DENTSPLY INTERNATIONAL INC /DE/
Form 10-Q
May 01, 2008
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 March 31, 2008

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to _______________

Commission File Number 0-16211

DENTSPLY International Inc.

____

(Exact name of registrant as specified in its charter)

Delaware	39-1434669
(State or other jurisdiction of	(I.R.S. Employer

incorporation or organization) Identification No.)

221 West Philadelphia Street, York, PA 17405-0872

(Address of principal executive offices) (Zip Code)

(717) 845-7511

(Registrant's telephone number, including area code)

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

Yes X 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 X No

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 X Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No X

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: At April 30, 2008, DENTSPLY International Inc. (the "Company") had 148,838,319 shares of Common Stock outstanding, with a par value of $.01 per share.

DENTSPLY International Inc.

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PART II - OTHER INFORMATION

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

	Three Months Ended March 31, 2008	2007
	(in thousands except per share data)	
Net sales	$ 560,782	$ 472,864
Cost of products sold	275,539	226,586
Gross profit	285,243	246,278
Selling, general and administrative expenses	184,002	164,077
Restructuring and other costs (Note 9)	204	990
Operating income	101,037	81,211
Other income and expenses:		
Interest expense	8,252	4,456
Interest income	(5,210)	(6,501)
Other expense (income), net	3,097	(210)
Income before income taxes	94,898	83,466
Provision for income taxes	26,718	24,994
Net income	$ 68,180	$ 58,472
Earnings per common share (Note 4):		
-Basic	$ 0.45	$0.38
-Diluted	$ 0.45	$0.38
Cash dividends declared per common share	$0.045	$0.040
Weighted average common shares outstanding (Note 4):		
-Basic	149,945	152,031
-Diluted	152,983	154,564

See accompanying notes to Unaudited Interim Consolidated Condensed Financial Statements.

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

	March 31, 2008	December 31, 2007
Assets	(in thousands)	
Current Assets:		
Cash and cash equivalents	$ 90,660	$ 169,384
Short-term investments	254,003	146,939
Accounts and notes receivable-trade, net (Note 1)	356,629	307,622
Inventories, net (Note 7)	280,932	258,032
Prepaid expenses and other current assets	111,107	100,045
Total Current Assets	1,093,331	982,022
Property, plant and equipment, net	402,009	371,409
Identifiable intangible assets, net	76,695	76,167
Goodwill, net	1,181,197	1,127,420
Other noncurrent assets, net	161,773	118,551
Total Assets	$ 2,915,005	$ 2,675,569
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	$ 93,642	$ 82,321
Accrued liabilities	167,655	189,405
Income taxes payable	29,920	39,441
Notes payable and current portion of long-term debt	5,823	1,244
Total Current Liabilities	297,040	312,411
Long-term debt	586,811	482,063
Deferred income taxes	68,000	60,547
Other noncurrent liabilities	442,909	304,146
Total Liabilities	1,394,760	1,159,167
Minority interests in consolidated subsidiaries	304	296
Commitments and contingencies (Note 13)		
Stockholders' Equity:		
Preferred stock, $.01 par value; .25 million shares authorized; no shares issued	-	-
Common stock, $.01 par value; 200 million shares authorized; 162.8 million shares issued at March 31, 2008 and December 31, 2007	1,628	1,628
Capital in excess of par value	176,320	173,084
Retained earnings	1,644,149	1,582,683
Accumulated other comprehensive income (Note 3)	167,379	145,819
Treasury stock, at cost, 14.0 million shares at March 31, 2008 and 12.0 million shares at December 31, 2007	(469,535)	(387,108)
Total Stockholders' Equity	1,519,941	1,516,106
Total Liabilities and Stockholders' Equity	$ 2,915,005	$ 2,675,569

See accompanying notes to Unaudited Interim Consolidated Condensed Financial Statements.

