

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS PURSUANT
TO SECTIONS 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 [FEE REQUIRED] For the fiscal year ended December
31, 1996

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 [NO FEE REQUIRED] For the transition period from
_____ to _____

Commission file number 0-16211

DENTSPLY International Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

39-1434669
(I.R.S. Employer
Identification No.)

570 West College Avenue, 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 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

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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.

As of March 3, 1997, the aggregate market value of voting common stock held
by non-affiliates of the registrant, based upon the last reported sale price for
the registrant's Common Stock on the Nasdaq National Market on such date, as
reported in The Wall Street Journal, was \$1,359,360,923 (calculated by excluding
shares owned beneficially by directors and executive officers as a group from
total outstanding shares solely for the purpose of this response).

The number of shares of the registrant's Common Stock outstanding as of the
close of business on March 3, 1997 was 26,932,042.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the definitive Proxy Statement of DENTSPLY
International Inc. to be used in connection with the 1997 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 to be
deemed filed as part of this Annual Report on Form 10-K.

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PART I

Item 1. Business

General

DENTSPLY International Inc. ("DENTSPLY" or the "Company"), a Delaware corporation, designs, develops, manufactures and markets products in two principal categories: dental consumable and laboratory products, and dental equipment. Dental consumable and laboratory products include artificial teeth, endodontic instruments and materials, impression materials, restorative materials, crown and bridge materials, prophylaxis paste, dental sealants and dental anesthetics. Dental equipment includes dental x-ray systems, intraoral cameras, computer imaging systems and related software, handpieces, cutting instruments, and ultrasonic scalers and polishers.

In August 1996, the Company acquired a 51 percent interest in CeraMed Dental LLC ("CeraMed") and the right to acquire the remaining 49 percent at a later date. CeraMed is the leading United States manufacturer and distributor of bone grafting materials and Hydroxylapatite plasma-feed coating materials to dental markets.

In January 1997, DENTSPLY purchased the assets of DW Industries, Inc., the leading manufacturer of disposable air- water syringe tips.

Also in January 1997, the Company purchased 100 percent of the outstanding capital stock of Laboratoire SPAD, S.A. ("SPAD"), a leading French manufacturer and distributor of dental anesthetics and other dental products. SPAD gives DENTSPLY entry to the dental anesthetic market in addition to expanding DENTSPLY's existing business in France.

In addition, in January 1997, DENTSPLY commenced a tender offer for all of the outstanding shares of New Image Industries, Inc. ("New Image"). On March 7, 1997, pursuant to the tender offer, DENTSPLY purchased shares representing approximately 90 percent of the outstanding shares of New Image. The remaining shares will be acquired in a merger. New Image is a leader in the design, development, manufacturing and distribution of intraoral cameras, computer imaging systems and related software.

Market Overview

Professional Dental Products

General. The worldwide professional dental industry encompasses the diagnosis, treatment and prevention of disease

and ailments of the teeth, gums and supporting bone. 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 that the market has attained. Geographic markets for DENTSPLY's dental products can be categorized into the three stages of development described below.

The United States, Canada, Western Europe, the United Kingdom, Japan, and Australia are highly developed markets that demand the most advanced dental procedures and products and have the highest level of expenditure 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, including periodontia (the treatment of the structure supporting the teeth), endodontia (the revitalization of teeth that would otherwise require extraction), orthodontia (the movement and realignment of teeth for improved function and aesthetics), gnathology (the treatment of temporomandibular joint (TMJ) dysfunction and occlusive modification), implantology (the insertion of prosthetic devices to provide support for partial or full dentures) and cosmetic dentistry. These markets require varied and complex dental products, such as advanced cleaning and scaling equipment and related solutions, light-cured bonding and restorative compounds, precision-molded and customized crowns, bridges, bone grafting materials, implants and other prosthodontic devices, materials and instruments used in endodontic procedures, and aesthetically accurate stains and tints. These markets also 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 and the Pacific Rim, 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 and custom restorative devices.

In the People's Republic of China, India, Eastern Europe, the Commonwealth of Independent States, and other developing countries, dental ailments are treated primarily through tooth extraction and denture replacement. These procedures require basic surgical instruments, artificial teeth for dentures and bridgework, and anchoring devices such as posts.

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 develops, 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 continued growth in all of the markets that it serves.

United States. The market for professional dental products in the United States has experienced significant growth in recent years. Statistics published by the U.S. Department of Health and Human Services indicate that annual United States spending on dental products and services increased from \$31.6 billion to \$45.8 billion from 1990 to 1995, or 7.7% per annum.

The Company believes that the United States market will continue to be influenced by favorable demographic trends, increasing coverage of dental care by private insurance and government programs, and an intensifying focus on preventive dental care. The percentage of the United States population over age 65 is expected to nearly double by the year 2030, to 22%, and this segment of the population commands a relatively high level of discretionary income. The Company believes that as the number of older, more affluent Americans increases, the demand for restorative and cosmetic dental procedures will increase as these individuals seek to retain their natural teeth and improve their appearance.

The Company also believes that the United States market will increasingly demand products which reduce the risks of infection and patient cross-contamination. This growing demand reflects increasing government regulation, professional practice guidelines and public attention focused on preventing the transmission in the dental office of infectious diseases such as hepatitis-B and the virus that causes acquired immune deficiency syndrome. The Company offers products to address the growing market for infection control products, such as sterilizable dental handpieces and cutting instruments, single-use prophylaxis pastes, disposable prophylaxis angles and air-water syringe tips, and infection control barriers, and intends to continue to develop and acquire products to address this market.

DENTSPLY expects insurance coverage of dental care to play an important role in the United States market. According to the National Center for Health Statistics, approximately 40% of the United States population is covered by some form of dental insurance, up from 35% in 1980. While insurance coverage has been increasing, the Health Care Finance Review indicates that, in 1995, approximately 50% of dental expenditures were paid for directly by the consumer.

Products

DENTSPLY's two principal dental product lines are consumable and laboratory products, and equipment. 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 tradenames in the industry, including ASH(R), CAULK(R), CAVITRON(R), CERAMCO(R), DENTSPLY(R), DETREY(R), GENDEX(R), MIDWEST(R), R&R(R), RINN(R), TRUBYTE(R), MAILLEFER(R), PROFILE(R), THERMAFIL(R), ACUCAM(R) and SANI-TIP(R). Sales of the Company's professional dental products from continuing operations accounted for approximately 95%, 95% and 96% of DENTSPLY's consolidated sales for 1996, 1995 and 1994, respectively.

Consumable and Laboratory Products. Consumable and laboratory products consist of dental sundries used in dental offices in the treatment of patients and in dental laboratories in the preparation of dental appliances, such as crowns and bridges. The Company manufactures approximately 1,200 different consumable and laboratory products marketed under more than 70 brand names. Consumable and laboratory products include:

Resin-Based and Porcelain Artificial Teeth: Artificial teeth replace natural teeth lost through deterioration, disease or injury. The Company's artificial teeth are marketed under the TRUBYTE(R) and PORTRAIT(R) IPN(R) trade names, among others, and are produced by the Company in York, Pennsylvania, Brazil and Germany in some 15,000 combinations of shapes, sizes and shades.

Impression Materials: Impression materials are used to make molds of teeth for fitting crowns, bridges and dentures. DENTSPLY's JELTRATE(R), BLUEPRINT(TM), REPROSIL(R) and AQUASIL LV Smart Wetting Impression Material are designed to increase the rate of successful impressions without retakes and to set quickly to minimize patient discomfort.

Restorative Materials: Restorative materials are used in sealing, lining and filling excavated tooth cavities and repairing broken or damaged teeth, and include amalgams, bonding agents, light-cured composites and glass ionomer filling materials for more aesthetic restorations. The Company's DYRACT(R) product is a revolutionary, patented, single component restorative material featuring simplicity in delivery combined with excellence in restorative results. The Company's PRISMA(R) AP.H(R), PRISMA(R) TP.H(R) and TP.H(R) SPECTRUM(TM) universal composite materials permit restorations to be performed on either the anterior or posterior teeth using the same material, and are rapidly replacing older, single-purpose composite materials. The Company's ADVANCE(TM) Hybrid Ionomer Cement is a resin modified, fluoride-releasing glass ionomer cement with superior adhesion to

metal for crown and bridge work while helping to prevent secondary caries and extending the life of a restoration. PRIME & BOND(TM) 2.1 is the latest generation of a single bottle, multi-purpose dental adhesive and bonding agent which combines the functions of a primer and an adhesive in a simple-to-use single component formula. PRIME & BOND(TM) 2.1's proprietary resin formulation enhances the long-term marginal integrity of stress-bearing restorations at both dentin and enamel margins. DENTSPLY also markets the DISPERSALLOY(R), UNISON(R) and MEGALLOY(TM) lines of restorative amalgams; DELTON(R) and DELTON(R) PLUS (with fluoride release) brand dental sealants; and ADAPTIC(R) self-cured composite.

Crown and Bridge Porcelains and Ceramics: These porcelain and ceramic products are used by dental laboratories in making crowns, bridges, inlays and onlays for restorative dental procedures, where aesthetics are particularly important, and to provide functional biting and chewing surfaces that appear and feel natural. The Company produces specialty crown and bridge porcelain materials and fully automatic programmable porcelain furnaces, as well as castable ceramic materials, used by dental laboratories. Product offerings include the CERAMCO(R) line, and in Europe, the DETREY(R) CARAT(TM) line of specialty crown and bridge porcelain products for use as fixed prosthetics. FINESSE(TM) Porcelain, recently introduced by Ceramco, features superb shade matching and permits the dental laboratory to fire restorations with extraordinary aesthetics. FINESSE(TM) Porcelain restorations also allow dentists to adjust and repolish at chairside without reglazing.

Endodontic Instruments and Materials: These products are used in root canal treatment of severely damaged or decayed teeth. With the recent acquisition of Maillefer Instruments S.A. ("Maillefer") and Tulsa Dental Products L.L.C. ("Tulsa"), the Company has an extensive endodontic product offering including broaches, files, and other endodontic materials and instruments. The SUREFLEX(TM) NICKEL TITANIUM FILE features superior flexibility and shape memory which allows the instrument to follow the path of the root canal. The Company's PROFILE(R) SERIES 29(R) line of endodontic files offer a standard 29 percent increase between the tip diameters of each size instrument for a smooth, progressive enlargement from one file to the next. PROFILE(R) .04 TAPERS(R) feature non-standard tapers constructed from super-flexible nickel titanium for use in a controlled, slow-speed, high-torque rotary dental handpiece. The latest endodontic technology was incorporated into the newly developed THERMASYSTEM(R) PLUS. This new product provides a three-dimensional root canal fill in a fraction of the time it takes for traditional lateral condensation procedures.

Protective Supplies: These products are designed to ameliorate possible sources of patient cross-contamination of infectious disease, and include RITE-ANGLE(R) and NUPRO(R) Disposable Prophy Angles (disposable mechanical devices used by dentists and hygienists to clean and polish teeth), hand cleansers, disposable barriers, enzymatic cleansers, needle stick prevention devices and disposable air-water syringe tips. The SANI-TIP(R) Disposable Air/Water Syringe Tip features a central water channel encircled by six separate air channels. This innovative design, when coupled with a SANI-TIP(R) adaptor, produces precise separation or atomization of air and water while its clear cellulose-based plastic does not obstruct the practitioner's vision and allows office staff to determine if a tip was previously used.

Tooth Whitener: DENTSPLY also offers a tooth whitening system. The NUPRO(R) GOLD Tooth Whitening System is a complete, professionally administered program. Patients receive a tooth whitening system in a convenient, easy-to-use take home kit. Clinical studies for this innovative product showed that teeth averaged eight shades whiter which far exceeds the American Dental Association recommendation which states that whiteners must change teeth by a least two shades.

Other Consumable and Laboratory Products: Other products produced by the Company for use in dental offices and laboratories include NUPRO(R) prophylaxis paste that is used in cleaning and polishing teeth, the VERTEX(R) disposable articulator used in dental laboratories to simulate the dynamic movement of teeth against one another, and MICROBASE(TM), a methyl methacrylate free, high-pressure injection system for denture resin which eliminates potential problems for those sensitive to residual leaching of monomer and features a quicker, microwave cure cycle resulting in excellent fitting dentures.

Dental Equipment. DENTSPLY's dental equipment product lines include high and low speed handpieces, intraoral lighting systems, dental cutting instruments, ultrasonic scalers and polishers, and x-ray systems and related support equipment and accessories.

Handpieces: Under the MIDWEST(R) brand name, DENTSPLY manufactures and distributes a line of high-speed and low-speed air-driven handpieces and intraoral lighting systems and distributes carbide and specialty burs. High-speed handpieces are the primary instruments utilized by dentists for restorative, prosthodontic and aesthetic procedures. Low-speed handpieces may also be used in these procedures and in procedures which require more control and

higher torque, such as removal of soft decay, tooth cleaning and polishing, and chairside adjustment of dentures. Handpiece intraoral lighting systems supply light to the fiber optic bundles in the handpieces through tubes that also provide air and water to the handpiece. Midwest's recently introduced RDH(TM) Hygienist Handpiece is a more comfortable, ergonomically sound and lightweight handpiece for the dental hygienist. Its one piece "twist and click" connection avoids cumbersome sterilization protocols and provides faster handpiece changes.

Dental Cutting Instruments: The Company distributes MIDWEST(R) carbide and specialty burs. Regular carbide burs are the most commonly used dental cutting instruments in the North American market. Carbide burs mounted in handpieces are used as milling tools. While these burs are primarily used for cavity excavation, the variety of available shapes allows for alternative uses such as limited trimming and finishing techniques. Specialty burs are designed to cut and remove metal alloy dental restorations, to produce smooth surfaces on composite materials, amalgams, gold, enamel and dentin, and for gross reduction of tooth anatomy in preparation for fitting crowns and normal cavity excavations.

Ultrasonic Scalers and Polishers: DENTSPLY manufactures and distributes the CAVITRON(R) ultrasonic scaler (which uses ultrasonic waves to remove hardened tooth calculus which results from the interaction of plaque, saliva and food particles), the PROPHY-JET(R) 30 Air Polishing Prophylaxis Unit (which cleans, polishes and buffs the tooth surface after scaling is completed) and the CAVITRON(R) JET (which combines both ultrasonic scaling and air polishing prophylaxis in one multi-function unit). The Company also produces the CAVITRON(R) MED (which delivers medicaments directly to pockets below the gum surface in periodontic treatments). DENTSPLY manufactures a variety of inserts for use with its ultrasonic prophylaxis units. The FOCUSED SPRAY(TM) INSERT brings water directly to the instrument tip and focuses water where it is most needed. The SLIMLINE(TM) Ultrasonic Insert is 40 percent thinner than standard ultrasonic inserts and allows subgingival ultrasonic instrumentation at depths up to 7 mm. The new FSI(TM) SLIMLINE(TM) combines the best features of the FOCUSED SPRAY(TM) INSERT and the SLIMLINE(TM) Ultrasonic Insert.

Dental X-Ray Systems: The Company offers a full line of dental x-ray equipment for intraoral, panoramic and cephalometric procedures, all marketed under the GENDEX(R) brand name. Intraoral films provide a view of a particular area of tooth and jaw structure. Panoramic x-rays utilize a moving x-ray tube and provide an image of the entire oral

cavity, an image that is particularly valuable to oral surgeons and orthodontists. Cephalometric systems permit precise, repeatable positioning of the patient's skull so that images taken at different times can be compared.

The Company markets VISUALIX(R), a real time, digital video x-ray system. Through its solid state, intraoral x-ray sensor and associated computer, the VISUALIX(R) system allows the dentist to produce radiographic images without using film. X-rays generated by a standard system strike the sensor. The image is then displayed on a computer screen, where it can be enlarged, enhanced and manipulated. The image may also be stored for future retrieval. The extremely sensitive sensor provides excellent image quality with a significantly lower x-ray dosage compared to film.

X-Ray Support Equipment: Under the RINN(R) brand name, DENTSPLY manufactures and distributes x-ray film mounts, film holders and related equipment and accessories. X-ray film mounts are used as organizing, storage and retrieval holders for dental x-ray films. Film holders are film positioning devices used in taking dental x-ray films which ensure the alignment of the x-ray beam to the intraoral film. Equipment and accessories include film viewers, film duplicators, chair-side darkrooms, patient aprons, developing chemicals and x-ray collimating devices.

The GXP(TM) Processor, which develops intraoral, panoramic, and cephalometric x-ray film, features a closed chemical recirculation system so that potentially environmentally hazardous solutions may be disposed of properly. Film enters and exits in the front of the processor, thereby allowing placement of the unit flush against a wall to conserve space.

DENTSPLY also supplies specialty chemical binders, refractory particles, investment mold materials and related products to the precision investment casting industry, which produces metal parts of complex geometry and "near net" shapes requiring little or no subsequent machining or finishing.

Marketing, Sales and Distribution

The market for DENTSPLY's dental products is primarily comprised of dentists, dental hygienists, dental assistants, dental laboratories and dental schools. DENTSPLY focuses its marketing efforts on both the dental professionals who are the end users of its products and the dealers who distribute certain of those products. DENTSPLY employs highly trained, product-specific sales and technical staffs to provide comprehensive marketing and service tailored to the particular sales and technical support requirements of its customers. DENTSPLY's

marketing efforts seek to capitalize on the strength of the Company's brand names and international infrastructure to expand sales of new and existing products throughout the world, including emerging dental markets in the Pacific Rim, Central and South America and Eastern Europe.

DENTSPLY's product-specific sales force is divided into domestic and foreign field selling organizations, each of which is responsible for maintaining contact with both dealers and dental professionals. The dental sales force includes approximately 300 domestic representatives, approximately 400 international representatives and approximately 40 telemarketers who support the domestic representatives. This sales force is further divided into product-based teams. Each specialized sales force tailors its sales strategy to the particular sales and technical support requirements of its customers. Sales personnel attend over 100 dental trade shows each year where the Company's products are exhibited to dental professionals and dealers. Sales personnel also routinely participate with dealers to disseminate product information and conduct product demonstrations, seminars, study groups and lectures for dental professionals. In addition, DENTSPLY invests significant amounts in advertising in national and international dental publications.

DENTSPLY distributes its dental products primarily through approximately 350 domestic and over 800 foreign dealers and importers. While the overwhelming majority of DENTSPLY's products are distributed through dental dealers, certain highly technical products such as the Company's CERAMCO(R) line of crown and bridge porcelain products and Tulsa's endodontic instruments and materials are sold directly to the dental laboratory or dentist.

DENTSPLY also maintains eight educational facilities. The Company's facilities in York, Pennsylvania; Burlington, New Jersey; Dreieich, Germany; and Weybridge, England are used for training, product demonstrations and seminars and to promote interest in and understanding of the use of DENTSPLY's dental laboratory products. The DENTSPLY Educational Center in York provides personalized training in both fixed and removable prosthodontic specialties. Additional teaching facilities are maintained in Milford, Delaware; Konstanz, Germany; Hong Kong, and Mexico for training dental professionals in the use of consumable dental products. The Company also offers many seminars throughout the world in such areas as endodontics, crown and bridge porcelain and ceramics, restoratives and dental implant systems.

Product Development

During 1996, 1995 and 1994, approximately \$14.7 million, \$12.3 million and \$10.9 million, respectively, was invested by

the Company in connection with the development of new products and in the improvement of existing products. DENTSPLY employs approximately 170 scientists, engineers and technicians dedicated to product development. The Company believes that its product development programs are critical in meeting market demands and achieving future growth. The Company also sponsors independent clinical research projects aimed at developing, adapting and testing new technologies for use in DENTSPLY products. From time to time, the Company contracts with independent consultants and engineers to augment efforts to develop new products.

Manufacturing and Technical Expertise

DENTSPLY believes that its manufacturing capabilities are critical to its success. The Company continues to automate its global manufacturing operations in order to remain a low cost producer.

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 manufacture of artificial teeth and dental composites involves expertise in polymer chemistry. A polymer is a compound of high molecular weight derived through the combination of many smaller molecules or by the condensation of many smaller molecules through the elimination of water or alcohol. DENTSPLY manufactures certain lines of artificial teeth by a process that disperses the polymeric molecules found within cross-linked polymers, thereby improving the tooth's resistance to blushing, whitening, crazing and disintegration. Another line of artificial teeth utilizes an ultra-high viscosity polypropylene that significantly increases wear resistance.

Visible light-cured composites utilize a single paste that immediately polymerizes when exposed to a light source. DENTSPLY's PRISMA(R) TP.H(R) light-cured composites contain non-radiopaque fillers of approximately .02-.08 microns in size. The small size of this filler increases the bonding power of the composite. It also permits the material to be polished in order to more accurately replicate the color of a natural tooth. Basic, self-cured (self-hardened) composites are formed by combining two pastes that trigger polymerization when reacted.

The Company manufactures extremely high quality endodontic instruments using production equipment designed and manufactured in-house. In general, the equipment used is not available on the external market.

Dental handpiece manufacturing technology requires precision machining of component parts to extremely tight tolerances in

order to accommodate the operating speed of the air-driven turbine, which exceeds 350,000 r.p.m. in high speed handpieces, and the wide range of applications for which the unit is used. These tolerances require dimensional machining to as little as 15 millionths of an inch to produce the delicate balance necessary for a quiet, smooth-running turbine with minimal vibration. The Company utilizes "computer numerically controlled" (CNC) machines and computer-assisted design software in its handpiece manufacturing processes.

Production of the Company's x-ray products involves a variety of manufacturing disciplines. For example, the manufacture of x-ray tubes requires expertise in high-temperature metallurgy, sophisticated glass blowing techniques, and the ability to evacuate molecular impurities from the x-ray tube through degasification. The Company also designs and fabricates printed circuit boards, assembles electrical harnesses, fabricates sheet metal, and engages in precision machining, painting and high-tension coil winding in connection with the manufacturing of its x-ray products.

Foreign Operations

The Company conducts its business in over 100 foreign countries, principally through its foreign subsidiaries which operate 35 foreign facilities (including 13 manufacturing operations). DENTSPLY has a long-established presence in Canada and in the European market, particularly in Germany, Switzerland and England. The Company also has a significant market presence in Central and South America, Australia, Hong Kong, Thailand, India, Philippines and Japan. DENTSPLY has established joint ventures and marketing activities in the People's Republic of China and the Commonwealth of Independent States. In 1996, a wholly-owned subsidiary, including a manufacturing facility, was established in the People's Republic of China. Manufacturing operations in India also commenced in 1996.

For 1996, 1995 and 1994, the Company's sales outside the United States, including export sales, accounted for approximately 49%, 48% and 45%, respectively, of consolidated net sales from continuing operations. For information about the Company's continuing operations in different geographic areas for 1996, 1995 and 1994, see Note 4 of the Notes to the Company's Consolidated Financial Statements. As a result of the Company's significant international presence, DENTSPLY is subject to fluctuations in exchange rates of various foreign currencies and other risks associated with foreign trade. The Company actively manages its currency risk exposures. Fluctuations in exchange rates have not had a material adverse impact upon the Company's financial position.

Competition

The Company conducts its operations, both domestic and foreign, under highly competitive market conditions. Competition in the dental materials and equipment industries 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 service and technical support.

The size and number of the Company's competitors vary by product line and from region to region. There are many companies which 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.

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 requirements. 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.

Dental devices of the types sold by the Company 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. The Company believes that it is in compliance with FDA regulations applicable to its products and manufacturing operations.

All dental amalgam filling materials, including those manufactured and sold by the Company, 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 to them. If the FDA were to reclassify dental mercury and amalgam filling materials as classes of products requiring FDA premarket 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.

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. Some of these regulatory requirements are more stringent than those applicable in the United States. DENTSPLY believes that it is in substantial compliance with the foreign regulatory requirements that are applicable to its products and manufacturing operations.

Sources and Supply of Raw Materials

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.

Trademarks and Patents

The Company's trademark properties are important and contribute to the Company's marketing position. To safeguard these properties, the Company maintains trademark registrations in the United States and in significant international markets for its products, and carefully monitors trademark use worldwide. DENTSPLY also owns and maintains several hundred foreign and domestic patents. Although the protection afforded to the Company by these patents is advantageous to its business, the Company does not consider that its business is materially dependent on its patents.

Employees

As of March 15, 1997, the Company and its subsidiaries had approximately 5,100 employees, of whom approximately 2,800 were engaged in manufacturing operations, approximately 1,600 were engaged in sales and distribution, approximately 530 were engaged in finance and administration, and approximately 170 were engaged in research and product development activities. 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, 2000; and hourly workers at the Company's Midwest Dental Products facility in Des Plaines, Illinois are represented by Tool & Die Makers Local 113 of the International Association

of Machinists and Aerospace Workers under a collective bargaining agreement that expires on May 31, 1997. The Company believes that its relationship with its employees is good.

