheet of the Company and its Subsidiaries as of the end of such quarter and Consolidated statements of income and cash flows of the Company and its Subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, duly certified (subject to year-end audit adjustments) by the chief financial officer, treasurer or controller of the Company as having been prepared in accordance with generally accepted accounting principles and certificates of the chief financial officer, treasurer or controller of the Company as to compliance with the terms of this Agreement and setting forth in reasonable detail the calculations necessary to demonstrate compliance with Section 5.03, provided that in the event of any change in generally accepted accounting principles used in the preparation of such financial statements, the Company shall also provide, if necessary for the determination of compliance with Section 5.03, a statement of reconciliation conforming such financial statements to GAAP;

(ii) as soon as available and in any event within 90 days after the end of each fiscal year of the Company, a copy of the annual audit report for such year for the Company and its Subsidiaries, containing the Consolidated balance sheet of the Company and its Subsidiaries as of the end of such fiscal year and Consolidated statements of income and cash flows of the Company and its Subsidiaries for such fiscal year, in each case accompanied by an opinion acceptable to the Required Lenders by PricewaterhouseCoopers LLC or other independent public accountants acceptable to the Required Lenders and certificates of the chief financial officer, treasurer or controller of the Company as to compliance with the terms of this Agreement and setting forth in reasonable detail the calculations necessary to demonstrate compliance with Section 5.03, provided that in the event of any change in generally accepted accounting principles used in the preparation of such financial statements, the Company shall also provide, if necessary for the determination of compliance with Section 5.03, a statement of reconciliation conforming such financial statements to GAAP;

(iii) as soon as possible and in any event within five days after the occurrence of each Default continuing on the date of such statement, a statement of the chief financial officer, treasurer or controller of the Company setting forth details of such Default and the action that the Company has taken and proposes to take with respect thereto;

(iv) promptly after the sending or filing thereof, copies of all reports that the Company sends to any of its securityholders, and copies of all reports and registration statements that the Company or any Subsidiary files with the Securities and Exchange Commission or any national securities exchange;

(v) promptly after the commencement thereof, notice of all actions and proceedings before any court, governmental agency or arbitrator affecting the Company or any of its Subsidiaries of the type described in Section 4.01(f); and

(vi) such other information respecting the Company or any of its Subsidiaries as any Lender through the Agent may from time to time reasonably request.

SECTION 5.02. Negative Covenants. So long as any Advance shall remain unpaid, and Letter of Credit is outstanding or any Lender shall have any Commitment hereunder, the Company will not:

(a) Liens, Etc. Create or suffer to exist, or permit any of its Subsidiaries to create or suffer to exist, any Lien on or with respect to any of its properties, whether now owned or hereafter acquired, or assign, or permit any of its Subsidiaries to assign, any right to receive income, other than:

(i) Permitted Liens,

(ii) purchase money Liens upon or in any real property or equipment acquired or held by the Company or any Subsidiary in the ordinary course of business to secure the purchase price of such property or equipment or to secure Debt incurred solely for the purpose of financing the acquisition of such property or equipment, or Liens existing on such property or equipment at the time of its acquisition (other than any such Liens created in contemplation of such acquisition that were not incurred to finance the acquisition of such property) or extensions, renewals or replacements of any of the foregoing for the same or a lesser amount, provided, however, that no such Lien shall extend to or cover any properties of any character other than the real property or equipment being acquired, and no such extension, renewal or replacement shall extend to or cover any properties not theretofore subject to the Lien being extended, renewed or replaced, provided further that the aggregate principal amount of the indebtedness secured by the Liens referred to in this clause (ii) shall not exceed the amount specified therefor in Section 5.02(d)(iii) at any time outstanding,

(iii) the Liens existing on the Effective Date and described on Schedule 5.02(a) hereto,

(iv) Liens on property of a Person existing at the time such Person is merged into or consolidated with the Company or any Subsidiary of the Company or becomes a Subsidiary of the Company; provided that such Liens were not created in contemplation of such merger, consolidation or acquisition and do not extend to any assets other than those of the Person so merged into or consolidated with the Company or such Subsidiary or acquired by the Company or such Subsidiary,

(v) other Liens securing Debt in an aggregate principal amount not to exceed the amount specified therefor in Section 5.02(d)(iv) at any time outstanding, and

(vi) the replacement, extension or renewal of any Lien permitted by clause (iii) or (iv) above upon or in the same property theretofore subject thereto or the replacement, extension or renewal (without increase in the amount or change in any direct or contingent obligor) of the Debt secured thereby.

(b) Mergers, Etc. Merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to, any Person, or permit any of its Subsidiaries to do so, except that any Subsidiary of the Company may merge or consolidate with or into, or dispose of assets to, any other Subsidiary of the Company, and except that any Subsidiary of the Company may merge into or dispose of assets to the Company, provided, in each case, that no Default shall have occurred and be continuing at the time of such proposed transaction or would result therefrom.

(c) Accounting Changes. Make or permit, or permit any of its Subsidiaries to make or permit, any change in accounting policies or reporting practices, except as required or permitted by generally accepted accounting principles.

(d) Subsidiary Debt. Permit any of its Subsidiaries to create or suffer to exist, any Debt other than:

(i) Debt owed to the Company or to a wholly owned Subsidiary of the Company or Debt under this Agreement or the Notes,

(ii) Debt existing on the Effective Date and described on Schedule 5.02(d) hereto (the "Existing Debt"), and any Debt extending the maturity of, or refunding or refinancing, in whole or in part, the Existing Debt, provided

that the principal amount of such Existing Debt shall not be increased above the principal amount thereof outstanding immediately prior to such extension, refunding or refinancing, and the direct and contingent obligors therefor shall not be changed, as a result of or in connection with such extension, refunding or refinancing,

(iii) Debt secured by Liens permitted by Section 5.02(a)(ii) aggregating for all of the Company's Subsidiaries not more than \$50,000,000 at any one time outstanding,

(iv) Debt that, in aggregate with all Debt secured by Liens permitted by Section 5.02(a)(v), does not exceed an amount equal to 15% of Consolidated net worth of the Company and its Subsidiaries at any one time outstanding,

(v) endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business.

(e) Change in Nature of Business. Make, or permit any of its Subsidiaries to make, any material change in the nature of the business as carried on by the Company and its Subsidiaries at the date hereof.

SECTION 5.03. Financial Covenants. So long as any Advance shall remain unpaid, and Letter of Credit is outstanding or any Lender shall have any Commitment hereunder, the Company will:

(a) Leverage Ratio. Maintain a ratio of Consolidated Debt for Borrowed Money to the sum of Consolidated Debt for Borrowed Money plus Consolidated net worth of the Company and its Subsidiaries of not greater than 0.55 to 1.00.

(b) Interest Coverage Ratio. Maintain a ratio of Consolidated EBITDA for the period of four fiscal quarters then ended of the Company and its Subsidiaries to the sum of interest payable on, and amortization of debt discount in respect of, all Debt during such period by the Company and its Subsidiaries of not less than 3.5 to 1.0.

ARTICLE VI

EVENTS OF DEFAULT

SECTION 6.01. Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

(a) The Company or any other Borrower shall fail to pay any principal of any Advance when the same becomes due and payable; or the Company or any other Borrower shall fail to pay any interest on any Advance or make any other payment of fees or other amounts payable under this Agreement or any Note within five Business Days after the same becomes due and payable; or

(b) Any representation or warranty made by any Borrower herein or by any Borrower (or any of its officers) in connection with this Agreement or by any Designated Subsidiary in the Designation Agreement pursuant to which such Designated Subsidiary became a Borrower hereunder shall prove to have been incorrect in any material respect when made; or

(c) (i) The Company shall fail to perform or observe any term, covenant or agreement contained in Section 5.01(d), (e), (h) or (i), 5.02 or 5.03, or (ii) the Company shall fail to perform or observe any other term, covenant or agreement contained in this Agreement on its part to be performed or observed if such failure shall remain unremedied for 10 days after written notice thereof shall have been given to the Company by the Agent or any Lender; or

(d) The Company or any of its Subsidiaries shall fail to pay any principal of or premium or interest on any Debt that is outstanding in a principal or notional amount of at least \$25,000,000 in the aggregate (but excluding Debt outstanding hereunder) of the Company or such Subsidiary (as the case may be), when the same becomes due and payable (whether by scheduled maturity, required prepayment,

acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Debt and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such Debt; or any such Debt shall be declared to be due and payable, or required to be prepaid or redeemed (other than by a regularly scheduled required prepayment or redemption), purchased or defeased, or an offer to prepay, redeem, purchase or defease such Debt shall be required to be made, in each case prior to the stated maturity thereof; or

(e) The Company or any of its Subsidiaries shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Company or any of its Subsidiaries seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 30 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its property) shall occur; or the Company or any of its Subsidiaries shall take any corporate action to authorize any of the actions set forth above in this subsection (e); or

(f) Judgments or orders for the payment of money in excess of \$25,000,000 in the aggregate shall be rendered against the Company or any of its Subsidiaries and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) there shall be any period of 10 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(g) (i) Any Person or two or more Persons acting in concert shall have acquired beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934), directly or indirectly, of Voting Stock of the Company (or other securities convertible into such Voting Stock) representing 30% or more of the combined voting power of all Voting Stock of the Company; or (ii) during any period of up to 24 consecutive months, commencing after the date of this Agreement, individuals who at the beginning of such 24-month period were directors of the Company shall cease for any reason (other than due to death or disability) to constitute a majority of the board of directors of the Company (except to the extent that individuals who at the beginning of such 24-month period were replaced by individuals (x) elected by a majority of the remaining members of the board of directors of the Company or (y) nominated for election by a majority of the remaining members of the board of directors of the Company and thereafter elected as directors by the shareholders of the Company); or

(h) The Company or any of its ERISA Affiliates shall incur, or shall be reasonably likely to incur liability in excess of \$25,000,000 in the aggregate as a result of one or more of the following: (i) the occurrence of any ERISA Event; (ii) the partial or complete withdrawal of the Company or any of its ERISA Affiliates from a Multiemployer Plan; or (iii) the reorganization or termination of a Multiemployer Plan;

(i) so long as any Subsidiary of the Company is a Designated Subsidiary, any provision of Article VII shall for any reason cease to be valid and binding on or enforceable against the Company, or the Company shall so state in writing;

then, and in any such event, the Agent (i) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrowers, declare the obligation of each Lender to make Advances (other than Advances by an Issuing Bank or a Lender pursuant to Section 2.03(c)) and of the Issuing Banks to issue Letters of Credit to be terminated, whereupon the same shall forthwith terminate, and (ii) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrowers, declare the Advances, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Advances, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by each Borrower; provided, however, that in the event of an actual or deemed entry of an order for relief with respect to the Company or any other Borrower under the Federal Bankruptcy Code, (A) the obligation of each Lender to make Advances (other than Advances by an Issuing Bank or a Lender pursuant to Section 2.03(c)) and of the Issuing Banks to issue Letters of Credit shall automatically be terminated and (B) the Advances, all such interest and all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by each Borrower.

SECTION 6.02. Actions in Respect of the Letters of Credit upon Default. If any Event of Default shall have occurred and be continuing, the Agent may with the consent, or shall at the request, of the Required Lenders, irrespective of whether it is taking any of the actions described in Section 6.01 or otherwise, make demand upon the Borrowers to, and forthwith upon such demand the Borrowers will, (a) pay to the Agent on behalf of the Lenders in same day funds at the Agent's office designated in such demand, for deposit in the L/C Cash Deposit Account, an amount equal to the aggregate Available Amount of all Letters of Credit then outstanding or (b) make such other arrangements in respect of the outstanding Letters of Credit as shall be acceptable to the Revolving Credit Lenders having at least 51% of the Revolving Credit Commitments and not more disadvantageous to the Borrowers than clause (a); provided, however, that in the event of an actual or deemed entry of an order for relief with respect to any Borrower under the Federal Bankruptcy Code, an amount equal to the aggregate Available Amount of all outstanding Letters of Credit shall be immediately due and payable to the Agent for the account of the Lenders without notice to or demand upon the Borrowers, which are expressly waived by each Borrower, to be held in the L/C Cash Deposit Account. If at any time an Event of Default is continuing the Agent determines that any funds held in the L/C Cash Deposit Account are subject to any right or claim of any Person other than the Agent and the Lenders or that the total amount of such funds is less than the aggregate Available Amount of all Letters of Credit, the Borrowers will, forthwith upon demand by the Agent, pay to the Agent, as additional funds to be deposited and held in the L/C Cash Deposit Account, an amount equal to the excess of (a) such aggregate Available Amount over (b) the total amount of funds, if any, then held in the L/C Cash Deposit Account that the Agent determines to be free and clear of any such right and claim. Upon the drawing of any Letter of Credit, to the extent funds are on deposit in the L/C Cash Deposit Account, such funds shall be applied to reimburse the Issuing Banks to the extent permitted by applicable law. After all such Letters of Credit shall have expired or been fully drawn upon and all other obligations of the Borrowers hereunder and under the Notes shall have been paid in full, the balance, if any, in such L/C Cash Deposit Account shall be returned to the Borrowers.

ARTICLE VII

GUARANTY

SECTION 7.01. Unconditional Guaranty. The Company hereby absolutely, unconditionally and irrevocably guarantees the punctual payment when due, whether at scheduled maturity or on any date of a required prepayment or by acceleration, demand or otherwise, of all obligations of each other Borrower now or hereafter existing under or in respect of this Agreement and the Notes (including, without limitation, any extensions, modifications, substitutions, amendments or renewals of any or all of the foregoing obligations), whether direct or indirect, absolute or contingent, and whether for principal, interest, premiums, fees, indemnities, contract causes of action, costs, expenses or otherwise (such obligations being the "Guaranteed Obligations"), and agrees to pay any and all expenses (including, without limitation, reasonable fees and expenses of counsel) incurred by the Agent or any Lender in enforcing any rights under this Agreement. Without limiting the generality of the foregoing, the Company's liability shall extend to all amounts that constitute part of the Guaranteed Obligations and would be owed by such Borrower to the Agent or any Lender under or in respect of this Agreement and the Notes but for the fact that

they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving such Borrower.

SECTION 7.02. Guaranty Absolute. (a) The Company guarantees that the Guaranteed Obligations will be paid strictly in accordance with the terms of this Agreement and the Notes, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of the Agent or any Lender with respect thereto. The obligations of the Company under or in respect of this Guaranty are independent of the Guaranteed Obligations or any other obligations of any other Borrower under or in respect of this Agreement and the Notes, and a separate action or actions may be brought and prosecuted against the Company to enforce this Guaranty, irrespective of whether any action is brought against any Borrower or whether any Borrower is joined in any such action or actions. The liability of the Company under this Guaranty shall be irrevocable, absolute and unconditional irrespective of, and the Company hereby irrevocably waives any defenses it may now have or hereafter acquire in any way relating to, any or all of the following:

(a) any lack of validity or enforceability of this Agreement, any Note or any agreement or instrument relating thereto;

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Guaranteed Obligations or any other obligations of any Borrower under or in respect of this Agreement and the Notes, or any other amendment or waiver of or any consent to departure from this Agreement or any Note, including, without limitation, any increase in the Guaranteed Obligations resulting from the extension of additional credit to any Borrower or any of its Subsidiaries or otherwise;

(c) any taking, exchange, release or non-perfection of any collateral, or any taking, release or amendment or waiver of, or consent to departure from, any other guaranty, for all or any of the Guaranteed Obligations;

(d) any manner of application of any collateral, or proceeds thereof, to all or any of the Guaranteed Obligations, or any manner of sale or other disposition of any collateral for all or any of the Guaranteed Obligations or any other obligations of any Borrower under this Agreement and the Notes or any other assets of any Borrower or any of its Subsidiaries;

(e) any change, restructuring or termination of the corporate structure or existence of any Borrower or any of its Subsidiaries;

(f) any failure of the Agent or any Lender to disclose to the Company any information relating to the business, condition (financial or otherwise), operations, performance, properties or prospects of any Borrower now or hereafter known to the Agent or such Lender (the Company waiving any duty on the part of the Agent and the Lenders to disclose such information);

(g) the failure of any other Person to execute or deliver this Guaranty or any other guaranty or agreement or the release or reduction of liability of the Company or other guarantor or surety with respect to the Guaranteed Obligations; or

(h) any other circumstance (including, without limitation, any statute of limitations) or any existence of or reliance on any representation by the Agent or any Lender that might otherwise constitute a defense available to, or a discharge of, any Borrower or any other guarantor or surety.

This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Guaranteed Obligations is rescinded or must otherwise be returned by the Agent or any Lender or any other Person upon the insolvency, bankruptcy or reorganization of any Borrower or otherwise, all as though such payment had not been made.

SECTION 7.03. Waivers and Acknowledgments. (a) The Company hereby unconditionally and irrevocably waives promptness, diligence, notice of acceptance, presentment, demand for performance, notice of nonperformance, default, acceleration, protest or dishonor and any other notice with respect to any of the Guaranteed Obligations and this Guaranty and any requirement that the

Agent or any Lender protect, secure, perfect or insure any Lien or any property subject thereto or exhaust any right or take any action against any Borrower or any other Person or any collateral.

(b) The Company hereby unconditionally and irrevocably waives any right to revoke this Guaranty and acknowledges that this Guaranty is continuing in nature and applies to all Guaranteed Obligations, whether existing now or in the future.

(c) The Company hereby unconditionally and irrevocably waives (i) any defense arising by reason of any claim or defense based upon an election of remedies by the Agent or any Lender that in any manner impairs, reduces, releases or otherwise adversely affects the subrogation, reimbursement, exoneration, contribution or indemnification rights of the Company or other rights of the Company to proceed against any Borrower, any other guarantor or any other Person or any collateral and (ii) any defense based on any right of set-off or counterclaim against or in respect of the obligations of the Company hereunder.

(d) The Company hereby unconditionally and irrevocably waives any duty on the part of the Agent or any Lender to disclose to the Company any matter, fact or thing relating to the business, condition (financial or otherwise), operations, performance, properties or prospects of any Borrower or any of its Subsidiaries now or hereafter known by the Agent or such Lender.

(e) The Company acknowledges that it will receive substantial direct and indirect benefits from the financing arrangements contemplated by this Agreement and the Notes and that the waivers set forth in Section 7.02 and this Section 7.03 are knowingly made in contemplation of such benefits.