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

	Three Months Ended March 31,	
	2008	2007
Cash flows from operating activities:	(in thousands)	
Net income	$ 68,180	$ 58,472
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	12,021	11,110
Amortization	2,189	1,824
Share-based compensation expense	4,093	3,436
Restructuring and other costs	204	990
Other, net	(56,516)	(34,007)
Net cash provided by operating activities	30,171	41,825
Cash flows from investing activities:		
Capital expenditures	(18,682)	(10,708)
Cash paid for acquisitions of businesses and equity investment	(2,415)	(7,150)
Purchases of short-term investments	(90,641)	(32,403)
Liquidation of short-term investments	-	66
Expenditures for identifiable intangible assets	-	(336)
Proceeds from sale of property, plant and equipment, net	486	55
Net cash used in investing activities	(111,252)	(50,476)
Cash flows from financing activities:		
Net change in short-term borrowings	4,437	6,570
Cash paid for treasury stock	(87,824)	(11,527)
Cash dividends paid	(6,803)	(6,902)
Proceeds from long-term borrowings	78,254	149,548
Payments on long-term borrowings	-	(105,362)
Proceeds from exercise of stock options	3,016	13,262
Excess tax benefits from share-based compensation	1,139	1,096
Net cash (used in) provided by financing activities	(7,781)	46,685
Effect of exchange rate changes on cash and cash equivalents	10,138	980
Net (decrease) increase in cash and cash equivalents	(78,724)	39,014
Cash and cash equivalents at beginning of period	169,384	65,064

Cash and cash equivalents at end of period	$ 90,660	$ 104,078

See accompanying notes to Unaudited Interim Consolidated Condensed Financial Statements.

DENTSPLY International Inc.

NOTES TO UNAUDITED INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

March 31, 2008

The accompanying Unaudited Interim Consolidated Condensed Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial statements and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair statement of the results for interim periods have been included. Results for interim periods should not be considered indicative of results for a full year. These financial statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in the Company's most recent Form 10-K filed February 25, 2008.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of DENTSPLY International Inc., as applied in the consolidated interim financial statements presented herein, are substantially the same as presented on pages 51 through 57 of the Annual Report on Form 10-K for the fiscal year ended December 31, 2007, except as indicated below:

Accounts and Notes Receivable-Trade

Accounts and notes receivables - trade are stated net of allowances for doubtful accounts and trade discounts, which were $19.6 million and $18.9 million at March 31, 2008 and December 31, 2007, respectively.

Fair Value Measurement

In September 2006, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards No. 157 ("SFAS 157"), "Fair Value Measurements," which requires the Company to define fair value, establish a framework for measuring fair value in GAAP, and expand disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years.

On February 12, 2008, the FASB issued FASB Staff Position No. SFAS 157-2, “Effective Date of FASB Statement No. 157,” which amends SFAS 157 by delaying its effective date by one year for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. Therefore, beginning on January 1, 2008, this standard applies prospectively to new fair value measurements of financial instruments and recurring fair value measurements of non-financial assets and non-financial liabilities. On January 1, 2009, the standard will also apply to all other fair value measurements. The Company has adopted SFAS 157 and has presented the required disclosures in Note 12, Fair Value Measurement.

Fair Value Option

In February 2006, the FASB issued Statement of Financial Accounting Standards No. 159 (“SFAS 159”), “The Fair Value Option for Financial Assets and Financial Liabilities.” SFAS 159 permits entities to choose to measure financial instruments and certain other items at fair value that are not currently required to be measured at fair value. This will allow entities the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently. SFAS 159 is effective for financial statements issued for fiscal years ending after November 15, 2007. While SFAS 159 became effective for the Company’s 2008 fiscal year, the Company did not elect the fair value measurement option for any of the Company’s financial assets or liabilities.