Item 2. Properties

As of March 15, 1997, DENTSPLY maintains manufacturing facilities at the following locations:

Location	Function	Leased or Owned
York, Pennsylvania	Manufacture and distribution of artificial teeth and other dental laboratory products; export of dental products; corporate headquarters	Owned
York, Pennsylvania	Manufacture and distribution of dental equipment and preventive dental products	Leased
Des Plaines, Illinois	Manufacture and assembly of dental handpieces and components and dental x-ray equipment	Leased
Milford, Delaware	Manufacture and distribution of consumable dental products	Owned
Las Piedras, Puerto Rico	Manufacture of crown and bridge materials	Owned
Elgin, Illinois	Manufacture of dental x-ray film holders, film mounts and accessories	Owned
Maumee, Ohio	Manufacture and distribution of investment casting products	Owned
Lakewood, Colorado	Manufacture and distribution of bone grafting materials and Hydroxylapatite plasma-feed coating materials	Leased
Commerce, California	Manufacture and distribution of investment casting products	Leased
Carlsbad, California	Manufacture and distribution of intraoral cameras and computer imaging systems	Leased

Johnson City, Tennessee	Manufacture and distribution of endodontic instruments and materials	Leased
Las Vegas, Nevada	Manufacture and distribution of disposable air-water syringe tips	Leased
Petropolis, Brazil	Manufacture and distribution of artificial teeth and consumable dental products	Owned
Dreieich, Germany	Manufacture and distribution of artificial teeth and other dental laboratory products	Owned
Konstanz, Germany	Manufacture and distribution of consumable dental products; distribution of dental equipment	Owned
Milan, Italy	Manufacture and distribution of dental x-ray equipment	Leased
Mexico City, Mexico	Manufacture and distribution of dental products	Owned
Plymouth, England	Manufacture and distribution of dental hand instruments	Leased
Blackpool, England	Manufacture and distribution of dental materials	Leased
Ballaigues, Switzerland	Manufacture and distribution of endodontic instruments	Owned
Ballaigues, Switzerland	Manufacture and distribution of plastic components and packaging material	Owned
Le Creux, Switzerland	Manufacture and distribution of endodontic instruments	Owned
Moscow, Russia	Manufacture and distribution of consumable dental products	Leased
New Delhi, India	Manufacture and distribution of dental products	Leased
Tianjin, China	Manufacture and distribution of dental laboratory products	Leased

In addition, the Company maintains sales and distribution offices at certain of its foreign and domestic manufacturing facilities, as well as at three other United States locations and at 16 international locations in 12 foreign countries. Of the 19

United States and international sites used exclusively for sales and distribution, one is owned by the Company and the remaining 18 are leased. The Company also maintains sales offices in various countries throughout the world.

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 that pending litigation to which DENTSPLY is a party will not have a material adverse effect upon its consolidated financial position or results of operations.

In May 1994, Core-Vent Corporation and Dr. Gerald Niznick filed an equity action against DENTSPLY in Common Pleas Court in York County, Pennsylvania, arising out of the terms of an April 1991 Exclusive Distribution Agreement ("Agreement"). The action sought to enjoin DENTSPLY from publishing certain marketing materials for dental implant products. DENTSPLY countersued alleging that the Agreement, or in the alternative an amendment to the Agreement, should be terminated because of the misconduct of Dr. Niznick. The case was referred to arbitration pursuant to the terms of the Agreement and both parties amended their pleadings to allege monetary damages. On March 19, 1997, the arbitrator ruled in favor of DENTSPLY; as a result, the Agreement has been terminated.

In May 1996, DENTSPLY and its subsidiary, Tulsa Dental Products Inc. ("Tulsa") filed a complaint against Tycom Corporation et al ("Defendants") alleging patent infringement by Tycom of certain patents owned by Tulsa covering endodontic instruments. Tycom filed an answer and counterclaim denying patent infringement and alleging that DENTSPLY and Tulsa (i) engaged in conduct which violates Section 2 of the Sherman Antitrust Act; (ii) tortiously interfered with Defendants' business relations; and (iii) were guilty of unfair competition. This suit is in the discovery stage. DENTSPLY and Tulsa are vigorously contesting the Defendants counterclaims in this suit and believe these claims to be without merit.

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 15, 1997.

Name	Age	Position
----	---	-----
Leslie A. Jones	57	Chairman of the Board
John C. Miles II	55	Vice Chairman of the Board and Chief Executive Officer
Gerald K. Kunkle Jr.	50	President and Chief Operating Officer
W. William Weston	49	Senior Vice President, European Group
Michael R. Crane	56	Senior Vice President, North American Group
Edward D. Yates	53	Senior Vice President and Chief Financial Officer
Thomas L. Whiting	54	Senior Vice President, Pacific Rim, Latin America, Gendex, Tulsa Dental and New Image Industries
J. Patrick Clark	55	Vice President, Secretary and General Counsel

Leslie A. Jones was appointed Chairman of the Board in May 1996. Mr. Jones has served as a director since the June 11, 1993 merger (the "Merger") of Dentsply International Inc. ("Old Dentsply") and GENDEX Corporation ("Gendex"), of which the Company is the surviving corporation. Prior to the Merger he served as a director of Old Dentsply. Mr. Jones has been Chairman and a director of OBOS Inc., a manufacturer of communication devices, since August 1993. From 1992 until August 1993 he was a private investor. From January 1991 to January 1992, he was a Senior Vice President and Special Assistant to the President of Old Dentsply.

John C. Miles II was named Vice Chairman of the Board effective January 1, 1997. He was named Chief Executive Officer of the Company upon the resignation of Burton C. Borgelt from that position on January 1, 1996. Prior to that he was President and Chief Operating Officer and a director of the Company since the Merger and of Old Dentsply commencing in January 1990.

Gerald K. Kunkle Jr. was named President and Chief Operating Officer effective January 1, 1997. Prior thereto, 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 Orthopaedics, Inc., a manufacturer of orthopaedic implants, fracture management products and trauma devices.

Michael R. Crane was named Senior Vice President, North American Group effective January 1, 1996. Prior to that he was Senior Vice President, Europe, Mideast, Africa and Commonwealth of Independent States of the Company effective in early 1995. Prior thereto he served as Senior Vice President, International Operations of the Company since the Merger, and in a similar capacity with Old Dentsply commencing in November 1989. Prior to that time, he served as Vice President Sales/Marketing for Whaledent International, a division of IPCO Corporation.

W. William Weston was named Senior Vice President, European Group of the Company effective January 1, 1996. Prior to that Mr. Weston served as the Vice President and General Manager of DENTSPLY's DeDent Operations in Europe from October 1, 1990 to January 1, 1996. Prior to that time he was Pharmaceutical Director for Pfizer in Germany.

Edward D. Yates has been Senior Vice President and Chief Financial Officer of the Company since the Merger and prior thereto served in a similar capacity with Old Dentsply commencing in March 1991. From January 1990 until March 1991, he served as Old Dentsply's Controller. Prior to that time, he was the Treasurer of Old Dentsply. Mr. Yates is a Certified Public Accountant.

Thomas L. Whiting was named Senior Vice President, Pacific Rim, Latin America and Gendex of the Company in July 1994, to be effective in early 1995; his responsibilities and title were expanded to encompass Tulsa and New Image upon the Company's acquisitions of those businesses. Prior to this appointment, Mr. Whiting was Vice President and General Manager of the Company's L.D. Caulk Division since the Merger, and prior thereto served in the same capacity with Old Dentsply since joining Old Dentsply in 1987. Prior to that time, Mr. Whiting held management positions with Deseret Medical and the Parker-Davis Company.

J. Patrick Clark has been Vice President, Secretary and General Counsel of the Company since the Merger and prior thereto served as General Counsel and Secretary of Old Dentsply since 1986.

PART II

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

Stockholder Matters

The information set forth under the caption "Supplemental Stock Information" in Part IV of this Annual Report on Form 10-K is incorporated herein by reference in response to this Item 5.

Item 6. Selected Financial Data

The information set forth under the caption "Selected Financial Data" in Part IV of this Annual Report on Form 10-K is incorporated herein by reference in response to this Item 6.

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" in Part IV of this Annual Report on Form 10-K is incorporated herein by reference in response to this Item 7.

Item 8. Financial Statements and Supplementary Data

The information set forth under the captions "Consolidated Statements of Income," "Consolidated Balance Sheets," "Consolidated Statements of Stockholders' Equity," "Consolidated Statements of Cash Flows," "Notes to Consolidated Financial Statements," "Management's Financial Responsibility" and "Independent Auditors' Report" of KPMG Peat Marwick LLP in Part IV of this Annual Report on Form 10-K is incorporated herein by reference in response to this Item 8.

Item 9. Changes in and Disagreements with Accountants on

Accounting and Financial Disclosure

Not applicable.

PART III

Item 10. Directors and Executive Officers of the Registrant

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

Item 11. Executive Compensation

The information set forth under the caption "Executive Compensation" in the Proxy Statement is incorporated herein by reference in response to this Item 11.

Item 12. Security Ownership of Certain Beneficial Owners and

Management

The information set forth under the caption "Security Ownership of Certain Beneficial Owners and Management" in the Proxy Statement is incorporated herein by reference in response to this Item 12.

Item 13. Certain Relationships and Related Transactions

The information set forth under the subcaption "Executive Compensation--Compensation Committee Interlocks and Insider Participation" in the Proxy Statement is incorporated herein by reference to this Item 13.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on

 Form 8-K

(a) Documents filed as part of this Report -----	Sequential Page No. -----
1. Supplemental Stock Information	31
2. Selected Financial Data	32
3. Management's Discussion and Analysis of Financial Condition and Results of Operations	34
4. Financial Statements and Supplementary Data -----	
The following consolidated financial statements of the Company are filed as part of this Annual Report on Form 10-K:	
Management's Financial Responsibility	39
Independent Auditors' Report of KPMG Peat Marwick LLP	40
Consolidated Statements of Income for the years ended December 31, 1996, 1995 and 1994	41
Consolidated Balance Sheets as of December 31, 1996 and 1995	42
Consolidated Statements of Stockholders' Equity for the years ended December 31, 1996, 1995 and 1994	43
Consolidated Statements of Cash Flows for the years ended December 31, 1996, 1995 and 1994	45
Notes to Consolidated Financial Statements	49

5. Financial Statement Schedules	Sequential Page No.
-----	-----
The following financial statement schedule is filed as part of this Annual Report on Form 10-K:	
Schedule II - Valuation and qualifying accounts	69

Financial statement schedules not listed above have been omitted because they are inapplicable, are not required under applicable provisions of Regulation S-X, or the information that would otherwise be included in such schedules is contained in the registrant's consolidated financial statements or accompanying notes.

6. 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	Certificate of Incorporation (1)
3.2	By-Laws, as amended (1)
4.1	(a) Competitive Advance, Revolving Credit and Guaranty Agreement, dated as of November 15, 1993, among the Company, the guarantors named therein, the banks named therein, and Chemical Bank, as agent (Note: All attachments have been omitted. Copies of such attachments will be furnished supplementally to the Securities and Exchange Commission upon request.) (10)
	(b) First Amendment, dated as of December 23, 1994, to Competitive Advance, Revolving Credit and Guaranty Agreement (11)
10.1	(a) 1987 Employee Stock Option Plan (4)*
	(b) Amendment No. 1 to the Company's 1987 Employee Stock Option Plan (5)*
10.2	(a) Letter Agreement dated June 29, 1990 by and between Cravey, Green & Wahlen Incorporated and the Company (3)*
	(b) Stock Purchase Warrant dated August 28, 1990 issued to Cravey, Green & Wahlen Incorporated by the Company (2)*
	(c) Stock Purchase Warrant Plan adopted February 25, 1993 (6)
10.3	1992 Stock Option Plan adopted May 26, 1992 (7)*
10.4	(a) Employee Stock Ownership Plan as amended effective as of December 1, 1982, restated as of January 1, 1991 (11)*
	(b) Second Amendment to the DENTSPLY Employee Stock Ownership Plan
10.5	(a) Retainer Agreement dated December 29, 1992 between the Company and State Street Bank and Trust Company ("State Street") (8)

- (b) Trust Agreement between the Company and State Street Bank and Trust Company dated as of August 11, 1993 (10)
- (c) Amendment to Trust Agreement between the Company and State Street Bank and Trust Company effective August 11, 1993 (10)
- 10.6 DENTSPLY Stock Option Conversion Plan approved June 23, 1993 (8)*
- 10.7 Employment Agreement dated January 1, 1996 between the Company and Burton C. Borgelt (14)*
- 10.8 (a) Employment Agreement dated as of December 31, 1987 between the Company and John C. Miles II (8)*
- (b) Amendment to Employment Agreement between the Company and John C. Miles II dated February 16, 1996, effective January 1, 1996 (14)*
- 10.9 Employment Agreement dated as of December 31, 1987, as amended as of February 8, 1990, between the Company and Leslie A. Jones (8)*
- 10.10 Employment Agreement dated as of December 10, 1992 between the Company and Michael R. Crane (8)*
- 10.11 Employment Agreement dated as of December 10, 1992 between the Company and Edward D. Yates (8)*
- 10.12 Employment Agreement dated as of December 10, 1992 between the Company and J. Patrick Clark (8)*
- 10.13 Employment Agreement dated January 1, 1996 between the Company and W. William Weston (14)*
- 10.14 Employment Agreement dated January 1, 1996 between the Company and Thomas L. Whiting (14)*
- 10.15 Employment Agreement dated October 11, 1996 between the Company and Gerald K. Kunkle Jr. *
- 10.16 (a) Exclusive Distribution Agreement dated April 19, 1991, between Core-Vent Corporation ("Core-Vent"), Dr. Gerald Niznick and the Company (8)
- (b) First Amendment to Exclusive Distribution Agreement dated April 30, 1991 (8)
- (c) Second Amendment to Exclusive Distribution Agreement dated April

- 21, 1993 (Note: Exhibits 2.3.1B (Notice of New Products), 2.3.1A (Price List) and 16 (Mutual Release) have been omitted. Copies of such exhibits will be furnished to the Securities and Exchange Commission supplementally upon request.) (8)
- 10.17 1993 Stock Option Plan (1)*
- 10.18 Revolving Credit Agreement among DENTSPLY International Inc., each of the guarantors named therein, and ABN AMRO Bank N.V., dated as of September 9, 1994 (11)
- 10.19 Multi-Currency Term Loan Agreement among Dentsply Ltd., the banks named therein, and ABN AMRO Bank N.V., dated as of May 12, 1995 (Note: All attachments have been omitted. Copies of such attachments will be furnished supplementally to the Securities and Exchange Commission upon request.)(14)
- 10.20 (a) DENTSPLY International Inc. 401(k) Savings Plan Summary Plan Description, as amended effective January 1, 1994 (11)*
- (b) Fourth Amendment to the DENTSPLY International 401(k) Savings Plan *
- 10.21 Midwest Dental Products Corporation Pension Plan as amended and restated effective January 1, 1989 (11)*
- 10.22 Revised Ransom & Randolph Pension Plan, as amended effective as of September 1, 1985, restated as of January 1, 1989 (11)*
- 10.23 DENTSPLY International Inc. Directors' Deferred Compensation Plan effective January 1, 1997 *
- 10.24 Letter Agreement, dated October 13, 1994, between Dentsply Limited and DePuy International Limited (11)
- 10.25 Sales-Purchase Agreement, dated May 30, 1995, between certain stockholders of Mallefer Instruments, S.A., Dentsply Ltd., and DENTSPLY International Inc. as guarantor (12)
- 10.26 Asset Purchase and Sale Agreement, dated January 10, 1996, between

10.27	Tulsa Dental Products, L.L.C. and DENTSPLY International Inc. (13) Stock Purchase Agreement dated January 13, 1997 between Groupe Monot, S.A. and Dentsply DeTrey GmbH for the purchase of Laboratoire SPAD, S.A. Attached to the Agreement is a Table of Contents of the Schedules and Exhibits to the Agreement, any of which will be provided upon request of the Commission.
11	Computation of earnings per share
21.1	Subsidiaries of the Company
23.1	Consent of KPMG Peat Marwick LLP
27	Financial Data Schedule

 * Management contract or compensatory plan.

- (1) Incorporated by reference to exhibit included in the Company's Registration Statement on Form S-8 (No. 33-71792).
- (2) Incorporated by reference to exhibit included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1991, File No. 0-16211.
- (3) Incorporated by reference to exhibit included in the Company's Registration Statement on Form S-2 (No. 33-43079).
- (4) Incorporated by reference to exhibit included in the Company's Registration Statement on Form S-18 (No. 33-15355C).
- (5) Incorporated by reference to exhibit included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1992, File No. 0-16211.
- (6) Incorporated by reference to exhibit included in the Company's Registration Statement on Form S-8 (No. 33-61780).
- (7) Incorporated by reference to exhibit included in the Company's Registration Statement on Form S-8 (No. 33-52616).
- (8) Incorporated by reference to exhibit included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1993, File No. 0-16211.
- (9) Incorporated by reference to exhibit included in the Company's Current Report on Form 8-K dated August 28, 1990, File No. 0-16211.

- (10) Incorporated by reference to exhibit included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993, File No. 0-16211.
- (11) Incorporated by reference to exhibit included in the Company's Annual Report on Form 10-K for the fiscal year December 31, 1994, File No. 0-16211.
- (12) Incorporated by reference to exhibit included in the Company's Current Report on Form 8-K dated June 30, 1995, File No. 0-16211.
- (13) Incorporated by reference to exhibit included in the Company's Current Report on Form 8-K dated January 10, 1996, File No. 0-16211.
- (14) 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.

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 Chase Manhattan Bank.
- (2) Agreement dated November 4, 1996 between National Westminster Bank PLC and Dentsply Limited for (pound)2,500,000.
- (3) Promissory Note dated May 1, 1992 in the principal amount of \$3,000,000 of the Company in favor of CoreStates Bank.
- (4) Credit Agreement dated August 15, 1996 between Dentsply Canada Limited ("DCL") and Mellon Bank Canada.
- (5) Promissory Note dated December 1, 1995 in connection with a line of credit up to \$20,000,000 between the Company and Mellon Bank.
- (6) Form of "comfort letters" to various foreign commercial lending institutions having a lending relationship with one or more of the Company's international subsidiaries.

(7) Unsecured Note dated July 8, 1993 between the Company and Harris Trust and Savings Bank in the principal amount of \$1,750,000.

(b) Reports on Form 8-K

The Company did not file any Reports on Form 8-K during the quarter ended December 31, 1996.

* * * * *

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 low and high sale prices of the Company's common stock for the periods indicated as reported on the NASDAQ National Market:

	Market Range of Common Stock		Cash Dividend Declared
	High	Low	
1996			

First Quarter	\$40-3/4	\$37-1/2	\$.0825
Second Quarter	44-3/4	40	.0825
Third Quarter	44-1/2	37-1/4	.0825
Fourth Quarter	49	41-3/4	.0925
1995			

First Quarter	\$36-1/4	\$31	\$.075
Second Quarter	36-7/8	34-1/4	.075
Third Quarter	40-1/4	32-3/4	.075
Fourth Quarter	40-1/4	33-7/8	.0825
1994			

First Quarter	\$47	\$36	\$ ---
Second Quarter	39-1/2	34	---
Third Quarter	37-3/4	31-1/4	.075
Fourth Quarter	35-3/4	28-1/4	.075

The Company estimates there are approximately 11,350 holders of common stock, including 516 holders of record.

DENTSPLY INTERNATIONAL INC. AND SUBSIDIARIES
SELECTED FINANCIAL DATA

	Year Ended December 31,				
	1996	1995	1994	1993	1992

Statement of Income Data:	(in thousands, except per share amounts)				
Net sales	\$ 656,557	\$ 572,028	\$ 524,758	\$ 503,820	\$ 476,335
Cost of products sold	331,887	291,176	267,034	257,707	246,126

Gross profit	324,670	280,852	257,724	246,113	230,209
Selling, general and administrative expenses	205,206	180,117	160,324	172,147	148,264

Operating income from continuing operations before discretionary ESOP contributions	119,464	100,735	97,400	73,966	81,945
Discretionary ESOP contributions	---	---	---	4,361	6,568
Interest expense	11,095	9,144	7,999	20,752	22,099
Interest income	(1,024)	(1,265)	(1,527)	(370)	(628)
Other (income) expense, net	(1,567)	2,839	(734)	(2,119)	(1,797)

Income from continuing operations before income taxes	110,960	90,017	91,662	51,342	55,703
Provision for income taxes	43,738	36,054	37,518	26,197	24,416

Income from continuing operations	67,222	53,963	54,144	25,145	31,287

Discontinued operations:					
Income from the operation of discontinued Medical business (net of income taxes of \$.6 million in 1994; \$1.6 million in 1993; and \$1.7 million in 1992)	---	---	1,311	2,925	2,988
Gain on disposal of Medical business, including provision of \$.5 million for operating losses during phase-out period (net of income taxes of \$5.5 million)	---	---	6,543	---	---

Income from discontinued operations	---	---	7,854	2,925	2,988

Income before extraordinary item	67,222	53,963(1)	61,998	28,070(1)	34,275
Extraordinary loss related to early extinguishment of debt (net of income tax benefit of \$6.3 million)	---	---	---	14,018	---

Net income	\$ 67,222	\$ 53,963(1)	\$ 61,998	\$ 14,052(1)	\$ 34,275
	=====				

Year Ended December 31,

	1996	1995	1994	1993	1992
(in thousands, except per share amounts)					
Earnings per Common Share:					
Income from continuing operations	\$ 2.50	\$ 2.00	\$ 1.95	\$ 1.02	\$ 1.29
Income from the operation of discontinued Medical business	---	---	.05	.12	.13
Gain on disposal of Medical business	---	---	.23	---	---
Income before extraordinary item	2.50	2.00	2.23	1.14	1.42
Extraordinary item	---	---	---	(.57)	---
Net income	\$ 2.50	\$ 2.00	\$ 2.23	\$.57	\$ 1.42
Dividends per Common Share	\$.34	\$.3075	\$.15	\$ ---	\$ ---
Weighted average common shares outstanding	26,920	27,012	27,776	24,598	24,220
Balance Sheet Data (at end of period):					
Working capital	\$ 113,547	\$ 122,706(2)	\$ 92,206(2)	\$ 82,779(2)	\$ 38,185(2)
Total assets	667,662	582,383(2)	466,930(2)	466,787(2)	450,641(2)
Total long-term debt	75,109	68,675	12,789	95,356	192,082
Stockholders' equity	365,590	315,922	299,337	236,397	100,285
Other Data:					
Depreciation and amortization	28,108	21,488	18,133(3)	17,951(3)	15,333(3)
Capital expenditures (3)	20,801	17,421	12,504	9,212	14,626

(1) Includes certain unusual or non-recurring charges of approximately \$3.1 million (approximately \$1.8 million after tax) in 1995 and \$21.8 million (approximately \$16.5 million after tax) in 1993. The effect of these unusual or non-recurring charges on operating income from continuing operations before discretionary ESOP contributions was approximately \$17.9 million during the year ended December 31, 1993.

(2) Excludes net assets of discontinued operations.

(3) Excludes discontinued operations.

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

Any statements released by the Company that are forward looking 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.

On October 13, 1994, the Company announced its strategic decision to discontinue the operations comprising its medical business which includes the Eureka X-Ray Tube Corp. ("Eureka"), GENDEX Medical and CMW business units. Accordingly, the Company's financial statements have been restated to reflect the accounting treatment for discontinued operations.

Results of Operations, 1996 Compared to 1995

Net sales increased \$84.6 million, or 14.8% from \$572.0 million in 1995 to \$656.6 million in 1996. About one half of this increase was due to the inclusion of a full year of the operations of Maillefer Instruments S.A. ("Maillefer") in 1996 versus a partial year in 1995, when Maillefer was acquired, and the 1996 acquisitions of the dental operations of Tulsa Dental Products LLC ("Tulsa") and CeraMed Dental, LLC ("CeraMed"). The remainder was due to strong growth in the Pacific Rim and Latin America and modest growth in both the United States and Europe.