SECTION 7.04. Subrogation. The Company hereby unconditionally and irrevocably agrees not to exercise any rights that it may now have or hereafter acquire against any Borrower or any other insider guarantor that arise from the existence, payment, performance or enforcement of the Company's obligations under or in respect of this Guaranty, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution or indemnification and any right to participate in any claim or remedy of the Agent or any Lender against any Borrower or any other insider guarantor or any collateral, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, including, without limitation, the right to take or receive from any Borrower or any other insider guarantor, directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security on account of such claim, remedy or right, unless and until all of the Guaranteed Obligations and all other amounts payable under this Guaranty shall have been paid in full in cash, all Letters of Credit shall have expired or been terminated and the Commitments shall have expired or been terminated. If any amount shall be paid to the Company in violation of the immediately preceding sentence at any time prior to the latest of (a) the payment in full in cash of the Guaranteed Obligations and all other amounts payable under this Guaranty, (b) the Termination Date and (c) the latest date of expiration or termination of all Letters of Credit, such amount shall be received and held in trust for the benefit of the Agent and the Lenders, shall be segregated from other property and funds of the Company and shall forthwith be paid or delivered to the Agent in the same form as so received (with any necessary endorsement or assignment) to be credited and applied to the Guaranteed Obligations and all other amounts payable under this Guaranty, whether matured or unmatured, in accordance with the terms of this Agreement and the Notes, or to be held as collateral for any Guaranteed Obligations or other amounts payable under this Guaranty thereafter arising. If (i) the Company shall make payment to the Agent or any Lender of all or any part of the Guaranteed Obligations, (ii) all of the Guaranteed Obligations and all other amounts payable under this Guaranty shall have been paid in full in cash, (iii) the Termination Date shall have occurred and (iv) all Letters of Credit shall have expired or been terminated, the Agent and the Lenders will, at the Company's request and expense, execute and deliver to the Company appropriate documents, without recourse and without representation or warranty, necessary to evidence the transfer by subrogation to the Company of an interest in the Guaranteed Obligations resulting from such payment made by the Company pursuant to this Guaranty.

SECTION 7.05. Subordination. The Company hereby subordinates any and all debts, liabilities and other obligations owed to the Company by any

Borrower (the "Subordinated Obligations") to the Guaranteed Obligations to the extent and in the manner hereinafter set forth in this Section 7.05:

(a) Prohibited Payments, Etc. Except during the continuance of an Event of Default under (including the commencement and continuation of any proceeding under any Bankruptcy Law relating to such Borrower), the Company may receive regularly scheduled payments from such Borrower on account of the Subordinated Obligations. After the occurrence and during the continuance of any Event of Default (including the commencement and continuation of any proceeding under any Bankruptcy Law relating to such Borrower), however, unless the Required Lenders otherwise agree, the Company shall not demand, accept or take any action to collect any payment on account of the Subordinated Obligations.

(b) Prior Payment of Guaranteed Obligations. In any proceeding under any Bankruptcy Law relating to such Borrower, the Company agrees that the Agent and the Lenders shall be entitled to receive payment in full in cash of all Guaranteed Obligations (including all interest and expenses accruing after the commencement of a proceeding under any Bankruptcy Law, whether or not constituting an allowed claim in such proceeding ("Post Petition Interest")) before the Company receives payment of any Subordinated Obligations.

(c) Turn-Over. After the occurrence and during the continuance of any Event of Default (including the commencement and continuation of any proceeding under any Bankruptcy Law relating to such Borrower), the Company shall, if the Agent so requests, collect, enforce and receive payments on account of the Subordinated Obligations as trustee for the Agent and the Lenders and deliver such payments to the Agent on account of the Guaranteed Obligations (including all Post Petition Interest), together with any necessary endorsements or other instruments of transfer, but without reducing or affecting in any manner the liability of the Company under the other provisions of this Guaranty.

(d) Agent Authorization. After the occurrence and during the continuance of any Event of Default (including the commencement and continuation of any proceeding under any Bankruptcy Law relating to such Borrower), the Agent is authorized and empowered (but without any obligation to so do), in its discretion, (i) in the name of the Company, to collect and enforce, and to submit claims in respect of, Subordinated Obligations and to apply any amounts received thereon to the Guaranteed Obligations (including any and all Post Petition Interest), and (ii) to require the Company (A) to collect and enforce, and to submit claims in respect of, Subordinated Obligations and (B) to pay any amounts received on such obligations to the Agent for application to the Guaranteed Obligations (including any and all Post Petition Interest).

SECTION 7.06. Continuing Guaranty; Assignments. This Guaranty is a continuing guaranty and shall (a) remain in full force and effect until the latest of (i) the payment in full in cash of the Guaranteed Obligations and all other amounts payable under this Guaranty, (ii) the Termination Date and (iii) the latest date of expiration or termination of all Letters of Credit, (b) be binding upon the Company, its successors and assigns and (c) inure to the benefit of and be enforceable by the Agent and the Lenders and their successors, transferees and assigns. Without limiting the generality of clause (c) of the immediately preceding sentence, the Agent or any Lender may assign or otherwise transfer all or any portion of its rights and obligations under this Agreement (including, without limitation, all or any portion of its Commitments, the Advances owing to it and the Note or Notes held by it) to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to the Agent or such Lender herein or otherwise, in each case as and to the extent provided in Section 9.07.

ARTICLE VIII

THE AGENT

SECTION 8.01. Authorization and Action. Each Lender (in its capacities as a Lender and Issuing Bank, as applicable) hereby appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto. As to any matters not expressly provided for by this

Agreement (including, without limitation, enforcement or collection of the Notes), the Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Lenders, and such instructions shall be binding upon all Lenders and all holders of Notes; provided, however, that the Agent shall not be required to take any action that exposes the Agent to personal liability or that is contrary to this Agreement or applicable law. The Agent agrees to give to each Lender prompt notice of each notice given to it by the Company or any other Borrower pursuant to the terms of this Agreement.

SECTION 8.02. Agent's Reliance, Etc. Neither the Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Agent: (i) may treat the Lender that made any Advance as the holder of the Debt resulting therefrom until the Agent receives and accepts an Assumption Agreement entered into by an Assuming Lender as provided in Section 2.18 or an Assignment and Acceptance entered into by such Lender, as assignor, and an Eligible Assignee, as assignee, as provided in Section 9.07; (ii) may consult with legal counsel (including counsel for the Company), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (iii) makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement; (iv) shall not have any duty to ascertain or to inquire as to the performance, observance or satisfaction of any of the terms, covenants or conditions of this Agreement on the part of any Borrower or the existence at any time of any Default or to inspect the property (including the books and records) of the Company or any other Borrower; (v) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of, or the perfection or priority of any lien or security interest created or purported to be created under or in connection with, this Agreement or any other instrument or document furnished pursuant hereto; and (vi) shall incur no liability under or in respect of this Agreement by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopier or telegram) believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 8.03. Citibank and Affiliates. With respect to its Commitments, the Advances made by it and the Note issued to it, Citibank shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though it were not the Agent; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include Citibank in its individual capacity. Citibank and its Affiliates may accept deposits from, lend money to, act as trustee under indentures of, accept investment banking engagements from and generally engage in any kind of business with, the Company, any of its Subsidiaries and any Person who may do business with or own securities of the Company or any such Subsidiary, all as if Citibank were not the Agent and without any duty to account therefor to the Lenders. The Agent shall have no duty to disclose any information obtained or received by it or any of its Affiliates relating to the Company or any of its Subsidiaries to the extent such information was obtained or received in any capacity other than as Agent.

SECTION 8.04. Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon the Agent or any other Lender and based on the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

SECTION 8.05. Indemnification. (a) Each Lender severally agrees to indemnify the Agent (to the extent not reimbursed by the Company) from and against such Lender's Ratable Share of any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against the Agent in its capacity as such, in any way relating to or arising out of this Agreement or any action taken or omitted by the Agent under this Agreement (collectively, the "Indemnified Costs"), provided that no

Lender shall be liable for any portion of the Indemnified Costs resulting from the Agent's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender agrees to reimburse the Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including reasonable counsel fees) incurred by the Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, to the extent that the Agent is not reimbursed for such expenses by the Company. In the case of any investigation, litigation or proceeding giving rise to any Indemnified Costs, this Section 8.05 applies whether any such investigation, litigation or proceeding is brought by the Agent, any Lender or a third party.

(b) Each Lender severally agrees to indemnify the Issuing Banks (to the extent not promptly reimbursed by the Company) from and against such Lender's Ratable Share of any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against any such Issuing Bank in its capacity as such, in any way relating to or arising out of the Loan Documents or any action taken or omitted by such Issuing Bank hereunder or in connection herewith; provided, however, that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from such Issuing Bank's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender agrees to reimburse any such Issuing Bank promptly upon demand for its Ratable Share of any costs and expenses (including, without limitation, reasonable fees and expenses of counsel) payable by the Company under Section 9.04, to the extent that such Issuing Bank is not promptly reimbursed for such costs and expenses by the Company.

(c) The failure of any Lender to reimburse the Agent or any Issuing Bank promptly upon demand for its ratable share of any amount required to be paid by the Lenders to the Agent as provided herein shall not relieve any other Lender of its obligation hereunder to reimburse the Agent or any Issuing Bank for its ratable share of such amount, but no Lender shall be responsible for the failure of any other Lender to reimburse the Agent or any Issuing Bank for such other Lender's ratable share of such amount. Without prejudice to the survival of any other agreement of any Lender hereunder, the agreement and obligations of each Lender contained in this Section 8.05 shall survive the payment in full of principal, interest and all other amounts payable hereunder and under the Notes. Each of the Agent and each Issuing Bank agrees to return to the Lenders their respective ratable shares of any amounts paid under this Section 8.05 that are subsequently reimbursed by the Company.

SECTION 8.06. Successor Agent. The Agent may resign at any time by giving written notice thereof to the Lenders and the Company and may be removed at any time with or without cause by the Required Lenders. Upon any such resignation or removal, the Required Lenders shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Required Lenders, and shall have accepted such appointment, within 30 days after the retiring Agent's giving of notice of resignation or the Required Lenders' removal of the retiring Agent, then the retiring Agent may, on behalf of the Lenders, appoint a successor Agent, which shall be a commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$500,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, discretion, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Article VIII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

SECTION 8.07. Sub-Agent. The Sub-Agent has been designated under this Agreement to carry out duties of the Agent. The Sub-Agent shall be subject to each of the obligations in this Agreement to be performed by the Sub-Agent, and each of the Company, each other Borrower and the Lenders agrees that the Sub-Agent shall be entitled to exercise each of the rights and shall be entitled to each of the benefits of the Agent under this Agreement as relate to the performance of its obligations hereunder.

SECTION 8.08. Other Agents. Each Lender hereby acknowledges that none of the syndication agent, the co-documentation agents nor any other Lender designated as any "Agent" on the signature pages hereof has any liability

hereunder other than in its capacity as a Lender.

ARTICLE IX

MISCELLANEOUS

SECTION 9.01. Amendments, Etc. No amendment or waiver of any provision of this Agreement or the Notes, nor consent to any departure by any Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Required Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that (a) no amendment, waiver or consent shall, unless in writing and signed by all the Lenders, do any of the following: (i) waive any of the conditions specified in Section 3.01, (ii) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Advances, or the number of Lenders, that shall be required for the Lenders or any of them to take any action hereunder, (iii) release the Company from its obligations under Article VII or (iv) amend this Section 9.01; and (b) no amendment, waiver or consent shall, unless in writing and signed by the Required Lenders and each Lender that is directly affected by such amendment, waiver or consent (i) increase the Commitments of such Lender, (ii) reduce the principal of, or interest on, the Advances or any fees or other amounts payable hereunder to such Lender, (iii) postpone any date fixed for any payment of principal of, or interest on, the Advances or any fees or other amounts payable hereunder to such Lender or (iv) release the Company from any of its obligations under Section 7.01; and provided further that (x) no amendment, waiver or consent shall, unless in writing and signed by the Agent in addition to the Lenders required above to take such action, affect the rights or duties of the Agent under this Agreement or any Note and (y) no amendment, waiver or consent shall, unless in writing and signed by the Issuing Banks in addition to the Lenders required above to take such action, adversely affect the rights or obligations of the Issuing Banks in their capacities as such under this Agreement.

SECTION 9.02. Notices, Etc. (a) All notices and other communications provided for hereunder shall be either (x) in writing (including telecopier or telegraphic communication) and mailed, telecopied, telegraphed or delivered or (y) as and to the extent set forth in Section 9.02(b) and in the proviso to this Section 9.02(a), if to the Company or any other Borrower, at the Company's address at Susquehanna Commerce Center, 221 West Philadelphia Street, York, Pennsylvania 17405-0872, Attention: Secretary, with a copy to Attention: Treasurer; if to any Initial Lender, at its Domestic Lending Office specified opposite its name on Schedule I hereto; if to any other Lender, at its Domestic Lending Office specified in the Assumption Agreement or the Assignment and Acceptance pursuant to which it became a Lender; and if to the Agent, at its address at Two Penns Way, New Castle, Delaware, 19720, Attention: Bank Loan Syndications Department; or, as to the Company or the Agent, at such other address as shall be designated by such party in a written notice to the other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to the Company and the Agent, provided that materials required to be delivered pursuant to Section 5.01(i) (i), (ii) or (iv) shall be delivered to the Agent as specified in Section 9.02(b) or as otherwise specified to any Borrower by the Agent. All such notices and communications shall, when mailed, telecopied, telegraphed or e-mailed, be effective when deposited in the mails, telecopied, delivered to the telegraph company or confirmed by e-mail, respectively, except that notices and communications to the Agent pursuant to Article II, III or VIII shall not be effective until received by the Agent. Delivery by telecopier of an executed counterpart of any amendment or waiver of any provision of this Agreement or the Notes or of any Exhibit hereto to be executed and delivered hereunder shall be effective as delivery of a manually executed counterpart thereof.

(b) So long as Citibank or any of its Affiliates is the Agent, materials required to be delivered pursuant to Section 5.01(i) (i), (ii) and (iv) shall be delivered to the Agent in an electronic medium in a format acceptable to the Agent and the Lenders by e-mail at oploanswebadmin@citigroup.com. The Company agrees that the Agent may make such materials, as well as any other written information, documents, instruments and other material relating to the Company, any of its Subsidiaries or any other materials or matters relating to this Agreement, the Notes or any of the transactions contemplated hereby (collectively, the "Communications") available to the Lenders by posting such notices on Intranets or a substantially similar electronic system (the "Platform"). The Company acknowledges that (i) the distribution of material through an electronic medium is not necessarily secure and that there are confidentiality and other risks associated with such distribution, (ii) the Platform is provided "as is" and "as available" and (iii) neither the Agent nor

any of its Affiliates warrants the accuracy, adequacy or completeness of the Communications or the Platform and each expressly disclaims liability for errors or omissions in the Communications or the Platform. No warranty of any kind, express, implied or statutory, including, without limitation, any warranty of merchantability, fitness for a particular purpose, non-infringement of third party rights or freedom from viruses or other code defects, is made by the Agent or any of its Affiliates in connection with the Platform.

(c) Each Lender agrees that notice to it (as provided in the next sentence) (a "Notice") specifying that any Communications have been posted to the Platform shall constitute effective delivery of such information, documents or other materials to such Lender for purposes of this Agreement; provided that if requested by any Lender the Agent shall deliver a copy of the Communications to such Lender by email or telecopier. Each Lender agrees (i) to notify the Agent in writing of such Lender's e-mail address to which a Notice may be sent by electronic transmission (including by electronic communication) on or before the date such Lender becomes a party to this Agreement (and from time to time thereafter to ensure that the Agent has on record an effective e-mail address for such Lender) and (ii) that any Notice may be sent to such e-mail address.

SECTION 9.03. No Waiver; Remedies. No failure on the part of any Lender or the Agent to exercise, and no delay in exercising, any right hereunder or under any Note shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 9.04. Costs and Expenses. (a) The Company agrees to pay on demand all costs and expenses of the Agent in connection with the preparation, execution, delivery, administration, modification and amendment of this Agreement, the Notes and the other documents to be delivered hereunder, including, without limitation, (A) all due diligence, syndication (including printing, distribution and bank meetings), transportation, computer, duplication, appraisal, consultant, and audit expenses and (B) the reasonable fees and expenses of counsel for the Agent with respect thereto and with respect to advising the Agent as to its rights and responsibilities under this Agreement. The Company further agrees to pay on demand all costs and expenses of the Agent and the Lenders, if any (including, without limitation, reasonable counsel fees and expenses), in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement, the Notes and the other documents to be delivered hereunder, including, without limitation, reasonable fees and expenses of counsel for the Agent and each Lender in connection with the enforcement of rights under this Section 9.04(a).

(b) The Company agrees to indemnify and hold harmless the Agent and each Lender and each of their Affiliates and their officers, directors, employees, agents and advisors (each, an "Indemnified Party") from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and expenses of counsel) incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or by reason of (including, without limitation, in connection with any investigation, litigation or proceeding or preparation of a defense in connection therewith) (i) the Notes, this Agreement, any of the transactions contemplated herein or the actual or proposed use of the proceeds of the Advances or Letters of Credit, (ii) the actual or alleged presence of Hazardous Materials on any property of the Company or any of its Subsidiaries or any Environmental Action relating in any way to the Company or any of its Subsidiaries, except to the extent such claim, damage, loss, liability or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or willful misconduct or (iii) any civil penalty or fine assessed by OFAC against, and all reasonable costs and expenses (including counsel fees and disbursements) incurred in connection with defense thereof, by the Agent or any Lender as a result of conduct of the Borrower that violates a sanction enforced by OFAC. In the case of an investigation, litigation or other proceeding to which the indemnity in this Section 9.04(b) applies, such indemnity shall be effective whether or not such investigation, litigation or proceeding is brought by the Company, its directors, equityholders or creditors or an Indemnified Party or any other Person, whether or not any Indemnified Party is otherwise a party thereto and whether or not the transactions contemplated hereby are consummated. The Company also agrees not to assert any claim for special, indirect, consequential or punitive damages against the Agent, any Lender, any of their Affiliates, or any of their respective directors, officers, employees, attorneys and agents, on any theory of liability, arising out of or otherwise

relating to the Notes, this Agreement, any of the transactions contemplated herein or the actual or proposed use of the proceeds of the Advances.

(c) If any payment of principal of, or Conversion of, any Eurocurrency Rate Advance is made by any Borrower to or for the account of a Lender (i) other than on the last day of the Interest Period for such Advance, as a result of a payment or Conversion pursuant to Section 2.08, 2.10 or 2.12, acceleration of the maturity of the Notes pursuant to Section 6.01 or for any other reason, or by an Eligible Assignee to a Lender other than on the last day of the Interest Period for such Advance upon an assignment of rights and obligations under this Agreement pursuant to Section 9.07 as a result of a demand by the Company pursuant to Section 9.07(a) or (ii) as a result of a payment or Conversion pursuant to Section 2.08, 2.10 or 2.12, such Borrower shall, upon demand by such Lender (with a copy of such demand to the Agent), pay to the Agent for the account of such Lender any amounts required to compensate such Lender for any additional losses, costs or expenses that it may reasonably incur as a result of such payment or Conversion, including, without limitation, any loss (including loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by any Lender to fund or maintain such Advance. If the amount of the Committed Currency purchased by any Lender in the case of a Conversion or exchange of Advances in the case of Section 2.08 or 2.12 exceeds the sum required to satisfy such Lender's liability in respect of such Advances, such Lender agrees to remit to the applicable Borrower such excess.