New Accounting Pronouncements

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141(R) (“SFAS 141(R)”), “Business Combinations.” It requires the acquiring entity in a business combination to recognize all assets acquired and liabilities assumed in the transaction, establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed, and requires the acquirer to disclose the nature and financial effect of the business combination. SFAS

141(R) is effective for fiscal years beginning after December 15, 2008. The Company will adopt SFAS 141(R) in the first quarter of fiscal year 2009 and is currently evaluating the impact the adoption will have on the Company’s financial statements.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160 (“SFAS 160”), “Noncontrolling Interests in Consolidated Financial Statements.” This statement amends Accounting Research Bulletin No. 51, “Consolidated Financial Statements,” to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 is effective for fiscal years beginning after December 15, 2008. The Company will adopt SFAS 160 in the first quarter of fiscal year 2009 and is currently evaluating the impact the adoption will have on the Company’s financial statements.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161 (“SFAS 161”), ”Disclosures about Derivative Instruments and Hedging Activities.” SFAS 161 is effective for fiscal years beginning after December 15, 2008. This statement amends and expands the disclosure requirements of SFAS 133, “Accounting for Derivative Instruments and Hedging.” The Company will adopt SFAS 161 in the first quarter of fiscal year 2009 and is currently evaluating the impact the adoption will have on the Company’s financial statements.

NOTE 2 – STOCK COMPENSATION

The Company maintains the 2002 Equity Incentive Plan (the “Plan”) under which it may grant non-qualified stock options, incentive stock options, restricted stock, restricted stock units (“RSU”) and stock appreciation rights, collectively referred to as “Awards.” Awards are granted at exercise prices that approximate the fair market value of the common stock on the grant date. The Plan authorized grants of 14,000,000 shares of common stock, plus any unexercised portion of cancelled or terminated stock options granted under the DENTSPLY International Inc. 1993 and 1998 Plans, subject to adjustment as follows: each January, if 7% of the total outstanding common shares of the Company exceed 14,000,000, the excess becomes available for grant under the Plan. No more than 2,000,000 shares may be awarded as restricted stock and restricted stock units, and no key employee may be granted restricted stock units in excess of 150,000 shares of common stock in any calendar year.

Stock 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 when they become immediately exercisable upon death, disability or qualified retirement. Restricted stock units vest 100% on the third anniversary of the date of grant and are subject to a service condition, which requires grantees to remain employed by the Company during the three year period following the date of grant. In addition to the service condition, certain key executives are subject to performance requirements. It is the Company’s practice to issue shares from treasury stock when options are exercised.

Under SFAS 123(R), the Company continues to use the Black-Scholes option-pricing model to estimate the fair value of each award. The assumptions used to calculate the fair value of the awards granted are evaluated and revised, as necessary, to reflect market conditions and the Company’s experience.

The following table represents total stock based compensation expense and the tax related benefit for the three months ended March 31, 2008 and 2007:

	Three Months Ended March 31,	
	2008	2007
	(in millions)	
Stock option expense	$ 2.8	$ 3.1
RSU expense	1.0	0.3
Total stock based compensation expense	$ 3.8	$ 3.4
Total related tax benefit	$ 1.1	$ 0.9

The remaining unamortized compensation cost related to non-qualified stock options is $19.1 million, which will be expensed over the weighted average remaining vesting period of the options, or 1.6 years. The unamortized compensation cost related to RSUs is

$10.4 million, which will be expensed over the remaining restricted period of the RSUs, or 2.3 years.

The following table summarizes the non-qualified stock options transactions from December 31, 2007 through March 31, 2008:

	Outstanding			Exercisable		
	Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value	Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value
	(in thousands, except per share data)					
December 31, 2007	10,314	$ 26.41	$ 192,333	7,378	$ 22.46	$ 166,664
Granted	34	38.63				
Exercised	(170)	17.75				
Forfeited	(43)	34.86				
March 31, 2008	10,135	$ 26.56	$ 128,667	7,316	$ 22.68	$ 115,565

The weighted average remaining contractual term of all outstanding options is 6.3 years and the weighted average remaining contractual term of exercisable options is 5.3 years.