Gross profit increased \$43.8 million, or 15.6% due primarily to higher net sales. Gross profit as a percentage of net sales was 49.5% in 1996 compared to 49.1% in 1995. The improvement in the gross margin percentage was due to a combination of high margin products from acquisitions, cost reductions, and increased margin obtained from replacing distributors with DENTSPLY affiliates in certain foreign locations. Improvements in the gross profit percentage were partially offset by the adverse impact of acquisition accounting for Maillefer, Tulsa, and CeraMed.

Selling, general and administrative expenses increased \$25.1 million, or 13.9%. As a percentage of net sales, expenses decreased from 31.5% in 1995 to 31.3% in 1996. This decrease was primarily due to lower spending levels compared to sales in Europe, Pacific Rim, and Latin America. The percentage to net sales improvement was partially offset by expenses associated with upgrading management information systems in the United States and Europe, continued emphasis on end user pull through marketing strategy, and research and development.

The \$2.2 million increase in net interest expense was primarily due to acquisition debt, partially offset by cash generated from operations. Other income was \$1.6 million in 1996, compared to other

expense of \$2.8 million in 1995. Other income in 1996 was primarily due to a legal settlement of \$1.2 million in the Company's favor in the first quarter, while the Company took a one-time charge of \$3.1 million the second quarter of 1995 to cover the costs of closing down its Executive Offices in Illinois and consolidating its executive operations in York, Pennsylvania.

Income from continuing operations before income taxes increased \$21.0 million, or 23.3% from \$90.0 million in 1995 to \$111.0 million in 1996. Without the one-time charge of \$3.1 million in 1995 to cover the costs of closing the Company's executive offices in Illinois, income from continuing operations before income taxes increased \$17.9 million, or 19.2%.

Net income increased \$13.2 million to \$67.2 million in 1996 from \$54.0 million in 1995, an increase of 24.6%. Without the one-time after-tax charge of \$1.8 million in 1995 to cover the costs of closing the Company's executive offices in Illinois, net income increased \$11.4 million, or 20.4%.

Earnings per common share from continuing operations of \$2.50 for 1996 increased \$.50, or 25.0% from \$2.00 in 1995. Without the one-time after-tax charge of \$1.8 million in 1995 to cover the costs of closing the Company's executive offices in Illinois, earnings per common share increased \$.43, or 20.8% over 1995.

The sale of the GENDEX Medical business, the last remaining unit of the discontinued medical segment, occurred in the first quarter of 1996. Net sales of this business were \$2.7 million in 1996.

Results of Operations, 1995 Compared to 1994

Net sales increased \$47.2 million, or 9.0% from \$524.8 million in 1994 to \$572.0 million in 1995. The increase was primarily in Europe, with a significant portion of the increase coming from the acquisition of Maillefer. The sales increase in the United States was adversely impacted by discontinuing certain dealer incentives in the third quarter of 1995 which previously had the effect of encouraging dealers to place large stocking orders.

Gross profit increased \$23.1 million, or 9.0% due primarily to higher net sales. Gross profit as a percentage of net sales was 49.1%, equal to 1994. Improvements in the gross profit percentage in 1995 were offset by the adverse impact of acquisition accounting for Maillefer.

Selling, general and administrative expenses increased \$19.8 million, or 12.3%. As a percentage of net sales, expenses increased from 30.6% in 1994 to 31.5% in 1995. This increase was mainly due to incremental expenses incurred in 1995 to establish and operate new offices in the Pacific Rim, expenses associated with the implementation of management information systems in Europe, and severance payments due to cost cutting and realignment in the United States and Europe.

The \$1.4 million increase in net interest expense was primarily due to acquisition debt and the repurchase of common shares under the share repurchase program. Other expense of \$2.8 million in 1995 compares to \$.7 million of other income in 1994 due the one-time charge of \$3.1 million to cover the costs of closing the Company's executive offices in Illinois and consolidating its executive offices in York, Pennsylvania.

Income from continuing operations before income taxes decreased \$1.7 million, from \$91.7 million in 1994 to \$90.0 million in 1995. Without the one-time charge of \$3.1 million to cover the costs of closing the Company's executive offices in Illinois, income from continuing operations before income taxes increased \$1.4 million, or 1.5%.

Income from continuing operations was \$54.0 million in 1995 compared to \$54.1 million in 1994. Without the one-time after-tax charge of \$1.8 million to cover the costs of closing the Company's executive offices in Illinois, income from continuing operations was \$55.8 million, an increase of 3.1% over 1994.

During 1995, the Company repurchased 1.3 million common shares under its share repurchase program. These repurchases are reflected in the reduction of weighted average common shares outstanding from 27.8 million common shares in 1994 to 27.0 million common shares in 1995.

Earnings per common share from continuing operations of \$2.00 for 1995 increased \$.05, or 2.6% from \$1.95 in 1994. Without the one-time after-tax charge of \$1.8 million to cover the costs of closing the Company's executive offices in Illinois, earnings per common share from continuing operations were \$2.07, a 6.2% increase over 1994.

The net assets of CMW and Eureka were sold during November and December 1994. Net sales for the GENDEX Medical business, the last remaining unit of the discontinued medical segment, were \$18.9 million in 1995.

Foreign Currency
- - - - -

Since approximately 45% of the Company's revenues have been 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 offset to a significant extent by sales in the U.S. of products sourced from plants and third party suppliers located overseas, principally in Germany and Switzerland. The Company carefully considers the impact of currency fluctuations in its business decisions.

Liquidity and Capital Resources

In January 1996, the Company acquired the dental manufacturing and distribution operations of Tulsa in a cash transaction for \$75.1 million and an earn-out based on the operating performance of the business. The transaction was funded from the Company's \$175.0 million Bank Revolving Loan Facility and short-term bank borrowing.

Under its Bank Revolving Loan Facility, the Company is able to borrow up to \$175.0 million on an unsecured basis through December 23, 1999. The Revolving Credit Agreement contains various financial and other covenants. Under its Bank Multicurrency Revolving Credit Facility, the Company is able to borrow up to \$25.0 million for foreign working capital purposes on an unsecured basis through December 23, 1999. In addition, the Company had unused lines of credit for short-term financing of \$63.5 million at December 31, 1996.

Investment activities for 1996 included capital expenditures of \$20.8 million.

During 1996, the Company repurchased .1 million shares of its common stock for \$3.8 million, in accordance with the share repurchase program authorized by the Board of Directors in December 1995. This authorization to repurchase shares expired on December 31, 1996. In December 1996, the Board of Directors authorized the repurchase of up to 2.7 million additional shares of common stock on the open market or in negotiated transactions. The timing and amounts of any additional purchases will depend upon many factors, including market conditions and the Company's business and financial condition.

At December 31, 1996, the Company's current ratio was 1.8 with working capital of \$113.5 million. This compares with a current ratio of 2.0 and working capital of \$122.7 million at December 31, 1995, excluding the net assets of discontinued operations. The decrease is due primarily to increased short-term borrowings in 1996.

The Company expects to be able to finance its cash requirements, including capital expenditures, stock repurchases, debt service and the acquisition of DW Industries, Inc., Laboratoire SPAD, S.A. and New Image Industries, Inc. from funds generated from operations and amounts available under its Bank Revolving Loan Facility.

Cash flows from operating activities increased to \$83.2 million in 1996 from \$67.5 million in 1995 primarily due to higher net income.

Impairment of Assets

In 1996, the Company adopted Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of" ("SFAS 121"). Under provisions of the Statement, impairment losses would be recognized if the expected future cash flows were less than the assets' carrying

value. There was no effect on the financial statements from the adoption of SFAS 121.

Impact of Inflation
- - - - -

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

Management's Financial Responsibility

The management of DENTSPLY International Inc. is responsible for the contents of the consolidated financial statements. The consolidated financial statements were prepared in conformity with generally accepted accounting principles applied on a consistent basis and were based in part on reasonable estimates, giving due consideration to materiality. Financial information appearing elsewhere in this Annual Report is consistent with that in the consolidated financial statements.

The Company maintains a system of internal accounting controls which, in the opinion of management, provides reasonable assurance as to the integrity and reliability of the financial records and the protection of assets. The internal accounting control system is supported by written policies and procedures and its effectiveness is monitored. Management operates the Company in compliance with its written Code of Business Conduct.

The Audit Committee of the Board of Directors is composed entirely of outside directors who meet periodically with management and our independent auditors, KPMG Peat Marwick LLP. The Audit Committee reviews the financial controls and reporting practices and generally monitors the accounting affairs of the Company. Also, the Audit Committee recommends to the stockholders the appointment of the independent auditors.

John C. Miles II
Vice Chairman and
Chief Executive Officer

Edward D. Yates
Senior Vice President and
Chief Financial Officer

Independent Auditors' Report

The Board of Directors and Stockholders
DENTSPLY International Inc.

We have audited the consolidated financial statements of DENTSPLY International Inc. and subsidiaries as listed in the accompanying index on page 23. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule as listed in the accompanying index on page 24. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of DENTSPLY International Inc. and subsidiaries as of December 31, 1996 and 1995, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1996, in conformity with generally accepted accounting principles. Also in our opinion, the related financial statement schedule when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

KPMG PEAT MARWICK LLP

Philadelphia, Pennsylvania
January 22, 1997

DENTSPLY International Inc.
and Subsidiaries
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	1996	1995	1994

	(in thousands, except per share amounts)		
Net sales	\$656,557	\$572,028	\$524,758
Cost of products sold	331,887	291,176	267,034

Gross profit	324,670	280,852	257,724
Selling, general and administrative expenses	205,206	180,117	160,324

Operating income from continuing operations	119,464	100,735	97,400
Other costs and expenses:			
Interest expense	11,095	9,144	7,999
Interest income	(1,024)	(1,265)	(1,527)
Other (income) expense, net	(1,567)	2,839	(734)

Income from continuing operations before income taxes	110,960	90,017	91,662
Provision for income taxes	43,738	36,054	37,518

Income from continuing operations	67,222	53,963	54,144

Discontinued operations:			
Income from the operation of discontinued Medical business (net of income taxes of \$.6 million)	---	---	1,311
Gain on disposal of Medical business, including provision of \$.5 million for operating losses during phase-out period (net of income taxes of \$5.5 million)	---	---	6,543

Income from discontinued operations	---	---	7,854

Net income	\$ 67,222	\$ 53,963	\$ 61,998
	=====	=====	=====
Earnings per common share:			
Income from continuing operations	\$ 2.50	\$ 2.00	\$ 1.95
Income from the operation of discontinued Medical business	--	--	.05
Gain on disposal of Medical business	--	--	.23

Net income	\$ 2.50	\$ 2.00	\$ 2.23
	=====	=====	=====
Dividends per common share	\$.34	\$.3075	\$.15
Weighted average common shares outstanding	26,920	27,012	27,776

The accompanying Notes are an integral part of these Financial Statements.

DENTSPLY International Inc.
and Subsidiaries
CONSOLIDATED BALANCE SHEETS

	December 31,	
	1996	1995
Assets		
Current assets:	(in thousands)	
Cash and cash equivalents	\$ 5,619	\$ 3,974
Accounts and notes receivable - trade, net	101,977	93,315
Inventories	125,398	125,704
Prepaid expenses and other current assets	23,752	16,906
Net assets of discontinued operations	---	5,870
Total Current Assets	256,746	245,769
Property, plant and equipment, net	141,458	140,101
Other noncurrent assets, net	13,259	13,974
Identifiable intangible assets, net	59,787	39,282
Costs in excess of fair value of net assets acquired, net	196,412	149,127
Total Assets	\$667,662	\$588,253
	=====	=====
Liabilities and Stockholders' Equity		
Current liabilities:		
Notes payable and current portion of long-term debt	\$ 26,711	\$ 7,616
Accounts payable	33,720	31,785
Accrued liabilities	52,504	46,571
Income taxes payable	30,264	31,221
Total Current Liabilities	143,199	117,193
Long-term debt	75,109	68,675
Other liabilities	49,467	47,104
Deferred income taxes	30,000	35,927
Total Liabilities	297,775	268,899
Minority interests in consolidated subsidiaries	4,297	3,432
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 par value; .25 million shares authorized; no shares issued	---	---
Common stock, \$.01 par value; 100 million shares authorized; 27.1 million shares issued at December 31, 1996 and 1995	271	271
Capital in excess of par value	150,031	149,999
Retained earnings	237,300	179,231
Cumulative translation adjustment	(4,278)	3,234
Employee stock ownership plan reserve	(11,016)	(12,536)
Treasury stock, at cost, .2 million and .1 million shares at December 31, 1996 and 1995, respectively	(6,718)	(4,277)
Total Stockholders' Equity	365,590	315,922
Total Liabilities and Stockholders' Equity	\$667,662	\$588,253
	=====	=====

The accompanying Notes are an integral part of these Financial Statements.

DENTSPLY International Inc.
and Subsidiaries
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Cumulative Translation Adjustment	Employee Stock Ownership Plan Reserve	Treasury Stock	Total Stockholders' Equity
	(in thousands)						
Balance at December 31, 1993	\$ 277	\$179,402	\$ 75,702	\$(3,238)	\$(15,723)	\$ (23)	\$236,397
Exercise of stock options	1	749	---	---	---	---	750
Tax benefit related to stock options exercised	---	1,858	---	---	---	---	1,858
Repurchase of .1 million shares of common stock	---	---	---	---	---	(2,679)	(2,679)
Cash dividends declared, \$.15 per common share	---	---	(4,169)	---	---	---	(4,169)
Compensatory stock options granted	---	78	---	---	---	---	78
Translation adjustment	---	---	---	3,436	---	---	3,436
Net change in ESOP reserve	---	---	---	---	1,668	---	1,668
Net income	---	---	61,998	---	---	---	61,998
Balance at December 31, 1994	278	182,087	133,531	198	(14,055)	(2,702)	299,337
Exercise of stock options and warrants	2	(4,850)	---	---	---	9,100	4,252
Tax benefit related to stock options and warrants exercised	---	4,781	---	---	---	---	4,781
Repurchase of 1.3 million shares of common stock	---	---	---	---	---	(42,703)	(42,703)
Cash dividends declared, \$.3075 per common share	---	---	(8,263)	---	---	---	(8,263)
Cancellation of .9 million shares of treasury stock	(9)	(32,019)	---	---	---	32,028	---
Translation adjustment	---	---	---	3,036	---	---	3,036
Net change in ESOP reserve	---	---	---	---	1,519	---	1,519
Net income	---	---	53,963	---	---	---	53,963
Balance at December 31, 1995	271	149,999	179,231	3,234	(12,536)	(4,277)	315,922

The accompanying Notes are an integral part of these Financial Statements.

DENTSPLY International Inc.
and Subsidiaries
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Cumulative Translation Adjustment	Employee Stock Ownership Plan Reserve	Treasury Stock	Total Stockholders' Equity
	-----	-----	-----	-----	-----	-----	-----
	(in thousands)						
Balance at December 31, 1995	271	149,999	179,231	3,234	(12,536)	(4,277)	315,922
Exercise of stock options and warrants	-	(146)	-	-	-	1,384	1,238
Tax benefit related to stock options and warrants exercised	-	218	-	-	-	-	218
Compensatory stock options lapsed	-	(40)	-	-	-	-	(40)
Repurchase of .1 million shares of common stock	-	-	-	-	-	(3,825)	(3,825)
Cash dividends declared, \$.34 per common share	-	-	(9,153)	-	-	-	(9,153)
Translation adjustment	-	-	-	(7,512)	-	-	(7,512)
Net change in ESOP reserve	-	-	-	-	1,520	-	1,520
Net income	-	-	67,222	-	-	-	67,222
Balance at December 31, 1996	\$ 271	\$150,031	\$237,300	\$(4,278)	\$(11,016)	\$ (6,718)	\$365,590
	=====	=====	=====	=====	=====	=====	=====

The accompanying Notes are an integral part of these Financial Statements.

DENTSPLY International Inc.
and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	1996	1995	1994
Cash flows from operating activities:	(in thousands)		
Net income	\$ 67,222	\$ 53,963	\$ 61,998
Adjustments to reconcile net income to net cash provided by operating activities:			
Gain on disposal of Medical business, before income taxes	---	---	(12,061)
Depreciation	14,799	12,130	10,153
Amortization	13,309	9,358	9,874
Deferred income taxes associated with continuing operations	(3,008)	(1,211)	9,404
Deferred income taxes associated with discontinued operations	---	(481)	(5,181)
Other non-cash transactions	289	668	(27)
Loss on disposal of property, plant and equipment	367	1,027	23
Changes in operating assets and liabilities, net of effects from acquisitions and divestitures of businesses and effects of exchange:			
Accounts and notes receivable-trade, net	(6,777)	(1,893)	(13,308)
Inventories	256	(8,233)	(7,020)
Prepaid expenses and other current assets	(4,574)	(775)	4,555
Other noncurrent assets, net	497	225	(580)
Accounts payable	472	2,372	(4,514)
Accrued liabilities	945	(51)	638
Income taxes payable	1,467	(2,971)	8,971
Other liabilities	(2,075)	3,388	882
Net cash provided by operating activities	83,189	67,516	63,807

The accompanying Notes are an integral part of these Financial Statements.

DENTSPLY International Inc.
and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	1996	1995	1994
Cash flows from investing activities:	(in thousands)		
Proceeds from disposal of Medical business	7,500	3,260	44,244
Proceeds from sale of property, plant and equipment, net	351	2,443	192
Capital expenditures	(20,804)	(17,633)	(13,766)
Expenditures for identifiable intangible assets	(3,000)	(60)	(20)
Acquisitions of businesses, net of cash acquired	(82,181)	(73,407)	---
Other direct costs of acquisition and divestiture activities	(259)	(512)	(561)
Other, net	(355)	---	(81)
Net cash provided by (used in) investing activities	(98,748)	(85,909)	30,008

The accompanying Notes are an integral part of these Financial Statements.

DENTSPLY International Inc.
and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	1996	1995	1994
	-----	-----	-----
Cash flows from financing activities:	(in thousands)		
Proceeds from sale of common stock, including tax benefit of stock options exercised	1,456	9,034	2,608
Cash paid for treasury stock	(3,825)	(42,703)	(2,679)
Dividends paid	(8,893)	(8,123)	(2,085)
Increase (decrease) in bank overdrafts	(2,357)	1,580	(1,738)
Proceeds from long-term borrowings, net of deferred financing costs	87,499	123,635	89,272
Payments on long-term borrowings	(67,490)	(70,915)	(195,568)
Increase (decrease) in short-term borrowings	11,382	(28)	5,456
Decrease in employee stock ownership plan reserve	1,520	1,519	1,668
	-----	-----	-----
Net cash provided by (used in) financing activities	19,292	13,999	(103,066)
	-----	-----	-----
Effect of exchange rate changes on cash and cash equivalents	(2,088)	1,090	(1,455)
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	1,645	(3,304)	(10,706)
	-----	-----	-----
Cash and cash equivalents at beginning of period	3,974	7,278	17,984
	-----	-----	-----
Cash and cash equivalents at end of period	\$ 5,619	\$ 3,974	\$ 7,278
	=====	=====	=====

The accompanying Notes are an integral part of these Financial Statements.

DENTSPLY International Inc.
and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	1996	1995	1994
	(in thousands)		
Supplemental disclosures of cash flow information:			
Interest paid	\$ 7,484	\$ 6,243	\$ 6,766
Income taxes paid	43,879	35,573	26,136

In January 1996, the Company purchased certain net assets of Tulsa Dental Products LLC ("Tulsa") for \$75.1 million. In March 1995, the Company purchased all of the capital stock of KV33 Corporation ("KV33") for \$11.5 million. In June 1995, the Company purchased approximately 96% of the capital stock of Maillefer Instruments, S.A. ("Maillefer") for \$65.8 million. In August 1995, the Company purchased the assets of Dunvale Corporation ("Dunvale") for \$1.8 million. In conjunction with the acquisitions, liabilities were assumed as follows:

	Tulsa	KV33	Maillefer	Dunvale
	-----	-----	-----	-----
	(in thousands)			
Fair value of assets acquired	\$78,662	\$ 14,329	\$ 97,188	\$ 1,982
Cash paid for assets or capital stock	(75,114)	(11,450)	(65,798)	(1,839)
Liabilities assumed	\$ 3,548	\$ 2,879	\$ 31,390	\$ 143
	=====	=====	=====	=====

The accompanying Notes are an integral part of these Financial Statements.

DENTSPLY International Inc.
and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Description of Business

DENTSPLY (the "Company") 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 artificial teeth, endodontic instruments and materials, impression materials, prophylaxis paste, dental sealants, ultrasonic scalers, and crown and bridge materials; the leading United States manufacturer and distributor of dental x-ray equipment, dental handpieces, dental x-ray film holders, film mounts and bone substitute/ grafting materials; and a leading United States distributor of dental cutting instruments and dental implants. The Company distributes its dental products in over 100 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 new 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. Minority interests in net income of consolidated subsidiaries is not material and is included in other (income) expense, net.

During 1994, the Company adopted a formal plan to dispose of its Medical segment. Accordingly, the results of discontinued operations and the gain on disposal thereof have been reported separately from the continuing operations of the Company (See Note 3 - Discontinued Operations). Certain items in the prior years have been reclassified to conform to the 1996 presentation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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 primarily through a worldwide network of distributors, although certain product lines are sold directly to the end user. Revenue is recognized when products are shipped. For customers on credit terms, the Company performs ongoing credit evaluation of those customers' financial condition and generally does not require collateral from them. Accounts and notes receivable-trade are stated net of an allowance for doubtful accounts of \$2.5 million and \$2.3 million at December 31, 1996 and 1995, respectively.

Inventories

Inventories are stated at the lower of cost or market. At December 31, 1996 and 1995, the cost of \$10.0 million, or 8% and \$10.6 million, or 8%, 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.

Identifiable Intangible Assets

Identifiable intangible assets include patents, trademarks, non-compete covenants, licensing agreements, distributor networks and product manufacturing rights which are amortized on a straight-line basis over their estimated useful lives, ranging from 5 to 40 years. Identifiable intangible assets are stated net of accumulated amortization of \$28.9 million and \$22.5 million at December 31, 1996 and 1995, respectively. Identifiable intangible assets are reviewed for impairment whenever events or circumstances provide evidence that suggest that the carrying amount of the asset may not be recoverable. Impairment is determined by using identifiable undiscounted cash flows.

Costs in Excess of Fair Value of Net Assets Acquired

The excess of costs of acquired companies and product lines over the fair value of net assets acquired (goodwill) is being amortized on a straight-line basis over 25 to 40 years. Costs in excess of the fair value of net assets acquired are stated net of accumulated amortization of \$26.1 million and \$20.0 million at December 31, 1996 and 1995, respectively. Costs in excess of fair value of net assets acquired are reviewed for impairment whenever events or circumstances provide evidence that suggest that the carrying amount of the asset may not be recoverable. Impairment is determined by using identifiable undiscounted cash flows.

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 fair values of financial instruments approximate their recorded values.

Derivatives

The Company's only involvement with derivative financial instruments is forward contracts to hedge assets and liabilities denominated in foreign currencies.

Foreign Exchange Risk Management

The Company routinely 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. As of December 31, 1996, the company had contracts outstanding for the purchase of 21.4 million Swiss francs or approximately \$16.2 million. As of December 31, 1995, the Company had contracts outstanding for the purchase of 5.1 million Swiss francs or approximately \$4.4 million. These foreign exchange contracts generally have maturities of less than six months and counterparties to the transactions are typically large international financial institutions.

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 a separate component of stockholders' equity. 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 losses of \$.3 million in 1996 and \$.5 million in 1994 and gains of \$.2 million in 1995 are included in other (income) expense, net.

Research and Development Costs

Research and development costs are charged to expense as incurred and are included in selling, general and administrative expenses. Research and development costs amounted to approximately \$14.7 million, \$12.3 million and \$10.9 million for 1996, 1995 and 1994, respectively.

Stock Based Compensation

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation ("SFAS 123"). SFAS 123 presents companies with the alternative of retaining the current accounting for stock based compensation under APB Opinion No. 25 ("APB 25") or adopting a new accounting method based on the estimated fair value of equity instruments granted during the year. The Company applies APB 25 in accounting for its stock options (see Note 10 - Stockholders' Equity).

Earnings per Common Share

Earnings per common share are based on the weighted average number of common shares outstanding. Common stock equivalents (options and warrants) had no material effect on the earnings per common share computation. All shares held by the DENTSPLY Employee Stock Ownership Plan are considered outstanding and are included in the earnings per common share computation.

