NEWPARK RESOURCES INC
Form 8-K
October 31, 2014
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **October 30, 2014**

NEWPARK RESOURCES, INC.

(Exact name of registrant as specified in its charter)

Delaware	**1-2960**	**72-1123385**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

9320 Lakeside Blvd., Suite 100	
The Woodlands, TX	**77381**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(281) 362-6800**

2700 Research Forest Drive, Suite 100, The Woodlands, Texas 77381

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

|_| Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

|_| Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

|_| Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

|_|Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13a-4(c))

Item 2.02. Results of Operations and Financial Condition.

On October 30, 2014, Newpark Resources, Inc. (the "Company") issued a press release announcing financial information for the three and nine months ended September 30, 2014. The press release is attached to this Current Report on Form 8-K as Exhibit 99.1 and is incorporated herein by reference.

The information in Item 2.02 of this Current Report on Form 8-K and the information in the exhibit attached hereto announcing the Company's earnings for the three and nine months ended September 30, 2014 shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act except as expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Press release issued by Newpark Resources, Inc. on October 30, 2014.

SIGNATURES

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

	NEWPARK RESOURCES, INC.	
Dated: October 31, 2014	By:	/s/ Gregg S. Piontek Gregg S. Piontek, Vice President and Chief Financial Officer (Principal Financial Officer)

EXHIBIT INDEX

Exhibit No.	**Description**
99.1	Press release issued by Newpark Resources, Inc. on October 30, 2014.

(“DENTSPLY” or the “Company”) expects or anticipates will occur in the future are forward-looking statements. Forward-looking statements are based on management's current expectations and beliefs, and are inherently susceptible to uncertainty, risks, and changes in circumstances that could cause actual results to differ materially from the Company's historical experience and our present expectations or projections. These risks and uncertainties include, but are not limited to, those described in Part I, Item 1A (“Risk Factors”) of the Company's Form 10-K for the year ended December 31, 2011 and those described from time to time in our future reports filed with the Securities and Exchange Commission. The Company undertakes no duty and has no obligation to update forward-looking statements as a result of future events or developments.

OVERVIEW

Quarter Highlights

- DENTSPLY International achieved a record third quarter of sales. For the three months ended September 30, 2012, sales grew by 12.3% on a US GAAP reported basis and grew 14.8%, excluding precious metal content. The sales growth excluding precious metal content was driven by acquisition growth of 15.4%, while internal growth added 4.7%, and currency translation was negative 5.3%. This internal growth was comprised of growth in the United States of 3.9%, while Europe reported 5.2% and rest of world had 5.1%. Internal growth excluding Orthodontics and businesses in Japan was 2.8%.

- The Company is proceeding well with its integration plans for the Astra Tech acquisition. The Company expects to continue integration activities especially within several countries throughout Europe during the remaining quarter in 2012 and throughout much of 2013. Further integration of the Implant business will allow DENTSPLY to offer a complete product line of all implant choices and solutions throughout most of the world under the DENTSPLY Implants platform.

- The Company's Orthodontics recovery plan is also proceeding well. The Company is consistently receiving product and has removed all allocation restrictions to customers. The impact on year-over-year earnings was $0.02 positive in the third quarter and a negative $0.02 per diluted share in the first nine months of 2012. The earnings impact is expected to be slightly positive on a year-over-year basis for the full year of 2012.

- The strengthening of the U.S. dollar has negatively impacted top-line sales growth and earnings per share and is expected to still have a negative impact, although to a lesser extent, for the remainder of 2012 at current exchange rates.

Company Profile

DENTSPLY International Inc. is a leading manufacturer and distributor of dental and other healthcare products. The Company believes it is the world's largest manufacturer of professional dental products. For over 110 years, DENTSPLY's commitment to innovation and professional collaboration has enhanced its portfolio of branded consumables and small equipment. Headquartered in the United States, the Company has global operations with sales in more than 120 countries. The Company also has strategically located distribution centers to enable it to better serve its customers and increase its operating efficiency. While the United States and Europe are the Company's largest markets, the Company serves all major markets worldwide.