The following table summarizes the unvested restricted stock unit and restricted stock unit dividend transactions from December 31, 2007 through March 31, 2008:

	Unvested Restricted Stock Units	
	Shares	Weighted Average Grant Date Fair Value
	(in thousands, except per share data)	
Unvested at December 31, 2007	211	$ 30.99
Granted	203	41.13
Vested	(4)	34.82
Forfeited	(4)	32.37
Unvested at March 31, 2008	406	$ 36.01

NOTE 3 – COMPREHENSIVE INCOME

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

Three Months Ended

	March 31, 2008	2007
	(in thousands)	
Net income	$ 68,180	$ 58,472
Foreign currency translation adjustments	100,699	13,984
Unrealized loss on available-for-sale securities	-	(97)
Amortization of unrecognized losses and prior year service cost, net	(327)	(308)
Net loss on derivative financial instruments	(78,812)	(5,611)
Total comprehensive income	$ 89,740	$ 66,440

During the quarter ended March 31, 2008, foreign currency translation adjustments included currency translation gains of $116.9 million and losses of $16.2 million on the Company’s loans designated as hedges of net investments. During the quarter ended March 31, 2007, foreign currency translation adjustments included currency translation gains of $15.4 million partially offset by losses of $1.4 million on the Company’s loans designated as hedges of net investments. These foreign currency translation adjustments were offset by net losses on derivatives financial instruments, which are discussed in Note 10, Financial Instruments and Derivatives.

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

		March 31, 2008		December 31, 2007
		(in thousands)		
Foreign currency translation adjustments	$	341,770	$	241,071
Unrecognized losses and prior service cost, net		(9,725)		(9,398)
Net loss on derivative financial instruments		(164,666)		(85,854)
	$	167,379	$	145,819

The cumulative foreign currency translation adjustments included translation gains of $448.0 million and $331.1 million as of March 31, 2008 and December 31, 2007, respectively, offset by losses of $106.2 million and $90.0 million, respectively, on loans designated as hedges of net investments. These foreign currency translation adjustments were offset by net losses on derivatives financial instruments, which are discussed in Note 10, Financial Instruments and Derivatives.

NOTE 4 - EARNINGS PER COMMON SHARE

The dilutive effect of outstanding options and restricted stock is reflected in diluted earnings per share by application of the treasury stock method. The following table sets forth the computation of basic and diluted earnings per common share:

		Three Months Ended March 31, 2008		2007
		(in thousands, except per share amounts)		
Basic Earnings Per Common Share Computation				
Net income	$	68,180	$	58,472
Common shares outstanding		149,945		152,031
Earnings per common share - basic	$	0.45	$	0.38
Diluted Earnings Per Common Share Computation				
Net income	$	68,180	$	58,472

Common shares outstanding	149,945	152,031
Incremental shares from assumed exercise of dilutive options	3,038	2,533
Total shares	152,983	154,564
Earnings per common share - diluted	$ 0.45	$ 0.38

Options to purchase 1.4 million shares of common stock that were outstanding during the quarter ended March 31, 2008, 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. There were no antidilutive shares outstanding during the three months ended March 31, 2007.

NOTE 5 - BUSINESS ACQUISITIONS

One of the Company’s 2005 acquisitions and one of the Company’s 2007 acquisitions included provisions for possible additional payments based on the post closing performance of the individual businesses. During the first quarter of 2008, the Company paid $2.4 million in additional purchase price under these agreements.

NOTE 6 - 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 97% and 98% of sales for the periods ended March 31, 2008 and 2007, respectively.

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 groups are consistent with those described in the most recently filed 10-K Consolidated Financial Statements in the summary of significant accounting policies. The Company measures segment income for reporting purposes as net operating profit before restructuring, interest and taxes.

United States, Germany, and Certain Other European Regions Consumable Businesses

This business group includes responsibility for the design, manufacturing, sales, and distribution for certain small equipment and chairside consumable products in the United States, Germany, and certain other European regions.