NOTE 2 - BUSINESS ACQUISITIONS

In August 1996, the Company paid \$5 million for a 51% interest in CeraMed Dental, LLC ("CeraMed") and the right to acquire the remaining 49% interest at a later date. CeraMed, located in Lakewood, Colorado, is the leading US manufacturer and distributor of bone grafting materials and HA plasma-feed coating materials to dental markets. The acquisition was accounted for under the purchase method of accounting and the results of CeraMed's operations have been included in the accompanying financial statements since the date of acquisition. The aggregate purchase price of \$5 million plus direct acquisition costs has been allocated on the basis of preliminary estimates of the fair values of assets acquired. The excess (\$.9 million) of acquisition cost over net assets acquired is being amortized over 25 years. Pro forma information has been omitted due to immateriality.

In January 1996, the Company purchased certain assets of Tulsa Dental Products L.L.C. ("Tulsa") in a cash transaction valued at \$75.1 million and an earn-out based on the operating performance of the business. Based in Tulsa, Oklahoma, Tulsa is a manufacturer and distributor of endodontic instruments and materials. The acquisition was accounted for under the purchase method of accounting and the results of Tulsa's operations have been included in the accompanying financial statements since the date of acquisition. The aggregate purchase price of \$75.1 million plus direct acquisition costs has been allocated on the basis of preliminary estimates of the fair values of assets acquired and liabilities assumed. The excess (\$53.7 million) of acquisition cost over net assets acquired is being amortized over 25 years.

The following unaudited pro forma consolidated results of operations assume that the acquisition of Tulsa occurred on January 1, 1995:

	Year Ended December 31,	
	1996	1995
	(in thousands, except per share amounts)	
Net sales	\$656,557	\$591,670
Net income	67,503	51,714
Earnings per common share	2.51	1.91

The pro forma information does not purport to be indicative of the results that actually would have been obtained had the operations been combined during the periods presented.

In August 1995, the Company purchased the assets of Dunvale Corporation ("Dunvale") in a cash transaction valued at \$1.8 million. The acquisition was accounted for under the purchase method of accounting and the results of Dunvale's operations have been included in the accompanying financial statements since the date of acquisition. The excess (\$1.5 million) of acquisition cost over the fair value of net assets acquired is being amortized over 25 years.

In June 1995, the Company purchased approximately 96% of the outstanding capital stock of Maillefer Instruments S.A. ("Maillefer") in a cash transaction valued at approximately \$65.8 million. An additional 3.9% of Maillefer stock was purchased in June 1996 for cash of approximately \$2.3 million. Based in Switzerland, Maillefer is a manufacturer and distributor of principally endodontic instruments. The acquisition was accounted for under the purchase method of accounting and the results of Maillefer's operations have been included in the accompanying financial statements since the date of acquisition. The aggregate purchase price of \$65.8 million plus direct acquisition costs has been allocated on the basis of the fair values of assets acquired and liabilities assumed. Since the fair value of net assets acquired exceeded the purchase price by approximately \$16.7 million, the values otherwise assignable to noncurrent assets acquired have been reduced by a proportionate part of the excess.

In March 1995, the Company purchased all of the outstanding capital stock of KV33 Corporation ("KV33") in a cash transaction valued at \$11.5 million. The acquisition was accounted for under the purchase method of accounting and the results of KV33's operations have been included in the accompanying financial statements since the date of acquisition. The excess (\$10.2 million) of acquisition cost over the fair value of net assets acquired is being amortized over 25 years.

In January 1997, the Company purchased the assets of DW Industries, Inc. in a cash transaction valued at approximately \$17 million and an earn-out based on the sales growth of the business, and purchased 100% of the outstanding capital stock of Laboratoire SPAD, S.A. ("SPAD") for FF198 million in a cash transaction valued at approximately \$35 million. Headquartered in Las Vegas, Nevada, DW Industries is the leading manufacturer of disposable air-water syringe tips for use in clinical dental office procedures. SPAD, a division of GROUPE MONOT, S.A., is a leading French manufacturer and distributor of dental anesthetic and other dental products.

In January 1997, the Company commenced a tender offer for all outstanding shares of New Image Industries, Inc. ("New Image") for \$2.00 per share. Total funds required to purchase all outstanding New Image Shares and pay related costs and expenses will be approximately \$12 million. In connection with the transaction, DENTSPLY will loan New Image up to \$3 million, of which \$2.5 million was outstanding on December 31, 1996, to be used as working capital. New Image, which designs, develops, manufactures and distributes intraoral cameras and computer imaging systems and related software exclusively to the dental market, is located in Carlsbad, California.

NOTE 3 - DISCONTINUED OPERATIONS

In October 1994, the Company announced its strategic decision to discontinue the operations comprising its medical business. The medical operations included the Eureka X-Ray Tube Corp. ("Eureka"), GENDEX Medical and CMW business units which manufacture medical x-ray tubes, medical x-ray systems and orthopedic bone cement, respectively. The net assets of CMW were sold in November 1994 and substantially all of the net assets of Eureka were sold in two transactions in November and December 1994, for a total of \$44.5 million. Substantially all of the remaining assets comprising the medical business were sold in the first quarter of 1996 for \$7.5 million.

Sales from these operations were \$2.7 million, \$18.9 million, and \$48.6 million for 1996, 1995 and 1994, respectively. Certain expenses have been allocated to discontinued operations, including interest expense, which was allocated based on the ratio of net assets discontinued to the total net assets of the consolidated entity.

NOTE 4 - INDUSTRY SEGMENT AND GEOGRAPHIC INFORMATION

The Company's continuing operations are conducted primarily in one industry segment as a designer, manufacturer and distributor of dental equipment and supplies.

The Company's operations are structured to achieve consolidated objectives. As a result, significant interdependencies exist among the Company's operations in different geographic areas. Intercompany sales of manufacturing materials between areas are at prices which, in general, provide a reasonable profit after coverage of all manufacturing costs. Intercompany sales of finished goods are at prices intended to provide a reasonable profit for purchasing locations after coverage of marketing and general and administrative costs.

Operating income (loss) from continuing operations consists of net sales less related costs, direct operating expenses and intercompany royalties allocated from Corporate for use of patents and trademarks owned by the Company. Assets by geographic area are those used in the operations in the geographic area.

	United States	Europe	Other	Corporate	Adjustments/ Eliminations	Total
	-----	-----	-----	-----	-----	-----
1994						
				(in thousands)		
Net sales:						
Customers	\$317,492	\$136,505	\$ 70,761	\$ ---	\$ ---	\$524,758
Intercompany	41,653	7,085	4,130	---	(52,868)	---
	-----	-----	-----	-----	-----	-----
Total net sales	359,145	143,590	74,891	---	(52,868)	524,758
Operating income (loss)						
from continuing operations	88,204	15,200	3,133	(9,948)	811	97,400
Assets	287,364	162,365	39,400	110,802	(133,001)	466,930

Third party export sales from the United States are less than ten percent of consolidated net sales. In 1996 and 1995, no customer accounted for 10% or more of consolidated net sales. One customer accounted for approximately 11% of consolidated net sales in 1994.

NOTE 5 - INVENTORIES

Inventories consist of the following:

	December 31,	
	1996	1995
	(in thousands)	
Finished goods	\$ 73,650	\$ 70,677
Work-in-process	23,936	26,440
Raw materials and supplies	27,812	28,587
	\$125,398	\$125,704
	=====	=====

Pre-tax income was \$.3 million, \$.2 million, and \$1.2 million lower in 1996, 1995, and 1994, respectively as a result of using the LIFO method as compared to using the FIFO method. If the FIFO method had been used to determine the cost of LIFO inventories, the amounts at which net inventories are stated would be lower than reported at December 31, 1996 and 1995 by \$1.7 million and \$2.0 million, respectively.

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	December 31,	
	1996	1995
	(in thousands)	
Assets, at cost:		
Land	\$ 17,222	\$ 17,395
Buildings and improvements	68,185	67,903
Machinery and equipment	103,887	88,417
Construction in progress	8,505	9,039
	197,799	182,754
Less: Accumulated depreciation	56,341	42,653
	\$141,458	\$140,101
	=====	=====

NOTE 7 - ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	December 31,	
	1996	1995
	(in thousands)	
Payroll, commissions, bonuses and other cash compensation	\$ 10,739	\$ 10,441
Employee benefits	6,710	6,947
Other	35,055	29,183
	\$ 52,504	\$ 46,571
	=====	=====

NOTE 8 - FINANCING ARRANGEMENTS

Short-Term Borrowings

Short-term bank borrowings amounted to \$26.3 million and \$7.6 million at December 31, 1996 and 1995, respectively. Unused lines of credit for short-term financing at December 31, 1996 and 1995 were \$63.5 million and \$63.0 million, respectively. Substantially all unused lines of credit have no major restrictions and are renewable annually. Interest is charged on borrowings under these lines of credit at various rates, generally under prime or equivalent money rates.

Long-Term Borrowings

	December 31,	
	1996	1995

	1996	1995

\$175.0 million bank revolving loan facility maturing December 23, 1999	(in thousands)	
	\$ 10,000	\$ ---
\$60.0 million bank term loan maturing December 23, 1999, Swiss Francs 45.9 million and Pounds Sterling 12.5 million outstanding at December 31, 1996, bearing interest at a weighted average of 2.5% for Swiss Franc borrowings and 6.6% for Pounds Sterling borrowings	55,636	59,172
\$25.0 million bank multicurrency revolving credit facility maturing December 23, 1999, various currencies outstanding at December 31, 1996, bearing interest at a weighted average of 7.9%	8,577	9,496
Other borrowings, various currencies and rates	1,318	7
	-----	-----
	75,531	68,675
Less: Current portion (included in notes payable and current portion of long-term debt)	422	---
	-----	-----
	\$ 75,109	\$ 68,675
	=====	=====

Long-term debt of \$74.2 million matures in December 1999.

The bank revolving credit agreement contains certain affirmative and negative covenants as to the operations and financial condition of the Company, the most restrictive of which 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. The Company pays a facility fee of .10 percent annually on the entire amount of the commitment. Interest rates on amounts borrowed under the facility will depend on the maturity of the borrowing, the interest rate option selected, and, in the event of a LIBOR borrowing, the ratio of interest expense to operating income.

The bank term loan and the bank multicurrency revolving credit facility contain affirmative and negative covenants as to the operations and financial condition of the Company, which are substantially equivalent to those in the bank revolving credit agreement. The Company pays a facility fee of .10 percent annually on the entire amount of the bank multicurrency revolving credit facility commitment.

NOTE 9 - OTHER LIABILITIES

Other liabilities consist of the following:
December 31,

	1996	1995
(in thousands)		
Pension	\$ 30,870	\$ 30,635
Medical and other postretirement benefits	10,299	10,729
Other	8,298	5,740
	\$ 49,467	\$ 47,104

NOTE 10 - STOCKHOLDERS' EQUITY

In December 1996, 1995, and 1994 the Board of Directors authorized the repurchase of up to 2.7 million, 2.8 million, and 2.8 million shares, respectively, of common stock on the open market or in negotiated transactions. Each of these authorizations to repurchase shares expires on December 31 of the following year. The Company repurchased .1 million shares for \$3.8 million, 1.3 million shares for \$42.7 million and .1 million shares for \$2.7 million in 1996, 1995 and 1994, respectively.

In January 1994, the Company granted options to purchase 15,000 shares of common stock to the former Chairman of the Board at an exercise price of \$44.50, which was equal to the market price on the date of grant. The options were immediately exercisable and expire ten years from date of grant.

The Company issued 180,000 stock purchase warrants in August 1990 in connection with an acquisition to the principals of an investment banking firm, one of whom is a former director of the Company. The warrants are exercisable at any time through August 28, 2000, at an exercise price of \$6.125 per share (market price at date issued). During 1996, 6,000 of the warrants were exercised and 34,000 remain outstanding at December 31, 1996.

The Company has four stock option plans (1987 Plan, 1992 Plan, 1993 Stock Option Conversion Plan and 1993 Plan). Under the 1987 and 1992 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 expire ten years and one month or ten years and one day after date of grant under the 1987 Plan and 1992 Plan, respectively.

All outstanding options under the 1993 Stock Option Conversion Plan expired on or were exercised prior to April 9, 1996. No further options can be granted under this plan.

The 1993 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 stock options which do not constitute ISOs ("NSOs") to key employees and non-employee directors of the Company. Each non-employee director receives automatic and non-discretionary NSOs to purchase 3,000 shares of common stock on the date he or she becomes a non-employee director and an additional 3,000 shares on the third anniversary of the date the non-employee director was last granted an option. Grants of options to key employees are solely discretionary. ISOs and NSOs 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. The committee may shorten or lengthen the exercise schedule for any or all options granted to key employees. The exercise price of ISOs and NSOs is generally equal to the fair market value on the date of grant. ISOs granted to an individual who possesses more than 10% of the combined voting power of all classes of stock of the Company have an exercise price of 110% of fair market value and expire five years from the date of grant. The number of shares available for options under the 1993 Plan is adjusted annually to equal 5% of the outstanding common shares of the Company on each January 1. All options granted to date under the 1993 Plan have been NSOs.

Options granted under any of the four Plans may be exercised only while the grantee is employed by the Company or is a member of the Board of Directors or within defined periods after termination.

The following is a summary of the status of the Plans as of December 31, 1996, 1995, and 1994 and changes during the years ending on those dates:

	----Outstanding----		----Exercisable----		Available
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	for Grant Shares
December 31, 1993	467,350	\$13.93	413,350	\$10.68	1,290,000
Authorized	---	---	---	---	388,299
Granted	387,385	44.19	---	---	(387,385)
Became exercisable	---	---	18,885	---	---
Exercised	(146,493)	5.47	(146,493)	---	---
Expired/Canceled	(33,600)	44.50	---	---	33,600
December 31, 1994	674,642	31.62	285,742	14.84	1,324,514
Authorized	---	---	---	---	2,975
Granted	447,300	36.68	---	---	(447,300)
Became exercisable	---	---	132,834	---	---
Exercised	(188,881)	10.36	(188,881)	---	---
Expired/Canceled	(67,000)	43.99	(33,132)	---	67,000
December 31, 1995	866,061	37.91	196,563	33.47	947,189
Authorized	---	---	---	---	(40,306)
Granted	181,800	45.31	---	---	(181,800)
Became exercisable	---	---	262,665	---	---
Exercised	(35,939)	33.41	(35,939)	---	---
Expired/Canceled	(52,928)	40.75	(20,365)	---	51,167
December 31, 1996	958,994	39.32	402,924	37.27	776,250
	=====		=====		=====

The following table summarizes information about stock options outstanding under the Plans at December 31, 1996:

Range of Exercise Prices	-----Options Outstanding-----			-Options Exercisable-	
	Number Outstanding At December 31 1996	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Number Exercisable At December 31 1996	Weighted Average Exercise Price
\$ 5.25 to \$ 5.81	23,000	6.4	\$ 5.59	23,000	\$ 5.59
19.13 to 19.13	30,000	5.0	19.13	30,000	19.13
31.00 to 34.75	65,432	8.8	34.18	22,302	33.81
35.00 to 37.00	76,897	8.8	35.21	24,242	35.39
37.75 to 39.75	324,832	8.7	37.99	124,557	38.11
42.00 to 44.50	313,533	7.4	44.23	178,823	44.50
46.75 to 46.75	125,300	9.9	46.75	---	---
	-----			-----	
5.25 to 46.75	958,994	8.3	39.32	402,924	37.27
	=====			=====	

The per share weighted-average fair value of stock options granted during 1996 and 1995 was \$17.30 and \$13.62, respectively, on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions: 1996-expected dividend yield 0.8%, risk-free interest rate 6.4%, expected volatility 26%, and an expected life of 6.5 years; and 1995-expected dividend yield 0.8%, risk-free interest rate 5.9%, expected volatility 26%, and an expected life of 6.5 years.

The Company applies APB 25 in accounting for the Plans and, accordingly, no compensation cost has been recognized for stock options in the financial statements. Had the Company determined compensation cost based on the fair value of stock options at the grant date under SFAS 123, the Company's net income would have been reduced as indicated below:

		1996	1995
		-----	-----
	(in thousands, except per share amounts)		
Net income	As reported	\$ 67,222	\$ 53,963
	Pro forma under SFAS 123	66,109	53,774
Earnings per common share	As reported	2.50	2.00
	Pro forma under SFAS 123	2.46	1.99

Pro forma net income reflects only options granted in 1996 and 1995. Therefore, the full impact of calculating compensation cost for stock options under SFAS 123 is not reflected in the pro forma net income amounts presented above because compensation cost is reflected over the options' vesting period of 3 years and compensation cost for options granted prior to January 1, 1995 is not considered.

NOTE 11 - INCOME TAXES

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

	Year Ended December 31,		
	1996	1995	1994
	(in thousands)		
United States	\$ 77,619	\$ 66,403	\$ 74,479
Foreign	33,341	23,614	17,183
	\$110,960	\$ 90,017	\$ 91,662
	=====	=====	=====

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

	Year Ended December 31,		
	1996	1995	1994
	(in thousands)		
Current:			
U.S. federal	\$ 26,715	\$ 21,526	\$ 17,774
U.S. state	4,401	4,112	3,403
Foreign	15,630	11,627	6,937
Total	46,746	37,265	28,114
Deferred:			
U.S. federal	(886)	(994)	6,863
U.S. state	(139)	(170)	1,584
Foreign	(1,983)	(47)	957
Total	(3,008)	(1,211)	9,404
	\$ 43,738	\$ 36,054	\$ 37,518
	=====	=====	=====

The provision for income taxes is reconciled to income from continuing operations before income taxes as follows:

	Year Ended December 31,		
	1996	1995	1994
Statutory federal income tax rate	35.0%	35.0%	35.0%
Effect of:			
State income taxes, net of federal benefit	2.3	3.0	3.5
Nondeductible amortization of goodwill	1.2	1.5	1.0
Foreign losses with no tax benefit	.9	1.4	1.2
Other	---	(.8)	.2
	39.4%	40.1%	40.9%
	=====	=====	=====

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

	December 31, 1996		December 31, 1995	
	Current Asset (Liability)	Noncurrent Asset (Liability)	Current Asset (Liability)	Noncurrent Asset (Liability)
	(in thousands)			
Employee benefit accruals	\$ 879	\$ 5,056	\$ 972	\$ 4,968
Product warranty accruals	1,166	---	929	---
Facility relocation accruals	2,084	702	648	433
Insurance premium accruals	2,090	---	1,884	---
Differences in financial reporting and tax basis for:				
Inventory	(2,010)	---	(3,845)	---
Property, plant and equipment	---	(26,249)	---	(28,852)
Identifiable intangible assets	---	(9,855)	---	(9,943)
Accrued costs associated with discontinued operations	---	---	4,611	---
Other	2,344	541	1,047	(1,520)
Foreign tax credit carryforwards	---	413	---	1,070
Tax loss carryforwards in foreign jurisdictions	---	5,987	---	4,882
Valuation allowance for foreign tax credit and tax loss carryforwards	---	(6,400)	---	(5,952)
	<u>\$ 6,553</u>	<u>\$(29,805)</u>	<u>\$ 6,246</u>	<u>\$(34,914)</u>

Current and non-current deferred tax assets and liabilities are included in the following balance sheet captions:

	December 31,	
	1996	1995
	(in thousands)	
Prepaid expenses and other current assets	\$ 8,571	\$ 6,379
Net assets of discontinued operations	---	4,611
Income taxes payable	(2,018)	(4,744)
Other noncurrent assets, net	195	1,013
Deferred income taxes	(30,000)	(35,927)

The provision for income taxes was reduced due to utilization of tax loss carryforwards by \$151,000 in 1996, \$0 in 1995, and \$47,000 in 1994. Certain foreign subsidiaries of the Company have tax loss carryforwards of \$14.9 million at December 31, 1996, of which \$11.2 million expire through 2001 and \$3.7 million may be carried forward indefinitely. The tax benefit of these tax loss carryforwards has been offset by a valuation allowance.

At December 31, 1996, the Company had foreign tax credits available for carryforward of \$.4 million, which expire in 1997. The tax benefit of these tax credit carryforwards has been offset by a valuation allowance.

The funded status and amounts recognized in the consolidated balance sheets for these retirement plans were as follows:

	December 31, 1996		December 31, 1995	
	Assets Exceeded Accumulated Benefits	Accumulated Exceeded Assets	Assets Exceeded Accumulated Benefits	Accumulated Exceeded Assets
Actuarial present value of:	(in thousands)			
Vested benefit obligations	\$ 18,551	\$ 24,204	\$ 18,936	\$ 25,660
Accumulated benefit obligations	\$ 18,551	\$ 26,123	\$ 18,936	\$ 27,756
Actuarial present value of projected benefit obligations	\$ 19,213	\$ 28,579	\$ 20,443	\$ 32,382
Plan assets at fair value	25,557	---	25,526	---
Plan assets less (greater) than projected benefit obligations	(6,344)	28,579	(5,083)	32,382
Unrecognized obligation	---	(1,640)	---	(1,870)
Unrecognized net gain	3,675	4,616	630	905
(Prepaid pension expense) pension liability	\$ (2,669)	\$ 31,555	\$ (4,453)	\$ 31,417

The projected benefit obligations for these plans were determined using discount rates of 7.5 percent as of December 31, 1996 and 1995 in Germany and 4.5 percent as of December 31, 1996 and 1995 in Switzerland. The assumed long-term rate of return on Swiss plan assets for 1996 was 5.0 percent. The weighted average rate of increase used for future compensation levels was 5.0 percent for 1996, 1995 and 1994 in Germany and 3.0 percent for 1996 and 1995 in Switzerland.

The Company sponsors an unfunded defined benefit postretirement medical plan that covers certain U.S. based non-union employees. This postretirement healthcare plan is contributory, with retiree contributions adjusted annually to limit the Company's contribution to \$21 per month per retiree for most 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.

The following table sets forth the combined status of the plans:

	December 31,	
	----- 1996	1995 -----
Accumulated postretirement benefit obligation:	(in thousands)	
Retirees	\$ 8,270	\$ 8,317
Fully eligible active plan participants	464	468
Other active plan participants	1,496	1,498
	-----	-----
Accumulated postretirement benefit obligation at end of period	10,230	10,283
Unrecognized gain	69	446
	-----	-----
Net postretirement benefit liability	\$ 10,299	\$ 10,729
	=====	=====

	Year Ended December 31,		
	----- 1996	1995	1994 -----
Net periodic postretirement benefit cost for the period included the following components:	(in thousands)		
Service cost - benefits attributed to service during the period	\$ 188	\$ 188	\$ 178
Interest cost on accumulated postretirement benefit obligation	764	804	679
	-----	-----	-----
Net periodic postretirement benefit cost	\$ 952	\$ 992	\$ 857
	=====	=====	=====

For measurement purposes, the annual rate of increase in the per capita cost of covered healthcare benefits assumed for 1996 and thereafter was 10% in 1996, 1995, and 1994. The healthcare cost trend rate assumption has a significant effect on the amounts reported. To illustrate, increasing the assumed healthcare cost trend rates by one percentage point in each year would increase the accumulated postretirement benefit obligation at December 31, 1996 by \$.8 million and the aggregate of the service and interest cost components of net periodic postretirement benefit cost by \$.1 million for the year then ended.

The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 8% for 1996 and 1995.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

The Company leases automobiles and certain office, warehouse, machinery and equipment and manufacturing facilities under noncancellable operating leases. These leases generally require the Company to pay insurance, property taxes and other expenses related to the leased property. Total rental expense for all operating leases was \$9.2 million for 1996, \$8.8 million for 1995 and \$8.1 million for 1994.

Rental commitments, principally for real estate (exclusive of taxes, insurance and maintenance), automobiles and office equipment amount to: \$7.4 million for 1997, \$5.5 million for 1998, \$4.7 million for 1999, \$2.8 million for 2000, \$1.9 million for 2001, and \$9.8 million thereafter (net of sublease rentals of \$1.1 million in 1997, \$.9 million in 1998, \$.1 million in 1999, \$.1 million in 2000, \$.1 million in 2001, and \$.6 million thereafter).

At December 31, 1996, the Company had a contractual commitment to purchase implant, prosthetic and laboratory products from Core-Vent Corporation. This commitment is estimated at \$158.1 million at December 31, 1996, for years through 2003 as follows:

	(in thousands)
1997	\$ 22,729
1998	22,320
1999	23,660
2000	25,080
2001	26,584
Later years	37,753

	\$158,126
	=====

Purchases under the contract were \$18.2 million in 1996, \$19.4 million in 1995, and \$19.1 million in 1994.

The Company has certain noncancellable purchase commitments for dental burs, x-ray units, x-ray parts, curing lights and supplies amounting to \$4.3 million in 1997, \$1.2 million in 1998 and \$.4 million thereafter.