(d) Without prejudice to the survival of any other agreement of the Borrowers hereunder, the agreements and obligations of the Borrowers contained in Sections 2.11, 2.14 and 9.04 shall survive the payment in full of principal, interest and all other amounts payable hereunder and under the Notes.

SECTION 9.05. Right of Set-off. Upon (i) the occurrence and during the continuance of any Event of Default and (ii) the making of the request or the granting of the consent specified by Section 6.01 to authorize the Agent to declare the Advances due and payable pursuant to the provisions of Section 6.01, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender or such Affiliate to or for the credit or the account of the Company or any Borrower against any and all of the obligations of the Company or any Borrower now or hereafter existing under this Agreement and the Note held by such Lender, whether or not such Lender shall have made any demand under this Agreement or such Note and although such obligations may be unmatured, provided that the deposits and other indebtedness owing by any Lender to the Company or any Borrower organized under the laws of any political subdivision of the United States shall be set-off prior to the set-off of the deposits or other indebtedness owed to any other Borrower. Each Lender agrees promptly to notify the Company or the applicable Borrower after any such set-off and application, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Lender and its Affiliates under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) that such Lender and its Affiliates may have.

SECTION 9.06. Binding Effect. This Agreement shall become effective (other than Section 2.01, which shall only become effective upon satisfaction of the conditions precedent set forth in Section 3.01) when it shall have been executed by the Company and the Agent and when the Agent shall have been notified by each Initial Lender that such Initial Lender has executed it and thereafter shall be binding upon and inure to the benefit of the Company, the Agent and each Lender and their respective successors and assigns, except that neither the Company nor any other Borrower shall have the right to assign its rights hereunder or any interest herein without the prior written consent of the Lenders.

SECTION 9.07. Assignments and Participations. (a) Each Lender may with the consent of each Issuing Bank (which consent shall not be unreasonably withheld or delayed) and, if demanded by the Company (so long as no Default shall have occurred and be continuing and following a demand by such Lender pursuant to Section 2.11 or 2.14) upon at least five Business Days' notice to such Lender and the Agent, will assign to one or more Persons all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Revolving Credit Commitment, its Unissued Letter of Credit Commitment, the Advances owing to it, its participations in Letters of Credit and the Note or Notes held by it); provided, however, that (i)

each such assignment shall be of a constant, and not a varying, percentage of all rights and obligations under and in respect of one or more of the Facilities, (ii) except in the case of an assignment to a Person that, immediately prior to such assignment, was a Lender or an assignment of all of a Lender's rights and obligations under this Agreement, the amount of (x) the Revolving Credit Commitment of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof and (y) the Unissued Letter of Credit Commitment of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than \$5,000,000 or an integral multiple of \$1,000,000 in excess thereof, in each case, unless the Company and the Agent otherwise agree (iii) each such assignment shall be to an Eligible Assignee, (iv) each such assignment made as a result of a demand by the Company pursuant to this Section 9.07(a) shall be arranged by the Company after consultation with the Agent and shall be either an assignment of all of the rights and obligations of the assigning Lender under this Agreement or an assignment of a portion of such rights and obligations made concurrently with another such assignment or other such assignments that together cover all of the rights and obligations of the assigning Lender under this Agreement, (v) no Lender shall be obligated to make any such assignment as a result of a demand by the Company pursuant to this Section 9.07(a) unless and until such Lender shall have received one or more payments from either the Borrowers or one or more Eligible Assignees in an aggregate amount at least equal to the aggregate outstanding principal amount of the Advances owing to such Lender, together with accrued interest thereon to the date of payment of such principal amount and all other amounts payable to such Lender under this Agreement, and (vi) the parties to each such assignment shall execute and deliver to the Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with any Note subject to such assignment and a processing and recordation fee of \$3,500 payable by the parties to each such assignment, provided, however, that in the case of each assignment made as a result of a demand by the Company, such recordation fee shall be payable by the Company except that no such recordation fee shall be payable in the case of an assignment made at the request of the Company to an Eligible Assignee that is an existing Lender. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender hereunder and (y) the Lender assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights (other than its rights under Sections 2.11, 2.14 and 9.04 to the extent any claim thereunder relates to an event arising prior to such assignment) and be released from its obligations (other than its obligations under Section 8.05 to the extent any claim thereunder relates to an event arising prior to such assignment) under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto).

(b) By executing and delivering an Assignment and Acceptance, the Lender assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of, or the perfection or priority of any lien or security interest created or purported to be created under or in connection with, this Agreement or any other instrument or document furnished pursuant hereto; (ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Company or any other Borrower or the performance or observance by the Company or any other Borrower of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee confirms that it is an Eligible Assignee; (vi) such assignee appoints and authorizes the Agent to take

such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as a Lender.

(c) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an assignee representing that it is an Eligible Assignee, together with any Note or Notes subject to such assignment, the Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit C hereto, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Company.

(d) The Agent shall maintain at its address referred to in Section 9.02 a copy of each Assumption Agreement and each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amount of the Advances owing to, each Lender from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Company and the other Borrowers, the Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Company or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(e) Each Lender may sell participations to one or more banks or other entities (other than the Company or any of its Affiliates) in or to all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Advances owing to it and any Note or Notes held by it); provided, however, that (i) such Lender's obligations under this Agreement (including, without limitation, its Commitment to the Borrowers hereunder) shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Lender shall remain the holder of any such Note for all purposes of this Agreement, (iv) the Company, the other Borrowers, the Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and (v) no participant under any such participation shall have any right to approve any amendment or waiver of any provision of this Agreement or any Note, or any consent to any departure by the Company or any other Borrower therefrom, except to the extent that such amendment, waiver or consent would reduce the principal of, or interest on, the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such participation, or postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such participation.

(f) Any Lender may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 9.07, disclose to the assignee or participant or proposed assignee or participant, any information relating to the Company furnished to such Lender by or on behalf of the Company; provided that, prior to any such disclosure, the assignee or participant or proposed assignee or participant shall agree to preserve the confidentiality of any Company Information relating to the Company received by it from such Lender.

(g) Notwithstanding any other provision set forth in this Agreement, any Lender may at any time create a security interest in all or any portion of its rights under this Agreement (including, without limitation, the Advances owing to it and any Note or Notes held by it) in favor of any Federal Reserve Bank in accordance with Regulation A of the Board of Governors of the Federal Reserve System.

SECTION 9.08. Confidentiality. Neither the Agent nor any Lender may disclose to any Person any confidential, proprietary or non-public information of the Company furnished to the Agent or the Lenders by the Company (such information being referred to collectively herein as the "Company Information"), except that each of the Agent and each of the Lenders may disclose Company Information (i) to its and its affiliates' employees, officers, directors, agents and advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Company Information and instructed to keep such Company Information confidential on substantially the same terms as provided herein), (ii) to the extent

requested by any regulatory authority, (iii) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (iv) to any other party to this Agreement, (v) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (vi) subject to an agreement containing provisions substantially the same as those of this Section 9.08, to any assignee or participant or prospective assignee or participant, (vii) to the extent such Company Information (A) is or becomes generally available to the public on a non-confidential basis other than as a result of a breach of this Section 9.08 by the Agent or such Lender, or (B) is or becomes available to the Agent or such Lender on a nonconfidential basis from a source other than the Company and (viii) with the consent of the Company.

SECTION 9.09. Designated Subsidiaries. (a) Designation. The Company may at any time, and from time to time, by delivery to the Agent of a Designation Agreement duly executed by the Company and the respective Subsidiary and substantially in the form of Exhibit D hereto, designate such Subsidiary as a "Designated Subsidiary" for purposes of this Agreement and such Subsidiary shall thereupon become a "Designated Subsidiary" for purposes of this Agreement and, as such, shall have all of the rights and obligations of a Borrower hereunder. The Agent shall promptly notify each Lender of each such designation by the Company and the identity of the respective Subsidiary.

(b) Termination. Upon the indefeasible payment and performance in full of all of the indebtedness, liabilities and obligations under this Agreement of any Designated Subsidiary then, so long as at the time no Notice of Borrowing or Notice of Issuance in respect of such Designated Subsidiary is outstanding, such Subsidiary's status as a "Designated Subsidiary" shall terminate upon notice to such effect from the Agent to the Lenders (which notice the Agent shall give promptly, and only upon its receipt of a request therefor from the Company). Thereafter, the Lenders shall be under no further obligation to make any Advance hereunder to such Designated Subsidiary.

SECTION 9.10. Governing Law. This Agreement and the Notes shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 9.11. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 9.12. Judgment. (a) If for the purposes of obtaining judgment in any court it is necessary to convert a sum due hereunder in Dollars into another currency, the parties hereto agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Agent could purchase Dollars with such other currency at Citibank's principal office in London at 11:00 A.M. (London time) on the Business Day preceding that on which final judgment is given.

(b) If for the purposes of obtaining judgment in any court it is necessary to convert a sum due hereunder in a Committed Currency into Dollars, the parties agree to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Agent could purchase such Committed Currency with Dollars at Citibank's principal office in London at 11:00 A.M. (London time) on the Business Day preceding that on which final judgment is given.

(c) The obligation of any Borrower in respect of any sum due from it in any currency (the "Primary Currency") to any Lender or the Agent hereunder shall, notwithstanding any judgment in any other currency, be discharged only to the extent that on the Business Day following receipt by such Lender or the Agent (as the case may be), of any sum adjudged to be so due in such other currency, such Lender or the Agent (as the case may be) may in accordance with normal banking procedures purchase the applicable Primary Currency with such other currency; if the amount of the applicable Primary Currency so purchased is less than such sum due to such Lender or the Agent (as the case may be) in the applicable Primary Currency, each Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify such Lender or the Agent (as the case may be) against such loss, and if the amount of the applicable Primary Currency so purchased exceeds such sum due to any Lender

or the Agent (as the case may be) in the applicable Primary Currency, such Lender or the Agent (as the case may be) agrees to remit to such Borrower such excess.

SECTION 9.13. Jurisdiction, Etc. (a) Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the Notes, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the extent permitted by law, in such federal court. Each Designated Subsidiary hereby agrees that service of process in any such action or proceeding brought in the any such New York State court or in such federal court may be made upon the Company and each Designated Subsidiary hereby irrevocably appoints the Company its authorized agent to accept such service of process, and agrees that the failure of the Company to give any notice of any such service shall not impair or affect the validity of such service or of any judgment rendered in any action or proceeding based thereon. The Company and each Designated Subsidiary hereby further irrevocably consent to the service of process in any action or proceeding in such courts by the mailing thereof by any parties hereto by registered or certified mail, postage prepaid, to the Company at its address specified pursuant to Section 9.02. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that any party may otherwise have to bring any action or proceeding relating to this Agreement or the Notes in the courts of any jurisdiction. To the extent that each Designated Subsidiary has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, each Designated Subsidiary hereby irrevocably waives such immunity in respect of its obligations under this Agreement.

(b) Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the Notes in any New York State or federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

SECTION 9.14. Substitution of Currency. If a change in any Committed Currency occurs pursuant to any applicable law, rule or regulation of any governmental, monetary or multi-national authority, this Agreement (including, without limitation, the definition of Eurocurrency Rate) will be amended to the extent determined by the Agent (acting reasonably and in consultation with the Company) to be necessary to reflect the change in currency and to put the Lenders and the Borrowers in the same position, so far as possible, that they would have been in if no change in such Committed Currency had occurred.

SECTION 9.15. No Liability of the Issuing Banks. The Borrowers assume all risks of the acts or omissions of any beneficiary or transferee of any Letter of Credit with respect to its use of such Letter of Credit. Neither an Issuing Bank nor any of its officers or directors shall be liable or responsible for: (a) the use that may be made of any Letter of Credit or any acts or omissions of any beneficiary or transferee in connection therewith; (b) the validity, sufficiency or genuineness of documents, or of any endorsement thereon, even if such documents should prove to be in any or all respects invalid, insufficient, fraudulent or forged; (c) payment by such Issuing Bank against presentation of documents that do not comply with the terms of a Letter of Credit, including failure of any documents to bear any reference or adequate reference to the Letter of Credit; or (d) any other circumstances whatsoever in making or failing to make payment under any Letter of Credit, except that the applicable Borrower shall have a claim against such Issuing Bank, and such Issuing Bank shall be liable to such Borrower, to the extent of any direct, but not consequential, damages suffered by such Borrower that such Borrower proves were caused by such Issuing Bank's willful misconduct or gross negligence when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. In furtherance and not in limitation of

the foregoing, such Issuing Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary; provided that nothing herein shall be deemed to excuse such Issuing Bank if it acts with gross negligence or willful misconduct in accepting such documents.

SECTION 9.16. Patriot Act Notice. Each Lender and the Agent (for itself and not on behalf of any Lender) hereby notifies each Borrower that pursuant to the requirements of the Patriot Act, it is required to obtain, verify and record information that identifies each Borrower, which information includes the name and address of each Borrower and other information that will allow such Lender or the Agent, as applicable, to identify each Borrower in accordance with the Patriot Act. Each Borrower shall provide such information and take such actions as are reasonably requested by the Agent or any Lenders in order to assist the Agent and the Lenders in maintaining compliance with the Patriot Act or any similar "know your customer" or other similar checks under all applicable laws and regulations.

SECTION 9.17. Power of Attorney. Each Subsidiary of the Company may from time to time authorize and appoint the Company as its attorney-in-fact to execute and deliver (a) any amendment, waiver or consent in accordance with Section 9.01 on behalf of and in the name of such Subsidiary and (b) any notice or other communication hereunder, on behalf of and in the name of such Subsidiary. Such authorization shall become effective as of the date on which such Subsidiary delivers to the Agent a power of attorney enforceable under applicable law and any additional information to the Agent as necessary to make such power of attorney the legal, valid and binding obligation of such Subsidiary.

SECTION 9.18. Waiver of Jury Trial. Each of the Company, the other Borrowers, the Agent and the Lenders hereby irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to this Agreement or the Notes or the actions of the Agent or any Lender in the negotiation, administration, performance or enforcement thereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

DENTSPLY INTERNATIONAL INC.

By

William R. Jellison
Senior Vice President and Chief Financial Officer

By

William E. Reardon
Treasurer

CITIBANK, N.A.,
as Agent

By

Title:

Initial Lenders
CITIBANK, N.A.

By

Title:

JPMORGAN CHASE BANK, N.A.

By _____
Title:

HARRIS TRUST AND SAVINGS BANK

By _____
Name: Mark Piekos
Title: Director

MANUFACTURERS AND TRADERS TRUST COMPANY

By _____
Title:

WACHOVIA BANK, NATIONAL ASSOCIATION

By _____
Title:

JPMORGAN CHASE BANK, N.A.

By _____
Title:

BANK OF AMERICA, N.A.

By _____
Title:

DRESDNER BANK AG, in FRANKFURT AM MAIN

By _____
Title:

THE BANK OF TOKYO-MITSUBISHI LTD.

By _____
Title:

ABN AMRO BANK, N.V.

By

Title:

KBC BANK, N.V.

By

Title:

MIZUHO CORPORATE BANK (USA)

By

Title:

PNC BANK, NATIONAL ASSOCIATION

By

Title:

UBS LOAN FINANCE LLC

By

Title:

By

Title:

SCHEDULE I
DENTSPLY INTERNATIONAL INC.
FIVE YEAR CREDIT AGREEMENT
APPLICABLE LENDING OFFICES

Name of Initial Lender	Revolving Credit Commitment	Letter of Credit Commitment	Domestic Lending Office	Eurocurrency Lending Office
Citibank, N.A.	\$60,000,000	\$50,000,000	Two Penns Way New Castle, DE 19720 Attn: Bank Loan Syndications T: 302 894-6029 F: 212 994-0961	Two Penns Way New Castle, DE 19720 Attn: Bank Loan Syndications T: 302 894-6029 F: 212 994-0961
JPMorgan Chase Bank, N.A.	\$60,000,000	\$0	695 Rte 46 West Fairfield, NJ 07004 Attn: Alice Shanahan T: 973 439-5034 F: 973 439-5013	695 Rte 46 West Fairfield, NJ 07004 Attn: Alice Shanahan T: 973 439-5034 F: 973 439-5013

Harris Trust and Savings Bank	\$50,000,000	\$0	115 S. LaSalle 17th Floor Chicago, IL 60603 Attn: N'Gina Armstrong T: 312 461-3158 F: 312 293-5283	115 S. LaSalle 17th Floor Chicago, IL 60603 Attn: N'Gina Armstrong T: 312 461-3158 F: 312 293-5283
Manufacturers and Traders Trust Company	\$50,000,000	\$0	1 Fountain Plaza 2nd Floor Buffalo, NY 14240 Attn: T: 716 848-3448 F: 716 848-7881	1 Fountain Plaza 2nd Floor Buffalo, NY 14240 Attn: T: 716 848-3448 F: 716 848-7881
Wachovia Bank, National Association	\$50,000,000	\$0	201 S. College St. Charlotte, NC 28288 Attn: Lekeisha Neely T: 704 374-6145 F: 704 715-0095	201 S. College St. Charlotte, NC 28288 Attn: Lekeisha Neely T: 704 374-6145 F: 704 715-0095
Bank of America, N.A.	\$35,000,000	\$0	2001 Clayton Rd. (Mail Code: CA4-702-02-25) Concord, CA 94520 Attn: Indiana Arguello T: 925 675-8075 F: 888 969-9261	2001 Clayton Rd. (Mail Code: CA4-702-02-25) Concord, CA 94520 Attn: Indiana Arguello T: 925 675-8075 F: 888 969-9261
Dresdner Bank AG in Frankfurt am Main	\$35,000,000	\$0	Gallusanlage 2, 3. OG Frankfurt, Germany Attn: Matthias Hopfgarten T: 0049-69-263-12874 F: 0049-69-236-12878	Gallusanlage 2, 3. OG Frankfurt, Germany Attn: Matthias Hopfgarten T: 0049-69-263-12874 F: 0049-69-236-12878
The Bank of Tokyo-Mitsubishi Ltd.	\$35,000,000	\$0		
ABN AMRO Bank N.V.	\$25,000,000	\$0	540 West Madison Street, Suite 2100 Chicago, IL 60661 Attn: Loan Administration T: 312 992-5150 F: 312 992-5155	540 West Madison Street, Suite 2100 Chicago, IL 60661 Attn: Loan Administration T: 312 992-5150 F: 312 992-5155
KBC Bank N.V.	\$25,000,000	\$0	125 West 55th Street 10th Floor New York, NY 10019 Attn: Rose Pagan T: 212 541-0657 F: 212 956-5581	125 West 55th Street 10th Floor New York, NY 10019 Attn: Rose Pagan T: 212 541-0657 F: 212 956-5581
Mizuho Corporate Bank (USA)	\$25,000,000	\$0	1800 Plaza Ten Jersey City, NJ 07311 Attn: Nate Spivey T: 201 626-9280 F: 201 626-9932	1800 Plaza Ten Jersey City, NJ 07311 Attn: Nate Spivey T: 201 626-9280 F: 201 626-9932
PNC Bank, National Association	\$25,000,000	\$0	500 First Avenue Pittsburgh, PA 15219 Attn: Bret Stezoski T: 412 768-7517 F: 412 768-4586	500 First Avenue Pittsburgh, PA 15219 Attn: Bret Stezoski T: 412 768-7517 F: 412 768-4586
UBS Loan Finance LLC	\$25,000,000	\$0	677 Washington Blvd Stamford, CT Attn: Christopher Aitkin T: 203 719-3845 F: 203 719-3888	677 Washington Blvd Stamford, CT Attn: Christopher Aitkin T: 203 719-3845 F: 203 719-3888

EXHIBIT A - FORM OF
REVOLVING CREDIT
PROMISSORY NOTE

U.S.\$ _____ Dated: _____, 200_

FOR VALUE RECEIVED, the undersigned, [NAME OF BORROWER], a

_____ corporation (the "Borrower"), HEREBY PROMISES TO PAY to the order of _____ (the "Lender") for the account of its Applicable Lending Office on the Termination Date (each as defined in the Credit Agreement referred to below) the principal sum of U.S.\$[amount of the Lender's Commitment in figures] or, if less, the aggregate principal amount of the Advances (as defined below) made by the Lender to the [Dentsply International Inc.,] pursuant to the Five Year Credit Agreement dated as of May 9, 2005 among the Borrower, the Lender and certain other lenders parties thereto, JPMorgan Chase Bank, N.A., as syndication agent, Harris Trust and Savings Bank, Manufacturers and Traders Trust Company and Wachovia Bank, National Association, as co-documentation agents, Citigroup Global Markets Inc. and J.P. Morgan Securities Inc., as joint lead arrangers and joint bookrunners, and Citibank, N.A. as Agent for the Lender and such other lenders (as amended or modified from time to time, the "Credit Agreement"; the terms defined therein being used herein as therein defined) outstanding on the Termination Date.