France, United Kingdom, Italy, CIS, Middle East, Africa, Pacific Rim Businesses

This business group includes responsibility for the sales and distribution for chairside consumable products and certain small equipment, certain laboratory products, and certain Endodontic products in France, United Kingdom, Italy, the Commonwealth of Independent States (“CIS”), Middle East, Africa, Asia (excluding Japan), Japan and Australia, as well as the sale and distribution of implant products and bone substitute/grafting materials in Italy, Asia and Australia. This business group also includes the manufacturing and sale of Orthodontic products, the manufacturing of certain laboratory products in Japan, and the manufacturing of certain laboratory and certain Endodontic products in Asia.

Canada/Latin America/Endodontics/Orthodontics

This business group includes responsibility for the design, manufacture, and/or sales and distribution of chairside consumable and laboratory products in Brazil. It also has responsibility for the sales and distribution of most Company dental products sold in Latin America and Canada. This business group also includes the responsibility for the design and manufacturing for Endodontic products in the United States, Switzerland and Germany and is responsible for sales and distribution of certain Company Endodontic products in the United States, Canada, Switzerland, Benelux, Scandinavia, and Eastern Europe, and certain Endodontic products in Germany. This business group is also responsible for the world-wide sales and distribution, excluding Japan, as well as some manufacturing of the Company's Orthodontic products. This business group is also responsible for sales and distribution in the United States for implant and bone substitute/grafting materials and the distribution of implants in Brazil.

Global Dental Laboratory Business/Implants/Non-Dental

This business group includes the responsibility for the design, manufacture, world-wide sales and distribution for laboratory products, excluding certain laboratory products mentioned earlier, and the design, manufacture, and/or sales and distribution of the Company's dental implant products and bone substitute/grafting materials, excluding sales and distribution of implants and bone substitute/grafting materials in the United States, Italy, Asia, Australia and sales and distribution of implants in Brazil. This business group is also responsible for the Company's non-dental business.

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, excluding restructuring and other costs, and net third party sales, excluding precious metal content.

The following tables set forth information about the Company's operating groups for the three months ended March 31, 2008 and 2007:

<u>Third Party Net Sales</u>

		Three Months Ended March 31,		
		2008		2007
		(in thousands)		
U.S., Germany, and Certain Other European Regions Consumable Businesses	$	122,528	$	100,413

France, U.K., Italy, CIS, Middle East, Africa, Pacific Rim Businesses	101,568	86,705
Canada/Latin America/Endodontics/ Orthodontics	153,798	135,079
Global Dental Laboratory Business/ Implants/Non-Dental	184,131	152,040
All Other (a)	(1,243)	(1,373)
Total	$ 560,782	$ 472,864

The presentation of net sales, excluding precious metal content, could be considered a measure not calculated in accordance with generally accepted accounting principles ("GAAP"), and is therefore considered a non-GAAP measure. This non-GAAP measure is discussed further in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and a reconciliation of net sales, excluding precious metal content, to net sales is provided below.

Third Party Net Sales, excluding precious metal content

	Three Months Ended March 31,	
	2008	2007
	(in thousands)	
U.S., Germany, and Certain Other European Regions Consumable Businesses	$ 122,528	$ 100,413
France, U.K., Italy, CIS, Middle East, Africa, Pacific Rim Businesses	95,244	80,034
Canada/Latin America/Endodontics/ Orthodontics	152,896	133,983
Global Dental Laboratory Business/ Implants/Non-Dental	126,823	110,209
All Other (a)	(1,243)	(1,373)
Total excluding Precious Metal Content	496,248	423,266
Precious Metal Content	64,534	49,598
Total including Precious Metal Content	$ 560,782	$ 472,864

(a) Includes: amounts recorded at Corporate headquarters.