The Company has employment agreements with its executive officers and certain other management employees. 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) the Company's liability would be approximately \$7.7 million at December 31, 1996.

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

NOTE 14 - UNUSUAL OR NON-RECURRING ITEMS

During 1995, the Company recorded certain unusual or non-recurring charges which impacted the comparison with other periods. These unusual or non-recurring charges, on an after tax basis, consisted of \$1.4 million of costs associated with consolidation of all executive functions in York, Pennsylvania and a loss of \$.4 million on the sale of the corporate aircraft. The impact of these expenses on earnings per common share was \$.07 in 1995.

NOTE 15 - QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1996	(in thousands, except per share amounts)			
Net sales	\$155,910	\$165,029	\$155,327	\$180,291
Gross profit	76,928	81,640	74,472	91,630
Operating income	26,901	31,228	24,699	36,636
Net income	14,987	17,770	13,873	20,592
Earnings per common share	.56	.66	.52	.77
Dividends per common share	.0825	.0825	.0825	.0925
1995				
Net sales	\$133,105	\$139,878	\$137,330	\$161,715
Gross profit	66,435	70,163	62,919	81,335
Operating income	22,911	26,912	17,342	33,570
Net income	12,972	13,237	9,479	18,275
Earnings per common share	.48	.49	.35	.68
Dividends per common share	.075	.075	.075	.0825

DENTSPLY INTERNATIONAL INC.
VALUATION AND QUALIFYING ACCOUNTS(a)
FOR THE THREE YEARS ENDED DECEMBER 31, 1996

Description	Balance at Beginning of Period	Additions			Translation Adjustment	Balance at End of Period
		Charged (Credited) To Costs And Expenses	Charged to Other Accounts	Write-offs Net of Recoveries		
(in thousands)						
Allowance for doubtful accounts:						
For Year Ended December 31,						
1994	\$1,742	\$ 163	\$ -	\$ (287)	\$ 59	\$ 1,677
1995	1,677	515	209 (b)	(213)	66	2,254
1996	2,254	498	20 (d)	(224)	(73)	2,475
Allowance for trade discounts:						
For Year Ended December 31,						
1994	315	2,662	-	(2,466)	(5)	506
1995	506	2,446	-	(2,220)	5	737
1996	737	2,693		(2,920)	(3)	507
Inventory valuation reserves:						
For Year Ended December 31,						
1994	5,374	1,886	2	(1,765)	125	5,622
1995	5,622	908	15,608 (c)	(1,869)	459	20,728
1996	20,728	(569)	167 (d)	(1,380)	(2,128)	16,818

- (a) Excludes discontinued operations.
(b) Includes Maillefer acquisition \$209.
(c) Includes Maillefer acquisition \$15,531.
(d) Tulsa acquisition.

EXHIBIT INDEX
Sequential

Exhibit No.	Description	Page No.
-----	-----	-----
3.1	Certificate of Incorporation	(1)
3.2	By-Laws, as amended	(1)
4.1 (a)	Competitive Advance, Revolving Credit and Guaranty Agreement, dated as of November 15, 1993, among the Company, the guarantors named therein, the banks named therein, and Chemical Bank, as agent (Note: All attachments have been omitted. Copies of such attachments will be furnished supplementally to the Securities and Exchange Commission upon request.)	(10)
(b)	First Amendment, dated as of December 23, 1994, to Competitive Advance, Revolving Credit and Guaranty Agreement	(11)
10.1 (a)	1987 Employee Stock Option Plan	(4)
(b)	Amendment No. 1 to the Company's 1987 Employee Stock Option Plan	(5)
10.2 (a)	Letter Agreement dated June 29, 1990 by and between Cravey, Green & Wahlen Incorporated and the Company	(3)
(b)	Stock Purchase Warrant dated August 28, 1990 issued to Cravey, Green & Wahlen Incorporated by the Company	(2)
(c)	Stock Purchase Warrant Plan adopted February 25, 1993	(6)
10.3	1992 Stock Option Plan adopted May 26, 1992	(7)
10.4 (a)	Employee Stock Ownership Plan as amended effective as of December 1, 1982, restated as of January 1, 1991	(11)
(b)	Second Amendment to the DENTSPLY Employee Stock Ownership Plan	76
10.5 (a)	Retainer Agreement dated December 29, 1992 between the Company and State Street Bank and Trust Company ("State Street")	(8)
(b)	Trust Agreement between the Company and State Street Bank and Trust Company dated as of August 11, 1993	(10)
(c)	Amendment to Trust Agreement between the Company and State Street Bank and Trust Company effective August 11, 1993	(10)
10.6	DENTSPLY Stock Option Conversion Plan approved June 23, 1993	(8)
10.7	Employment Agreement dated January 1, 1996 between the Company and	(14)

	Burton C. Borgelt	
10.8	(a) Employment Agreement dated as of December 31, 1987 between the Company and John C. Miles II	(8)
	(b) Amendment to Employment Agreement between the Company and John C. Miles II dated February 16, 1996, effective January 1, 1996	(14)
10.9	Employment Agreement dated as of December 31, 1987, as amended as of February 8, 1990, between the Company and Leslie A. Jones	(8)
10.10	Employment Agreement dated as of December 10, 1992 between the Company and Michael R. Crane	(8)
10.11	Employment Agreement dated as of December 10, 1992 between the Company and Edward D. Yates	(8)
10.12	Employment Agreement dated as of December 10, 1992 between the Company and J. Patrick Clark	(8)
10.13	Employment Agreement dated January 1, 1996 between the Company and W. William Weston	(14)
10.14	Employment Agreement dated January 1, 1996 between the Company and Thomas L. Whiting	(14)
10.15	Employment Agreement dated October 11, 1996 between the Company and Gerald K. Kunkle Jr.	77
10.16	(a) Exclusive Distribution Agreement dated April 19, 1991, between Core-Vent Corporation ("Core-Vent"), Dr. Gerald Niznick and the Company	(8)
	(b) First Amendment to Exclusive Distribution Agreement dated April 30, 1991	(8)
	(c) Second Amendment to Exclusive Distribution Agreement dated April 21, 1993 (Note: Exhibits 2.3.1B (Notice of New Products), 2.3.1A (Price List) and 16 (Mutual Release) have been omitted. Copies of such exhibits will be furnished to the Securities and Exchange Commission supplementally upon request.)	(8)
10.17	1993 Stock Option Plan	(1)
10.18	Revolving Credit Agreement among DENTSPLY International Inc., each of the guarantors named therein, and ABN AMRO Bank N.V., dated as of September 9, 1994	(11)
10.19	Multi-Currency Term Loan Agreement among Dentsply Ltd., the banks named therein, and ABN AMRO Bank	(14)

N.V., dated as of May 12, 1995 (Note: All attachments have been omitted. Copies of such attachments will be furnished supplementally to the Securities and Exchange Commission upon request.)

10.20	(a)	DENTSPLY International Inc. 401(k) Savings Plan Summary Plan Description, as amended effective January 1, 1994	(11)
	(b)	Fourth Amendment to the DENTSPLY International 401(k) Savings Plan	84
10.21		Midwest Dental Products Corporation Pension Plan as amended and re-stated effective January 1, 1989	(11)
10.22		Revised Ransom & Randolph Pension Plan, as amended effective as of September 1, 1985, restated as of January 1, 1989	(11)
10.23		DENTSPLY International Inc. Directors' Deferred Compensation Plan effective January 1, 1997	86
10.24		Letter Agreement, dated October 13, 1994, between Dentsply Limited and DePuy International Limited	(11)
10.25		Sales-Purchase Agreement, dated May 30, 1995, between certain stockholders of Maillefer Instruments, S.A., Dentsply Ltd., and DENTSPLY International Inc. as guarantor	(12)
10.26		Asset Purchase and Sale Agreement, dated January 10, 1996, between Tulsa Dental Products, L.L.C. and DENTSPLY International Inc.	(13)
10.27		Stock Purchase Agreement dated January 13, 1997 between Groupe Monot, S.A. and Dentsply DeTrey GmbH for the purchase of Laboratoire SPAD, S.A.	89
11		Computation of earnings per share	120
21.1		Subsidiaries of the Company	121
23.1		Consent of KPMG Peat Marwick LLP	123
27		Financial Data Schedule	124

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- (1) Incorporated by reference to exhibit included in the Company's Registration Statement on Form S-8 (No. 33-71792).
 - (2) Incorporated by reference to exhibit included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1991, File No. 0-16211.
 - (3) Incorporated by reference to exhibit included in the Company's Registration Statement on Form S-2 (No. 33-43079).

- (4) Incorporated by reference to exhibit included in the Company's Registration Statement on Form S-18 (No. 33-15355C).
- (5) Incorporated by reference to exhibit included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1992, File No. 0-16211.
- (6) Incorporated by reference to exhibit included in the Company's Registration Statement on Form S-8 (No. 33-61780).
- (7) Incorporated by reference to exhibit included in the Company's Registration Statement on Form S-8 (No. 33-52616).
- (8) Incorporated by reference to exhibit included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1993, File No. 0-16211.
- (9) Incorporated by reference to exhibit included in the Company's Current Report on Form 8-K dated August 28, 1990, File No. 0-16211.
- (10) Incorporated by reference to exhibit included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993, File No. 0-16211.
- (11) Incorporated by reference to exhibit included in the Company's Annual Report on Form 10-K for the fiscal year December 31, 1994, File No. 0-16211.
- (12) Incorporated by reference to exhibit included in the Company's Current Report on Form 8-K dated June 30, 1995, File No. 0-16211.
- (13) Incorporated by reference to exhibit included in the Company's Current Report on Form 8-K dated January 10, 1996, File No. 0-16211.
- (14) 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.

SECOND AMENDMENT TO THE
DENTSPLY EMPLOYEE STOCK OWNERSHIP PLAN

The DENTSPLY Employee Stock Ownership Plan as amended, effective as of December 1, 1982 and restated as of January 1, 1991, (the "Plan"), is hereby amended effective as of September 11, 1996 in the following manner:

1. Section 5.05(c) of the Plan is hereby amended by adding thereto a new subsection (c), to read, in its entirety, as follows:

(c) Notwithstanding anything to the contrary in this Plan, an Eligible Participant may upon a written notice to the Trustee received during the Window Election Period, elect to direct the Trustee to diversify, in the manner set forth below, up to forty percent (40%) in whole shares of his or her Company Stock Account. Any Eligible Participant who does not elect to diversify his or her Company Stock Account in accordance with this subsection (c) during the Window Election Period shall have the right to diversify his or her Account (or the balance thereof) only in accordance with subsections (a) and (b) above thereafter.

If an Eligible Participant provides notice of an election to diversify up to forty percent (40%) his or her Company Stock Account pursuant to this subsection (c) during the Window Election Period, then no later than thirty (30) days (or such longer period as may be established by the Committee) after the date upon which the Trustee receives the notice, a cash transfer shall be made from such Eligible Participant's Company Stock Account to the Mutual Fund Account of the Eligible Participant in an amount equal to the fair market value of the number of shares of Company Stock diversified; provided, however, that if the shares of Company Stock as to which an election is filed are readily tradeable on an established securities market within the meaning of Section 409(h)(1)(B) of the Code at the time such election is filed, then such fair market value shall equal the proceeds received by the Trustee upon the sale of such shares on such securities market less any applicable transaction costs.

For purposes of this subsection (c), (1) an "Eligible Participant" shall mean a Participant who has participated in the Plan for at least five (5) years as of December 30, 1996, who has completed eight (8) years of Credited Service as of December 30, 1996 and who has a 100% nonforfeitable interest in his Account as of December 30, 1996; and (2) the "Window Election Period" shall mean the 90-day period commencing on October 1, 1996 and ending on December 30, 1996.

2. In all other respects, the Plan shall remain unchanged by this amendment.

EMPLOYMENT AGREEMENT
BETWEEN
DENTSPLY INTERNATIONAL INC.
AND
GERALD K. KUNKLE, JR.

THIS AGREEMENT is entered into as of October 11, 1996, by and between DENTSPLY INTERNATIONAL INC., a Delaware corporation (the "Company") and GERALD K. KUNKLE, JR. ("Employee").

WHEREAS, it is in the best interest of the Company and Employee that the terms and conditions of Employee's services be formally set forth:

NOW, THEREFORE, in consideration of the mutual covenants and agreements of the parties hereto, it is hereby agreed as follows:

1. Services

1.1 The Company employs Employee and Employee accepts such employment and agrees to serve as President and Chief Operating Officer, of the Company and, if elected thereto, as an officer or director of any Affiliate, for the term and on the conditions herein set forth. Employee shall be responsible for the activities and duties presently associated with these positions. Employee shall perform such other services not inconsistent with his position as shall from time to time be assigned to him by the Board of Directors or the Chief Executive Officer of the Company. Employee's services shall be performed at a location suitable for the performance of the Employee's assigned duties and should not present an unnecessary hardship on the Employee.

1.2 Employee shall at all times devote his full business time and efforts to the performance of his duties and to promote the best interests of the Company and its Affiliates.

2. Period of Employment

Employment shall continue from January 7, 1997 and terminate on the happening of any of the following events:

2.1 Death. The date of death of Employee;

2.2 Termination by Employee Without Good Reason. The date specified in a written notice of termination given to the Company by Employee not less than 180 days in advance of such specified date, at which date the Employee's obligation to perform services pursuant to this Agreement shall cease.

2.3 Termination by Employee with Good Reason. Thirty (30) days following the date of a written notice of termination given to the Company by Employee within thirty (30) days

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after any one or more of the following events have occurred:

- (a) failure by the Company to maintain the duties, status and responsibilities of the Employee substantially consistent with those of Employee's position as of the date of the Agreement, or
- (b) a reduction by the Company in Employee's base salary as in effect as of the date hereof plus all increases therein subsequent thereto; other than any reduction implemented as part of a formal austerity program approved by the Board of Directors of the Company and applicable to all continuing employees of the Company, provided such reduction does not reduce Employee's salary by a percentage greater than the average reduction in the compensation of all employees who continue as employees of the Company during such austerity program; or
- (c) the failure of the Company to maintain and to continue 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; or
- (d) any substantial and uncorrected breach of the Agreement by the Company.

2.4 Termination by the Company. The date of a written notice of termination given to Employee by the Company. The Employee's obligation to perform services pursuant to this Agreement shall cease as of the date of such notice.

3. Payments by the Company

3.1 During the Period of Employment, the Company shall pay to the Employee for all services to be performed by Employee hereunder a salary of not less than \$325,000 per annum, or such larger amount as may from time to time be

fixed by the Board of Directors of the Company or, if applicable, by the Executive Compensation Committee of the Company, payable in approximately equal monthly installments on or about the twenty-fifth day of each month.

3.2 During the Period of Employment, Employee shall be entitled to participate in all plans and other benefits made available by the Company generally to its domestic executive employees, including (without limitation) benefits under any pension, profit sharing, employee stock ownership, stock option, bonus, performance stock appreciation right, management incentive, vacation, disability, annuity or insurance plans or programs. Any payments to be made to Employee under other provisions of this Section 3 shall not be diminished by any payments made or to be made to Employee or his designees pursuant to any such plan, nor shall any payments to be made to Employee or his designees pursuant to

any such plan be diminished by any payment made or to be made to Employee under other provisions of this Section 3.

3.3 Upon termination of the Period of Employment for whatever reason, Employee shall be entitled to receive the compensation accrued and unpaid as of the date of his termination. If Employee at the time of termination is eligible to participate in any Company incentive or bonus plan then in effect, Employee shall be entitled to receive a pro-rata share of such incentive or bonus award based upon the number of days he is employed during the plan year up to the date of his termination. Such pro-rata amount shall be calculated in the usual way and paid at the usual time.

3.4 If the Period of Employment terminates upon the death of Employee, the Company shall continue payment of his then current salary for a period of 12 months from the date of death, together with his pro-rata share of any incentive or bonus payments due for the period prior to his death, to Employee's designated beneficiary or, if no beneficiary has been effectively designated, then to Employee's estate.

3.5 If the Period of Employment is terminated by the Employee under Section 2.3, or by the Company under Section 2.4, the Company shall continue to pay compensation and provide benefits to the employee as provided in this Section 3.5 for a period (the "Termination Period") beginning on the date of the termination notice and ending on the earlier of: (I) the second annual anniversary of the date of such termination notice; or (ii) the date on which the Employee would attain age 65, as follows:

- (a) Compensation shall be paid to the Employee at the rate of salary being paid to Employee under Section 3.1 immediately before the termination.
- (b) Bonus and incentive compensation shall be paid to the Employee if approved by the Board of Directors, in accordance with plans in which the Employee participated at time of termination, using the same formula and calculations as if termination had not occurred.
- (c) Employee shall receive the benefits that would have been accrued by the Employee during the Termination Period under any pension, profit sharing, employee stock ownership plan ("ESOP") or similar retirement plan or plans of the Company or any Affiliate in which the Employee participated immediately before the termination (or, if not available, in lieu thereof be compensated for such benefits), based on service the Employee would have had during the Termination Period and compensation (and, if applicable, bonus and incentive compensation) as determined under Section (a) (and, if applicable, Subsection (b) above); and
- (d) Employee shall receive continued coverage during the

Termination Period under all employee disability, annuity, insurance or other employee welfare benefit plans, programs or arrangements of the Company or any Affiliate in which Employee participated immediately before the notice of termination, plus all improvements subsequent thereto (or, if not available, in lieu thereof be compensated for such coverage).

Except as provided in Section 3.6, payment of compensation under Subsection 3.5(a) above shall be made at the same time as payments of compensation under Section 3.1, and payments of other benefits under Subsection 3.5(b) and (c) shall be paid at the same time and to the same person as compensation or benefits would have been paid under the plan, program or arrangement to which they relate (after taking into account any election made by the Employee with respect to payments under such plan, program or arrangement).

3.6 If at any time after a Change of Control the Period of Employment is terminated by the Employee with good reason under Section 2.3, or the Company terminates or gives written notice of termination of the Period of Employment to the Employee (whether or not in accordance with Section 2.4), then in lieu of the periodic payment of the amounts specified in Subsections 3.5(a), (b) and (c) (except as may be otherwise prohibited by law or by said plans), the Company, at the written election of Employee, shall pay to Employee within five (5) business days of such termination or notice of termination the present value of the amounts specified in Subsections 3.5(a), (b) and (c), discounted at the greatest rate of interest then payable by the Commonwealth National Bank on any federally insured savings account into which Employee could deposit such amount and make immediate withdrawals therefrom without penalty, and shall provide for the remainder of the Termination Period, if any, the benefit coverage required by Subsection 3.5(d). Employee shall not be required to mitigate damages payable under this Section 3.6.

3.7 In no event will the Company be obligated to continue Employee's compensation and other benefits under the Agreement beyond Employee's sixty-fifth (65th) birthday or if Employee's employment is terminated because of gross negligence or significant willful misconduct (i.e. conviction of misappropriation of corporate assets or heinous criminal offense).

4. Non-Competition Agreement. During the Period of Employment and for a period of five (5) years after the termination thereof, Employee shall not, without the written consent of the Company, directly or indirectly be employed or retained by, or render any services for, or be financially interested in, any firm or corporation engaged in any business which is competitive with any business in which the Company or any of its Affiliates may have been engaged during the Period of Employment. The foregoing restriction shall not apply to the purchase by Employee of not to exceed 5% of the

outstanding shares of capital stock of any corporation whose securities are listed on any national securities exchange.

5. Loyalty Commitments. During and after the Period of Employment: (a) Employee shall not disclose any confidential business information about the affairs of the Company or any of its Affiliates; and (b) Employee shall not, without the prior written consent of the Company, induce or attempt to induce any employee or agency representative of the Company or any Affiliate to leave the employment or representation of the Company or such Affiliate.
6. Separability of Provisions. The terms of this Agreement shall be considered to be separable from each other, and in the event any shall be found to be invalid, it shall not affect the validity of the remaining terms.
7. Binding Effect. This Agreement shall be binding upon and inure to the benefit of (a) the Company and its successors and assigns, and (b) Employee, his personal representatives, heirs and legatees.
8. Entire Agreement. This Agreement constitutes the entire agreement between the parties and supersedes and revokes all prior oral or written understandings between the parties relating to Employee's employment. The Agreement may not be changed orally but only by a written document signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought.
9. Definitions. The following terms herein shall (unless otherwise expressly provided) have the following respective meanings:
 - 9.1 "Affiliate" when used with reference to the Company means any corporations, joint ventures or other business enterprises directly or indirectly controlling, controlled by, or under common control with the Company. For purposes of this definition, "control" means ownership or power to vote 50% or more of the voting stock, venture interests or other comparable participation in such business enterprises.
 - 9.2 "Period of Employment" means the period commencing on the date hereof and terminating pursuant to Section 2.
 - 9.3 "Beneficiary" means the person or persons designated in writing by Employee to Company.
 - 9.4 "Change of Control" means any event by which (i) an Acquiring Person has become such, or (ii) Continuing Directors cease to comprise a majority of the members of the Board of Directors of the Company or the applicable Parent of the Company (a "Board"). For purposes of this definition:
 - (a) An "Acquiring Person" means any person or group (as

defined in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder as in effect on the date of this Agreement (the "Exchange Act") who or which, together with all affiliates and associates (as defined in Rule 12B-2 under the Exchange Act) becomes, by way of any transaction, the beneficial owner of shares of the Company, or such Parent, having 20% or more of the total number of votes that may be cause for the election of directors of the Company or such Parent; and

- (b) "Continuing Director" means any member of a Board, while such person is a member of such Board who is not an Acquiring Person, or an affiliate or associate of an Acquiring Person or a representative of an Acquiring Person or of any such affiliate or associate and who (i) was a member of such Board prior to the date of this Agreement, or (ii) subsequently becomes a member of such Board and whose nomination for election or election to such Board is recommended or approved by resolution of a majority of the Continuing Directors or who is included as a nominee in a proxy statement of the Company or the applicable Parent distributed when a majority of such Board consists of Continuing Directors.

9.5 "Parent" means any Affiliate directly or indirectly controlling (within the meaning of Section 9.1) the Company.

10. Notices. Where there is provision herein for the delivery of written notice to either of the parties, such notice shall be deemed to have been delivered for the purposes of this Agreement when delivered in person or placed in a sealed, postpaid envelope addressed to such party and mailed by registered mail, return receipt requested to:

Gerald K. Kunkle, Jr. 7290 Oakmont Court
Ponte Vedra Beach, FL 32082

DENTSPLY International Inc. 570 West College Avenue
York, PA 17405

11. Arbitration. Any controversy arising from or related to the Agreement shall be determined by arbitration in the City of Philadelphia, Pennsylvania, in accordance with the rules of the American Arbitration Association, and judgment upon any such determination or award may be entered in any court having jurisdiction. In the event of any arbitration between Employee and Company related to the Agreement, if employee shall be the successful party, Company will indemnify and reimburse Employee against any reasonable legal fees and expenses incurred in such arbitration.

12. Applicable Law. The Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

IN WITNESS WHEREOF, the parties have executed the Agreement on the day and year first above written.

Attest: DENTSPLY INTERNATIONAL INC.

By: _____
Secretary President and Chief Executive Officer

GERALD K. KUNKLE, JR

FOURTH AMENDMENT TO THE DENTSPLY
INTERNATIONAL INC. 401(K) SAVING PLAN

The DENTSPLY International Inc. 401(k) Savings Plan as amended, effective as of January 1, 1992, and amended as of various dates thereafter, it is hereby amended effective as of January 1, 1996 in the following manner:

1. Sections 7.13 and 7.14 shall be added as follows:

Section 7.13 Each Participant (or Beneficiary of a deceased Participant) to whose Accounts shares of Company Stock have been allocated shall, as a named fiduciary within the meaning of Section 403(a)(1) of the Act, direct the Trustee with respect to the vote of the shares of Company Stock allocated to his or her Accounts, and the Trustee shall follow the directions of those Participants (and Beneficiaries) who provide timely instructions to the Trustee. However, the Trustee shall vote any unallocated shares of Company Stock held by the Trust, or any allocated share of Company Stock as to which no voting instructions have been received, in such a manner as directed by the Plan Administrator. Each Participant (or Beneficiary of a deceased Participant) shall be entitled to direct the Trustee as to whether or not to exercise any applicable statutory appraisal rights with respect to shares of Company Stock allocated to such Participant's (or such Beneficiary's) Accounts. In all other cases, the decision whether or not to exercise statutory appraisal rights shall be made by the Trustee in such manner as directed by the Plan Administrator. The Company shall furnish the Trustee and each Participant (or Beneficiary of a deceased Participant) with such information as may be required under applicable law and the Company's charter and by-laws as applicable to security holders in general with respect to any matter put to a vote of the stockholders of the Company.

