

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 1998  
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OR

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

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

Commission File Number 0-16211

DENTSPLY International Inc.

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

Delaware

39-1434669

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

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

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

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

(717) 845-7511

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

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

( X ) Yes ( ) No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: At August 12, 1998 the Company had 52,909,539 shares of Common Stock outstanding, with a par value of \$.01 per share.

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DENTSPLY INTERNATIONAL INC.  
FORM 10-Q

For Quarter Ended June 30, 1998

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	June 30, 1998	December 31, 1997
ASSETS		
Current assets:		
	(in thousands)	
Cash and cash equivalents	\$ 6,772	\$ 9,848
Accounts and notes receivable-trade, net	128,243	114,366
Inventories	152,557	124,748
Prepaid expenses and other current assets	33,881	28,065
	-----	-----
Total Current Assets	321,453	277,027
Property, plant and equipment, net	149,026	147,130
Other noncurrent assets, net	20,584	13,314
Identifiable intangible assets, net	102,381	103,513
Costs in excess of fair value of net assets acquired, net	275,820	233,392
	-----	-----
Total Assets	\$ 869,264	\$ 774,376
LIABILITIES AND STOCKHOLDERS' EQUITY	=====	=====
Current liabilities:		
Accounts payable	\$ 42,598	\$ 38,942
Accrued liabilities	95,339	71,563
Income taxes payable	24,898	34,839
Notes payable and current portion of long-term debt	37,251	24,005
	-----	-----
Total Current Liabilities	200,086	169,349
Long-term debt	171,700	105,505
Deferred income taxes	28,686	27,647
Other liabilities	49,316	43,954
	-----	-----
Total Liabilities	449,788	346,455
Minority interests in consolidated subsidiaries	11,569	3,988
Stockholders' equity:	-----	-----
Preferred stock, \$.01 par value; .25 million shares authorized; no shares issued	-	-
Common stock, \$.01 par value; 100 million shares authorized; 54.3 million shares issued at June 30, 1998 and 54.2 million shares issued at December 31, 1997	543	542
Capital in excess of par value	152,924	150,738
Retained earnings	315,146	301,058
Accumulated other comprehensive income	(20,379)	(16,720)
Employee stock ownership plan reserve	(9,117)	(9,497)
Treasury stock, at cost, 1.3 million shares at June 30, 1998 and .1 million shares at December 31, 1997	(31,210)	(2,188)
	-----	-----
Total Stockholders' Equity	407,907	423,933
	-----	-----
Total Liabilities and Stockholders' Equity	\$ 869,264	\$ 774,376
	=====	=====

See accompanying notes to unaudited consolidated condensed financial statements.

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

Three Months Ended June 30,	Six Months Ended June 30,
-----	-----

	1998	1997	1998	1997
	-----	-----	-----	-----
	(in thousands, except per share data)			
Net sales	\$197,126	\$178,307	\$377,832	\$350,666
Cost of products sold	93,275	87,536	178,644	171,845
Gross profit	103,851	90,771	199,188	178,821
Selling, general and administrative expenses	68,530	58,252	132,315	118,247
Restructuring and other costs	29,000	-	29,000	-
Operating income	6,321	32,519	37,873	60,574
Interest expense	3,797	3,466	6,763	6,217
Interest income	(441)	(466)	(659)	(891)
Other (income) expense, net	908	180	(564)	(1,905)
Income before income taxes	2,057	29,339	32,333	57,153
Provision for income taxes	1,473	11,496	12,752	22,386
Net income	\$ 584	\$ 17,843	\$ 19,581	\$ 34,767
	=====	=====	=====	=====

Earnings per common share:

Basic	\$ .01	\$ .33	\$ .36	\$ .65
Diluted	\$ .01	\$ .33	\$ .36	\$ .64

Cash dividends declared  
per common share

.05125	.04625	.1025	.0925
--------	--------	-------	-------

Weighted average common shares outstanding:

Basic	53,942	53,890	54,032	53,869
Diluted	54,278	54,124	54,393	54,130

See accompanying notes to unaudited consolidated condensed financial statements.