Principal Products

The Company has four main product categories: 1) Dental Consumable Products; 2) Dental Laboratory Products; 3) Dental Specialty Products; and 4) Consumable Medical Device Products.

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

Dental laboratory products are used in the preparation of dental appliances by dental laboratories. DENTSPLY's products within this category include dental prosthetics, artificial teeth, precious metal dental alloys, dental ceramics, and crown and bridge materials. This category also includes fabricated dental appliances, computer aided design software and centralized manufacturing of frameworks. Equipment in this category includes computer aided machining ceramic systems and porcelain furnaces.

Dental specialty products are specialized treatment products used within the dental office and laboratory settings. DENTSPLY's products within this category include endodontic instruments and materials, implants and related products, bone grafting materials, 3D digital implantology, dental lasers and orthodontic appliances and accessories.

Consumable medical device products consist mainly of urological products including catheters, certain surgical products, medical drills and other non-medical products.

Principal Measurements

The principal measurements used by the Company in evaluating its business are: (1) internal growth by geographic region; (2) constant currency growth by geographic region; (3) operating margins of each reportable segment including product pricing and cost controls; (4) the development, introduction and contribution of innovative new products; and (5) growth through acquisition.

The Company defines "internal growth" as the increase or decrease in net sales from period to period, excluding (1) precious metal content; (2) the impact of changes in currency exchange rates; and (3) net acquisition growth. The Company defines "net acquisition growth" as the net sales for a period of twelve months following the transaction date of businesses that have been acquired, less the net sales for a period of twelve months prior to the transaction date of businesses that have been divested. The Company defines "constant currency growth" as internal growth plus net acquisition growth.

Management believes that an average internal growth rate of 4% to 6% is a long-term targeted rate for the Company. The internal growth rate may vary outside of this range based on weaker or stronger economic conditions. Management believes the Company may operate below this range for 2012 primarily due to the economic uncertainty in Europe and impact on the global economies. There can be no assurance that the Company's assumptions concerning the growth rates in its markets will continue in the future. If such rates are less than expected, the Company's projected growth rates and results of operations may be adversely affected.

Price changes, other marketing and promotional programs offered to customers from time to time, the management of inventory levels by distributors and the implementation of strategic initiatives may impact sales and inventory levels in a given period.

The Company has always maintained a focus on minimizing costs and achieving operational efficiencies. Management continues to evaluate the consolidation of operations or functions to reduce costs. In addition, the Company remains focused on enhancing efficiency through expanded use of technology and process improvement initiatives. The Company believes that the benefits from these initiatives will improve the cost structure and help offset areas of rising costs such as energy, employee benefits and regulatory oversight and compliance.

Product innovation is a key component of the Company's overall growth strategy. New advances in technology are anticipated to have a significant influence on future products in dentistry. As a result, the Company continues to pursue research and development initiatives to support technological development, including collaborations with various research institutions and dental schools. In addition, the Company licenses and purchases technologies developed by third parties. Although the Company believes these activities will lead to new innovative dental products, they involve new technologies and there can be no assurance that commercialized products will be developed.

The Company will continue to pursue opportunities to expand the Company's product offerings through acquisitions. Although the professional dental and the consumable medical device markets in which the Company operates has experienced consolidation, it is still a fragmented industry. Management believes that there will continue to be adequate opportunities to participate as a consolidator in the industry for the foreseeable future, however it will be very focused in the near-term on the integration of recent acquisitions and associated debt reduction.

33

Impact of the Natural Disaster in Japan

The Company's Orthodontic and Japanese businesses have been negatively impacted as a result of the natural disaster that occurred in Japan in March of 2011. The Company's Orthodontic business has a key supplier located in Japan whose manufacturing was substantially curtailed as a result. The supplier is currently operating at a new location and providing consistent supply of product. As a result, the Company's sales of orthodontic products increased by 38.8% for the three months ended September 30, 2012 as compared with the three months ended September 30, 2011, resulting in a positive $0.02 impact to the period's year-over-year earnings per diluted share. Sales were down approximately 2.0% for the first nine months of 2012 as compared with the same period of 2011, resulting in a negative impact on earnings of approximately $0.02 per diluted share on a year-over-year basis.