The Borrower promises to pay interest on the unpaid principal amount of each Advance from the date of such Advance until such principal amount is paid in full, at such interest rates, and payable at such times, as are specified in the Credit Agreement.

Both principal and interest in respect of each Advance (i) in Dollars are payable in lawful money of the United States of America to the Agent at its account maintained at Two Penns Way, New Castle, Delaware 19720, in same day funds and (ii) in any Committed Currency are payable in such currency at the applicable Payment Office in same day funds. Each Advance owing to the Lender by the Borrower pursuant to the Credit Agreement, and all payments made on account of principal thereof, shall be recorded by the Lender and, prior to any transfer hereof, endorsed on the grid attached hereto which is part of this Promissory Note.

This Promissory Note is one of the Notes referred to in, and is entitled to the benefits of, the Credit Agreement. The Credit Agreement, among other things, (i) provides for the making of advances (the "Advances") by the Lender to the Borrower from time to time in an aggregate amount not to exceed at any time outstanding the U.S. dollar amount first above mentioned, the indebtedness of the Borrower resulting from each such Advance being evidenced by this Promissory Note, (ii) contains provisions for determining the Dollar Equivalent of Advances denominated in Committed Currencies and (iii) contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified.

[NAME OF BORROWER]

By _____
Title:

ADVANCES AND PAYMENTS OF PRINCIPAL

Amount of
Date Amount of Principal Paid Unpaid Principal Notation
Advance or Prepaid Balance Made By

to the Credit Agreement referred to below
Two Penns Way
New Castle, Delaware 19720
[Date]

Attention: Bank Loan Syndications Department

Ladies and Gentlemen:

The undersigned, [NAME OF BORROWER], refers to the Five Year Credit Agreement, dated as of May 9, 2005 (as amended or modified from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined), among the undersigned, [Dentsply International Inc.,] certain Lenders parties thereto, JPMorgan Chase Bank, N.A., as syndication agent, Harris Trust and Savings Bank, Manufacturers and Traders Trust Company and Wachovia Bank, National Association, as co-documentation agents, Citigroup Global Markets Inc. and J.P. Morgan Securities Inc., as joint lead arrangers and joint bookrunners, and Citibank, N.A., as Agent for said Lenders, and hereby gives you notice, irrevocably, pursuant to Section 2.02 of the Credit Agreement that the undersigned hereby requests a Borrowing under the Credit Agreement, and in that connection sets forth below the information relating to such Borrowing (the "Proposed Borrowing") as required by Section 2.02(a) of the Credit Agreement:

- (i) The Business Day of the Proposed Borrowing is _____, 200_.
- (ii) The Type of Advances comprising the Proposed Borrowing is [Base Rate Advances] [Eurocurrency Rate Advances].
- (iii) The aggregate amount of the Proposed Borrowing is \$ _____ [for a Borrowing in a Committed Currency, list currency and amount of Borrowing].
- [(iv) The initial Interest Period for each Eurocurrency Rate Advance made as part of the Proposed Borrowing is _____ month[s].]

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Borrowing:

(A) the representations and warranties contained in Section 4.01 of the Credit Agreement (except the representations set forth in the last sentence of subsection (e) thereof and in subsection (f)(i) thereof) and, in the case of any Borrowing made to a Designated Subsidiary, in the Designation Agreement for such Designated Subsidiary, are correct, before and after giving effect to the Proposed Borrowing and to the application of the proceeds therefrom, as though made on and as of such date; and

(B) no event has occurred and is continuing, or would result from such Proposed Borrowing or from the application of the proceeds therefrom, that constitutes a Default.

Very truly yours,

[NAME OF BORROWER]

By _____
Title:

ASSIGNMENT AND ACCEPTANCE

Reference is made to the Five Year Credit Agreement dated as of May 9, 2005 (as amended or modified from time to time, the "Credit Agreement") among Dentsply International Inc., a Delaware corporation (the "Company"), the Lenders (as defined in the Credit Agreement), JPMorgan Chase Bank, N.A., as syndication agent, Harris Trust and Savings Bank, Manufacturers and Traders Trust Company and Wachovia Bank, National Association, as co-documentation agents, Citigroup Global Markets Inc. and J.P. Morgan Securities Inc., as joint lead arrangers and joint bookrunners, and Citibank, N.A., as agent for the Lenders (the "Agent"). Terms defined in the Credit Agreement are used herein with the same meaning.

The "Assignor" and the "Assignee" referred to on Schedule I hereto agree as follows:

1. The Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, an interest in and to the Assignor's rights and obligations under the [Credit Agreement as of the date hereof] [the Letter of Credit Facility] equal to the percentage interest specified on Schedule 1 hereto of [all outstanding rights and obligations under the Credit Agreement together with participations in Letters of Credit held by the Assignor on the date hereof] [such Assignor's Unissued Letter of Credit Commitment]. After giving effect to such sale and assignment, the Assignee's [Revolving Credit Commitment and the amount of the Advances owing to the Assignee] [Letter of Credit Commitment] will be as set forth on Schedule 1 hereto.
2. The Assignor (i) represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim; (ii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of, or the perfection or priority of any lien or security interest created or purported to be created under or in connection with, the Credit Agreement or any other instrument or document furnished pursuant thereto; (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Company or any other Borrower or the performance or observance by the Company or any other Borrower of any of its obligations under the Credit Agreement or any other instrument or document furnished pursuant thereto; and (iv) attaches the Note[, if any,] held by the Assignor [and requests that the Agent exchange such Note for a new Note payable to the order of [the Assignee in an amount equal to the Commitments assumed by the Assignee pursuant hereto or new Notes payable to the order of the Assignee in an amount equal to the Commitments assumed by the Assignee pursuant hereto and] the Assignor in an amount equal to the Commitments retained by the Assignor under the Credit Agreement[, respectively,] as specified on Schedule 1 hereto].
3. The Assignee (i) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Section 4.01 thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (ii) agrees that it will, independently and without reliance upon the Agent, the Assignor or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iii) confirms that it is an Eligible Assignee; (iv) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Credit Agreement as are delegated to the Agent by the terms thereof, together with such powers and discretion as are reasonably incidental thereto; (v) agrees that it will perform in accordance with their terms all of the obligations that by the terms of the Credit Agreement are required to be performed by it as a Lender; and (vi) attaches any U.S. Internal Revenue Service forms required under Section 2.14 of the Credit Agreement.
4. Following the execution of this Assignment and Acceptance, it will be delivered to the Agent for acceptance and recording by the Agent. The effective date for this Assignment and Acceptance (the "Effective Date") shall be the date of acceptance hereof by the Agent, unless otherwise specified on Schedule 1 hereto.

5. Upon such acceptance and recording by the Agent, as of the Effective Date, (i) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Credit Agreement.

6. Upon such acceptance and recording by the Agent, from and after the Effective Date, the Agent shall make all payments under the Credit Agreement and the Notes in respect of the interest assigned hereby (including, without limitation, all payments of principal, interest and facility fees with respect thereto) to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments under the Credit Agreement and the Notes for periods prior to the Effective Date directly between themselves.

7. This Assignment and Acceptance shall be governed by, and construed in accordance with, the laws of the State of New York.

8. This Assignment and Acceptance may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of Schedule 1 to this Assignment and Acceptance by telecopier shall be effective as delivery of a manually executed counterpart of this Assignment and Acceptance.

IN WITNESS WHEREOF, the Assignor and the Assignee have caused Schedule 1 to this Assignment and Acceptance to be executed by their officers thereunto duly authorized as of the date specified thereon.

Schedule 1
to
Assignment and Acceptance

Percentage interest assigned: _____ %
[Assignee's Revolving Credit Commitment: \$ _____]
Aggregate outstanding principal amount of Revolving Credit Advances assigned: \$ _____
Principal amount of Note payable to Assignee: \$ _____
Principal amount of Note payable to Assignor: \$ _____]
[Assignee's Letter of Credit Commitment: \$ _____]
Effective Date*: _____, 200_

[NAME OF ASSIGNOR], as Assignor

By _____

Title:

Dated: _____, 200_

[NAME OF ASSIGNEE], as Assignee

By _____

Title:

Dated: _____, 200_

Domestic Lending Office:

[Address]

Eurocurrency Lending Office:
Address]

Accepted [and Approved]** this
_____ day of _____, 200_

CITIBANK, N.A., as Agent

By _____
Title:

[Approved this _____ day
of _____, 200_

DENTSPLY INTERNATIONAL INC.

By _____]*
Title:

EXHIBIT D - FORM OF
OPINION OF COUNSEL
FOR THE COMPANY

[Effective Date]

To each of the Lenders parties
to the Five Year Credit Agreement dated
as of May 9, 2005
among Dentsply International Inc.,
said Lenders and Citibank, N.A.,
as Agent for said Lenders, and
to Citibank, N.A., as Agent

Dentsply International Inc.

Ladies and Gentlemen:

This opinion is furnished to you pursuant to Section 3.01(h)
(iv) of the Five Year Credit Agreement, dated as of May
9, 2005 (the "Credit Agreement"), among Dentsply International Inc.
(the "Borrower"), the Lenders parties thereto, JPMorgan Chase
Bank, N.A., as syndication agent, Harris Trust and Savings Bank,
Manufacturers and Traders Trust Company and Wachovia Bank, National
Association, as co-documentation agents, Citigroup Global Markets Inc.
and J.P. Morgan Securities Inc., as joint lead arrangers and
joint bookrunners, and Citibank, N.A., as Agent for said Lenders. Terms
defined in the Credit Agreement are used herein as therein defined.

We have acted as counsel for the Borrower in connection with the preparation,
execution and delivery of the Credit Agreement.

In that connection, we have examined:

(1) The Credit Agreement.

(2) The documents furnished by the Borrower pursuant to Article III of the Credit Agreement.

(3) The [Articles] [Certificate] of Incorporation of the Borrower and all amendments thereto (the "Charter").

(4) The by-laws of the Borrower and all amendments thereto (the "By-laws").

(5) A certificate of the Secretary of State of _____, dated _____, 2005, attesting to the continued corporate existence and good standing of the Borrower in that State.

We have also examined the originals, or copies certified to our satisfaction, of the documents listed in a certificate of the chief financial officer of the Borrower, dated the date hereof (the "Certificate"), certifying that the documents listed in such certificate are all of the indentures, loan or credit agreements, leases, guarantees, mortgages, security agreements, bonds, notes and other agreements or instruments, and all of the orders, writs, judgments, awards, injunctions and decrees, that affect or purport to affect the Borrower's right to borrow money or the Borrower's obligations under the Credit Agreement or the Notes. In addition, we have examined the originals, or copies certified to our satisfaction, of such other corporate records of the Borrower, certificates of public officials and of officers of the Borrower, and agreements, instruments and other documents, as we have deemed necessary as a basis for the opinions expressed below. As to questions of fact material to such opinions, we have, when relevant facts were not independently established by us, relied upon certificates of the Borrower or its officers or of public officials. We have assumed the due execution and delivery, pursuant to due authorization, of the Credit Agreement by the Initial Lenders and the Agent.

Our opinions expressed below are limited to the law of the State of [New York], the General Corporation Law of the State of Delaware and the Federal law of the United States.

Based upon the foregoing and upon such investigation as we have deemed necessary, we are of the following opinion:

1. The Borrower is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.
2. The execution, delivery and performance by the Borrower of the Credit Agreement and the Notes, and the consummation of the transactions contemplated thereby, are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action, and do not contravene (i) the Charter or the By-laws or (ii) any law, rule or regulation applicable to the Borrower (including, without limitation, Regulation X of the Board of Governors of the Federal Reserve System) or (iii) any contractual or legal restriction contained in any document listed in the Certificate or, to the best of our knowledge, contained in any other similar document. The Credit Agreement and the Notes have been duly executed and delivered on behalf of the Borrower.
3. No authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other third party is required for the due execution, delivery and performance by the Borrower of the Credit Agreement and the Notes.
4. The Credit Agreement is, and after giving effect to the initial Borrowing, the Notes will be, legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their respective terms.
5. To the best of our knowledge, there are no pending or overtly threatened actions or proceedings against the Borrower or any of its Subsidiaries before any court, governmental agency or arbitrator that purport to affect the legality, validity, binding effect or enforceability of the Credit Agreement or any of the Notes or the consummation of the transactions contemplated thereby or that are likely to have a materially adverse effect upon the financial condition or operations of the Borrower or any of its Subsidiaries.

The opinions set forth above are subject to the following qualifications:

(a) Our opinion in paragraph 4 above as to enforceability is subject to the effect of any applicable bankruptcy, insolvency (including, without limitation, all laws relating to fraudulent transfers), reorganization, moratorium or similar law affecting creditors' rights generally.

(b) Our opinion in paragraph 4 above as to enforceability is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing (regardless of whether considered in a proceeding in equity or at law).

(c) We express no opinion as to (i) Section 2.14 of the Credit Agreement insofar as it provides that any Lender purchasing a participation from another Lender pursuant thereto may exercise set-off or similar rights with respect to such participation and (ii) the effect of the law of any jurisdiction other than the State of [New York] wherein any Lender may be located or wherein enforcement of the Credit Agreement or the Notes may be sought that limits the rates of interest legally chargeable or collectible.

Very truly yours,

EXHIBIT E - FORM OF
DESIGNATION AGREEMENT

[DATE]

To each of the Lenders
parties to the Credit Agreement
(as defined below) and to Citibank, N.A.,
as Agent for such Lenders

Ladies and Gentlemen:

Reference is made to the Five Year Credit Agreement dated as of May 9, 2005 (as amended or modified from time to time, the "Credit Agreement") among Dentsply International Inc., a Delaware corporation (the "Company"), the Lenders (as defined in the Credit Agreement), JPMorgan Chase Bank, N.A., as syndication agent, Harris Trust and Savings Bank, Manufacturers and Traders Trust Company and Wachovia Bank, National Association, as co-documentation agents, Citigroup Global Markets Inc. and J.P. Morgan Securities Inc., as joint lead arrangers and joint bookrunners, and Citibank, N.A., as agent for the Lenders (the "Agent"). Terms defined in the Credit Agreement are used herein with the same meaning.

Please be advised that the Company hereby designates its undersigned Subsidiary, _____ ("Designated Subsidiary"), as a "Designated Subsidiary" under and for all purposes of the Credit Agreement.

The Designated Subsidiary, in consideration of each Lender's agreement to extend credit to it under and on the terms and conditions set forth in the Credit Agreement, does hereby assume each of the obligations imposed upon a "Designated Subsidiary" and a "Borrower" under the Credit Agreement and agrees to be bound by the terms and conditions of the Credit Agreement. In furtherance of the foregoing, the Designated Subsidiary hereby represents and warrants to each Lender as follows:

(a) The Designated Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of _____.

(b) The execution, delivery and performance by the Designated Subsidiary of this Designation Agreement, the Credit Agreement and the Notes to be delivered by it are within the Designated Subsidiary's

corporate or other powers, have been duly authorized by all necessary corporate or other action and do not contravene (i) the Designated Subsidiary's charter or by-laws or (ii) law or any contractual restriction binding on or affecting the Designated Subsidiary. The Designation Agreement and the Notes delivered by it have been duly executed and delivered on behalf of the Designated Subsidiary.

(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any third party is required for the due execution, delivery and performance by the Designated Subsidiary of this Designation Agreement, the Credit Agreement or the Notes to be delivered by it.

(d) This Designation Agreement is, and the Notes to be delivered by the Designated Subsidiary when delivered will be, legal, valid and binding obligations of the Designated Subsidiary enforceable against the Designated Subsidiary in accordance with their respective terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or law).

(e) There is no pending or threatened action, suit, investigation or proceeding, including, without limitation, any Environmental Action, affecting the Designated Subsidiary or any of its Subsidiaries before any court, governmental agency or arbitrator that purports to affect the legality, validity or enforceability of this Designation Agreement, the Credit Agreement or any Note of the Designated Subsidiary.