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

	Six Months Ended June 30,	
	-----	-----
	1998	1997
	-----	-----
	(in thousands)	
Cash flows from operating activities:		
Net income	\$ 19,582	\$ 34,767
Adjustments to reconcile net income to net		

cash provided by operating activities:		
Depreciation	8,990	7,975
Amortization	9,340	8,046
Non-cash restructuring and other costs	29,000	-
Inventories	(19,233)	1,355
Other, net	(26,376)	(17,709)
	-----	-----
Net cash provided by operating activities	21,303	34,434
	-----	-----
Cash flows from investing activities:		
Acquisition of businesses, net of cash acquired	(49,828)	(58,510)
Property, plant and equipment additions	(15,371)	(17,096)
Other, net	(498)	713
	-----	-----
Net cash used in investing activities	(65,697)	(74,893)
	-----	-----
Cash flows from financing activities:		
Debt repayment	(42,477)	(30,842)
Proceeds from long-term debt	101,496	83,616
Increase (decrease) in bank overdrafts and other short-term borrowings	15,228	(7,097)
Cash paid for treasury stock	(31,210)	(928)
Other, net	(794)	(1,291)
	-----	-----
Net cash provided by financing activities	42,243	43,458
	-----	-----
Effect of exchange rate changes on cash and cash equivalents	(925)	(827)
	-----	-----
Net increase (decrease) in cash and cash equivalents	(3,076)	2,172
Cash and cash equivalents at beginning of period	9,848	5,619
	-----	-----
Cash and cash equivalents at end of period	\$ 6,772	\$ 7,791
	=====	=====
Supplemental disclosures of cash flow information:		
Interest paid	4,932	3,898
Income taxes paid	24,096	20,909
Non-cash activities:		
Liabilities assumed from acquisitions	23,347	28,057
Cancellation of loan and accounts receivable from acquired subsidiaries	-	2,900
Note receivable for inventory and fixed assets associated with arbitration ruling terminating the Implant Distribution Agreement	-	6,814
See accompanying notes to unaudited consolidated condensed financial statements.		

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

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

	Blendax	InfoSoft	GAC	Crescent	Herpo
	-----	-----	-----	-----	-----
Estimated fair value of assets acquired	\$ 6,711	\$ 10,530	\$ 36,475	\$ 5,868	\$ 13,842
Cash paid for assets or capital stock	(6,112)	(8,618)	(22,740)	(5,214)	(7,395)
	-----	-----	-----	-----	-----
Liabilities assumed	\$ 599	\$ 1,912	\$ 13,735	\$ 654	\$ 6,447
	=====	=====	=====	=====	=====

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

	DW	SPAD	New Image
	-----	-----	-----
Fair value of assets acquired	\$ 16,629	\$ 42,571	\$ 32,123
Cash paid for assets	(16,253)	(35,992)	(10,858)
	-----	-----	-----
Liabilities assumed	\$ 376	\$ 6,579	\$ 21,265
	=====	=====	=====

See accompanying notes to unaudited consolidated condensed financial statements.

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

(in thousands)	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income	ESOP Reserve	Treasury Stock	Total Stockholders' Equity
	-----	-----	-----	-----	-----	-----	-----
Balance at December 31, 1997	\$ 542	\$150,738	\$301,058	\$ (16,720)	\$ (9,497)	\$ (2,188)	\$423,933
Exercise of stock options and warrants	1	1,308	-	-	-	2,188	3,497
Tax benefit related to stock options and warrants exercised	-	878	-	-	-	-	878
Cash dividends declared, \$.05125 per share	-	-	(5,493)	-	-	-	(5,494)
Repurchase of 1,280,000 shares of common stock	-	-	-	-	-	(31,210)	(31,210)
Foreign currency translation adjustments	-	-	-	(3,659)	-	-	(3,659)
Net change in ESOP reserve	-	-	-	-	380	-	380
Net income	-	-	19,581	-	-	-	19,582
	-----	-----	-----	-----	-----	-----	-----
Balance at June 30, 1998	\$ 543	\$152,924	\$315,146	\$ (20,379)	\$ (9,117)	\$ (31,210)	\$407,907
	=====	=====	=====	=====	=====	=====	=====

DENTSPLY INTERNATIONAL INC.