Impact of Foreign Currencies

Due to the international nature of DENTSPLY's business, movements in foreign exchange rates may impact the consolidated statements of operations. With over 68% of the Company's sales located in regions outside the United States, the Company's consolidated net sales are impacted negatively by the strengthening or positively by the weakening of the U.S. dollar. Additionally, movements in certain foreign exchange rates may unfavorably or favorably impact the Company's results of operations, financial condition and liquidity.

RESULTS OF OPERATIONS, QUARTER ENDED SEPTEMBER 30, 2012 COMPARED TO QUARTER ENDED SEPTEMBER 30, 2011

Net Sales

Management believes that the presentation of net sales, excluding precious metal content, provides useful information to investors because a significant portion of DENTSPLY’s net sales is comprised of sales of precious metals generated through sales of the Company’s precious metal dental alloy products, which are used by third parties to construct crown and bridge materials. Due to the fluctuations of precious metal prices and because the precious metal content of the Company’s sales is largely a pass-through to customers and has minimal effect on earnings, DENTSPLY reports net sales both with and without precious metal content to show the Company’s performance independent of precious metal price volatility and to enhance comparability of performance between periods. The Company uses its cost of precious metal purchased as a proxy for the precious metal content of sales, as the precious metal content of sales is not separately tracked and invoiced to customers. The Company believes that it is reasonable to use the cost of precious metal content purchased in this manner since precious metal dental alloy sale prices are typically adjusted when the prices of underlying precious metals change.

The presentation of net sales, excluding precious metal content, is considered a measure not calculated in accordance with the generally accepted accounting principles in the United States (“US GAAP”), and is therefore considered a non-US GAAP measure. The Company provides the following reconciliation of net sales to net sales, excluding precious metal content. The Company’s definitions and calculations of net sales, excluding precious metal content, and other operating measures derived using net sales, excluding precious metal content, may not necessarily be the same as those used by other companies.

	Three Months Ended September 30,			
(in millions)	2012	2011	$ Change	% Change
Net sales	$695.7	$619.8	$75.9	12.3 %
Less: precious metal content of sales	48.6	56.0	(7.4)	(13.2)%

Net sales, excluding precious metal content	$647.1	$563.8	$83.3	14.8	%

Net sales, excluding precious metal content, for the three months ended September 30, 2012 was $647.1 million, an increase of 14.8% over the third quarter of 2011. The change in net sales, excluding precious metal content, was primarily a result of the acquisition growth of $86.8 million, or 15.4%. Foreign currency translation negatively impacted sales growth by 5.3%. Internal growth was 4.7%. Excluding sales in the Japanese market and Orthodontic businesses, internal growth was 2.8%.

34

Constant Currency and Internal Sales Growth

The following table includes growth rates for net sales, excluding precious metal content, for the three months ended September 30, 2012 compared with the three months ended September 30, 2011.

	Three Months Ended September 30, 2012			
	United States	Europe	All Other Regions	Worldwide
Internal sales growth	3.9 %	5.2 %	5.1 %	4.7 %
Acquisition sales growth	9.9 %	24.9 %	7.5 %	15.4 %
Constant currency sales growth	13.8 %	30.1 %	12.6 %	20.1 %

United States

Net sales, excluding precious metal content, increased by 13.8% for the third quarter of 2012 as compared to the third quarter of 2011 on a constant currency basis, including 9.9% of acquisition growth and 3.9% of internal sales growth. The internal growth rate was a result of growth in dental specialty and dental consumable products.

Europe

Net sales, excluding precious metal content, increased by 30.1% in the third quarter of 2012 on a constant currency basis, including 24.9% of acquisition growth and 5.2% of internal sales growth. The internal growth was driven by the increased demand for dental specialty and dental consumables products, partially offset by decreased sales of precious metal alloy products in the dental laboratory products.