Inter-segment Net Sales

	Three Months Ended March 31, 2008 (in thousands)	2007
U.S., Germany, and Certain Other European Regions Consumable Businesses	$ 29,345	$ 36,888
France, U.K., Italy, CIS, Middle East, Africa, Pacific Rim Businesses	1,140	2,321
Canada/Latin America/Endodontics/ Orthodontics	25,108	21,526
Global Dental Laboratory Business/ Implants/Non-Dental	22,666	25,392
All Other (a)	46,365	35,922
Eliminations	(124,624)	(122,049)
Total	$ -	$ -

Segment Operating Income

	Three Months Ended March 31, 2008 (in thousands)	2007
U.S., Germany, and Certain Other European Regions Consumable Businesses	$ 43,354	$ 33,933
France, U.K., Italy, CIS, Middle East, Africa, Pacific Rim Businesses	1,317	577
Canada/Latin America/Endodontics/ Orthodontics	51,278	42,467
Global Dental Laboratory Business/ Implants/Non-Dental	32,185	28,634
All Other (b)	(26,893)	(23,410)
Segment Operating Income	101,241	82,201
Reconciling Items:		
Restructuring and other costs	(204)	(990)
Interest Expense	(8,252)	(4,456)
Interest Income	5,210	6,501
Other income (expense), net	(3,097)	210
Income before income taxes	$ 94,898	$ 83,466

(a) Includes: amounts recorded at Corporate headquarters and one distribution warehouse not managed by named segments.

(b) Includes: the results of Corporate headquarters, inter-segment eliminations and one distribution warehouse not managed by named segments.

Assets

	March 31, 2008 (in thousands)	December 31, 2007
U.S., Germany, and Certain Other European Regions Consumable Businesses	$ 402,959	$ 382,913
France, U.K., Italy, CIS, Middle East, Africa, Pacific Rim Businesses	347,067	315,531
Canada/Latin America/Endodontics/ Orthodontics	755,921	715,300
Global Dental Laboratory Business/ Implants/Non-Dental	967,152	898,043
All Other (a)	441,906	363,782
Total	$ 2,915,005	$ 2,675,569

(a) Includes: assets of Corporate headquarters, inter-segment eliminations and one distribution warehouse not managed by named segments.

NOTE 7 - INVENTORIES

Inventories are stated at the lower of cost or market. At March 31, 2008 and December 31, 2007, the cost of $10.9 million, or 3.9%, and $10.6 million, or 4.1%, 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. The inventory valuation reserves were $28.6 million and $26.2 million as of March 31, 2008 and December 31, 2007, respectively.

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 March 31, 2008 and December 31, 2007 by $4.9 million and $4.4 million, respectively.

Inventories, net of inventory valuation reserves, consist of the following:

	March 31, 2008 (in thousands)	December 31, 2007
Finished goods	$ 167,672	$ 155,402
Work-in-process	56,118	49,622

Raw materials and supplies	57,142	53,008
	$ 280,932	$ 258,032

NOTE 8 - BENEFIT PLANS

The following sets forth the components of net periodic benefit cost of the Company's benefit plans and for the Company's other postretirement employee benefit plans for the three months ended March 31, 2008 and March 31, 2007, respectively:

	Pension Benefits Three Months Ended March 31,		Other Postretirement Benefits Three Months Ended March 31,	
	2008	2007	2008	2007
	(in thousands)		(in thousands)	
Service cost	$ 1,806	$ 1,679	$ 12	$ 16
Interest cost	2,248	1,781	156	131
Expected return on plan assets	(1,158)	(1,105)	-	-
Amortization of transition obligation	61	53	-	-
Amortization of prior service cost	46	37	-	(97)
Amortization of net loss	73	284	37	31
Net periodic benefit cost	$ 3,076	$ 2,729	$ 205	$ 81

The following sets forth the information related to the funding of the Company's benefit plans for 2008:

	Pension Benefits	Other Postretirement Benefits
	(in thousands)	
Actual, March 31, 2008	$ 2,802	$ 144
Projected for the remainder of the year	6,007	921
Total for year	$ 8,809	$ 1,065

NOTE 9 - RESTRUCTURING AND OTHER COSTS

Restructuring Costs

Restructuring accruals of $1.7 million as of March 31, 2008 and $3.1 million as of December 31, 2007 are reflected in accrued liabilities and other non-current liabilities in the consolidated balance sheets and the associated costs are recorded in restructuring, impairment and other costs in the income statements. The accruals consist of employee severance benefits, payments due under operating contracts, and other restructuring costs. For further information regarding the Company's restructuring plans and the associated accruals, refer to Note 14, Restructuring, Impairment and Other Costs in the Notes to Consolidated Financial Statements appearing in the Company's Annual Report on Form 10-K for the year ended December 31, 2007. The Company does not expect any additional significant expenses related to any existing restructuring plans. The Company did not initiate any new restructuring plans for the three months ended March 31, 2008.