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

-----  
JUNE 30, 1998  
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The accompanying interim consolidated condensed financial statements reflect all adjustments (consisting only of normal recurring adjustments) which in the opinion of management are necessary for a fair presentation of financial position, results of operations and cash flows for the interim periods. These interim financial statements conform with the requirements for interim financial statements and consequently do not include all the disclosures normally required by generally accepted accounting principles. Disclosures are updated where appropriate.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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

Inventories  
-----

Inventories are stated at the lower of cost or market. At June 30, 1998 and December 31, 1997, the cost of \$17.9 million or 12% and \$14.9 million or 12%, respectively, of inventories was determined by the last-in, first-out (LIFO) method. The cost of other inventories was determined by the first-in, first-out (FIFO) or average cost method.

Property, Plant and Equipment  
-----

Property, plant and equipment are stated at cost, net of accumulated depreciation. Except for leasehold improvements, depreciation for financial reporting purposes is computed by the straight-line method over the following estimated useful lives: buildings - generally 40 years; and machinery and equipment - 4 to 15 years. The cost of leasehold improvements is amortized over the shorter of the estimated useful life or the term of the lease. For income tax purposes, depreciation is computed using various methods.

Derivatives  
-----

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

## NOTE 2 - EARNINGS PER COMMON SHARE

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	1998	1997	1998	1997
Basic EPS Computation	-----	-----	-----	-----
Numerator(Income)	\$ 584	\$17,843	\$19,581	\$34,767
Denominator:				
Common shares outstanding	53,942	53,890	54,032	53,869
Basic EPS	\$ 0.01	\$ 0.33	\$ 0.36	\$ 0.65
Diluted EPS Computation	=====	=====	=====	=====
Numerator(Income)	\$ 584	\$17,843	\$19,581	\$34,767
Denominator:				
Common shares outstanding	53,942	53,890	54,032	53,869
Incremental shares from assumed exercise of dilutive options and warrants	336	234	361	261
Total shares	54,278	54,124	54,393	54,130
Diluted EPS	\$ 0.01	\$ 0.33	\$ 0.36	\$ 0.64
	=====	=====	=====	=====

## NOTE 3 - BUSINESS ACQUISITIONS

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



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

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

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

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

NOTE 4 - INVENTORIES  
 -----

Inventories consist of the following:

	June 30, 1998	December 31, 1997
	-----	-----
	(in thousands)	
Finished goods	\$ 84,232	\$ 63,987
Work-in-process	27,514	24,844
Raw materials and supplies	40,811	35,917
	-----	-----
	\$152,557	\$124,748
	=====	=====

Pre-tax income was \$.3 million and \$.2 million lower in the six months ended June 30, 1998 and 1997 as a result of using the LIFO method compared to the first-in, first-out (FIFO) method. If the FIFO method had been used to determine the cost of the LIFO inventories, the amounts at which net inventory is stated would be lower than reported at June 30, 1998 and December 31, 1997 by \$1.0 million and \$1.3 million, respectively.

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT  
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Property, plant and equipment consist of the following:

	June 30, 1998	December 31, 1997
	-----	-----
Assets, at cost:	(in thousands)	
Land	\$ 11,821	\$ 15,045
Buildings and improvements	68,020	68,009
Machinery and equipment	126,794	117,243
Construction in progress	16,109	11,856
	-----	-----
	222,744	212,153
Less: Accumulated depreciation	73,718	65,023
	-----	-----
	\$149,026	\$147,130
	=====	=====

NOTE 6 - NOTES PAYABLE AND LONG-TERM DEBT

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The increases from December 31, 1997 in notes payable and current portion of long-term debt (\$13.2 million) and long-term debt (\$66.2 million) were primarily due to utilization of the Company's credit facilities for the acquisition of Blendax, InfoSoft, GAC, Crescent and Herpo (see Note 3), along with the repurchase of 1.3 million shares of the Company's common stock.