Section 7.14 In the event a tender offer for Company Stock is commenced the Plan Administrator, promptly after receiving notice of the commencement of any such tender offer, shall transfer certain of the Plan Administrator's record keeping functions under the Plan to an independent record keeper (which if the Trustee consents in writing, may be the Trustee). The functions so transferred shall be those deemed necessary by the Plan Administrator to preserve the confidentiality of any directions given by the Participants (and Beneficiaries of deceased Participants) in connection with the tender offer. The Trustee shall have no discretion or authority to sell, exchange or transfer any of such shares pursuant to such tender offer except to the extent, and only to the extent, that the Trustee is timely directed to do so in writing as follows:

(a) Each Participant (or Beneficiary of a deceased Participant) to whose Account shares of Company Stock have been allocated, shall, as a named fiduciary within the meaning of Section 403(a)(1) of the Act, direct the Trustee with respect to the sale, exchange or transfer of the shares of Company Stock allocated to his Account, and the Trustee shall follow the directions of those Participants (and Beneficiaries) who provide timely instructions to the Trustee.

(b) The Trustee shall sell, exchange or transfer any unallocated shares of Company Stock comprising Trust Assets, or any allocated shares of Company Stock as to which no directions have been received, in such a

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manner as directed by the Plan Administrator.

Following any tender offer that has resulted in the sale or exchange of any shares of Company Stock comprising the Trust Assets, the record keeper shall continue to maintain on a confidential basis the Accounts of Participants (and Beneficiaries) to whose Accounts shares of Company Stock were allocated at any time during such offer, until complete distribution of such Accounts or such earlier time as the record keeper determines that the transfer of the record keeping functions back to the Plan Administrator will not violate the confidentiality of the directions given by the Participants (and Beneficiaries). In the event that there is no sale or exchange of any shares of Company Stock comprising the Trust Assets pursuant to the tender offer, the record keeper shall transfer back to the Plan Administrator the record keeping functions; provided, however, the record keeper shall keep confidential any instructions which it may receive from Participants (and Beneficiaries) relating to the tender offer. For purposes of allocating the proceeds of any sale or exchange pursuant to a tender offer, the Plan Administrator or the independent record keeper, as the case may be, shall determine the portion, expressed as a percentage, of shares tendered by the Trustee that were actually sold or exchanged (the "applicable percentage"). The Plan Administrator or the independent record keeper, as the case may be, shall then treat as having been sold or exchanged from each of the individual Accounts of Participants (and Beneficiaries) that number of shares (if any) which is obtained by multiplying (i) the applicable percentage times (ii) the total number of shares in such Account that were directed to be tendered or exchanged. Any proceeds remaining after application of the preceding sentences shall be treated as proceeds from the sale or exchange of unallocated shares.

In all other respects, the provisions of the Plan shall remain in full force and effect.

Secretary

1. PURPOSE

The purpose of the DENTSPLY International Inc. (the "Dentsply") Directors' Deferred Compensation Plan is to provide its Directors with the opportunity to defer receipt of their compensation to a future date. Dentsply has adopted this program in recognition of the valuable services of these Directors and the desire to provide them with additional flexibility in their personal financial Planning.

2. ELIGIBILITY

Any Director of the Board of Dentsply who receives compensation for his/her services on the Board is eligible to participate in Dentsply's Directors' Deferred Compensation Plan (the "Plan").

3. ELECTION TO PARTICIPATE

(a) Any eligible Director may elect prior to the beginning of each calendar year but no later than December 31st, to participate in the Deferred Compensation Plan and defer receipt of either all or part of the annual retainer, committee and meeting fees that he or she may receive that year to a distribution date defined in Section 5. A new Director may make an election with respect to future fees including fees earned in the first year of eligibility, within 30 days after becoming eligible.

(b) The election will be made on a written form called "A Notice of Election" signed by the Director and delivered to the Secretary of Dentsply. This election will continue in effect for future years unless the Director submits a written request revoking his/her election in a form to be furnished by Dentsply.

A revised deferral election will be applicable only to compensation the Director may earn for services performed in the future and will be effective as of January 1st of the year specified, provided the form has been received by Dentsply by December 31st of the previous calendar year.

(c) Nothing within this Section prevents a Director from filing a revised election for a calendar year and thereafter filing another election to participate in the Plan for any subsequent calendar year.

4. DEFERRAL ACCOUNTS

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A deferred compensation account will be established for each participating Director ("Participant"). Credits will be made to a Participant's account on the same dates compensation would have been paid to him/her currently. At the election of a Participant, the deferred compensation will either (i) earn interest, compounded quarterly, until distribution is made in full; or, (ii) be converted into stock units and receive credit for dividends which will be converted to stock units on dividend payment dates. The interest rate for purposes of this Plan will be a rolling average of the rates reported in Federal Reserve Statistical Release H-15 under the caption "Treasury Constant Maturities, 10-year" under the column captioned "Week Ending" for the most recent 120 months. At the option of the Participant, deferred accounts in the Dentsply Directors' Deferred Compensation Plan which terminates December 31, 1996 will be converted into either cash with interest accounts or stock unit accounts.

5. DISTRIBUTION OF DEFERRED

Amounts deferred and accumulated interest or dividends credited to a Participant's account will be paid out according to either of two schedules: a lump sum or in annual installments not to exceed 10 years. The Participant will indicate his/her choice of payment schedule on the election form. Payment(s) will commence on January 1st of the following year in which the Participant ceases to be a Director of Dentsply, or the first day of any subsequent calendar year, specified by the Participant in his/her election form.

6. DESIGNATION OF BENEFICIARY

Each Participant will designate one or more beneficiaries to receive all amounts due upon his/her death. In the absence of any designated beneficiary, all compensation and interest accrued to the date of death will be paid to the Participant's estate.

7. CHANGE IN DISTRIBUTION SCHEDULE

(a) In the event of death, or permanent disability of a Participant before full payment has been made, the Committee (defined below) in its sole discretion shall be permitted to pay the balance of any deferred amount in

one lump sum to the Participant and his/her designated beneficiary regardless of any distribution schedule the Participant has requested.

(b) The Participant will be considered disabled for purposes of this Plan if the Administrative Committee determines, based on medical evidence, that the Participant is totally disabled, mentally or physically, and will

remain so for the rest of his/her life and is therefore unable to continue his/her services to Dentsply.

8. ADMINISTRATION OF THE PLAN

The Plan will be administered by the Nominating Committee of the Board of Directors. (Committee will consist of not less than three members selected by the Board). The Administrative Committee will have the right to interpret the provisions of the Plan. However, no Director may participate in any decision which would specifically affect his/her own Account. All final decisions regarding payments or amendments to the Plan will be subject to the approval of the Board of Directors of Dentsply.

9. RIGHTS OF A PARTICIPANT

Income deferred under this Plan will not be segregated from the general funds of Dentsply and no Participant will have any claim on any specific Dentsply assets. To the extent that any Participant acquires a right to receive benefits under this Plan, his/her right will be no greater than the right of any unsecured general creditor of Dentsply and is not assignable or transferable except to his/her beneficiary or estate as defined in Section 6.

Between:

GROUPE MONOT S.A., a French societe anonyme with a capital of 48,354,500 French Francs (hereafter "FFr"), registered at the Paris Commercial Registry under number 72B6318 and having its registered office at Impasse Des Boussenots, 21800 Quetigny, France, represented by its Directeur General, Mr. Marcel Elias, duly authorized for the purposes hereof,

Hereafter the "Seller";

And:

DENSTPLY DETREY GmbH, a German company having its principal place of business at Eisenbahnstrasse 180, D-66303 Dreieich, Germany, represented by its Geschäftsführer, Mr. William W. Weston, duly authorized for the purposes hereof,

Hereafter the "Purchaser."

RECITALS

A. Except for twenty (20) shares owned by certain persons identified in Exhibit A hereof, and which the Seller will cause to be transferred to the Purchaser on the Closing Date (as such term is defined in Section 1.01 below), the Seller owns 100% of the outstanding capital stock of LABORATOIRE SPAD, S.A., a French societe anonyme with a capital of FFr15,000,000 consisting of 60,000 shares with a par value of FFr250 each, registered at the Commercial Registry of Dijon under the number B 015 950 827, having its registered office at Impasse Des Boussenots, 21800 Quetigny, France (the "Company").

B. The Purchaser intends to develop its dental materials business in France through acquisition of the Company, which conducts an ongoing worldwide dental products business.

C. The Seller intends to sell 100% of the outstanding share capital of the Company (the "Shares") to the Purchaser who, in turn, intends to purchase the Shares upon the terms and conditions set forth herein.

On the basis of the preceding recitals, and in consideration of the mutual representations, warranties and covenants herein contained, the parties agree as follows:

ARTICLE I

Purchase and Sale of Shares and Purchase Price

Section 1.01. Purchase and Sale of Shares. Subject to the terms and conditions contained herein, at the closing of all of the transactions contemplated herein (the "Closing"), which shall occur on January 1, 1997 or such other date as may be mutually agreed in writing by the parties (but in no event later than February 1, 1997) (the "Closing Date") in the

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offices of the Seller, or at such other place as shall be mutually agreed in writing by the parties, the Seller shall sell, cause to be sold, and deliver to the Purchaser, free and clear of all security interests, liens, pledges, or other third party rights, and the Purchaser shall purchase, accept, and acquire from the Seller, all of the 60,000 Shares; it being understood, however, that the Seller shall retain title to the 1996 dividend coupons relating to the Shares.

Section 1.02. Purchase Price.

(a) The purchase price for all of the 60,000 Shares (hereafter the "Purchase Price") shall consist of an amount of ONE HUNDRED AND NINETY MILLION FRENCH FRANCS (FFr190,000,000) (the "Closing Amount"), plus or minus an amount, to be determined after the Closing, based on the "Net Asset Value" (as defined hereafter) and "Operating Income" (as defined hereafter) of the Company on December 31, 1996, in accordance with the provisions of this Section 1.02 (the "Post-Closing Amount"). The Purchase Price shall be paid in accordance with the provisions of Sections 6.02(b) and 7.01. The Seller shall be solely responsible for paying any part of the Purchase Price that may be owed to the persons listed in Exhibit A, and shall hold the Purchaser harmless with respect thereto.

(b) As soon as possible after the Closing Date, the Purchaser shall cause a balance sheet for the Company to be prepared by the auditing firm of KPMG (based on information and records provided to such independent auditor by the Company's accounting department) as of December 31, 1996 (the "Final Balance Sheet") in accordance with generally accepted French accounting principles, which Final Balance Sheet shall indicate the Company's net asset value at the aforementioned date, defined as:

the net assets [capitaux propres] of the Company as at December 31, 1996, presented in accordance with accounting principles generally accepted in France and applied on a consistent basis and after giving effect to a provision for employee profit sharing (net of tax effect) at December 31, 1996 (the "Net Asset Value"); it being understood that the amount of any

dividends either paid or authorized by the Company (as of the date on which the Post-Closing Amount is finalized pursuant to this Section 1.02) in connection with the Shares' 1996 dividend coupons shall be deducted from the Net Asset Value of the Company;

as well as the Company's operating income, defined as:

operating income on pre-tax operating profit from normal trading activities [resultat d'exploitation] for the year ended December 31, 1996, presented in accordance with accounting principles generally accepted in France applied on a consistent basis and after giving effect to a provision for employee profit sharing for the year ended December 31, 1996 and before exceptional charges or credits such as the reversal of previously reserved amounts (the "Operating Income").

(c) Within fifteen (15) days after receipt by the Purchaser of the Final Balance Sheet, the Purchaser shall transmit a copy thereof to the Seller

together with related accounting documents. The Seller shall review the Final Balance Sheet within fifteen (15) days after receipt thereof. If, after a review of the Final Balance Sheet, the Seller disagrees with the values shown on it, the Seller shall forthwith give notice thereof to the Purchaser. If, within fifteen (15) days following receipt of such notice, the parties are unable to agree as to the values shown on the Final Balance Sheet, the matter(s) shall be referred to the auditing firm of Price Waterhouse for a binding decision, which shall be rendered within thirty (30) days after such referral. The cost of the auditing firm of Price Waterhouse, as the case may be, will be shared equally between the parties.

(d) The Post-Closing Amount shall be determined based on the figures shown on the Final Balance Sheet, once finalized pursuant to Section 1.02(c), and shall be calculated as follows:

- (i) An "Amount," defined as eight (8) times the amount, if any, by which the Operating Income shall exceed a referential value of NINETEEN MILLION THREE HUNDRED AND FORTY-TWO THOUSAND FRENCH FRANCS (FFr19,342,000) (i.e., the budgeted operating income as of December 31, 1996, as calculated by KPMG in the course of its financial audit of the Company), shall be calculated, but such Amount shall in no event be greater than EIGHT MILLION FRENCH FRANCS (FFr8,000,000); it being further understood that (i) the Operating Income and the above-noted referential value shall have been calculated using the same basis of calculation and accounting methods and principles, and (ii) in the event the Operating Income is less than the above-noted referential value, the Amount shall be zero.
- (ii) If the sum of the Net Asset Value and the Amount of the Company as of December 31, 1996 is positive, that amount shall constitute the Post-Closing Amount and shall be paid to the Seller by the Purchaser within seven (7) days after finalization of the Final Balance Sheet pursuant to Section 1.02(c).
- (iii) If the sum of the Net Asset Value and the Amount of the Company as of December 31, 1996 is negative, that amount shall constitute the Post-Closing Amount and shall be paid to the Purchaser by the Seller within seven (7) days after finalization of the Final Balance Sheet pursuant to Section 1.02(c).

(e) It is further understood that between the finalization of the Final Balance Sheet and the payment of the Post-Closing Amount, all debts owed to the Company by an Interested Person (as that term is defined in Section 2.24) shall have been repaid in full and, generally, all intercompany payable/receivable accounts shall have been paid in full.

ARTICLE II

Representations and Warranties of Seller

The Seller represents and warrants to the Purchaser, both on the date hereof and on the Closing Date, as follows:

Section 2.01. Organization and Qualification. The Company is a societe anonyme duly organized under the laws of France, with all requisite rights and authority to carry on its business and to own the properties it owns in each of the jurisdictions where it currently has any operations. The Company does not own, directly or indirectly, any shares of, or other proprietary interest in, any corporation or other form of business or entity whatsoever (except for SICAV or mutual fund shares which the Company may come to hold as part of the management of its cash), nor is the Company under any obligation, directly or indirectly, to invest in any corporation or other form of business or entity.

Section 2.02. Capitalization.

(a) Except for the twenty (20) shares listed in Exhibit A, which the Seller will cause to be transferred to the Purchaser on or before the Closing Date, the Seller owns all of the 60,000 Shares comprising the capital of the Company. The Seller fully owns the Shares free and clear of all liens, security interests, pledges, or other rights in favor of third parties.

(b) The Company has issued no options, warrants, convertible bonds, subscriptions, or any other securities granting the right, by conversion, exchange, reimbursement, or otherwise, to be allocated a part of the capital of the Company, and the Company is under no obligation to issue any such warrants, options, bonds, or other securities.

(c) The Company has issued no non-voting preferred shares, "founder's share" (part de fondateur), shares with double or multiple voting rights or, more generally, preferred shares of any kind.

(d) The transfer to the Seller of the shares owned by the persons listed in Exhibit A is neither barred nor restricted by laws applicable to the transfer of shares owned by corporate directors, officers, or employees of the Company.

(e) Upon completion of the Closing transactions referred to in Article VI, the Purchaser will own all the Shares, free and clear of all liens, security interests, pledges, or other rights in favor of third parties.

Section 2.03. Corporate Records.

(a) The Company's corporate records, including, without limitation, its articles of incorporation (statuts), minute books, share transfer records, and shareholder accounts have been created, kept, maintained, amended, and/or updated by the Company in accordance with applicable law and regulation.

(b) The corporate records of which a copy has been previously delivered to the Purchaser by the Seller are true, correct and complete.

Section 2.04. Authorization and Validity. The execution, delivery and performance by the Seller of this Stock Purchase Agreement and of all other agreements and transactions contemplated herein, have been duly authorized by the Seller's board of directors and controlling shareholders. The

Seller has all power, authority and capacity to conclude and perform this Stock Purchase Agreement and all other agreements and transactions contemplated herein. This Stock Purchase Agreement and all other agreements contemplated herein have been or will be as of the Closing Date (or at a later time to the extent expressly stated herein) duly performed by the Seller and constitute or will constitute legal, valid and binding obligations enforceable against the Seller.

Section 2.05. No Violation. The execution, delivery or performance of this Stock Purchase Agreement or any other agreement or transaction contemplated herein, will neither (i) conflict with, or result in a violation or breach of the terms, conditions or provisions of, or constitute a default under, the articles of incorporation of the Company or the Seller or any agreement or other instrument under which the Company or the Seller is bound or to which the Company's assets or the Shares are subject, nor (ii) result in the creation of any security interest, lien, pledge, charge or other right in favor of a third party upon the Company's assets or the Shares, nor (iii) violate or conflict with any judgment, decree, order, statute, rule or regulation of any court or any public, governmental, or regulatory agency or body having jurisdiction over the Seller or the Company or any of their respective properties.

Section 2.06. Consents and Approvals. Except for the consents and approvals set forth in Schedule 2.06, which, unless otherwise expressly indicated in Schedule 2.06, will be obtained on or before the Closing Date, no consent, authorization, approval, permit, license, or notice of or to any governmental or public body or authority, creditor, lessor, licensor, or any other person is required to authorize, or is required in connection with, the execution, delivery and performance of this Stock Purchase Agreement and/or any of the transactions contemplated herein.

Section 2.07. Financial Statements. The Seller has furnished to the Purchaser each of the Company's audited balance sheets and income statements, for the fiscal years ended December 31, 1994 and December 31, 1995 (collectively, the "Financial Statements"). The Financial Statements are true, correct and complete, have been prepared in accordance with generally accepted French accounting principles applied on a consistent basis with prior fiscal years, and accurately reflect the financial condition and results of operations of the Company as of the dates and for the fiscal years indicated.

Section 2.08. Liabilities and Obligations. Except as disclosed in Schedule 2.08, and except for liabilities incurred in the ordinary course of business since December 31, 1995, the Financial Statements accurately reflect, pursuant to the generally accepted French accounting principles applied on a consistent basis by the Company, all liabilities or financial obligations of the Company, whether accrued or contingent, asserted or unasserted, arising out of transactions effected or events occurring on or prior to the date hereof. All allowances and reserves set forth in the Financial Statements are adequate, and there were no loss contingencies not adequately provided for in the Financial Statements, or disclosed in the notes thereto pursuant to applicable accounting rules.

Section 2.09. Employee Matters.

(a) The Seller has previously made available to the Purchaser the employment contracts of all of the employees of the Company, a list of

which is annexed hereto as Schedule 2.09(a), which list further indicates such employees' current and committed future (if any) compensation, whether in the form of salaries, bonuses, commissions, profit sharing, vacation pay or other supplemental compensation now or hereafter payable, together with complete indication as to (i) any provision of an employment contract that differs in any material way from the provisions of the Company's standard employment contract, (ii) any arrangements involving loans or guarantees given by the Company to or for any employee (indicating the amount involved), and (iii) any arrangements involving any indebtedness of the Company to any employee other than salaries, bonuses, vacation time, and expenses (indicating the amount involved).

(b) The Company is subject in France to the Collective Bargaining Agreements for the Pharmaceutical Industry (industrie pharmaceutique) and for Travelling Salespeople (voyageurs, representants, placiers). The Company is part of an union economique et sociale, and has a works council, employee delegates, as well as a health and safety council, and has complied with its obligations in connection therewith. The Company is not experiencing, nor has it historically experienced, any material labor problems and, to the Seller's knowledge, none is expected. Except as may be disclosed in Schedule 2.17, the Company is not presently involved in any employment-related dispute. The Company has no obligation toward any employee for a termination notice period or for a termination indemnity greater than the notice period and indemnity required by applicable law and by the collective bargaining agreement. Except as disclosed in Schedule 2.09(b), each employee is bound by a covenant not to compete in the form of the covenant not to compete contained in the standard employment contracts delivered to the Purchaser.

(c) The Company is in compliance with respect to all of its employment contracts, and has either paid or made adequate reserves in the Financial Statements for the payment of all compensation payable under such employment contracts, whether in the form of salaries, bonuses, commissions, profit sharing, vacation pay, or other supplemental compensation. All employment contracts are in full force and effect and, to the Sellers knowledge, will be in full force and effect on the Closing Date.

Section 2.10. Employee Benefit Plans.

(a) There are no health or life insurance, pension, retirement, bonus, incentive, profit-sharing, stock option or stock purchase, insurance, severance or other employee benefit plans or arrangements or customary practices, in which any Employee participates ("Benefit Plans") except those listed on Schedule 2.10. The Company complies with its obligations under French law in connection with the Benefit Plans. The Seller has previously provided to the Purchaser true, complete and correct copies of all Benefit Plans.

(b) All liabilities relating to the Benefit Plans, including, without limitation, any retirement Benefit Plans, have been adequately reserved against in the Financial Statements or are otherwise clearly and completely disclosed in the notes to the Financial Statements.

Section 2.11. Absence of Adverse Changes. Except as set forth in Schedule 2.11, since December 31, 1995, the Company has not:

- (a) suffered any material adverse change, whether or not caused by any deliberate act or omission, in its condition (financial or otherwise), operations, assets, liabilities, or business prospects;
- (b) issued or sold any debt securities;
- (c) incurred any liabilities, indebtedness, or obligations, or entered into any contract or agreement, except in the ordinary course of business and for amounts not exceeding, individually, FFr230,000;
- (d) entered into any contract or agreement with a term exceeding one (1) year;
- (e) paid any amount on any indebtedness except when due and in the ordinary course of business;
- (f) forgiven, cancelled, released or reduced any debts or claims owed to the Company, except in the ordinary course of business and for amounts, in the aggregate, not exceeding FFr230,000;
- (g) pledged or subjected to any security interest, lien, or other charge or right in favor of a third party any of its properties or assets;
- (h) suffered any damage or destruction to, or loss of, any assets (whether or not covered by insurance), with a net book value in excess of FFr230,000 in the aggregate, and/or FFr45,000 on an individual basis;
- (i) transferred or disposed of any assets with a net book value in excess of FFr230,000 in the aggregate, and/or FFr45,000 on an individual basis;
- (j) written up or written down the carrying value of any of its significant assets;
- (k) changed the costing system or depreciation methods of accounting for its assets;
- (l) acquired and/or disposed of any interest in any corporation, partnership, joint venture or other entity;
- (m) redeemed, purchased or otherwise acquired, or sold, transferred or otherwise disposed of, directly or indirectly, any of its capital stock or securities or any rights to acquire such capital stock or securities, or agreed to change the terms and conditions pertaining to the exercise of any such rights;
- (n) modified or amended the terms of any of the contracts listed in Schedule 2.13 (hereafter the "Contracts"), except for insignificant modifications or amendments incidental to renewals made in the ordinary course of business;
- (o) settled any civil or commercial claim made or action commenced against the Company, except in the ordinary course of business, with the consent or on the advice of its insurance carrier (to the extent such claim is covered), and without admission of liability;
- (p) settled, pleaded guilty to, paid a fine in respect of, or consented to the entry of any judgment, penalty, order, or injunction regarding, any

criminal, penal, or administrative charges or proceedings filed or commenced against the Company;

(q) been refused insurance for any reason;

(r) with respect to any insurance policies listed in Schedule 2.19, failed to renew any insurance policy, reduced the amount of coverage, received a notice of denial of coverage or a reservation of rights letter;

(s) distributed or authorized the distribution of dividends;

(t) entered into any other commitment or transaction or experienced any other event that has, or is reasonably expected to have, a material adverse effect on the condition (financial or otherwise), operations, assets, liabilities, business, or future prospects of the Company.

Section 2.12. Title to Assets; Leased Assets.

(a) Property Immovable by Nature. Except as disclosed in Schedule 2.12(a), the Company neither owns nor holds a right or option to acquire any lot, building, or other property immovable by nature (immeuble par nature).

(b) Tangible Assets. Except as disclosed in Schedule 2.12(b), the Company is the lawful and exclusive owner of all tangible assets, including fixtures and other immovables by destination (immeuble par destination) indicated in the Financial Statements (the "Tangible Assets").