As of March 31, 2008, the Company's restructuring accruals were as follows:

	Severance 2006 and Prior Plans		2007 Plans		Total
	(in thousands)				
Balance, December 31, 2007	$ 1,617	$	925	$	2,542
Provisions	118		5		123
Amounts applied	(729)		(768)		(1,497)
Change in estimate	(65)		-		(65)
Balance, March 31, 2008	$ 941	$	162	$	1,103

	Lease/contract terminations 2006 and Prior Plans		2007 Plans		Total
	(in thousands)				
Balance, December 31, 2007	$ 252	$	-	$	252
Provisions	-		-		-
Amounts applied	(28)		-		(28)
Change in estimate	-		-		-
Balance, March 31, 2008	$ 224	$	-	$	224

	Other restructuring costs 2006 and Prior Plans		2007 Plans		Total
	(in thousands)				
Balance, December 31, 2007	$ 206	$	52	$	258
Provisions	221		85		306
Amounts applied	65		(98)		(33)
Change in estimate	(160)		-		(160)
Balance, March 31, 2008	$ 332	$	39	$	371

The following table provides the cumulative amounts for all the plans by segment:

	December 31, 2007	Provisions	Amounts applied	Change in estimate	March 31, 2008
	(in thousands)				
United States, Germany, and Certain Other European Regions					

Consumable Businesses	$ 234	$ 94	$ 32	$ -	$ 360
France, United Kingdom, Italy, CIS, Middle East, Africa, Pacific Rim Businesses	220	-	(3)	-	217
Canada/Latin America/ Endodontics/Orthodontics	619	205	(426)	-	398
Global Dental Laboratory Business/ Implants/Non-Dental	1,979	130	(1,161)	(225)	723
	$ 3,052	$ 429	$ (1,558)	$ (225)	$ 1,698

NOTE 10 – FINANCIAL INSTRUMENTS AND DERIVATIVES

Financial Instruments

The Company believes the carrying amounts of short-term investments, accounts receivable (net of allowance for doubtful accounts), prepaid expenses and other current assets, accounts payable, accrued liabilities, income taxes payable and notes payable approximate fair value due to the short-term nature of these instruments. The Company estimates the fair value and carrying value of its total long-term debt, including the current portion, was $587.0 million as of March 31, 2008. The fair value of the Company's long-term debt equaled its carrying value as the Company's debt is variable rate and reflects current market rates. The interest rates on private placement notes, revolving debt and commercial paper are variable and therefore the fair value of these instruments approximates their carrying values.

Derivative Instruments and Hedging Activities

The Company uses interest rate swaps, cross currency interest rate swaps, commodity swaps, forward exchange contracts, and foreign currency denominated debt held at the parent company level to manage risks generally associated with foreign exchange rates, interest rates and commodity price fluctuations. The aggregate pre-tax net fair value of the Company's derivative instruments at March 31, 2008 and December 31, 2007 was negative $269.9 million and negative $141.6 million, respectively. For a more detailed discussion of the Company's derivative instruments, refer to the Company's 2007 Annual Report on Form 10-K.

Cash Flow Hedges

The Company uses interest rate swaps to convert a portion of its variable rate debt to fixed rate debt. The Company selectively enters into commodity swaps to effectively fix certain variable raw material costs. The Company enters into forward exchange contracts to hedge the foreign currency exposure of its anticipated purchases of certain inventory from Japan. In addition, forward exchange contracts are used by certain of the Company's subsidiaries to hedge intercompany inventory purchases, which are denominated in foreign currencies.

Amounts recorded in accumulated other comprehensive income (loss) related to cash flow hedging instruments follow:

Three Months Ended
March 31,