NOTE 7 - COMPREHENSIVE INCOME

-----

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

Total comprehensive income amounted to \$15,922 and \$26,384 for the periods ending June 30, 1998 and 1997, respectively. The following are the components of comprehensive income:

	Six Months Ended June 30,	
	-----	-----
	1998	1997
	-----	-----
	(in thousands)	
Net income	\$ 19,581	\$ 34,767
Foreign currency translation adjustments	(3,659)	(8,383)
	-----	-----
Comprehensive income	\$ 15,922	\$ 26,384
	=====	=====

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

Accumulated Other  
Comprehensive Income

-----

	June 30, 1998	December 31, 1997
	-----	-----
	(in thousands)	
Foreign currency translation adjustments	\$(20,379)	\$(16,720)

NOTE 8 - RESTRUCTURING AND OTHER COSTS

-----

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

The major components of the restructuring charge are as follows:

Severance	\$12,000
Write-down of property, plant and equipment to net realizable value	7,000
Implant termination costs	3,000
Other	7,000
	-----
	\$29,000

DENTSPLY INTERNATIONAL INC.

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

Any statements released by the Company that are forward-looking, including without limitation, statements containing the words "plans", "anticipates", "believes", "expects", or words of similar import constitute forward-looking statements which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that forward-looking statements involve risks and uncertainties which may affect the Company's business and prospects, including economic, competitive, governmental, technological and other factors discussed in the Company's filings with the

Securities and Exchange Commission.

## RESULTS OF OPERATIONS

Quarter Ended June 30, 1998 Compared to Quarter Ended June 30, 1997

For the quarter ended June 30, 1998, net sales increased \$18.8 million, or 10.6%, to \$197.1 million, up from \$178.3 million in the same period of 1997. Acquisitions net of divestitures contributed 6.7% growth to the quarter. Base sales were up 5.8% with base sales increases of nearly 10% in the U.S., 3.2% in Europe (despite a significant drop in the German laboratory business) and (7.5%) in the Pacific Rim and Latin America. Exchange rates also negatively impacted sales by nearly 2% in the quarter due to the strong U.S. dollar. Sales in the Pacific Rim and Latin America were adversely impacted by the Asian economy and the termination of distributors in Taiwan, Korea, Colombia and Chile which will be replaced by newly established local DENTSPLY subsidiaries by the end of the third quarter 1998. Base business sales growth in other territories was strong but was largely offset by the adverse impact of the translation effect of the strong U.S. dollar.

Gross profit increased \$13.1 million, or 14.4%, to \$103.9 million from \$90.8 million in the second quarter of 1997 as a result of higher net sales and an increase in the gross profit percentage in the second quarter of 1998. As a percentage of sales, gross profit increased from 50.9% in the second quarter of 1997 to 52.7% in the same period of 1998. Favorable product and geographical mix, operational improvements and the elimination of implant products all contributed to the improved percentage.

Selling, general and administrative expenses increased \$10.3 million, or 17.6%. As a percentage of sales, expenses increased from 32.7% in the second quarter of 1997 to 34.8% for the same period of 1998. This increase resulted from: increased selling efforts both in the U.S. and overseas, as many of the new sales and distribution locations ramp up; worldwide cost of our new information technology installations (all locations should be year 2000 compliant by the second quarter of 1999); bad debt expense for receivables with discontinued distributors and those in emerging countries; and the impact from acquisitions (including some direct selling operations such as GAC).

Restructuring and other costs of \$29 million were recorded in the second quarter of 1998. The major component of the charge includes costs of \$26 million to rationalize and restructure the Company's worldwide laboratory business (primarily for the closure of the Company's German tooth manufacturing facility). The following costs are included in the \$26

13

million: severance, \$12 million; write-down of property plant and equipment, \$7 million; and tooth discontinuance and other costs of \$7 million. The remaining \$3 million of the charge was recorded to cover termination costs associated with the Company's former implant products. The restructuring is expected to be complete by the end of 1999. The after-tax cash flow of the charge is expected to be approximately \$10-12 million, most of which should occur in 1999.