The Designated Subsidiary hereby agrees that service of process in any action or proceeding brought in any New York State court or in federal court may be made upon the Company at its offices at _____, Attention: _____ (the "Process Agent") and the Designated Subsidiary hereby irrevocably appoints the Process Agent to give any notice of any such service of process, and agrees that the failure of the Process Agent to give any notice of any such service shall not impair or affect the validity of such service or of any judgment rendered in any action or proceeding based thereon.

The Company hereby accepts such appointment as Process Agent and agrees with you that (i) the Company will maintain an office in _____, New York through the Termination Date and will give the Agent prompt notice of any change of address of the Company, (ii) the Company will perform its duties as Process Agent to receive on behalf of the Designated Subsidiary and its property service of copies of the summons and complaint and any other process which may be served in any action or proceeding in any New York State or federal court sitting in New York City arising out of or relating to the Credit Agreement and (iii) the Company will forward forthwith to the Designated Subsidiary at its address at _____ or, if different, its then current address, copies of any summons, complaint and other process which the Company received in connection with its appointment as Process Agent.

This Designation Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

Very truly yours,

DENTSPLY INTERNATIONAL INC.

By _____

Name:

Title:

[THE DESIGNATED SUBSIDIARY]

By _____

Name:

Title:

EXECUTION COPY

U.S. \$500,000,000

FIVE YEAR CREDIT AGREEMENT

Dated as of May 9, 2005

Among

DENTSPLY INTERNATIONAL INC.
as Borrower

and

THE INITIAL LENDERS NAMED HEREIN
as Initial Lenders

and

CITIBANK, N.A.
as Administrative Agent

and

JPMORGAN CHASE BANK, N.A.
as Syndication Agent

and

HARRIS TRUST AND SAVINGS BANK
MANUFACTURERS AND TRADERS TRUST COMPANY
and
WACHOVIA BANK, NATIONAL ASSOCIATION

as Co-Documentation Agents

and

CITIGROUP GLOBAL MARKETS INC.
and
J.P. MORGAN SECURITIES INC.

as Joint Lead Arrangers and Joint Bookrunners

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Exhibit D	-	Form of Opinion of Counsel for the Company
Exhibit E	-	Form of Designation Letter

* This date should be no earlier than five Business Days after the delivery of this Assignment and Acceptance to the Agent.

** Required if the Assignee is an Eligible Assignee solely by reason of clause (viii) of the definition of "Eligible Assignee". * Required if the Assignee is an Eligible Assignee solely by reason of clause (viii) of the definition of "Eligible Assignee".

Section 302 Certifications Statement

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

1. I have reviewed this Form 10-K 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) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) 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
 - (d) 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: March 10, 2006

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

Section 302 Certifications Statement

I, William R. Jellison, certify that:

1. I have reviewed this Form 10-K 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) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) 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
 - (d) 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;
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: March 10, 2006

/s/ William R. Jellison
William R. Jellison
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 Annual Report of DENTSPLY International Inc. (the "Company") on Form 10-K for the year ending December 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), We, Gerald K. Kunkle, Jr., Chief Executive Officer and Chairman of the Board of Directors of the Company and William R. Jellison, 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
Chairman of the Board of Directors

/s/ William R. Jellison
William R. Jellison
Senior Vice President and
Chief Financial Officer

March 10, 2006

DENTSPLY International Inc.
2002 Amended and Restated Equity Incentive Plan

SECTION 1 PURPOSE

The purpose of the DENTSPLY International Inc. 2002 Amended and Restated Equity Incentive Plan (originally named the "DENTSPLY International Inc. 2002 Stock Option Plan") (the "Plan") is to benefit DENTSPLY International Inc. ("DENTSPLY") and its "Subsidiaries," as defined below (hereinafter referred to, either individually or collectively, as the "Company") by recognizing the contributions made to the Company by officers and other key employees, consultants and advisers, to provide such persons with an additional incentive to devote themselves to the future success of the Company, and to improve the ability of the Company to attract, retain and motivate such persons. The Plan is also intended as an additional incentive to members of the Board of Directors of DENTSPLY (the "Board") who are not employees of the Company ("Outside Directors") to serve on the Board and to devote themselves to the future success of the Company. "Subsidiaries," as used in the Plan, has the definition set forth in Section 424 (f) of the Internal Revenue Code of 1986, as amended (the "Code"). The original effective date of the Plan was March 22, 2002 ("Effective Date"). An amendment and restatement of the Plan was approved by the Board as of March 22, 2005, to change the name of the Plan to the "2002 Amended and Restated Equity Incentive Plan", to provide for the grant of restricted stock, restricted stock units and stock appreciation rights to eligible participants and to make conforming changes in other provisions.

Stock options which constitute "incentive stock options" within the meaning of Section 422 of the Code ("ISOs"), stock options which do not constitute ISOs ("NSOs"), stock which is subject to certain forfeiture risks and restrictions ("Restricted Stock"), stock delivered upon vesting of units ("Restricted Stock Units") and stock appreciation rights ("Stock Appreciation Rights") may be awarded under the Plan. ISOs and NSOs are collectively referred to as "Options." Options, Restricted Stock, Restricted Stock Units and Stock Appreciation Rights are collectively referred to as "Awards." The persons to whom Options are granted under the Plan are hereinafter referred to as "Optionees." The persons to whom Restricted Stock, Restricted Stock Units and/or Stock Appreciation Rights are granted under the Plan are hereinafter referred to as "Grantees."

SECTION 2 ELIGIBILITY

Outside Directors shall participate in the Plan only in accordance with the provisions of Section 5. The Committee (as defined in Section 3) shall initially, and from time to time thereafter, select those officers and other key employees of the Company, including members of the Board who are also employees ("Employee Directors"), and consultants and advisers to the Company, to participate in the Plan on the basis of the importance of their services in the management, development and operations of the Company. Officers, other key employees and Employee Directors are collectively referred to as "Key Employees."

SECTION 3 ADMINISTRATION

3.1 The Committee

The Plan shall be administered by the Human Resources Committee of the Board or a subcommittee thereof ("Committee"). The Committee shall be comprised of two (2) or more members of the Board. All members of the Committee shall qualify as "Non-Employee Directors" as defined in Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "1934 Act"), or any successor rule or regulation, "independent directors" as defined in Section 4200(15) of the Marketplace Rules of The Nasdaq Stock Market and "outside directors" as defined in Section 162(m) or any successor provision of the Code and applicable Treasury regulations thereunder, if such qualification is deemed necessary in order for the grant or the exercise of Options under the Plan to qualify for any tax or other material benefit to Optionees or the Company under applicable law.

3.2 Authority of the Committee

Subject to the express provisions of the Plan, the Committee

shall have sole discretion concerning all matters relating to the Plan and Awards granted hereunder. The Committee, in its sole discretion, shall determine the Key Employees, consultants and advisors to whom, and the time or times at which, Awards will be granted, the number of shares to be subject to each Award, the expiration date of each Award, the time or times within which the Option may be exercised or forfeiture restrictions lapse, the cancellation or termination of the Award and the other terms and conditions of the grant of the Award. The terms and conditions of Awards need not be the same with respect to each Optionee and/or Grantee or with respect to each Award.

The Committee may, subject to the provisions of the Plan, establish such rules and regulations as it deems necessary or advisable for the proper administration of the Plan, and may make determinations and may take such other actions in connection with or in relation to the Plan as it deems necessary or advisable. Each determination or other action made or taken pursuant to the Plan, including interpretation of the Plan and the specific terms and conditions of the Award granted hereunder by the Committee, shall be final, binding and conclusive for all purposes and upon all persons.

3.3 Award Agreement

Each Award shall be evidenced by a written agreement or grant certificate specifying the type of Award granted, the number of shares of Common Stock, par value \$.01 per share ("Common Stock") to be subject to such Award and, as applicable, the vesting schedule, the exercise or grant price, the terms for payment of the exercise price, the expiration date of the Option, the restrictions imposed upon the Restricted Stock and/or Restricted Stock Units and such other terms and conditions established by the Committee, in its sole discretion, which are not inconsistent with the Plan.

SECTION 4 SHARES OF COMMON STOCK SUBJECT TO THE PLAN

4.1 Subject to adjustment as provided in Sections 4.1 and 4.2, Options, Restricted Stock, Restricted Stock Units and Stock Appreciation Rights with respect to an aggregate of seven million (7,000,000) shares of common stock, par value \$.01 per share of DENTSPLY (the "Common Stock") (plus any shares of Common Stock covered by any unexercised portion of canceled or terminated stock options granted under the DENTSPLY International Inc. 1993 Stock Option Plan or 1998 Stock Option Plan), may be granted under the Plan (the "Maximum Number"). The Maximum Number shall be increased on January 1 of each calendar year during the term of the Plan (as set forth in Section 16) to equal seven percent (7%) of the outstanding shares of Common Stock on such date, in the event that seven million (7,000,000) shares is less than seven percent (7%) of the outstanding shares of Common Stock on such date, prior to such increase. Notwithstanding the foregoing, and subject to adjustment as provided in Section 4.2, (i) Options with respect to no more than one million (1,000,000) shares of Common Stock may be granted as ISOs under the Plan, (ii) no more than two million (2,000,000) shares may be awarded as Restricted Stock or Restricted Stock Units under the Plan, and (iii) in any calendar year no Key Employee shall be granted Options or Stock Appreciation Rights with respect to more than five hundred thousand (500,000) shares of Common Stock or Restricted Stock and Restricted Stock Units in excess of 150,000 shares of Common Stock. Any shares of Common Stock reserved for issuance upon exercise of Options or Stock Appreciation Rights which expire, terminate or are cancelled, and any shares of Common Stock subject to any grant of Restricted Stock or Restricted Stock Units which are forfeited, may again be subject to new Awards under the Plan. For the avoidance of doubt, the amendment and restatement of the Plan does not increase the Maximum Number and notwithstanding any adjustment in the Maximum Number, as provided above, all Awards granted under the Plan on or following the Effective Date, subject to forfeitures or cancellation, shall be counted towards the Maximum Number.

4.2 The number of shares of Common Stock subject to the Plan and to Awards granted under the Plan shall be adjusted as follows: (a) in the event that the number of outstanding shares of Common Stock is changed by any stock dividend, stock split or combination of shares, the number of shares subject to the Plan and to Awards previously granted thereunder shall be proportionately adjusted, (b) in the event of any merger, consolidation or reorganization of the Company with any other

corporation or corporations, there shall be substituted on an equitable basis as determined by the Board of Directors, in its sole discretion, for each share of Common Stock then subject to the Plan and for each share of Common Stock then subject to an Award granted under the Plan, the number and kind of shares of stock, other securities, cash or other property to which the holders of Common Stock of the Company are entitled pursuant to the transaction, and (c) in the event of any other changes in the capitalization of the Company, the Committee, in its sole discretion, shall provide for an equitable adjustment in the number of shares of Common Stock then subject to the Plan and to each share of Common Stock then subject to Award granted under the Plan. In the event of any such adjustment, the exercise price per share of any Options or Stock Appreciation Rights shall be proportionately adjusted.

SECTION 5 GRANT OF OPTIONS TO OUTSIDE DIRECTORS

5.1 Grants

All grants of Options to Outside Directors shall be automatic and non-discretionary. Each individual who becomes an Outside Director (other than an Outside Director who was previously an Employee Director) shall be granted a NSO to purchase nine thousand (9,000) shares of Common Stock on the date he or she becomes an Outside Director. Each individual who is an Employee Director and who thereafter becomes an Outside Director shall be granted automatically a NSO to purchase nine thousand (9,000) shares of Common Stock on the third anniversary of the date such Employee Director was last granted an Option. Thereafter, each Outside Director who holds NSOs granted under this Section 5 and is re-elected to the Board shall be granted an additional NSO to purchase nine thousand (9,000) shares of Common Stock on the third anniversary of the date such Outside Director was last granted an Option.

5.2 Expiration

Except to the extent otherwise provided in or pursuant to Section 11, each Option shall expire, and all rights to purchase shares of Common Stock shall expire, on the tenth anniversary of the date on which the Option was granted.

5.3 Exercise Price

The exercise price of each NSO granted to an Outside Director shall be the "Fair Market Value," on the date on which the Option is granted, of the Common Stock subject to the Option. For purposes of the Plan, "Fair Market Value" shall mean the closing sales price of the Common Stock on The Nasdaq National Market, or other national securities exchange which is the principal securities market on which the Common Stock is traded (as reported in The Wall Street Journal, Eastern Edition).

5.4 Vesting

Each such NSO shall become exercisable ("vest") with respect to one-third of the total number of shares of Common Stock subject to the Option on the first anniversary following the date of its grant, and with respect to an additional one-third of the total number of shares of Common Stock subject to the Option, on each anniversary thereafter during the succeeding two years.

5.5 Restricted Stock, Restricted Stock Units and Stock Appreciation Rights

Notwithstanding the foregoing, the Board of Directors may determine that, in lieu of being granted NSOs as described in this Section 5, an Outside Director shall be granted an Award of shares of Restricted Stock, Restricted Stock Units and/or Stock Appreciation Rights as described in Section 8 or 10 hereof which, at the time of grant, for the same value as 9,000 Options as determined by the method the Company uses to value Awards. In any such event, the restrictions as to such Award of Restricted Stock and/or Restricted Stock Units shall lapse, and any such Award of Stock Appreciation Rights shall vest, in accordance with the vesting schedule set forth in Section 5.4.

SECTION 6 GRANTS OF OPTIONS TO EMPLOYEES, CONSULTANTS AND ADVISERS

6.1 Grants

Subject to the terms of the Plan, the Committee may from time to time grant Options which are ISOs to Key Employees and Options which are NSOs to Key Employees, consultants and advisers of the Company. Each such grant shall specify whether the Options so granted are ISOs or NSOs, provided, however, that if, notwithstanding its designation as an ISO, all or any portion of an Option does not qualify under the Code as an ISO, the portion which does not so qualify shall be treated for all purposes as a NSO.

6.2 Expiration

Except to the extent otherwise provided in or pursuant to Section 11, each Option shall expire, and all rights to purchase shares of Common Stock shall expire, on the tenth anniversary of the date on which the Option was granted.

6.3 Vesting

Except to the extent otherwise provided in or pursuant to Section 11, or in the proviso to this sentence, Options shall vest pursuant to the following schedule: with respect to one-third of the total number of shares of Common Stock subject to Option on the first anniversary following the date of its grant, and with respect to an additional one-third of the total number of shares of Common Stock subject to the Option, on each anniversary thereafter during the succeeding two years; provided, however, that the Committee, in its sole discretion, shall have the authority to shorten or lengthen the vesting schedule with respect to any or all Options, or any part thereof, granted under the Plan.

6.4 Required Terms and Conditions of ISOs

ISOs may be granted to Key Employees. Each ISO granted to a Key Employee shall be in such form and subject to such restrictions and other terms and conditions as the Committee may determine, in its sole discretion, at the time of grant, subject to the general provisions of the Plan, the applicable Option agreement or grant certificate, and the following specific rules:

- (a) Except as provided in Section 6.4(c), the exercise price per share of each ISO shall be the Fair Market Value of a share of Common Stock on the date such ISO is granted.
- (b) The aggregate Fair Market Value (determined with respect to each ISO at the time such Option is granted) of the shares of Common Stock with respect to which ISOs are exercisable for the first time by an Optionee during any calendar year (under all incentive stock option plans of the Company) shall not exceed \$200,000.
- (c) Notwithstanding anything herein to the contrary, if an ISO is granted to an individual who owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company, (i) the exercise price of each ISO shall be not less than one hundred ten percent (110%) of the Fair Market Value of a share of Common Stock on the date the ISO is granted, and (ii) the ISO shall expire and all rights to purchase shares thereunder shall cease no later than the fifth anniversary of the date the ISO was granted.

6.5 Required Terms and Conditions of NSOs

Each NSO granted to Key Employees and consultants and advisers shall be in such form and subject to such restrictions and other terms and conditions as the Committee may determine, in its sole discretion, at the time of grant, subject to the general provisions of the Plan, the applicable Option agreement or grant certificate, and the following specific rule: except as otherwise determined by the Committee in its sole discretion with respect to a specific grant, the exercise price per share of each NSO shall be not less than the Fair Market Value of a share of Common Stock on the date the NSO is granted.

SECTION 7 EXERCISE OF OPTIONS

7.1 Notices

A person entitled to exercise an Option may do so by delivery of a written notice to that effect, in a form specified by the Committee, specifying the number of shares of Common Stock with respect to which the Option is being exercised and any other information or documents the Committee may prescribe. The notice shall be accompanied by payment as described in Section 7.2. All notices, documents or requests provided for herein shall be delivered to the Secretary of the Company.

7.2 Exercise Price

Except as otherwise provided in the Plan or in any Option agreement or grant certificate, the Optionee shall pay the exercise price of the number of shares of Common Stock with respect to which the Option is being exercised upon the date of exercise of such Option (a) in cash, (b) pursuant to a cashless exercise arrangement with a broker on such terms as the Committee may determine, (c) by delivering shares of Common Stock held by the Optionee for at least six (6) months and having an aggregate Fair Market Value on the date of exercise equal to the Option exercise price, (d) in the case of a Key Employee, by such other medium of payment as the Committee, in its sole discretion, shall authorize, or (e) by any combination of (a), (b), (c), and (d). The Company shall issue, in the name of the Optionee, stock certificates representing the total number of shares of Common Stock issuable pursuant to the exercise of any Option as soon as reasonably practicable after such exercise, provided that any shares of Common Stock purchased by an Optionee through a broker pursuant to clause (b) above shall be delivered to such broker in accordance with applicable law.

SECTION 8 STOCK APPRECIATION RIGHTS

The Committee may award shares of Common Stock to Outside Directors, Key Employees and consultants and advisors under a Stock Appreciation Right Award, upon such terms as the Committee deems applicable, including the provisions set forth below:

8.1 General Requirements.

Stock Appreciation Rights may be granted in tandem with another Award, in addition to another Award, or freestanding and unrelated to another Award. Stock Appreciation Rights granted in tandem with or in addition to an Award may be granted either at the same time as the Award or, except in the case of Incentive Stock Options, at a later time. The Committee shall determine the number of shares of Common Stock to be issued pursuant to a Stock Appreciation Right Award, the grant price thereof and the conditions and limitations applicable to the exercise thereof.

8.2 Payment.

A Stock Appreciation Right shall entitle the Grantee to receive, upon exercise of the Stock Appreciation Right or any portion thereof, an amount equal to the product of (a) the excess of the Fair Market Value of a share of Common Stock on the date of exercise over the grant price thereof and (b) the number of shares of Common Stock as to which such Stock Appreciation Right Award is being exercised. Payment of the amount determined under this Section 8.2 shall be made solely in shares of Common Stock, provided that, the Stock Appreciation Rights which are settled shall be counted in full against the number of shares available for award under the Plan, regardless of the number of shares of Common Stock issued upon settlement of the Stock Appreciation Right.