(c) Leases. (i) Schedule 2.12 (c) contains a true, correct and complete list of leases to which the Company is a party. All such leases are valid and enforceable in accordance with their respective terms, and certified true copies of such leases have been previously delivered to the Purchaser.

(ii) There are no defaults or conditions which, with lapse of time, or notice, or both, would constitute defaults by the Company under any such lease.

(d) Right to Use Assets. (i) The Tangible Assets are reflected in the Financial Statements in a manner consistent with generally accepted French accounting principles applied on a consistent basis with prior periods, and (ii) the Company owns or otherwise possesses a right to use all assets, tangible or intangible, required for the proper operation of its business; it being understood that the Company does not manufacture the products it sells, but that such products are manufactured by third parties or affiliates using their own machinery and equipment.

Section 2.13. Contracts and Commitments.

(a) Contracts and Commitments. The Seller has previously delivered to the Purchaser true, correct and complete copies of any and all of the following contracts or commitments to which the Company is a party:

- (i) any current contract with, or proposal to, customers involving an amount exceeding FFr230,000 (excluding VAT);

- (ii) any subcontracting, sales agency, or distribution agreement involving an amount exceeding Ffr230,000 (excluding VAT);
- (iii) any partnership, cooperation, interest grouping, or joint venture agreement;
- (iv) any mortgage or other security agreement;
- (v) any guaranty or suretyship, indemnification or contribution agreement or performance bond;
- (vi) the applicable collective bargaining agreement and internal rules of the Company;
- (vii) any debt instrument, loan agreement or other obligation relating to indebtedness for borrowed money or money borrowed from or lent or to be lent to another involving an amount exceeding FFr230,000 (excluding VAT);
- (viii) any real estate lease (bail) or business lease (location gerance);
- (ix) any agreement between the Company and any "Interested Person" (as defined in Section 2.24);
- (x) any agreement involving the Company in which any "Interested Person" (as defined in Section 2.24), though not a party, has a direct or indirect interest
- (xi) any agreement for the acquisition of services, supplies, equipment or other tangible assets and involving more than FFr230,000 (excluding VAT) in the aggregate;
- (xii) any license, royalty agreement, or other agreement relating to Intellectual Property;
- (xiii) any other contract or arrangement that either involves an unpaid amount or unperformed service in excess of Ffr230,000 (excluding VAT) or terminates more than one year after the Closing Date;
- (xiv) any insurance policy;
- (xv) any agreement limiting or restricting in any way the Company's ability to engage or pursue any part of its business or any other commercial activity, or prohibiting the Company from competing with any other person;
- (xvi) any other agreement or commitment not made in the ordinary course of business and/or that is material to the Companys business or financial condition.

(b) All of the foregoing are collectively referred to as the "Contracts." Schedule 2.13 contains a list of the Contracts identifying the nature of each of the Contracts, the parties thereto, and the date thereof. There are no existing defaults, events, occurrences, acts or omissions which, individually or in the aggregate, with the giving of notice or lapse of time or both, could reasonably be expected to have a material adverse effect on the operations or financial condition of the Company, and no penalties have been incurred, and no amendments are pending, with respect to the Contracts. The Contracts are in full force and effect and the Company has fulfilled when due all of its obligations under the Contracts.

(c) None of the Contracts contains a clause allowing a person other than the Company to terminate such Contract because or as a result of any of the transaction contemplated herein. The transactions contemplated herein will have no effect on the rights and obligations of the parties pursuant to the Contracts.

(d) To the best knowledge of the Seller, all Contracts conform to, and were entered into in accordance with, French law.

Section 2.14. Intellectual Property.

(a) Schedule 2.14 sets forth a true, complete and correct list of each copyright, trademark, trade name, design, patent, or other proprietary intellectual property and applications relating thereto (including, without limitation, computer software, whether in object or source code form, processes and related documentation) (collectively the "Intellectual Property") owned, licensed or otherwise used by the Company in the conduct of its business.

(b) All Intellectual Property licensed from, or jointly owned by the Company and, third parties is being used by the Company in full compliance with any license, distribution, or development agreements, or any other form of authorization, and such use will not be subject to termination or revocation because or as a result of any of the transactions contemplated herein.

(c) Except as disclosed in Schedule 2.17, no Legal Proceedings (as defined in Section 2.17) have been instituted by any person with respect to the use and/or ownership by the Company of any Intellectual Property, including, without limitation, any Legal Proceeding challenging the validity or effectiveness of any such ownership, license or other right to use, or asserting that such use infringes on the rights of any person.

(d) The Company, in its relations with its employees, agents, sales representatives, licensees, distributors, consultants, government agencies or other public authorities, or any other person, has historically and consistently treated, and continues so to treat, all Intellectual Property as confidential, and has taken all appropriate measures, including but not limited to notices, confidentiality agreements and, where appropriate, legal action, to protect, maintain, and enforce the confidential nature of such Intellectual Property.

Section 2.15. Taxes.

(a) The Company has duly: (i) filed or made when due all required tax, social security and additional [parafiscal] forms, declarations and

statements, including, without limitation, those relating to corporate income, professional, and value added taxes, custom duties and charges, and social security contributions; (ii) paid when due and made all necessary provisions for the payment of all taxes, additional charges [taxes parafiscales], and social security contributions which the Company either owes or could owe; and (iii) retained copies of all written information or statements made to the tax authorities or, as the case may be, to any competent authority.

(b) The Company has no liabilities with respect to taxes, additional charges [taxes parafiscales], or social security contributions which have not been declared to the Purchaser and to the competent authorities, nor are there pending or threatened Legal Proceedings (as defined in Section 2.17) to ascertain or enforce any liabilities of the Company with respect to any such matters.

Section 2.16. Finder's Fee. Neither the Seller nor the Company has incurred any obligation for any finder's, broker's or agent's fee in connection with the transactions contemplated herein, except for a fee payable to Banque Paribas, which will be paid by the Seller, without cost to the Company or to the Purchaser.

Section 2.17. Legal Proceedings.

(a) Schedule 2.17 sets forth a true, complete and correct list of all legal actions, suits, claims, demands, proceedings, arbitrations, mediations, or investigations instituted or threatened against, or otherwise involving, the Company (or any of its directors and/or officers acting in their official capacity), whether civil, commercial, penal, criminal, regulatory, or administrative in nature (collectively "Legal Proceedings"). All Legal Proceedings either have no valid legal or factual basis or, if adversely determined, are adequately provided for or reserved against in the Financial Statements.

(b) The Company is not now, nor to the Seller's knowledge is it reasonably expected to become, subject to any court, arbitral, or administrative order, injunction, decree, or decision the default, violation, contempt, or non respect of which could reasonably be expected to have a material adverse effect on the operations or financial condition of the Company and/or its business.

Section 2.18. Environmental Matters

(a) The Company and/or the Seller, as the case may be, has obtained and maintained in full force and effect all permits, licenses, arretes, or other forms of local, regional, national, and/or international authorizations relating directly or indirectly to the generation, production, handling, use, reuse, sale, distribution, storage, transport, import, export, recycling, or disposal, by the Company or by any agent or third person for which the Company may be legally responsible, of pollutants, contaminants, chemicals, substances, or wastes of any kind, or otherwise relating to their emission, discharge, or release, whether voluntary or involuntary, into the environment (including the air, water, and soil) (hereafter the "Environmental Authorizations").

(b) Except as expressly set forth in Schedule 2.18, the Company has carried on and continues to carry on its business in full compliance with

the Environmental Authorizations.

(c) Except as expressly set forth in Schedule 2.18, the Company has not been the subject of any investigation, Legal Proceeding, inquiry, inspection (other than routine or preventive inspections which have not given rise to any remedial action or investigation), audit (other than audits undertaken voluntarily by the Company on its own initiative and solely for preventive purposes), order, injunction, decree, or notice, relating directly or indirectly to the Company's compliance with any Environmental Authorization, or with any local, regional, national, or international laws, treaties, decrees, orders, rules, regulations, standards, policies, or guidelines regarding the generation, production, handling, use, reuse, sale, distribution, storage, transport, import, export, recycling, or disposal by the Company or by any agent or third person for which the Company may be legally responsible, of pollutants, contaminants, chemicals, substances, or wastes of any kind, or otherwise relating to their emission, discharge, or release, whether voluntary or involuntary, into the environment (including the air, water, and soil) (hereafter the "Environmental Laws").

(d) The Company has made no investment or other expenditures to obtain, renew, or maintain in full force and effect the Environmental Authorizations and to meet all applicable Environmental Authorizations and/or Environmental Laws. Except as expressly set forth in Schedule 2.18, the Seller does not know of any change or modification, effective or proposed, in any Environmental Law or Environmental Authorization (including, but not limited to, any change or modification incident to the transfer of any Environmental Authorization to the Purchaser or to the notification of any entity charged with applying any Environmental Laws in connection with any of the transactions contemplated herein) which would materially increase the cost of such expenditures in the two years following Closing.

Section 2.19. Insurance.

(a) Schedule 2.19 contains a list of all insurance policies presently carried by the Company, as well as a list of all claims made or reported by the Company since December 31, 1990. All such policies have been issued by reputable and established insurance carriers, and are in compliance, particularly (but without limitation) in terms of the amount of coverage provided and the types of risks insured against, with the obligations assumed by the Company under the Contracts or imposed upon it by applicable law.

(b) All premiums regarding such policies are and/or have been fully paid, and such policies are and will continue to be, in respect of the nature of the risks insured against and the amount of coverage provided, in full force and effect up to and including the Closing Date.

(c) The Company (i) has not failed to give any notice or to present any claim under such insurance policies in a timely fashion, (ii) has not received any notification of the cancellation of any of such policies or that any of them will not be renewed, (iii) has never been refused insurance for any reason, and (iv) except as disclosed in Schedule 2.19, has never incurred any liabilities in excess of its insurance coverage.

(d) The Company has not received from any of its past or present insurance carriers a notice of denial of coverage, or a notice reserving the insurer's rights under the policy, including the right to deny coverage.

Section 2.20. Governmental Authorizations; Compliance with Laws.

(a) The Company has operated, and continues to operate, its business in compliance with all applicable French and foreign (as the case may be) laws, orders, statutes, treaties, decrees, and regulations, including, without limitation, those relating to the manufacture, distribution, sale, import, export, marketing, and/or advertisement of pharmaceutical and medical products.

(b) The Company has obtained, renewed, validated and/or maintained in full force and effect, up to and including the Closing Date, all French and foreign (as the case may be) permits, licenses, and other authorizations necessary for the conduct of its business. Without limiting the generality of the foregoing, the Company holds all of the marketing authorizations (autorisations de mise sur le marche) (hereafter "A.M.M.") and clearances for distribution for the products listed in Schedule 2.20(b), and will take all appropriate measures before the Closing Date to have such A.M.M.s renewed and/or validated, as the case may be.

(c) The Company further holds all of the import licenses (autorisation d'importation) for the products listed in Schedule 2.20(c), and will take all appropriate measures before the Closing Date to maintain such import licenses in full force and effect.

Section 2.21. Accounts Receivable. All accounts receivable and factored receivables of the Company's business, including, without limitation, all accounts receivable that have been assigned by the Company to a bank pursuant to Law No. 81-1 of January 2, 1981, as amended (cession Dailly), have arisen from bona fide transactions in the ordinary course of business. The Financial Statements contain adequate reserves for all doubtful accounts and factored receivables, and all receivables not provided for or otherwise reserved against in the Financial Statements are expected to be paid when due.

Section 2.22. Inventory. All work in progress of the Company which has not yet been invoiced and which is reflected in the Financial Statements (as well as all work in progress which has occurred since the date of the last Financial Statement) can be invoiced to customers pursuant to the usual terms practiced in the ordinary course of business of the Company. Such inventories are carried in the Financial Statements at the customary inventory valuation of cost or market value, whichever is lower, in accordance with generally accepted French accounting principles applied on a consistent basis with prior periods by the Company. Any losses expected on commitments or contracts of the Company, or attributable to slow-moving or obsolete inventory, have been adequately accrued and reserved against in the Company's Financial Statements, and reflect the actual experience of the business.

Section 2.23. Business Outside of France. Schedule 2.23 contains a list of products exported by the Company, along with the names of the countries of destination.

Section 2.24. Interested Persons.

(a) Except for debts for accrued salaries, bonuses, vacation time or expenses, as well as matters disclosed in Schedule 2.24, the Company has no claims against, or debt to, any "Interested Person," defined as (i) the Seller; (ii) any shareholder of the Seller; (iii) any "Affiliate" (as defined hereafter) of the Company, the Seller, or any shareholder of the Seller; (iv) any director, officer or employee of the persons mentioned in (i), (ii), or (iii); and (v) any entity in which any of the persons named in (i), (ii), (iii), or (iv) has a direct or indirect interest. The expression "Affiliate," as used in this provision and hereafter, shall mean any person that directly, or indirectly, through one or more intermediaries, controls, or is controlled by, or is under the common control of, another person; where "control" means the ability to elect a majority of the board of directors or managing body of a company or otherwise to direct the person's management or business affairs.

(b) Except for the contracts and other business relationships listed in Schedule 2.24, the Company has no contract with any Interested Person, or with any company in which an Interested Person has a direct or indirect interest. To the best of the Seller's knowledge, no Interested Person is a direct or indirect customer or competitor of the Company.

Section 2.25. Accuracy of Schedules and Certificates. All information concerning the Company contained herein, or in any document furnished to the Purchaser and in each attached Schedule is complete (in that, except as otherwise stated therein, it represents all available information and does not omit to state any fact necessary to make the statements contained therein not misleading), true and accurate in all respects.

Section 2.26. Ignorance Not a Defense. Except for representations or warranties expressly made or given to the Sellers knowledge, it is understood that the Seller shall not be relieved of any obligation or responsibility arising from the breach of any representation or warranty contained in this Article II by reason of the Seller's ignorance of certain information, facts, or events, whether or not mentioned herein.

Section 2.27. Traitement Spad. On December 26, 1996, the Agence du Medicament denied the Company's request to validate Traitement Spad. In the event that the Company is unsuccessful in its attempt to reverse this decision and that the product must definitively cease to be marketed in its present form, the following provision shall apply.

(a) At the end of 1998, the parties shall compare (i) the total sales of Traitement Spad, Biocalex, Endospad, Pulpispad, and Propylor in 1996 (the 1996 Sales) with (ii) the sum of (A) the total sales of Biocalex, Endospad, Pulpispad, and Propylor in 1998; plus (B) the total sales, in 1998, of any new product developed using the Company's knowhow to replace any of the products mentioned in (i); plus (C) the total sales in France, in 1998, of the product AH+ (collectively the 1998 Sales).

(b) In the event that the 1998 Sales are inferior to the 1996 Sales by more than ten percent (10%), the Seller shall pay the Purchaser two and one half (2.5) times the total difference between the 1998 Sales and the 1996 Sales, it being understood that the Purchaser shall use its best efforts, after the Closing, (i) to cause the Company to maintain historical sales levels of the five products mentioned in (a)(i) above, taking into account current trends; and (ii) to cause the Company to develop and market a replacement product for Traitement Spad and, as may become necessary, for

any of the other products mentioned in (a)(i) above.

ARTICLE III

Representations and Warranties of Purchaser -----

The Purchaser represents and warrants to the Seller, both on the date hereof and on the Closing Date, as follows:

Section 3.01. Organization and Good Standing. The Purchaser is a corporation duly organized and validly existing under the laws of Germany.

Section 3.02. Authorization and Validity. The execution, delivery and performance by the Purchaser of this Stock Purchase Agreement and of all other transactions contemplated herein have been duly authorized by the Purchaser's board of directors and controlling shareholders. The Purchaser has all power, authority and capacity to conclude and perform this Stock Purchase Agreement and all other agreements contemplated herein, and to consummate all of the transactions contemplated herein. This Stock Purchase Agreement and all other agreements and transactions contemplated herein have been or will be as of the Closing Date duly performed by the Purchaser and constitute or will constitute legal, valid and binding obligations of the Purchaser.

Section 3.03. Finder's Fee. The Purchaser has not incurred any obligation for any finder's, broker's or agent's fee in connection with the transactions contemplated herein, except for a fee payable to BANEXI, which will be paid by the Purchaser, without cost to the Seller. In addition, no fee paid to the auditing firm of KPMG in connection with the transactions contemplated herein shall be taken into account for purposes of calculating the Purchase Price, especially to reduce any part thereof.

ARTICLE IV

Conditions Precedent -----

The Closing shall be subject to the fulfillment, on or prior to the Closing Date, of each of the following conditions precedent, each of which will inure exclusively to the benefit of the Purchaser, and can be waived only in writing by the Purchaser:

Section 4.01. Representations and Warranties. The representations and warranties of Seller contained in Article II hereof shall have been true, complete and correct in all respects when initially made, and shall be true, complete and correct in all respects as of the Closing Date.

Section 4.02. No Material Adverse Change. The Company's business shall have been conducted in accordance with Article V hereof and no material adverse change in the condition (financial or otherwise), operations, assets, guarantees, business, or prospects of the Company shall have occurred from the date hereof to the Closing Date.

Section 4.03. Resignations. The directors and officers of the Company shall have submitted letters of resignation from such positions in the form of Schedule 4.03, effective as of the Closing Date. The board of directors of the Company shall have called a shareholders' meeting to be held on the Closing Date, for the purpose of appointing new directors designated by the Purchaser.

Section 4.04. Release of Security Interests and Guarantees. All security interests relating to the Shares and the assets of the Company shall have been released, and the Company shall have been released from any guaranty issued to secure indebtedness of the Seller or the indebtedness of any other person.

Section 4.05. Approval of Share Transfer; Works Council Consultation. The board of directors of the Company shall have approved the transfer of the Shares to the Purchaser, in accordance with the approval procedure set forth in the articles of incorporation of the Company. The Company's labor council shall have been consulted regarding the sale of the Shares in accordance with French law.

Section 4.06. Approval of the Ministry of Finance. The foreign investments branch of the French Ministry of Finance shall have given its approval to this Stock Purchase Agreement and the transactions contemplated herein, in the event such approval is required under applicable law relating to foreign investments.

ARTICLE V

Interim Management

Section 5.01. Representations and Warranties. Unless the Purchaser has given its prior written consent, the Seller shall not permit the Company to take any action where such action would cause the representations and warranties set forth in Article II to be untrue as of the date hereof or the Closing Date.

Section 5.02. Conduct of Business. Except as otherwise expressly provided herein, from the date hereof and through the Closing Date, Seller shall cause the Company to conduct its business only in the ordinary and normal course, consistent with past practices and policies, and shall cause the Company to: (a) preserve intact the present business organization; (b) preserve present business relationships; (c) maintain and keep the properties, supplies, inventory, and other material assets of the Company in good repair and condition except for deterioration due to ordinary wear and tear and damage due to casualty; (d) maintain in full force and effect insurance comparable in amount and in scope of coverage to that maintained at the date hereof; (e) pay and perform, when due, all obligations under contracts to which the Company is a party, including the contracts relating to or affecting the assets and business of the Company; and (f) comply with and perform all obligations and duties imposed by applicable laws, and all rules, regulations and orders imposed by administrative authorities, except as may be contested by the Company in good faith through appropriate proceedings.

Section 5.03. Access. From the date hereof to the Closing Date, the Seller shall, and shall cause the Company and its respective officers, directors, employees, and agents, including attorneys and accountants, to grant the officers, employees, and agents of the Purchaser access, on business days and in a manner not disruptive of the normal business operations of the Seller or the Company, to the officers, employees, agents, books, records, and work papers of the Company, and shall provide the Purchaser with all financial, operating and other data and information as the Purchaser, through its officers, employees or agents, may reasonably request.

Section 5.04. Notice of Material Events. Prior to the Closing, the Seller shall: (a) immediately advise the Purchaser in writing of any event occurring subsequent to the date of this Stock Purchase Agreement which could cause any representation or warranty of the Seller contained herein to be untrue or inaccurate; (b) promptly supplement or amend the Schedules hereto with respect to any matter arising after the date of this Stock Purchase Agreement which, if existing or occurring at or before such date, would have been required to be set forth or described in the Schedules hereto, or which would make necessary the correction of any information in the Schedules hereto which has been rendered inaccurate thereby; (c) immediately advise the Purchaser in writing of any other event which would cause a material adverse change in the Company's business; and (d) promptly advise the Purchaser in writing of any fact, act, omission, or other circumstance which might reasonably be held to constitute a breach of this Stock Purchase Agreement.

Section 5.05. Corporate Documents. Seller covenants, with respect to the Company, that from the date hereof no incorporation documents or articles of incorporation shall be amended, and that no board or shareholders' meeting shall be held, without the Purchaser's prior written consent.

Section 5.06. Corporate Structure. Seller covenants that, from the date hereof, the present structure of the Company shall not be modified.

Section 5.07. No Solicitation of Restructuring Proposals. Seller covenants on its behalf and on behalf of the Company that they will not, directly or indirectly: (a) solicit, initiate or encourage the tender of offers from any person other than the Purchaser relating to (i) any acquisition or purchase of all or part of the Shares or assets of, (ii) any merger, consolidation in any form whatsoever with, or (iii) any recapitalization, restructuring, issuance or offering of securities (shares, bonds, or otherwise) of, the Company (a "Restructuring Proposal"); (b) participate in any discussions or negotiations regarding a Restructuring Proposal made by any person other than the Purchaser; (c) furnish to any person other than the Purchaser and its representatives any information with respect to a Restructuring Proposal; or (d) otherwise cooperate in any way or assist, facilitate, or encourage any Restructuring Proposal made by any person other than the Purchaser.

ARTICLE VI

Closing

Section 6.01. Closing. Upon the satisfaction of the conditions precedent set forth in Article IV or the waiver in writing of such conditions by the

Seller and/or the Purchaser, as the case may be, the Seller shall transfer the Shares to the Purchaser and the Purchaser shall deliver to the Seller the Closing Amount.

Section 6.02. Closing Operations. At the Closing the Seller and the Purchaser shall in turn perform the following actions, which form a nonseverable whole:

(a) The Seller shall deliver one or more transfer orders (ordres de mouvement) for all of the Shares (including those listed in Exhibit A), duly executed by the transferors;

(b) The Purchaser shall pay to the Seller the Closing Amount plus interest produced on such amount calculated at a rate of five (5) percent per annum since January 1, 1997 by Bank of France wire transfer [virement rose Banque de France] on the bank account indicated by the Seller to the Purchaser prior to the Closing.

(c) The Seller shall pay to the Company any amounts remaining due by the Seller or any company in its group by transfer;

(d) The Purchaser shall deliver to the Seller a comfort letter, signed by Dentsply International Inc. and in the form set forth in Schedule 6.02(d), whereby the latter guarantees payment by the Purchaser of any Post-Closing Amount, as the case may be;

(e) The Seller shall deliver evidence, in form and substance satisfactory to the Purchaser, of the release of (i) the pledges on the Shares, (ii) the pledge on all or part of the Company's business, and (iii) the guarantees referred to in Section 4.04.

(f) The Seller shall deliver the letters of resignation, minutes of the board of directors meeting, and evidence of the consultation of the works council and employee delegates referred to in Sections 4.03 and 4.05.

(g) The Seller shall deliver evidence, in form and substance satisfactory to Purchaser, of the approvals and consents referred to in Schedule 2.06.

(h) The Seller (or one of its Affiliates) and the Company shall enter into an agreement for the supply of certain non-pharmaceutical products in the form set forth in Schedule 6.02(h) (the "Product Supply Contract").

(i) The Seller (or one of its Affiliates) and the Company shall enter into a contract for the supply of physical distribution services in the form set forth in Schedule 6.02(i) (the "Distribution Services Contract").

(j) The Seller (or one of its Affiliates) and the Company shall enter into a contract for transitional services in the form set forth in Schedule 6.02(j) (the "Transitional Services Contract").

(k) The Seller (or one of its Affiliates) and the Company shall enter into a contract, in the form set forth in Schedule 6.02(k), for the manufacture, on behalf and upon the demand of the Company, of anesthesia and certain other pharmaceutical products (the "Pharmaceutical Products Supply Contract").

(l) The Seller shall deliver the signed letter of guarantee from a first rank financial institution in the form and amount set forth in Schedule 8.06.

(m) The Seller shall deliver a signed undertaking from S.P.P.H., in the form set forth in Schedule 6.02(m), to grant the Purchaser an option to buy the machinery and equipment listed in Schedule 7.03.

(n) The Seller, the Company, and the Purchaser shall each deliver such additional documents, instruments and certificates as shall be reasonably requested by counsel to each party to evidence the satisfaction, or waiver by the Purchaser, of the conditions precedent, and the proper performance of the Closing operations.