Other expenses increased \$0.7 million in the second quarter of 1998 due primarily to unfavorable currency fluctuations in Europe and Asia.

Income before income taxes decreased \$27.3 million due to the \$29.0 million of restructuring and other costs. Without these costs, income before income taxes increased \$1.7 million, or 5.9%. The effective tax rate for operations was lowered to 37.3% in the second quarter of 1998 compared to 39.2% in the second quarter of 1997 reflecting improvement from tax planning activities instituted in late 1997. Net income decreased \$17.3 million due to the after tax cost of \$18.9 million for the restructuring and other costs. Without these costs, net

income increased \$1.6 million, or 8.9%, from the second quarter of 1997 due to higher sales and strong gross profit margin along with a lower provision for income taxes in the second quarter of 1998. Reported basic and diluted earnings per common share were \$.01 in 1998 compared to \$.33 in the second quarter of 1997 including \$.35 for restructuring and other costs in 1998. Without these costs, basic and diluted earnings per common share increased from \$.33 in 1997 to \$.36 in 1998, or 9.1%.

#### Six Months Ended June 30, 1998 Compared to Six Months Ended June 30, 1997

For the six months ended June 30, 1998, net sales increased \$27.1 million, or 7.7%, to \$377.8 million, up from \$350.7 million in the same period of 1997. The increase resulted from strong sales growth in the United States both from base business and from acquisitions, net of divestitures. European sales increased modestly while sales in the Pacific Rim and Latin America were adversely impacted by the following: the Asian economy; the termination of distributors in Taiwan, Korea, Colombia and Chile which will be replaced by newly established local DENTSPLY subsidiaries by the end of the third quarter 1998; and the impact of a strong U.S. dollar.

Gross profit increased \$20.4 million, or 11.4%, to \$199.2 million from \$178.8 million in the first six months of 1997. As a percentage of sales, gross profit increased from 51.0% in the first six months of 1997 to 52.7% in the same period of 1998. Favorable product and geographical mix, operational improvements and the elimination of implant products all contributed to the improved percentage.

Selling, general and administrative expense increased \$14.1 million, or 11.9%. As a percentage of sales, expenses increased from 33.7% in the first six months of 1997 to 35.0% for the same period of 1998. The largest part of the percentage increase in expenses was from businesses acquired during the last twelve months, from higher expenses in the first six months of 1998 to upgrade information systems in the United States and Europe to be year 2000 compliant and from bad debt expense associated with termination of distributors in countries where these distributors are being replaced with local DENTSPLY subsidiaries.

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

Other income decreased \$1.3 million in the first six months of 1998 due primarily to unfavorable currency fluctuations in Europe and Asia.

Income before income taxes decreased \$24.8 million due to the \$29.0 million of restructuring and other costs. Without these costs, income before income taxes increased \$4.2 million, or 7.3%. The effective tax rate for operations was lowered to 37.3% in the first six months of 1998 compared to 39.2% in the first six months of 1997 reflecting improvement from tax planning activities. Net income decreased \$15.2 million due to the after tax cost of \$18.9 million for restructuring and other costs. Without these costs, net income increased \$3.7 million, or 10.5% in the first six months of 1998 compared to 1997 due to higher sales and an improvement in gross profit percentage, and a lower provision for income taxes in the first six months of 1998.

Reported basic and diluted earnings per common share were \$.36 in 1998 compared to \$.65 basic earnings per share and \$.64 diluted earnings per share in the first six months of 1997. Earnings per share for the first six months of 1998 included \$.35 for restructuring and other costs. Without these costs, basic earnings per common share increased from \$.65 in 1997 to \$.71 in 1998 or 9.2% and diluted earnings per share increased from \$.64 in 1997 to \$.71 in 1998 or 10.9%.