8.3 Exercise.

(a) Except to the extent otherwise provided in Section 11 or 12, or in the proviso to this sentence, Stock Appreciation Rights shall vest pursuant to the following schedule: with respect to one-third of the total number of shares of Common Stock subject to the Stock Appreciation Right on the first anniversary following the date of

its grant, and with respect to an additional one-third of the total number of shares of Common Stock subject to the Stock Appreciation Right, on each anniversary thereafter during the succeeding two years; provided, however, that the Committee, in its sole discretion, shall have the authority to shorten or lengthen the vesting schedule with respect to any or all Stock Appreciation Rights, or any part thereof, granted under the Plan. Notwithstanding the foregoing, a tandem stock appreciation right shall be exercisable at such time or times and only to the extent that the related Award is exercisable.

- (b) A person entitled to exercise a Stock Appreciation Right Award may do so by delivery of a written notice to that effect, in a form specified by the Committee, specifying the number of shares of Common Stock with respect to which the Stock Appreciation Right Award is being exercised and any other information or documents the Committee may prescribe. Upon exercise of a tandem Stock Appreciation Right Award, the number of shares of Common Stock covered by the related Award shall be reduced by the number of shares with respect to which the Stock Appreciation Right has been exercised.

SECTION 9 TRANSFERABILITY OF OPTIONS AND STOCK APPRECIATION RIGHTS

Unless otherwise determined by the Committee, no Option or Stock Appreciation Right granted pursuant to the Plan shall be transferable otherwise than by will or by the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code.

SECTION 10 RESTRICTED STOCK AND RESTRICTED STOCK UNITS

The Committee may award shares of Common Stock to Outside Directors, Key Employees and consultants and advisors under an Award of Restricted Stock and/or Restricted Stock Units, upon such terms as the Committee deems applicable, including the provisions set forth below.

10.1

General Requirements.

Shares of Common Stock issued or transferred pursuant to an Award of Restricted Stock and/or Restricted Stock Units may be issued or transferred for consideration or for no consideration, and subject to restrictions or no restrictions, as determined by the Committee. The Committee may establish conditions under which restrictions on shares of Restricted Stock and/or Restricted Stock Units shall lapse over a period of time or according to such other criteria (including performance-based criteria) as the Committee deems appropriate. The period of time during which shares of Restricted Stock and/or Restricted Stock Units remain subject to restrictions will be designated in the written agreement or grant certificate as the "Restricted Period."

10.2 Number of Shares.

The Committee shall determine the number of shares of Common Stock to be issued pursuant to an Award of Restricted Stock and/or Restricted Stock Units and the restrictions applicable to the shares subject to such Award.

10.3 Restrictions on Transfer and Legend on Stock Certificate.

During the Restricted Period, subject to such exceptions as the Committee may deem appropriate, a Grantee may not sell, assign, transfer, donate, pledge or otherwise dispose of the shares of Restricted Stock or Restricted Stock Units. Each certificate for a share of Restricted Stock shall contain a legend giving appropriate notice of the applicable restrictions. The Grantee shall be entitled to have the legend removed from the stock certificate covering the shares

of Restricted Stock subject to restrictions when all restrictions on such shares lapse. The Board may determine that the Company will not issue certificates for shares of Restricted Stock until all restrictions on such shares lapse, or that the Company will retain possession of certificates for shares of Restricted Stock until all restrictions on such shares lapse.

10.4 Right to Vote and to Receive Dividends.

During the Restricted Period, except as otherwise set forth in the applicable written agreement or grant certificate, the Grantee shall have the right to vote shares of Restricted Stock and to receive any dividends or other distributions paid on such shares of Restricted Stock, subject to any restrictions deemed appropriate by the Committee. The Committee may determine in its discretion with respect to any Award of Restricted Stock Units that, in the event that dividends are paid on shares of Common Stock, an amount equal to the dividend paid on each such share shall be credited to the shares subject to Award of Restricted Stock Units ("Dividend Credits"). Any Dividend Credits shall be paid to the Grantee if and when the restrictions with respect to such Restricted Stock Units lapse as set forth in Section 10.5.

10.5 Lapse of Restrictions.

- (a) All restrictions imposed on Restricted Stock and/or Restricted Stock Units shall lapse upon the expiration of the applicable Restricted Period and the satisfaction of all conditions imposed by the Committee (the date on which restrictions lapse as to any shares of Restricted Stock or Restricted Stock Units, the "Vesting Date"). The Committee may determine, as to any grant of Restricted Stock and/or Restricted Stock Units, that the restrictions shall lapse without regard to any Restricted Period.
- (b) Upon the lapse of restrictions with respect to any Restricted Stock Units, the value of such Restricted Stock Units shall be paid to the Grantee in shares of Common Stock. For purposes of the preceding sentence, each Restricted Stock Unit as to which restrictions have lapsed shall have a value equal to the Fair Market Value as of the Units Vesting Date. "Units Vesting Date" means, with respect to any Restricted Stock Units, the date on which restrictions with respect to such Restricted Stock Units lapse.

SECTION 11 EFFECT OF TERMINATION OF EMPLOYMENT

11.1 Termination Generally

- (a) Except as provided in Section 11.2, 11.3 or 12, or as determined by the Committee, in its sole discretion, all rights to exercise the vested portion of any Option held by an Optionee or of any Stock Appreciation Right Award held by a Grantee whose employment or relationship (if a non-employee) with the Company or service on the Board is terminated for any reason other than "Cause," as defined below, shall terminate ninety (90) days following the date of termination of employment or the relationship or service on the Board, as the case may be. All rights to exercise the vested portion of any Option held by an Optionee or of any Stock Appreciation Right Award held by a Grantee whose employment or relationship (if a non-employee) with the Company is terminated for "Cause" shall terminate on the date of termination of employment or the relationship. For the purposes of this Plan, "Cause" shall mean a finding by the Committee that the Optionee has engaged in conduct that is fraudulent, disloyal, criminal or injurious to the Company, including, without limitation, acts of dishonesty, embezzlement, theft, felonious conduct or unauthorized disclosure of trade secrets or confidential information of the Company. Unless otherwise provided in the Plan or determined by the Committee, vesting of Options and Stock Appreciation Right Awards ceases immediately upon termination of employment, or the date of termination of the relationship with the Company, and any portion of an Option and/or Stock Appreciation Right Award that has not vested on or before the date of such termination is forfeited on such date.
- (b) If a Grantee who has received an Award of Restricted Stock and/or Restricted Stock Units ceases to be employed by the Company during the

Restricted Period, or if other specified conditions are not met, the Award of Restricted Stock and/or Restricted Stock Units shall terminate as to all shares covered by the Award as to which the restrictions have not lapsed, and, in the case of Restricted Stock, those shares of Common Stock shall be canceled in exchange for the purchase price, if any, paid by the Grantee for such shares. The Committee may provide, however, for complete or partial exceptions to this requirement as it deems appropriate.

- (c) The transfer of employment from the Company to a Subsidiary, or from a Subsidiary to the Company, or from a Subsidiary to another Subsidiary, shall not constitute a termination of employment for purposes of the Plan. Awards granted under the Plan shall not be affected by any change of duties in connection with the employment of the Key Employee or by a leave of absence authorized by the Company.

11.2 Death and Disability

In the event of the death or Disability (as defined below) of an Optionee or Grantee during employment or such Optionee's or Grantee relationship with the Company or service on the Board, (a) all Options held by the Optionee and all Stock Appreciation Right Awards held by the Grantee shall become fully exercisable on such date of death or Disability and (b) all restrictions and conditions on all Restricted Stock and/or Restricted Stock Units held by the Grantee shall lapse on such date of death or Disability. Each of the Options held by such an Optionee and each of the Stock Appreciation Right Awards held by such a Grantee shall expire on the earlier of (i) the first anniversary of the date of death or Disability and (ii) the date that such Option or Stock Appreciation Right Award expires in accordance with its terms, provided that, in any event, NSOs granted under this Plan shall not expire earlier than one year from the date of death or disability. For purposes of this Section 11.2, "Disability" shall mean the inability of an individual to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which is expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months. The Committee, in its sole discretion, shall determine the existence and date of any Disability.

11.3 Retirement

- (a) Key Employees. In the event the employment of a Key Employee with the Company shall be terminated by reason of "Normal Retirement" or "Early Retirement," as defined below, all Options and Stock Appreciation Right Awards held by such Key Employee shall become fully exercisable on the date of such Employee retirement. Each of the Options and Stock Appreciation Right Awards held by such a Key Employee shall expire on the earlier of (i) the fifth anniversary of the date of the Employee retirement, or (ii) the date that such Option expires in accordance with its terms. For the purposes hereof, "Normal Retirement" shall mean retirement of a Key Employee at or after age 65 and "Early Retirement" shall mean retirement of a Key Employee at or after age 60 with a minimum of 15 years of service with the Company. In the event the employment of a Key Employee with the Company shall be terminated by reason of a retirement that is not a Normal Retirement or Early Retirement, the Committee may, in its sole discretion, determine the vesting, exercisability and exercise periods applicable to Options and Stock Appreciation Right Awards held by such Key Employee. In the event the employment of a Key Employee with the Company shall be terminated by reason of "Normal Retirement" or "Early Retirement", all restrictions and conditions on all Restricted Stock and/or Restricted Stock Units held by such Key Employee shall lapse on the date of such Normal Retirement or Early Retirement. In the event the employment of a Key Employee with the Company shall be terminated by reason of a retirement that is not a Normal Retirement or Early Retirement, the Committee may, in its sole discretion, determine the restrictions and conditions, if any, on Restricted Stock and/or Restricted Stock Units held by such Key Employee that will lapse.
- (b) Outside Directors. In the event the service on the Board of an Outside Director shall be terminated by reason of the retirement of such Outside Director in accordance with the Company's retirement policy for members of the Board ("Outside Director Retirement"), all Options and Stock Appreciation Right Awards held by such Outside Director

shall become fully exercisable on the date of such Outside Director Retirement. Each of the Options and Stock Appreciation Right Awards held by such an Outside Director shall expire on the earlier of (i) the date that such Option or Stock Appreciation Right Award expires in accordance with its terms or (ii) the five year anniversary date of such Outside Director Retirement. In the event the service on the Board of an Outside Director shall be terminated by reason of an "Outside Director Retirement", all restrictions and conditions on all Restricted Stock and/or Restricted Stock Units held by such Outside Director shall lapse on the date of such Outside Director Retirement.

- (c) Key Employees Who Are Employee Directors. Section 11.3(a) shall be applicable to Options, Stock Appreciation Rights, Restricted Stock and/or Restricted Stock Units held by any Key Employee who is an Employee Director at the time that such Key Employee's employment with the Company terminates by reason of Employee Retirement. If such Key Employee continues to serve on the Board as of the date of such Key Employee's Employee Retirement, then Section 11.3(b) shall be applicable to Options, Stock Appreciation Rights Restricted Stock and/or Restricted Stock Units granted after such date.

SECTION 12 CHANGE IN CONTROL

12.1 Effect of Change in Control

Notwithstanding any of the provisions of the Plan or any written agreement or grant certificate evidencing Awards granted hereunder, immediately upon a "Change in Control" (as defined in Section 12.2), all outstanding Options and Stock Appreciation Rights granted to Key Employees or Outside Directors, whether or not otherwise exercisable as of the date of such Change in Control, shall accelerate and become fully exercisable and all restrictions thereon shall terminate in order that Optionees and Grantees may fully realize the benefits thereunder, and all restrictions and conditions on all Restricted Stock and Restricted Stock Units granted to Key Employees or Outside Directors shall lapse upon the effective date of the Change of Control. The Committee may determine in its discretion (but shall not be obligated to do so) that any or all holders of outstanding Options and Stock Appreciation Right Awards which are exercisable immediately prior to a Change of Control (including those that become exercisable under this Section 12.1) will be required to surrender them in exchange for a payment, in cash or Common Stock as determined by the Committee, equal to the value of such Options and Stock Appreciation Right Awards (as determined by the Committee in its discretion), with such payment to take place as of the date of the Change in Control or such other date as the Committee may prescribe.

12.2 Definition of Change in Control

The term "Change in Control" shall mean the occurrence, at any time during the term of an Award granted under the Plan, of any of the following events:

- (a) The acquisition, other than from the Company, by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") (other than the Company or any benefit plan sponsored by the Company) of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of 30% or more of either (i) the then outstanding shares of the Common Stock (the "Outstanding Common Stock") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Voting Securities"); or
- (b) Individuals who, as of the Effective Date, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least one-third (1/3) of the Board (rounded down to the nearest whole number), provided that any individual whose election or nomination for election was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the Directors of the Company; or

- (c) Consummation by the Company of a reorganization, merger or consolidation (a "Business Combination"), in each case, with respect to which all or substantially all of the individuals and entities who were the respective beneficial owners of the Outstanding Common Stock and Voting Securities immediately prior to such Business Combination do not, following such Business Combination, beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination in substantially the same proportion as their ownership immediately prior to such Business Combination of the Outstanding Common Stock and Voting Securities, as the case may be; or
- (d) Consummation of a complete liquidation or dissolution of the Company, or sale or other disposition of all or substantially all of the assets of the Company other than to a corporation with respect to which, following such sale or disposition, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors is then owned beneficially, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Common Stock and Voting Securities immediately prior to such sale or disposition in substantially the same proportions as their ownership of the Outstanding Common Stock and Voting Securities, as the case may be, immediately prior to such sale or disposition.
- (e) In addition to the foregoing, with respect to any Key Employee covered under this provision, consummation by the Company of a Business Combination, in each case, with respect to which all or substantially all of the individuals and entities who were the respective beneficial owners of the Outstanding Common Stock and Voting Securities immediately prior to such Business Combination do not, following such Business Combination, beneficially own, directly or indirectly, more than 55% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination in substantially the same proportion as their ownership immediately prior to such Business Combination of the Outstanding Common Stock and Voting Securities, as the case may be, and any Key Employees who were employed by the Company and were Optionees or Grantees under the Plan at the time of such Business Combination is terminated other than for Cause or voluntarily leaves the employ of the Company within two (2) years from the date of any such Business Combination as the result of a voluntary termination of employment by such Key Employee within sixty (60) days after any one or more of the following events have occurred:
- (i) failure by the Company to maintain the duties, status, and responsibilities of the Key Employee substantially consistent with those prior to the Business Combination, or
 - (ii) a reduction by the Company in the Key Employee's base salary as in effect as of the date prior to the Business Combination, or
 - (iii) the failure of the Company to maintain and to continue the Key Employee's participation in the Company's benefit plans as in effect from time to time on a basis substantially equivalent to the participation and benefits of Company employees similarly situated to the Employee.

Except as provided in Section 10.4 with respect to an Award of Restricted Stock or Restricted Stock Units, an Optionee or Grantee (or a transferee of any such person pursuant to Section 9) shall have no rights as a stockholder with respect to any Common Stock covered by an Award or receivable upon the exercise of Award until the Optionee, Grantee or transferee shall have become the holder of record of such Common Stock, and no adjustments shall be made for dividends in cash or other property or other distributions or rights in respect to such Common Stock for which the applicable record date is prior to the date on which the Optionee or Grantee shall have become the holder of record of the shares of Common Stock purchased pursuant to exercise of the Award.

SECTION 14 POSTPONEMENT OF EXERCISE

The Committee may postpone any exercise of an Option or Stock Appreciation Right Awards for such time as the Committee in its sole discretion may deem necessary in order to permit the Company to comply with any applicable laws or rules, regulations or other requirements of the Securities and Exchange Commission or any securities exchange or quotation system upon which the Common Stock is then listed or quoted. Any such postponement shall not extend the term of an Option or Stock Appreciation Right Award, unless such postponement extends beyond the expiration date of the Award in which case the expiration date shall be extended thirty (30) days, and neither the Company nor its directors, officers, employees or agents shall have any obligation or liability to an Optionee or Grantee, or to his or her successor or to any other person.

SECTION 15 TAXES

15.1 Taxes Generally

The Company shall have the right to withhold from any Award, from any payment due or transfer made under any Award or under the Plan or from any compensation or other amount owing to a participant the amount (in cash, shares or other property) of any applicable withholding or other taxes in respect of an Award, its exercise, or any payment or transfer under an Award or under the Plan and to take such other action as may be necessary in the opinion of the Committee to satisfy all obligations for the payment of such taxes.

15.2 Payment of Taxes

A participant, with the approval of the Committee, may satisfy the obligation set forth in Section 15.1, in whole or in part, by (a) directing the Company to withhold such number of shares of Common Stock otherwise issuable upon exercise or vesting of an Award (as the case may be) having an aggregate Fair Market Value on the date of exercise equal to the amount of tax required to be withheld, or (b) delivering shares of Common Stock of the Company having an aggregate Fair Market Value equal to the amount required to be withheld on any date. The Committee may, in its sole discretion, require payment by the participant in cash of any such withholding obligation and may disapprove any election or delivery or may suspend or terminate the right to make elections or deliveries under this Section 15.2.

SECTION 16 TERMINATION, AMENDMENT AND TERM OF PLAN

16.1 The Board or the Committee may terminate, suspend, or amend the Plan, in whole or in part, from time to time, without the approval of the stockholders of the Company provided, however, that no Plan amendment shall be effective until approved by the stockholders of the Company if the effect of the amendment is to lower the exercise price of previously granted Options or Stock Appreciation Rights or if such stockholder approval is required in order for the Plan to continue to satisfy the requirements of Rule 16b-3 under the 1934 Act or applicable tax or other laws.

16.2 The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any Award granted hereunder in the manner and to the extent it shall deem desirable, in its sole discretion, to effectuate the Plan. No amendment or termination of the Plan shall adversely affect any Award theretofore granted without the consent of the recipient, except that the Committee may amend the Plan in a manner that does affect Awards theretofore granted upon a finding by the Committee that such amendment

is in the best interests of holders of outstanding Options affected thereby.

16.3 The Plan became effective as of March 22, 2002. An amendment and restatement of the Plan has been adopted and authorized by the Board of Directors for submission to the stockholders of the Company for their approval. If the Plan, as amended and restated, is approved by the stockholders of the Company, the amendment and restatement shall be deemed to have become effective as of May 11, 2005. Unless earlier terminated in accordance herewith, the Plan shall terminate on March 22, 2012. Termination of the Plan shall not affect Awards previously granted under the Plan.