ARTICLE VII

Post Closing Matters

Section 7.01. Finalization of Purchase Price. The Purchase Price shall be finalized, and any Post-Closing Amount paid, pursuant to Section 1.02.

Section 7.02. Non-competition.

(a) Upon Closing, the Seller shall immediately cease, and cause its Affiliates to immediately cease, all use of the name SPAD and the SPAD logo, and shall not, for a period of ten (10) years after the Closing Date, directly or indirectly manufacture, sell, distribute, market, or advertise any product for use exclusively by the dental industry and manufactured, sold, distributed, or marketed by or on behalf of the Company immediately prior to Closing.

(b) Moreover, upon Closing, and for a period of three (3) years thereafter, neither the Seller nor its Affiliates shall hire or solicit for employment any present or former employees of the Company.

(c) Nothing in this Section 7.02 shall preclude the Seller, or any of its Affiliates, from entering into or performing any agreement with the Company contemplated herein for the supply of any product or service in connection with the Companys business.

Section 7.03. Machinery and Equipment. For a period of one (1) year following the Closing, the Purchaser shall have the option, at its sole discretion, to purchase from S.P.P.H., for the amount of one French Franc (FFr1), the machinery and equipment listed in Schedule 7.03. The Purchaser shall bear the cost of removing such machinery and equipment, and the Seller undertakes to provide access to such machinery and equipment for this purpose, and to collaborate with the Purchaser by providing technical and other assistance, at no cost, to permit the timely and efficient removal of such machinery and equipment. The Seller further undertakes not to sell, transfer, or otherwise dispose of such machinery and equipment as long as the option set forth in this Section 7.03 remains open.

ARTICLE VIII

Indemnification

Section 8.01. Indemnification by Seller.

(a) Subject to the terms and conditions contained herein, the Seller agrees to indemnify, defend, and hold the Purchaser and/or the Company (at the Purchaser's option) harmless from and against all losses, claims, obligations, demands, assessments, penalties, liabilities, costs, and damages, including, without limitation and as the case may be, any legal expenses related to the payment of security with a court, costs associated with the lifting of any injunction, restraining order, or other provisional or conservatory measure imposed by a court, as well as any attorneys' fees and expenses (collectively, "Damages"), asserted against or incurred by the Purchaser and/or the Company and resulting from the inaccuracy or the Seller's breach of any representation, warranty, covenant or other obligation contained herein.

(b) Without limiting the generality of the foregoing, the Seller shall retain sole responsibility for and indemnify, defend, and hold the Purchaser and/or the Company harmless from and against all Damages in connection with (i) any third party claim against the Company and/or the Purchaser with respect to any products liability, or a defaulting in any tax or social security obligation caused by the Seller's conduct of the Companys business prior to Closing, or (ii) any Legal Proceedings commenced against the Company prior to the Closing Date, whether or not listed in Schedule 2.17. The provisions contained in Sections 8.03(a) and 8.04 shall not apply with respect to any Damages indemnified under this Section 8.01(b)(ii), as the Seller will be deemed to have received notice of any such Legal Proceedings at the time of Closing.

Section 8.02. Indemnification by Purchaser. Subject to the terms and conditions contained herein, the Purchaser agrees to indemnify, defend, and hold the Seller harmless from and against all Damages in connection with any third party claim against the Seller with respect to any products liability, or a defaulting in any tax or social security obligation caused by the Purchaser's conduct of the Companys business subsequent to Closing.

Section 8.03. Indemnification Procedure.

(a) To claim indemnification pursuant to this Article VIII, the party seeking indemnification shall notify the other party promptly upon becoming aware of the event giving rise to indemnification.

(b) If the event giving rise to indemnification involves the claim of any third party, the indemnifying party shall have sole control over, and shall assume all expenses with respect to, the defense, settlement, adjustment or compromise of the notified claim, provided that: (i) the indemnified party may, if it so chooses, employ counsel at its own expense to assist in the handling of such claim; and (ii) the indemnifying party shall obtain the prior written approval of the indemnified party, which shall not be unreasonably withheld, before entering into any settlement, adjustment or compromise of such claim or ceasing to defend against such claim.

(c) The payment of any amount owed by the indemnifying party to the indemnified party pursuant to this Article VIII shall be due 30 calendar

days after the notice given pursuant to Section 8.03(a) or, if such amount is claimed by a third party, indemnification shall be made by the indemnifying party no later than the date on which such amount shall have become payable to such third party pursuant to an enforceable decision, it being understood that, in the event a later decision orders the refund, in whole or in part, of amounts paid to such third party, any and all amounts refunded by the third party (including any interest payments) shall be remitted forthwith to the indemnifying party. Any failure by the indemnifying party to make timely payment pursuant to this Section 8.03(c) shall give rise, without necessity of a formal notice (mise en demeure), to interest at the legal rate plus four (4) points.

(d) The amount paid by the indemnifying party shall further be adjusted as follows: (i) for any indemnification regarding a tax or social security matter, any tax assessment that entails a mere deferral of the corresponding charge (depreciation add-back, for instance) shall not be considered, except for surcharges, penalties, interests due to late payment, interest expenses, or variations in the tax rate actually applied to the company in which the Damages will have been incurred, and the amount due shall be limited to sums actually incurred by such company; (ii) to the extent that all or part of the Damages are tax deductible, the tax savings actually realized will be deducted from the amount of the indemnification.

Section 8.04. Limits of Indemnification.

(a) The party seeking indemnification shall not be entitled to indemnification pursuant to this Article VIII unless a claim for such indemnification is asserted in writing to the other party (i) within three years after the Closing Date, or, (ii) as concerns any tax and social security claims, or claims relating to products liability, before the fifth (5th) business day following the expiration of the relevant limitations or prescription period, if such period is longer than three years after the Closing Date. Without limiting the generality of the foregoing, a party's right to indemnification (including but not limited to the Purchasers right to seek indemnification under the bank guarantee established in accordance with Section 8.06 below) shall be fully preserved with respect to all claims timely asserted pursuant to this Section 8.04(a), irrespective of whether or not such claims are later contested by the indemnifying party or whether the determination of the final indemnification amount of such claims occurs only after the end of the indemnification period provided for in this Section 8.04(a).

(b) The duty to indemnify pursuant to this Article VIII shall not apply unless the amount due by the indemnifying party (determined by agreement or by arbitration) is greater than TWO MILLION FRENCH FRANCS (FFr2,000,000), provided that such threshold amount is set only to avoid multiple small claims, and is not designed to reduce in any way the amount of indemnification owed to the party seeking it. Thus, the party seeking indemnification shall be entitled to claim the full amount of Damages, including the threshold amount and any sums above such amount. Moreover, the threshold amount provided for in this Section 8.04(b) shall apply only to the first claim for indemnification for an amount below such threshold, and not to any claim made thereafter, irrespective of the amount.

(c) Except with respect to any present or future litigation regarding the Aristee product or any other product sold by the Company prior to the Closing Date, for which the Seller shall remain fully liable without any

limitation as to amount, no party shall be required to indemnify the other pursuant to this Article VIII for any amount in total in excess of ONE HUNDRED AND NINETY MILLION FRENCH FRANCS (FFr190,000,000).

Section 8.05. Set-off. If the Purchaser has any claim against the Seller under Sections 1.02 or 8.01, such claim may, at the Purchaser's option, be set-off against any amounts that may be owing to the Seller from time to time by the Purchaser or the Company. With respect to any indemnification provided for in Section 8.01, no increase in the Company's liabilities or decrease in the Company's assets shall be set-off against any increase in the Company's assets or decrease in the Company's liabilities, except for set-off with cancelled provisions.

Section 8.06. Bank Guarantee. In the event of a change of ownership or control of the Seller, or in the event the Seller's net worth falls below ONE HUNDRED AND TEN MILLION FRENCH FRANCS (FFr110,000,000), or if the Seller ceases to exist at any time during the three year indemnification period set forth in Section 8.04(a), the Purchaser's right to indemnification from the Seller pursuant to this Article VIII shall be guaranteed by a first rank financial institution, up to an amount of TWENTY MILLION FRENCH FRANCS (FFr20,000,000), and the Seller shall cause such financial institution, on or prior to the Closing Date, to issue a letter of guarantee for this purpose in the form set forth in Schedule 8.06. The aforementioned bank guarantee shall apply, beginning on the first day on which any one of the above three conditions shall have been met, with respect to all claims timely asserted thereafter pursuant to Section 8.04(a); however, such bank guarantee shall not apply to any claim asserted more than three (3) years after the Closing Date, irrespective of whether such claim is otherwise validly asserted and enforceable against the Seller pursuant to Section 8.04(a).

Section 8.07. Judgments of July 2, 1996 Notwithstanding the foregoing, the Purchaser acknowledges that the Company has already paid, in connection with two decisions handed down on July 2, 1996 by the Dijon Court of Appeals, the amounts of TWO MILLION THREE HUNDRED AND SIXTY-NINE THOUSAND NINE HUNDRED AND TWENTY-SIX FRENCH FRANCS AND FOURTEEN CENTIMES (FFr2,369,926.14) and ONE MILLION THREE HUNDRED AND EIGHTY-FIVE THOUSAND AND NINETY-FIVE FRENCH FRANCS AND THIRTY-FIVE CENTIMES (FFr1,385,095.35) in connection with ongoing products liability litigation, and is presently (i) seeking reimbursement from its insurance carrier and (ii) appealing the two judgments before the Cour de Cassation. The Seller shall retain sole responsibility for pursuing, at its own cost, the Company's rights against the insurance carrier and/or seeking a reduction or a reversal of the two judgments before the Cour de Cassation and shall be entitled to keep all sums recovered in connection therewith from such insurance carrier or resulting from any reduction or reversal of the two aforementioned judgments. However, in connection with the aforesaid proceedings or its actions or proceedings in relation to the insurer, the Seller shall not, after the Closing Date, take any legal position regarding the interpretation or construction of the insurance policy at issue without first consulting the Company and/or the Purchaser.

ARTICLE IX

Governing Law and Construction

Section 9.01. Governing Law. This Stock Purchase Agreement and the rights and obligations of the parties hereunder shall be governed by and construed in accordance with the laws of the Republic of France.

Section 9.02. Captions. The captions herein are for convenience of reference only and shall not limit or otherwise affect in any way whatsoever any of the terms or provisions hereof.

Section 9.03. Gender and Number. When the context requires, the gender of all words used herein shall include the masculine, feminine and neuter and the number of all words shall include the singular and plural.

Section 9.04. Reference to Agreement. Use of words such as "herein," "hereof," "hereto," and similar expressions in this Stock Purchase Agreement shall be construed as references to this Stock Purchase Agreement as a whole and not to any particular Article, Section or provision hereof.

Section 9.05. Person. Use of the word "person" throughout this Stock Purchase Agreement shall be construed, wherever the context permits, to include both natural persons and legal entities.

Section 9.06. Statements and Representations as to Knowledge. Use of expressions such as "to the knowledge of," "have no knowledge of," "do not know of," and all similar statements or representations relating to a person's knowledge, shall be construed, throughout this Stock Purchase Agreement, to mean that the particular fact was known, or not known, as the context requires, to such person (or to the management of such person if it is not a natural person) after reasonable investigation and inquiry by such person (or by the principal executive officers of such person if it is not a natural person).

Section 9.07. Materiality. Use of expressions such as "material adverse change" or "material adverse effect" throughout this Stock Purchase Agreement shall be construed as any event or occurrence that could have a negative impact on budgeted revenues or expenses in an amount exceeding FF230,000 on an annual basis, or any other event or occurrence or circumstance which, under French auditing standards, would be considered material by an independent auditor evaluating the situation or the future prospects of the Company at the relevant time.

Section 9.08. Ordinary Course of Business. Use of expressions such as "ordinary course of business" or "ordinary and normal course of business" throughout this Stock Purchase Agreement shall be construed as the usual and customary way in which the Company has conducted its business in the past.

ARTICLE X

Miscellaneous

Section 10.01. Amendment. This Stock Purchase Agreement may be amended, modified, or supplemented only by an instrument in writing executed by the parties hereto.

Section 10.02. Assignment and Substitution. Neither this Stock Purchase Agreement or any agreement entered into in connection with the transactions

contemplated herein, nor any right created herein or therein, shall be assignable by any party hereto; provided, however, that the Purchaser may assign this Stock Purchase Agreement to any Affiliate or its successor. Notwithstanding any other provision to the contrary contained herein, it is clearly understood that the Purchaser may, at any time up to and including the Closing Date, substitute one of its Affiliates (including, without limitation, any company or entity to be formed) in its place as a party to this Stock Purchase Agreement. In the event of such a substitution, the Affiliate at issue shall have all of the rights and obligations of the Purchaser in connection with this Stock Purchase Agreement and any agreement or transaction contemplated herein. Such Affiliate shall have, on or before the Closing Date and upon proof of incorporation and authorization, the right, in lieu of the Purchaser, to execute and perform any document and do any thing with a view to entering into or performing this Stock Purchase Agreement and/or any agreement or transaction contemplated herein.

Section 10.03. Parties In Interest; No Third Party Beneficiaries. Except as otherwise provided herein, the terms and conditions of this Stock Purchase Agreement shall inure to the benefit of and be binding upon the respective heirs, legal representatives, successors and assigns of the parties hereto. Neither this Stock Purchase Agreement nor any other agreement in connection with the transactions contemplated herein shall be deemed to confer upon any person not a party hereto or thereto any rights or remedies.

Section 10.04. Waiver. No waiver by any party to invoke or enforce any inaccuracy, default or breach by the other party of any representation, covenant or warranty contained in this Stock Purchase Agreement, or in any other agreement contemplated herein, shall be deemed to constitute a waiver of any subsequent inaccuracy, default or breach by such party of the same or any other representation, warranty, or covenant. No act, delay, or omission on the part of any party in exercising any right, or enforcing any warranty under this Stock Purchase Agreement shall operate as a waiver thereof or otherwise prejudice any of such party's rights, powers and remedies. All remedies shall be cumulative and the election of any one or more shall not constitute a waiver of the right to pursue other available remedies.

Section 10.05. Costs, Expenses and Legal Fees.

(a) Whether or not the transactions contemplated herein are consummated, each party hereto shall bear its own costs and expenses (including attorneys' fees), except that each party hereto agrees to pay the costs and expenses (including reasonable attorneys' fees and expenses) incurred by the other party in successfully (i) enforcing any of the terms of this Stock Purchase Agreement, or (ii) proving that the other party breached any of the terms of this Stock Purchase Agreement.

(b) Registration fees payable with respect to the registration of the transfer of the Shares shall be paid by the Purchaser.

Section 10.06. Entire Agreement. This Stock Purchase Agreement and its schedules, and the transactions contemplated herein constitute the entire agreement of the parties regarding the subject matter hereof, and supersede all prior agreements and understandings, both written and oral, among the parties, with respect to the subject matter hereof.

Section 10.07. Severability. If any provision of this Stock Purchase Agreement is held to be illegal, invalid, or unenforceable under present or future laws or regulations, such provision shall be fully severable and this Stock Purchase Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision was never a part hereof; and the remaining provisions hereof shall remain in full force and effect.

Section 10.08. Survival of Representations and Warranties. Subject to the limitation set forth in Section 8.03, the representations and warranties shall survive the Closing and shall not be affected by any investigation or finding made by the parties hereto prior to the date hereof or the Closing Date.

Section 10.09. Confidentiality.

(a) Each party shall keep this Stock Purchase Agreement and its terms confidential, and shall make no public disclosure whatsoever without the prior written consent of the other party hereto. The foregoing shall not prohibit any disclosure: (i) required by law to be made, provided that the party required to make such disclosure shall first consult with the other party with respect to the form and substance of such disclosure; (ii) to attorneys, accountants, bankers, or other agents of the parties assisting the parties in connection with the transactions contemplated herein; and (iii) by the Purchaser in connection with conducting an audit of the Company and its assets.

(b) In the event that the transactions contemplated herein are not consummated for any reason whatsoever, the parties hereto agree not to disclose any non public information of which they may have knowledge, except for information that is required by law to be disclosed; provided that, in the event that the transactions contemplated herein are not consummated, nothing contained herein shall be construed to prohibit the parties hereto from operating businesses in competition with each other, although both parties shall nonetheless remain bound by the requirements of this Section 10.09 in such case.

Section 10.10. Notice. Any notice or communication hereunder or in connection with the transactions contemplated herein must be in writing and given (i) by registered mail with return receipt requested, (ii) by sending the same by express courier, or (iii) by delivering the same in person. Such notice shall be deemed received on the date on which it is hand-delivered or on the second business day following the date on which it was sent by express courier. If sent by registered mail, such notice shall be deemed received on the third business day following the date on which it is so mailed, when mailed within the same country, or on the tenth business day following the date on which it is so mailed, when mailed from a country different from the country of destination. For purposes of giving notice, the addresses of the parties shall be:

For the Seller: Groupe Monot S.A.
 Impasse des Bousenots
 21800 Quetigny, France

For the Purchaser: Dentsply DeTrey GmbH
 Eisenbahnstrasse 180, D-66303
 Dreieich, Germany

Any party may change its address for notice by written notice given to the other party in accordance with this Section 10.10.

Section 10.11. Copies. This Stock Purchase Agreement may be executed in multiple copies, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

Section 10.12. Arbitration.

(a) All disputes between the parties arising out of or in relation to this Stock Purchase Agreement (including any questions as to the validity or enforceability of this arbitration clause) shall be resolved through arbitration, in accordance with the Rules of Arbitration of the International Chamber of Commerce, carried out by an arbitration panel composed of three arbitrators, each of them fluent in English and French (each an "Arbitrator"). The first Arbitrator will be appointed by the party initiating the arbitration, the second Arbitrator will be appointed by the other party within 20 business days from the date on which it has received notice of the demand for arbitration and the third Arbitrator, who shall act as Chairman of the arbitration panel, will be designated by agreement of the two Arbitrators already appointed by the parties within 20 business days from the appointment of the second Arbitrator or, failing such agreement, by the Court of Arbitration of the International Chamber of Commerce. The Court will also designate (i) the second Arbitrator if the party required to make such designation will not have done so within the period indicated above; and (ii) the replacement of any Arbitrator who is unable or unwilling to serve or to continue to serve as such, but only in the event that such replacement has not been designated by the party who has appointed the Arbitrator to be replaced within 20 business days from the date on which such Arbitrator resigned or otherwise ceased from office or, in case of the Chairman, by agreement of the other two Arbitrators. The arbitration proceedings shall take place in Paris.

(b) The French version of this Stock Purchase Agreement, as well as the English version contained in Schedule 10.12, may both be submitted to the arbitration panel. The Arbitrators shall interpret the intent of the parties by reconciling, to the extent possible, both versions of the text. In the event of an irreconcilable divergence between the two versions regarding the rights and obligations of the parties under this Stock Purchase Agreement, the French text shall be deemed to be the authentic text.

(c) Any decision of the arbitration panel recognizing the Purchasers right to indemnification shall also contain a determination by the Arbitrators as to whether any one of the conditions regarding the applicability of the bank guarantee referred to in Section 8.06 has been met. All decisions of the arbitration panel shall be final and nonappealable. (d) The expenses of the arbitration proceedings shall be borne by the parties in accordance with the applicable determinations of the arbitration panel.

IN WITNESS WHEREOF, the parties have entered into this Stock Purchase Agreement in Dijon, France, on January 13, 1997, two (2) original copies having been signed by the parties.

SELLER

GROUPE MONOT S.A.

By: -----

PURCHASER

DENTSPLY DETREY GmbH

By: -----

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Institution

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Exhibits

A. Minority Shareholders

ACKNOWLEDGEMENT

The undersigned, J. Patrick Clark, Vice President, Secretary and General Counsel of DENTSPLY International Inc. represents that the foregoing is a fair and accurate translation of the Stock Purchase Agreement dated January 13, 1997 between Groupe Monot, S.A. and Dentsply Detrey GmbH for the purchase of Laboratoire SPAD, S.A.

/s/ J. Patrick Clark

J. Patrick Clark

DENTSPLY INTERNATIONAL INC.
EXHIBIT 11
COMPUTATION OF EARNINGS PER SHARE

	1996	1995	1994
	-----	-----	-----
	(in thousands, except per share data)		
Weighted average common shares outstanding	26,920	27,012	27,776
	-----	-----	-----
Income from continuing operations	\$ 67,222	\$ 53,963	\$ 54,144
Income from the operation of discontinued Medical business	-	-	1,311
Gain on disposal of Medical business	-	-	6,543
	-----	-----	-----
Net income	\$ 67,222	\$ 53,963	\$ 61,998
	=====	=====	=====

Earnings per common share:

Income from continuing operations	\$2.50	\$2.00	\$1.95
Income from the operation of discontinued Medical business	-	-	.05
Gain on disposal of Medical business	-	-	.23
	-----	-----	-----
Net Income	\$2.50	\$2.00	\$2.23
	=====	=====	=====

EXHIBIT 21.1

Subsidiaries of the Company

I. Direct Subsidiaries of the Company

- A. Ceramco Inc. (Delaware)
- B. Ceramco Manufacturing Co. (Delaware)
- C. Dentsply Industria e Comercio Ltda. (Brazil)
- D. DeTrey do Brazil Industria e Comercio Ltda. (Brazil)
- E. Dentsply Argentina S.A.C. e I. (Argentina)
- F. Dentsply Japan K.K. (Japan)
- G. Dentsply Research & Development Corp. ("Dentsply R&D") (Delaware)
- H. Dentsply Thailand Ltd. (Thailand)
- I. Midwest Dental Products Corporation (Delaware)
- J. GENDEX Dental Systems S.r.l. (Italy)
- K. Eureka X-Ray Tube Corp. (Delaware)
- L. DENTSPLY Export Sales Corp. (Barbados)
- M. DENTSPLY India Limited (India)
- N. Dentsply (Phils.) Inc. (Philippines)
- O. CeraMed Dental L.L.C. (Delaware)
- P. Dentsply Dental (Tianjin) Co. Ltd. (China)
- Q. Image Acquisition Corp. (Delaware)

II. Indirect Subsidiaries of the Company

- A. Subsidiaries of Dentsply R&D
 - (1) The International Tooth Co. Limited (United Kingdom)
 - (2) Dentsply (Aust.) Pty. Ltd. (Australia (Victoria))
 - (3) Dentsply Canada Ltd. (Canada (Ontario))
 - (4) Dentsply de Mexico S.A. de C.V. (Mexico)
 - (5) Ceramco Europe Ltd. (Cayman Islands)
 - (a) Cermaco U.K. Limited (U.K.)
 - (6) Dentsply A.G. (Switzerland)
 - (7) Tulsa Dental Products Inc. (Delaware)
 - (8) Ransom & Randolph Company (Delaware)
 - (9) Dentsply DeTrey GmbH (Germany)
 - (a) Dentsply Holding France (France)
 - (i) Laboratoire SPAD S.A. (France)
 - (b) Dentsply Holdings Unlimited (U.K.)
 - (c) Dentsply Limited (Cayman Islands)
 - (i) DeTrey Dentsply Italia S.r.l. (Italy)
 - (ii) DeTrey Dentsply S.A. (France)
 - (iii) Amalco Holdings Ltd. (U.K.)
 - (iv) Keith Wilson Limited (U.K.)
 - (v) Oral Topics Limited (U.K.)
 - (vi) Maillefer Instruments S.A. (Switzerland)
 - (aa) Manuplast S.A. (Switzerland)
 - (bb) Societe Immobiliere du Champ des Echelles S.A. (Switzerland)

(vii) Dentsply Russia Limited (U.K.)

(viii) Dentsply South Africa (Pty) Limited (South Africa)

CONSENT OF INDEPENDENT AUDITORS

The Board of Directors
DENTSPLY International Inc.

We consent to incorporation by reference in the registration statements (Nos. 33-61780, 33-52616, 33-41775, 33-71972, 33-79094 and 33-89786) on Form S-8 of DENTSPLY International Inc. of our report dated January 22, 1997, relating to the consolidated balance sheets of DENTSPLY International Inc. and subsidiaries as of December 31, 1996 and 1995, and the related consolidated statements of income, stockholders' equity, and cash flows and related schedule for each of the years in the three year period ended December 31, 1996, which report appears in the December 31, 1996 annual report on Form 10-K of DENTSPLY International Inc.

KPMG Peat Marwick LLP

Philadelphia, Pennsylvania
March 27, 1997

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE AUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS OF DENTSPLY INTERNATIONAL, INC. AT DECEMBER 31, 1996 AND FOR THE FISCAL YEAR THEN ENDED, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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