In January 1998, the Company acquired the assets of Blendax for approximately \$7 million. In March 1998, the Company purchased the assets of InfoSoft for \$8.6 million. In the April and May of 1998, the Company purchased a 67% majority interest in GAC International Inc. for approximately \$22.7 million. In May 1998, the Company purchased 100% of the capital stock of Crescent Dental Manufacturing Co. for \$5.2 million. In May 1998, the Company also purchased 100% of the capital stock of Herpo Productos Dentarios Ltda. for \$7.4 million. In June 1998, the Company repurchased 1.28 million shares of its common stock for \$31.2 million. These transactions were funded from the Company's existing \$175.0 million Bank Revolving Loan Facility and short-term bank borrowings along with cash flows from operations.

Investing activities for the six months ended June 30, 1998 include capital expenditures of \$15.4 million.

The Company's current ratio was 1.6 with working capital of \$121.4 million at June 30, 1998. This compares with a current ratio of 1.6 and working capital of \$107.7 million at December 31, 1997. Working capital increased due to higher inventory levels as new distributor locations were added and higher production in Germany than required to meet sales. Inventory levels should improve slightly by year end.

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

For the six months ended June 30, 1998, cash flows from operating activities were \$21.3 million compared to \$34.4 million for the six months ended June 30, 1997. The decrease of \$13.1 million results primarily from increases in inventories.

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In July of 1998, the Company entered into interest rate swap agreements totaling \$80 million which converts the Company's variable rate financing to fixed rates. The average fixed rate of these agreements is 5.7% and fixes the rate for an average of 5 years.

#### IMPACT OF INFLATION

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

#### YEAR 2000

The Company has conducted a comprehensive review of its computer systems to identify the systems that are affected by the "Year 2000" issue. In 1995, the Company commenced a year 2000 conversion project for all of its locations to address necessary software upgrades, training, data conversion, testing and implementation. The Company will incur internal staff costs as well as consulting and other expenses to complete the project by the anticipated date of mid-1999. The Company does not expect the amounts required to be expensed during the project to have a material effect on its financial position or results of operations.

Item 3 - Quantitative and Qualitative Disclosures About Market Risk

Not required.

PART II  
OTHER INFORMATION

Item 1 - Legal Proceedings

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

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

(a) On May 20, 1998, the Company held its 1998 Annual Meeting of Stockholders.

(b) Not applicable.

(c) The following matters were voted upon at the Annual Meeting, with the results indicated:

1. Election of Class III Directors:

Nominee -----	Votes For -----	Votes Withheld -----	Broker Non-Votes -----
Michael J. Coleman	44,880,360	615,397	N/A
John C. Miles II	44,561,308	934,449	N/A
Arthur A. Dugoni	44,878,075	617,682	N/A
W. Keith Smith	44,912,485	583,272	N/A

2. Proposal to approve the Dentsply International Inc. 1998 Stock Option Plan.

Votes For: 33,863,224	Votes Against: 7,039,758
Abstentions: 213,050	Broker Non-Votes: 4,379,725

3. Proposal to ratify the appointment of KPMG Peat Marwick LLP, independent certified accountants, to audit the books and accounts



of the Company for the year ending December 31,1998:

Votes For: 45,347,400  
Abstentions: 51,205

Votes Against: 97,152  
Broker Non-Votes: N/A

(d) Not applicable.

Item 6 - Exhibits and Reports on Form 8-K

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

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

(b) Reports on Form 8-K

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

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Signatures

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

DENTSPLY INTERNATIONAL INC.

August 13, 1998

/s/ John C. Miles II

Date

John C. Miles II  
Vice Chairman and  
Chief Executive Officer

August 13, 1998

/s/ William R. Jellison

Date

William R. Jellison  
Senior Vice President and  
Chief Financial Officer

## EXHIBIT INDEX

Number	Description	Sequential Page No.
-----	-----	-----
27	Financial Data Schedule (pursuant to Item 601(c)(1)(iv) of Regulation S-K, this exhibit shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended)	21



<ARTICLE>

5

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

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