SECTION 17 GOVERNING LAW

The Plan shall be governed and interpreted in accordance with the laws of the State of Delaware, without regard to any conflict of law provisions which would result in the application of the laws of any other jurisdiction.

SECTION 18 NO RIGHT TO AWARD; NO RIGHT TO EMPLOYMENT

No person shall have any claim of right to be granted an Award under the Plan. Neither the Plan nor any action taken hereunder shall be construed as giving any employee of the Company any right to be retained in the employ of the Company or as giving any member of the Board any right to continue to serve in such capacity.

SECTION 19 AWARDS NOT INCLUDABLE FOR BENEFIT PURPOSES

Income recognized by a participant pursuant to the provisions of the Plan shall not be included in the determination of benefits under any employee pension benefit plan (as such term is defined in Section 3(2) of the Employee Retirement Income Security Act of 1974) or group insurance or other benefit plans applicable to the participant which are maintained by the Company, except as may be provided under the terms of such plans or determined by resolution of the Committee.

SECTION 20 NO STRICT CONSTRUCTION

No rule of strict construction shall be implied against the Company, the Committee, or any other person in the interpretation of any of the terms of the Plan, any Award granted under the Plan or any rule or procedure established by the Board.

SECTION 21 CAPTIONS

All Section headings used in the Plan are for convenience only, do not constitute a part of the Plan, and shall not be deemed to limit, characterize or affect in any way any provisions of the Plan, and all provisions of the Plan shall be construed as if no captions have been used in the Plan.

SECTION 22 SEVERABILITY

Whenever possible, each provision in the Plan and every Award at any time granted under the Plan shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of the Plan or any Award at any time granted under the Plan shall be held to be prohibited by or invalid under applicable law, then such provision shall be deemed amended to accomplish the objectives of the provision as originally written to the fullest extent permitted by law, and all other provisions of the Plan and every other Award at any time granted under the Plan shall remain in full force and effect.

SECTION 23 MODIFICATION FOR GRANTS OUTSIDE THE U.S.

The Board may, without amending the Plan, determine the terms and conditions applicable to grants of Awards to participants who are foreign nationals or employed outside the United States in a manner otherwise inconsistent with the Plan if the Board deems such terms and conditions necessary in order to recognize differences in local law or regulations, tax policies or customs.

Paragraphs 5.1 and 5.5 of the Plan are amended by replacing Paragraphs 5.1 and 5.5 of the Plan with the following paragraphs:

5.1 Grants

All grants of Options to Outside Directors shall be automatic and non-discretionary. Each individual who becomes an Outside Director (other than an Outside Director who was previously an Employee Director) shall be granted a NSO to purchase ten thousand (10,000) shares of Common Stock on the date he or she becomes an Outside Director. Each individual who is an Employee Director and who thereafter becomes an Outside Director shall be granted automatically a NSO to purchase ten thousand (10,000) shares of Common Stock on the third anniversary of the date such Employee Director was last granted an Option. Thereafter, each Outside Director who holds NSOs granted under this Section 5 and is re-elected to the Board shall be granted an additional NSO to purchase ten thousand (10,000) shares of Common Stock on the third anniversary of the date such Outside Director was last granted an Option.

5.5 Restricted Stock, Restricted Stock Units and Stock Appreciation Rights

Notwithstanding the foregoing, the Board of Directors may determine that, in lieu of being granted NSOs as described in this Section 5, an Outside Director shall be granted an Award of shares of Restricted Stock, Restricted Stock Units and/or Stock Appreciation Rights as described in Section 8 or 10 hereof which, at the time of grant, for the same value as 10,000 Options as determined by the method the Company uses to value Awards. In any such event, the restrictions as to such Award of Restricted Stock and/or Restricted Stock Units shall lapse, and any such Award of Stock Appreciation Rights shall vest, in accordance with the vesting schedule set forth in Section 5.4.

BOARD COMPENSATION ARRANGEMENT

Annual Retainer Fee	\$40,000.00
Committee Chair Annual Fee	\$5,000.00
Audit Committee Chair Annual Fee (only one Chair fee, including Lead Director Annual Fee)	\$10,000.00
Lead Director Annual Fee	\$10,000.00
In-Person Board/Committee Meeting Attendance Fee	\$1,500.00
Telephone Board/Committee Meeting Attendance Fee	\$1,000.00
Stock Options	10,000 every 3 years (beginning when Director becomes member of Board and on every third anniversary)

Amended and Restated Incentive Compensation Plan

DENTSPLY INTERNATIONAL INC.
AMENDED AND RESTATED INCENTIVE COMPENSATION PLAN

I. PURPOSE

To provide greater incentive for key employees to continually exert their best efforts on behalf of the Company by rewarding them for achieving predetermined operating objectives.

To attract and retain in the employ of the Company outstanding results oriented individuals.

To align the interests of such employees with those of the Company's stockholders.

To create a management team effort within the various Profit Centers and operating units of the Company.

II. ADMINISTRATION

The Plan will be administered by, and any question of interpretation under the Plan determined by, the Human Resources Committee ("Human Resources Committee") of the Dentsply International Inc. Board of Directors (the "Board"). The Board or the Human Resources Committee may appoint an Incentive Compensation Plan Committee ("ICP Committee") consisting of management employees to assist in the administration of the Plan.

III. AWARDS

Awards will be determined by the Human Resources Committee, based on criteria determined by such Committee and described in Section VIII hereof, for each applicable year (a "Bonus Year"). Cash payments will be made to participants immediately after the close of corporate books for the applicable Bonus Year but in no case later than March 1st of the year succeeding the applicable Bonus Year. Payments will be rounded up or down to the nearest \$100 equivalent.

IV. PARTICIPANT ELIGIBILITY

A. Profit Centers

1. General Managers
2. Individuals who normally report directly to the General Manager.
3. Individuals' work assignment must have a direct bearing on the profit-ability of the Profit Center.
4. Individual must be recommended for participation by both the General Manager of the Profit Center and the Corporate Officer responsible for the Profit Center and approved by the ICP Committee.

B. Corporate Staff

1. Individuals whose work assignment must have direct bearing on the profitability of the corporation.
2. Officers
3. Individuals who normally report directly to a Corporate Officer.
4. Individual must be recommended for participation by the responsible Corporate Officer and the President and approved by the ICP Committee.

V. ENROLLMENT

The Board will designate the officers who will be participants. General Managers will send their recommendations for participation to the Corporate Officer responsible for the Profit Center or Corporate Staff Department.

Corporate Officers will send recommendations to the ICP Committee and Corporate Human Resources Office who will be charged with monitoring participants in conjunction with the ICP Committee.

VI. VESTING OF BONUS RIGHTS

A. Those participants who leave the employ of the Company before the end of the Bonus Year for any reason other than normal retirement, death or a bona fide physical or mental disability (as determined by the Human Resources Committee) will receive no bonus payment for the Bonus Year.

B. Those participants who die or who take normal or early retirement or resign due to a bona fide disability (as determined by the Human Resources Committee) before the end of the Bonus Year will receive a bonus award, to the extent earned for the year, based upon the pro-rata base pay received while actually working during the Bonus Year, which shall be paid when all other awards are paid under the Plan.

VII. PARTICIPANT ADDITIONS OR DELETIONS

Profit Center General Managers or Corporate Officers may remove participants from the Plan at any time during the Bonus Year by following the same procedure outlined in Enrollment. Any participants who are removed from the Plan during a Bonus Year shall have no right to receive payments under the Plan for any portion of such Bonus Year.

Participants may be added during the Bonus Year if they are a direct replacement for someone already enrolled in the Plan or, if they are hired to fill a new position eligible for the Plan, and will be in the qualifying position for at least six months. In this instance the new person will only receive his or her bonus award based on the pro-rata base pay received while enrolled in the Plan.

VIII. PLAN CRITERIA

The Plan centers on each Profit Center's performance as measured against the relevant budget, submitted by Profit Center Management and approved by Corporate Management. For corporate level employees, bonuses will be based on corporate performance measured against the corporate budget.

The actual operating results will be adjusted for major sales or dispositions of assets not in the ordinary course of business and changes in the business or segments of the business which are directed to be carried out by Corporate Management to the extent they were not included in the target.

Base salary is defined as the total of 12 times year-end actual monthly salary received during the Bonus Year or a base salary established by the ICP Committee. It does not include any other compensation that might be received.

Separate bonus calculations will be made for Officers, General Managers, Key Employees and Corporate Staff.

IX. HUMAN RESOURCE COMMITTEE

The Human Resource Committee may adjust the mathematical calculation of the ICP bonus in their sole discretion by + 2.5% (+ 10% in terms of

payout), based on their evaluation of business performance.

X. AMENDMENTS TO THE PLAN

The Board has the right to modify or repeal this Plan entirely at its discretion. However, any bonus payments that have been earned in accordance with, but not yet paid under, this Plan cannot be canceled without consent of the participant.

EXHIBIT 21.1

Subsidiaries of the Company

I. Direct Subsidiaries of the Company

- A. Ceramco Inc. (Delaware)
- B. Ceramco Manufacturing Co. (Delaware)
- C. CeraMed Dental, L.L.C. (Delaware)
- D. GAC International Inc. (New York) a) Orthodontal International, Inc.
b) Orthodontal S.A. de C.V. (Mexico)
- E. DENTSPLY Finance Co. (Delaware) a) Dentsply International, Inc.
(Chile) Limitada
(Chile)
- F. DENTSPLY North America LLC (Delaware)
- G. Dentsply Argentina S.A.C.e.I. (Argentina)
- H. Dentsply Industria e Comercio Ltda. (Brazil)
 - a) DeTrey do Brasil Industria e Comercio Ltda. (Brazil)
- I. Dentsply Mexico S.A. de C.V. (Mexico)
- J. Dentsply India Pvt. Ltd. (India)
- K. Dentsply (Philippines) Inc. (Philippines)
- L. Dentsply (Thailand) Ltd. (Thailand)
- M. Dentsply Dental (Tianjin) Co. Ltd. (China)
- N. Dentsply Tianjin International Trading Co. Ltd. (China)
- O. Dentsply Korea Limited
- P. Ceramco Europe Limited (Cayman Islands) a) Ceramco UK Limited
(Dormant)
- Q. Dentsply Services (Switzerland) S.a.r.L.
- R. Ransom & Randolph Company (Delaware)
- S. Dentsply Ransom & Randolph China (China)
- T. Tulsa Dental Products Inc. (Delaware)
 - a) Tulsa Finance Co. (Delaware) b) Tulsa Manufacturing Inc. (Delaware)
- U. Raintree Essix Inc. (Delaware)
- V. Glenroe Technology (Delaware)
- W. Dentsply NA (Delaware)
- X. Dentsply SC (Delaware)
- Y. Dentsply DR (Delaware)
- Z. Dentsply DL (Delaware)
- AA. Dentsply Indiana LLC (Indiana)
 - a) Dentsply Holding Co. (Delaware)

II. Indirect Subsidiaries of the Company

A. Subsidiaries of Dentsply Holding Co.

1. Dentsply EU Holding S.a.r.L. (Luxembourg)
2. Dentsply Canada Ltd. (Canada (Ontario))
3. PT Dentsply Indonesia (Indonesia)
4. The International Tooth Co. Limited (United Kingdom)
5. Dentsply Espana SL (Spain)
6. Dentsply Australia Pty. Ltd. (Australia (Victoria)) a) Dentsply (NZ) Limited (New Zealand)
7. DENTSPLY-Sankin K.K. (Japan) a) Sankin Laboratories K.K. (Japan)
8. DeguDent Industria e Comercio Ltda. (Brazil) a) DeguDent da Amazonia Industria e Comercio Ltda. (Brazil)
 - b) Degpar Participacoes e Empreendimentos S.A. (Brazil)
 - c) Probem Laboratorio de Produtos Farmaceuticos e Odontologicos S.A. (Brazil)

B. Subsidiaries Dentsply EU Holding S.a.r.L.

1. Dentsply Europe S.a.r.L. (Luxembourg)

C. Subsidiaries of Dentsply Europe S.a.r.L.

1. Dentsply Germany Holdings GmbH (Germany) a) VDW GmbH (Germany) c) Dentsply DeTrey GmbH (Germany) d) Friadent GmbH (Germany)
 - i) Friadent Brasil Ltda. (Brazil) e) DeguDent GmbH (Germany)
 - i) Ducera Dental Verwaltungs-ges.m.b.H. (Germany)
 - f) Elephant Dental GmbH (Germany)
2. Elephant Dental B.V. (Netherlands) a) Cicero Dental Systems B.V. (Netherlands) b) DeguDent Benelux B.V. (Netherlands) c) Dental Trust B.V. (Netherlands)
3. DeguDent Austria Handels GmbH (Austria)
4. Dentsply Limited (Cayman Islands) a) Dentsply Holdings Unlimited (U.K.) b) Dentsply Russia Limited (U.K.) c) Amalco Holdings Ltd (U.K., Dormant) d) Keith Wilson Limited (U.K., Dormant) e) Oral Topics Limited (U.K., Dormant) f) AD Engineering Limited (Dormant)
5. Dentsply Italia Srl (Italy)
6. Dentsply France S.A.S. (France)
7. Dentsply South Africa (Pty) Limited (South Africa)
8. Dentsply Benelux S.a.r.L. (Luxembourg)
9. Friadent Schweiz AG (Switzerland)
10. Friadent N.V. (Belgium)
11. Friadent Scandinavia AB (Sweden)
12. Friadent Denmark ApS (Denmark)
13. Dentsply DeTrey Sarl (Switzerland)
14. Maillefer Instruments Holding S.A. (Switzerland) a) Maillefer Instruments Trading Sarl (Switzerland)
 - b) Maillefer Instruments Consulting Sarl (Switzerland)
 - c) Maillefer Instruments Manufacturing Sarl (Switzerland)

d) GAC S.A. (Switzerland)

D. Subsidiaries of GAC S.A. 1. GAC GmbH (Germany)

2. GAC Norge A.S. (Norway)

3. SOF S.A. (France)

Note: This is the policy for the Company's United States employees. The Company has other plans for its foreign employees that are translated in various languages with substantially the same provisions.

DENTSPLY INTERNATIONAL INC.

CODE OF
BUSINESS CONDUCT AND ETHICS

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Code of Business Conduct

Dear Fellow Employee:

DENTSPLY International Inc. has been in business since 1899, and we are proud of the global reputation and trust we have earned. This is a reputation that we are determined to protect and enhance. Our Code of Business Conduct sets forth our guiding principles for the conduct of our business that must be followed by everyone who does business on behalf of DENTSPLY.

All employees, agents, consultants, independent contractors and representatives of DENTSPLY have the responsibility to read, understand, and abide by the principles and standards contained in this Code. It is difficult to make a policy that applies to every situation, and there will be times when the Code does not address a particular question. Applying common sense, good judgment, and integrity to every business issue will help to ensure that your decisions are consistent with DENTSPLY values and this Code. If you are an employee and you have questions, please contact your supervisor, the relevant Senior Management, or the General Counsel. If you are not an employee, please feel free to ask your DENTSPLY contact, or the General Counsel's office.

DENTSPLY's success depends upon each of us. Acting with integrity and the highest ethical standards is not only good policy, it is also good business. Every DENTSPLY employee and shareowner relies upon you to do the right thing. We know that our confidence in you is well placed.

Vice Chairman and
Officer
Chief Executive Officer

President and Chief Operating

GENERAL CODE OF CONDUCT

1. Introduction

DENTSPLY International Inc. (the "Company") has adopted this Code of Business Conduct, consisting of the components described below (the "Program"), to assist the Company and its personnel in conducting business in an ethical manner and in full compliance with the requirements of all applicable laws and regulations. It is the policy of the Company to comply with all applicable laws, including, without limitation, medical device and similar requirements, employment, discrimination, health, safety, antitrust, securities and environmental laws. No director, officer, executive or manager of the Company has authority to violate any law or to direct another employee or any other person to violate any law on behalf of the Company. This Program reflects the Company's intent to operate not only in a legal manner, but in accordance with sound business ethics. The Program applies to all Company business operations and subsidiaries worldwide and to all employees, officers and directors of the Company and its subsidiaries ("personnel"), except for legal requirements which are specific to a jurisdiction. Because the Program documents may not be translated into the local language in every location where we do business, it shall be the responsibility of management responsible for those areas to communicate the general purpose and requirements of the Program.

The Program consists of 1) a Code of Business Conduct ("Code") setting forth general standards for the conduct of Company business and operations, including procedures for reporting of concerns about compliance with the Code and/or legal requirements; 2) a set of more specific policies oriented toward compliance with specific laws and requirements; and 3) procedures to help ensure that the Program is effective in preventing, detecting and taking appropriate action in regard to violations of applicable laws and the Code, such as periodic monitoring and auditing programs. All Company personnel must be aware of the contents of the Program and perform their responsibilities in a manner which is fully consistent with the Program. Because the principles described in the Code are general, Company personnel should review the specific applicable policies for specific instructions and contact their supervisors, the relevant Senior Management and/or the General Counsel's office regarding proper conduct in a particular situation in which they have any questions.

The Program will be overseen by a Corporate Compliance Committee consisting of the Company's Chief Executive Officer, Chief Operating Officer, the Chief Financial Officer and the General Counsel. The Committee will meet as necessary to review the Program, the Code and compliance activities within the Company.

The Code of Business Conduct reflects general principles to guide employees in making ethical decisions and cannot and is not intended to address every specific situation. As such, nothing in this Code prohibits or restricts the Company from taking any disciplinary action on any matters pertaining to employee conduct, whether or not they are expressly discussed in this

document. The Program, including the Code, is not intended to and shall not be deemed or construed to provide any rights, contractual or otherwise, to any third parties or to any personnel of the Company or its subsidiaries. The provisions of the Program may be revised, changed or amended at any time as determined appropriate by the Company.

2. General Standards of Conduct

A. One of the Company's strongest assets is a reputation for integrity and honesty. A fundamental principle on which the Company will operate its business is full compliance with applicable laws. The Company will also conduct its business in conformance with sound ethical standards. Achieving business results by illegal acts or unethical conduct is not acceptable.

All Company personnel shall act in compliance with the requirements of applicable law and this Code and in a sound ethical manner when conducting Company business and operations.

B. Each Company supervisor and manager is responsible for ensuring compliance by the personnel which he or she supervises or manages with applicable law and the Code. All personnel are responsible for acquiring sufficient knowledge to recognize potential compliance issues applicable to their duties and for appropriately seeking advice regarding such issues.

C. This Code has been distributed to all applicable Company personnel and sets forth general standards applicable to the Company's business and operations. In addition, there are a number of more detailed and specific policies covering particular business units or subject matters. The Company will communicate those specific policies to personnel who are particularly affected by them and they must be complied with in the course of the Company's business. These policies may be changed and/or additional policies may be issued from time to time.

D. All of the Company's business transactions shall be carried out in accordance with management's general or specific directives.

E. Company personnel shall be honest in all dealings with government agencies and representatives. No misrepresentations shall be made, and no false bills or requests for payment or other documents shall be submitted to government agencies or representatives.

F. All of the Company books and records shall be kept in accordance with U.S. generally accepted accounting standards (U.S. GAAP) or other applicable local or statutory principles with reconciliation to U.S. GAAP. All transactions, payments, receipts, accounts and assets shall be completely and accurately recorded on the Company's books and records on a consistent basis. No payment shall be approved or made with the intention or understanding that it will be used for any purpose other than that described in the supporting documentation for the payment. All internal financial and other control procedures shall be followed.

3. Reporting of Violations

A. Illegal acts or improper conduct may subject the Company (and its employees) to severe civil and criminal penalties, including large fines and being barred from certain types of business. It is therefore very important that any suspected illegal activity or violations of the Code be promptly brought to the Company's

attention.

B. Any Company personnel who believes or becomes aware that any violation of this Code, including violation of applicable accounting, internal controls or auditing matters, or any suspected illegal activity has been engaged in by Company personnel or by non-employees acting on the Company's behalf shall promptly report the violation or activity in person, by phone or in writing, to one of the following persons:

1. The personnel's immediate supervisor, business unit or department head or another senior manager.
2. The General Counsel or another attorney in the Company's Legal Department.
3. The Chief Financial Officer or Director of Internal Audit.

To the extent an employee is uncomfortable contacting any of the above people, employees should contact the Chief Executive Officer, the Chief Operating Officer or a Senior Vice President.

C. Company personnel may report suspected illegal acts or a violation of this Code anonymously. To the extent practical and appropriate under the circumstances and as permitted by law, the Company will take reasonable precautions to maintain the confidentiality of those individuals who report illegal activity or violations of this Code and of those individuals involved in the alleged improper activity, whether or not it turns out that improper acts occurred. Anonymous reports may be made by phone, web reporting or letter. Reports by phone can be made to a third party hotline service at 800-461-9330, reports by letter should be directed to the General Counsel's office, and web reporting can be made at the following web addresses: www/dentsply.com/report or

www.mysafeworkplace.com.

D. It shall be a violation of this Code if personnel fail to report a known illegal activity or violation of the Code. If you have a question about whether particular acts or conduct may be illegal or violate the Code, you should contact one of the persons listed above in subsection B. It shall be a violation of this Code if personnel to whom a suspected illegal act or violation of the Code is reported fail to ensure that the act or violation of the Code comes to the attention of the General Counsel's office, the Director of Internal Audit or a member of the Corporate Compliance Committee.

If the suspected illegal acts or conduct in violation of the Code involve a person to whom such acts or violations might otherwise be reported, the acts or violation should be reported to another person to whom reporting is appropriate.

E. It is Company policy to promptly and thoroughly investigate reports of suspected illegal activity or violations of this Code. Company personnel must cooperate with these investigations. It shall be a violation of this Code for personnel to prevent, hinder or delay discovery and full investigation of suspected illegal acts or violations of this Code.

F. No reprisals or disciplinary action will be taken or permitted against personnel for good faith reporting of, or cooperating in the investigation of, suspected illegal acts or violations of this Code. It shall be a violation of this Code for Company personnel

to punish or conduct reprisals against other personnel for making a good faith report of, or cooperating in the investigation of, suspected illegal acts or violations of this Code.

- G. Personnel who violate the Code or commit illegal acts are subject to disciplinary action, up to and including dismissal from the Company. Personnel who report their own illegal acts or improper conduct, however, will have such self-reporting taken into account in determining the appropriate disciplinary action.

4. Government Interviews or Investigation

- A. The Company and its personnel shall cooperate fully and promptly with appropriate government investigations into possible civil and criminal violations of the law. It is important, however, that in this process, the Company is able to protect the legal rights of the Company and its personnel. To accomplish these objectives, any governmental inquiries or requests for information, documents or interviews, other than routine operating inspections (e.g., OSHA, FDA, etc.), should be promptly referred to the General Counsel's office.

5. Compliance Procedures

- A. Introduction. The Purpose of these procedures is to increase awareness of the Program and Code, facilitate internal reporting of any suspected violation of the law or the Code and ensure that any reported violations are fully investigated and that the Company responds appropriately to any violations.

B. Maintaining Awareness of the Program

- 1. A copy of the Code, which includes a description of how to report suspected violations of the law or the Code, will be provided to employees of the Company.
- 2. New employees will be provided a copy of the Code upon their employment.
- 3. Applicable employees will periodically be required to sign a form stating their awareness of and compliance with the Code and the Program.

- 4. A copy of the Code and a description of the violation-reporting procedure will be available to all Company employees.

- 5. The Internal Audit Department shall, as it determines appropriate, include in its audits a review of awareness of and compliance with the Code, particularly with regard to management employees or other employees who are in a position to engage in conduct which may not be easily observed by other employees, or in a position where there is frequent involvement in activities which may carry a significant risk of liability.

- 6. The General Counsel's office, in cooperation with other relevant departments, shall create and distribute policies and/or guides applicable to the Company's business and shall periodically review compliance of the Company and its business units with applicable law.

C. Company Investigations

- 1. If a report of potential illegal acts or conduct in violation of the

Code is made, it shall promptly be brought to the attention of the General Counsel.

2. The General Counsel shall oversee the investigation of any report of suspected illegal acts or violation of the Code, utilizing appropriate legal, internal audit and other department personnel and shall involve outside legal counsel or the Company's independent auditors when appropriate.

3. Reports of suspected illegal acts or violations of the Code shall be promptly investigated; such investigations may include interviews of employees and external parties and the review of relevant documents or other materials. The investigation will be conducted in a manner which, to the degree reasonable, protects any applicable legal privileges in regard to the investigation.

4. Once an investigation is completed, if determined appropriate by the General Counsel, the Corporate Compliance Committee and appropriate management of the Company shall be apprised and evaluate the results of the investigation and decide if any corrective, disciplinary or other action is warranted and shall direct and oversee implementation of any such action.

5. The Audit Committee of the Board of Directors, Executive Committee of the Board of Directors or the full Board of Directors shall be informed, as determined appropriate by the Corporate Compliance Committee or as required by law, regarding investigations and any actions taken or to be taken as a result of investigations under the Code.

D. Ongoing Evaluation of Program

1. The Company will monitor and audit compliance with the Code and applicable laws.

2. The Corporate Compliance Committee will review the effectiveness and content of the Program on a regular periodic basis. The Code and other compliance policies will be updated as appropriate.

6. International Matters

A. International Operations. Laws and customs vary throughout the world,

but all employees must uphold the integrity of the Company in other nations as diligently as they would do so in the United States. When conducting business in other countries, it is imperative that employees be sensitive to foreign legal requirements and United States laws that apply to foreign operations, including the Foreign Corrupt Practices Act. The Foreign Corrupt Practices Act generally makes it unlawful to give anything of value to foreign government officials, foreign political parties, party officials, or candidates for public office for the purposes of obtaining, or retaining, business for the Company. Employees should contact the Internal Audit or Legal Department if they have any questions concerning a specific situation.

B. Sanctions and Trade Embargoes. The United States government uses

economic sanctions and trade embargoes to further various foreign policy and national security objectives. Employees must abide by

all economic sanctions or trade embargoes that the United States has adopted, whether they apply to foreign countries, political organizations or particular foreign individuals and entities. Inquires regarding whether a transaction on behalf of the Company complies with applicable sanction and trade embargo programs should be referred to the Legal Department.

- C. Antiboycott. Certain countries have adopted boycott laws which are designed to discourage companies from doing business with Israel. Laws in the United States make it illegal for companies to abide by or acknowledge such boycotts.

7. Waivers

It is recognized that a rare circumstance might arise in which the Code should not apply. No waivers of the provisions of this Code to any Director or Executive Officer shall be made or granted unless approved by the Board of Directors (or a designated Committee of the Board) of the Company. Any such waiver shall be promptly disclosed by the Company.

USE OF COMPANY FUNDS AND RESOURCES

One critical element of the Company's reputation for integrity is its adherence to both legal and generally accepted ethical standards governing the use of Company funds and resources. The following directives provide specific standards of conduct to be followed:

1. No funds shall be used for any purpose which would be in violation of any applicable law; or to make payments to, or for the benefit of, domestic or foreign government employees; provided that gratuities in small amounts may be paid to foreign government employees if such gratuities merely enable the Company to receive services to which it would otherwise be entitled.
2. Funds or assets shall not be used, directly or indirectly, to make gifts to, provide entertainment for, or furnish assistance in the form of transportation or other services to, government employees or public officials, if such gifts, entertainment, or assistance would be a violation of governmental regulations or would adversely reflect on the Company's or the officials' integrity or reputation.
3. All assets and liabilities must be recorded in the regular books of the Company and its subsidiaries; no undisclosed or unrecorded funds or assets shall be established for any purpose; no false or artificial entries shall be made in the books and records for any reason; and no payments shall be approved or made with the intention or understanding that any part of such payments are to be used for any purpose other than that described by the material supporting the disbursement.
4. No direct or indirect political contributions shall be made with Company funds without the express approval of the Board of Directors and subject to review by the Company's General Counsel as to the legality of such contributions.
5. Any officer or employee who has information or knowledge of any violation of these directives shall promptly report the matter to the General Counsel or the appropriate corporate or divisional officer.
6. All officers and managers are obligated to seek advice and guidance from the Company's Legal Department in order to insure compliance with all applicable laws, rules and regulations.

7. All managers shall be responsible for the enforcement of, and compliance with, all policies of the Company, including distribution and communications to insure employee knowledge thereof and compliance therewith.

CONFLICT OF INTEREST

Directors and employees of the Company are expected to avoid involvements or situations which could interfere, or appear to interfere, with the impartial discharge of their responsibilities. Therefore, these persons shall NOT, for their own account or for the account of any other person, directly or indirectly:

1. Seek to profit from information about the business affairs, financial position, or any transactions of the Company which have not been publicly disseminated.
2. Divert to themselves or others any business or investment opportunity in which the Company is or might be interested if aware of the opportunity.
3. Become a director or officer of any firm or obtain any financial interest (other than the acquisition of publicly traded securities which do not exceed 3% of such enterprise or of such person's net worth) in any firm supplying goods or services to the Company or which purchases goods or services from the Company, unless authorized by the Board of Directors.
4. Have a proprietary interest in or participate in any business enterprise involving the manufacture or sale of any product which is competitive with or similar to products produced by the Company, or involving the offering of any type of services competitive with or similar to services offered by the Company. In addition, any conduct which might give rise to potential for misuse of the Company's trade secrets or confidential business information is also prohibited. However, this policy shall not preclude an investment interest in publicly held corporations which manufacture and sell such products or offer such services within the limits described in Paragraph 3 above.
5. Give or accept personal gifts, payments, favors, special considerations, discounts, etc. which are of more than a normal value, unless approved by the employee's manager. Common social amenities may be given or accepted without manager approval only if they are of the type that are normally associated with accepted business practice within the industry or relative work discipline. Additional management approval beyond the employee's manager should be secured if any doubt exists with respect to a particular item or situation.
6. Enter into personal transactions with suppliers of the Company or with customers of the Company other than on terms and conditions as are available to the public, except as disclosed to the Audit Committee of the Board of Directors.

PERSONAL RESPONSIBILITIES OF EMPLOYEES

All employees are expected to maintain high ethical standards in their actions and working relationships with customers, fellow employees, competitors, representatives of government, communication media and others. All employees of the Company are expected to act in business matters with dual responsibility to the public interest and the Company's interest, above their own.

In addition to being in compliance with all Company policies, all employees must also be in compliance with the following:

- o Any employee who has information or knowledge of any violation of any Company Policies or any violation of a legal obligation or requirement shall promptly report the matter to their manager/supervisor, to any corporate or divisional officer, or to the General Counsel.
- o All confidential information about the Company, including inventions, discoveries, formulas, trade secrets, customer lists, employee data, etc., as well as confidential information acquired by the Company from another company, individual or entity subject to a secrecy and proprietary rights agreement, shall be kept confidential during and subsequent to the period of employment with the Company.
- o Information gathered on competitors, customers, suppliers, etc., must be acquired legally and in a manner consistent with the Company's high level of ethics and proper business conduct. Employees on the receiving end of another company's confidential information should alert their supervisor of the situation, who in turn should seek guidance from the Legal Department.

It is recognized that in many situations and issues involving ethical or moral judgment, it may be difficult to determine the right course of action with certainty. In such instances, employees shall not rely solely on their own judgment, but shall discuss the matter in full with their respective manager/supervisor. In such instances, full disclosure of the facts in a timely fashion and to the proper management level will serve to meet the employees' responsibilities with respect to this Policy.

TRADING IN DENTSPLY INTERNATIONAL INC.
AND OTHER RELATED SECURITIES

Federal laws and regulations prohibit purchases and sales of the Company's stock and other related securities by directors, officers and employees on the basis of material information which is not generally available to the public. The passing of such inside information - "tipping" - to outsiders who may then trade on it is also prohibited. To assure compliance with these laws, the following rules apply to directors, officers and employees of the Company.

1. They shall not purchase or sell or otherwise trade in securities of the Company or derivative securities, such as listed stock options, while in possession of material, non-public information about the Company.
2. For purposes of this policy, the term "material information" means that information as to which there is a substantial likelihood that the information would be viewed by a reasonable investor as significantly altering the "total mix" of information available in making investment decisions.
3. "Non-public information" is that information which has not become generally available to the investing public, through such channels as the Company's publications, e.g., press releases, Annual and Interim Reports to Stockholders, Proxy Statements and SEC filings; as well as news articles, stock analysts' reports and like writings about the Company and subjects relating to its businesses.
4. They shall not divulge confidential - and possibly material - information about the Company, either to other employees or to outsiders, except on a "need-to-know" basis.
5. They shall not buy or sell securities of any other company about which material non-public information has been obtained through the performance of their position responsibilities at DENTSPLY International Inc.

Should there be any questions concerning the above with regard to any particular transaction involving DENTSPLY International Inc. securities or other related securities, please consult with the Legal Department prior to taking any action.

The Company's financial records should accurately reflect the nature and purpose of all transactions.

All of the Company's books, records, accounts and financial statements must be maintained in reasonable detail, must appropriately reflect the Company's transactions and must conform both to applicable legal requirements and to the Company's system of internal controls. Unrecorded or "off the books" funds or assets should not be maintained unless permitted by applicable law or regulation.

Business records and communications often become public, and we should avoid exaggeration, derogatory remarks, or inappropriate characterizations of people and companies that can be misunderstood. This applies equally to e-mail, internal memos, and formal reports. Records should always be retained or destroyed according to the Company's record retention policies. In accordance with those policies, in the event of litigation or governmental investigation, you must consult the Legal Department before taking any action with respect to any such records.

The Company's public statements, including press releases and public filings, shall not contain any material incorrect information and shall not omit any information necessary to make the statements contained therein not misleading. Required filings with the Securities and Exchange Commission ("SEC") shall be complete, timely and in compliance with the requirements of the SEC.

DISCRIMINATION AND HARASSMENT

The Company provides equal employment opportunities to all employees and applicants for employment without regard to race, color, religion, sex, national origin, age, non-job related disability, or status as a Vietnam-era or special disabled veteran in accordance with all applicable federal, state and local laws, including executive orders as appropriate for any federal contracts. This policy applies to all terms and conditions of employment, including, but not limited to, hiring, placement, promotion, termination, layoff, recall, transfer, leaves of absence, compensation and training.

The Company expressly prohibits any form of employee harassment. This policy extends not only to the Company's employees, but also to all persons with whom the Company's employees deal, such as suppliers and customers.

Sexual harassment is defined as unwelcome sexual advances, requests for sexual favors, and all other verbal or physical conduct of a sexual or otherwise offensive nature, and is prohibited especially where (a) submission to such conduct is made either explicitly or implicitly a term or condition of employment; (b) submission to or rejection of such conduct is used as the basis for decisions affecting an individual's employment; or (c) such conduct has the purpose or effect of creating an intimidating, hostile, or offensive working environment. Furthermore, offensive comments, jokes, innuendoes, pictures, cartoons and other sexually oriented documents and statements are prohibited.

Each member of management is responsible for creating an atmosphere free of discrimination and harassment, sexual or otherwise. Further, employees are responsible for respecting the rights of their co-workers and expected to conduct themselves in a business-like manner at all times.

If an employee experiences any improper job-related harassment or believes they have been treated in an unlawful, discriminatory manner, they should first attempt to resolve the problem with the individual exhibiting the conduct toward them. If attempting to resolve the issue themselves is inappropriate or not successful, they should promptly report the occurrence to their supervisor, a member of management, or to a representative of the Human Resources Department. The Human Resources Department will investigate all matters related to discrimination and/or harassment and take proper action.

If the Company determines that an employee has engaged in harassment or other prohibited conduct, appropriate disciplinary action will be taken, up to and including termination of employment.

The Company prohibits any form of retaliation against any employee for filing a legitimate complaint under this policy or for assisting in a complaint investigation.

ANTITRUST LAW

The antitrust laws generally are intended to promote the free enterprise system by eliminating artificial restraints on competition. Violations of the antitrust laws can subject violators to criminal penalties and civil damages, and individuals to criminal penalties, imprisonment or both. These laws are often complex and not easily understood. Nevertheless, it has always been the uncompromising policy of the Company that its employees will comply strictly with such laws. Certain activities are legally deemed to be inherently anti-competitive and no defense of any kind will be permitted to justify or excuse the conduct. Other activities will constitute violations if they are anti-competitive and cannot otherwise be justified. It is difficult to provide specific directives governing employee conduct involved in such "rule of reason" activities because of the fact specific nature of antitrust analysis. However, based on well-established court decisions, no director, officer or employee should engage in any of the following conduct without first discussing the circumstances with the General Counsel.

1. Discuss with competitors past, present or future prices of or marketing plans for, any of the Company's products; or past, present or future prices paid or to be paid for products or materials purchased by the Company, or other business information affecting such prices ("price" includes all terms of sale, including discounts, allowances, promotional programs, credit terms and the like).
2. Discuss with competitors the division or allocation of markets, territories or customers, or discuss with customers the division or allocation among customers of their markets, territories or customers.
3. Discuss with competitors or customers the boycotting of third parties.
4. Reach an agreement or understanding with a customer on the specific price at which the customer will resell the Company's products.

Whenever an employee becomes involved in any activity in which a competitive restraint may be present or that could lead to a problem under the antitrust laws, he or she should consult with a member of the Legal Department before taking any action.