All Other Regions

Net sales, excluding precious metal content, in the other regions of the world increased by 12.6% on a constant currency basis, which includes 5.1% of internal sales growth for the third quarter of 2012. Internal growth was positive in dental specialty, dental consumables and dental laboratory products.

Gross Profit

	Three Months Ended September 30,			
(in millions)	2012	2011	$ Change	% Change
Gross profit	$364.1	$297.6	$66.5	22.3 %
Gross profit as a percentage of net sales, including precious metal content	52.3 %	48.0 %		
Gross profit as a percentage of net sales, excluding precious metal content	56.3 %	52.8 %		

Gross profit as a percentage of net sales, excluding precious metal content, increased by 3.5% percentage points for the three months ended September 30, 2012 compared to the same quarter of 2011. The margin rate was primarily impacted by improved product pricing, positive foreign currency translation rates, favorable product mix, including the higher mix of endodontic products and recent acquisitions offset somewhat by negative manufacturing variances.

35

Operating Expenses

(in millions)	Three Months Ended September 30, 2012	2011	$ Change	% Change
Selling, general and administrative expenses (“SG&A”)	$260.4	$231.5	$28.9	12.5 %
Restructuring and other costs	$15.1	$26.4	$(11.3)	NM
SG&A as a percentage of net sales, including precious metal content	37.4 %	37.4 %		
SG&A as a percentage of net sales, excluding precious metal content	40.2 %	41.1 %		

NM – Not meaningful

SG&A Expenses

SG&A expenses as a percentage of net sales, excluding precious metal content, decreased in the quarter ended September 30, 2012 by 0.9 percentage points when compared to the same quarter of 2011. Decreased SG&A expenses as a percent of net sales, excluding precious metal content, over the prior year is primarily a result of savings from the integration of recent acquisitions offset by $5.2 million of amortization primarily associated with intangible assets from 2011 acquisitions. The third quarter of 2012 also includes a net benefit of $1.9 million related to acquisition activities. The third quarter of 2011 included $3.4 million of amortization expense related to acquired intangible assets and $2.2 million of expense related to contingent considerations on recent acquisitions.

Restructuring and Other Costs

During the three months ended September 30, 2012, the Company recorded restructuring and other costs of $15.1 million. In the same period of 2011, the Company incurred costs of $26.4 million. (See also Note 9, Restructuring and Other Costs, of the Notes to Unaudited Interim Consolidated Financial Statements).

Other Income and Expense

(in millions)	Three Months Ended September 30, 2012	2011	Change
Net interest expense	$12.1	$13.6	$(1.5)
Other expense (income), net	0.8	7.2	(6.4)
Net interest and other expense	$12.9	$20.8	$(7.9)

Net Interest Expense

Net interest expense for the three months ended September 30, 2012 was $1.5 million lower compared to the three months ended September 30, 2011. The decrease is a result of higher one-time financing fees in the prior year quarter to support recent acquisitions.

Other Expense (Income), Net

Other expense (income), net in the three months ended September 30, 2012 was $0.8 million, which was primarily currency transaction losses. Other expense (income), net in the three months ended September 30, 2011 was $7.2 million, including $3.8 million of expense on the ineffective portion of a Treasury Rate Lock ("T-Lock") to hedge the then planned 10-year bond issuance, $2.9 million of expenses related to terminations of two interest rate swaps and $0.6 million of currency transaction losses.

Income Taxes and Net Income

(in millions, except per share data)	Three Months Ended September 30, 2012	2011	$ Change
Effective income tax rates	25.0 %	NM	
Equity in net (loss) income of unconsolidated affiliated company	$(2.5)	$1.6	$(4.1)
Net income attributable to noncontrolling interests	$0.9	$0.6	$0.3
Net income attributable to DENTSPLY International	$53.4	$60.6	$(7.2)
Earnings per common share - diluted	$0.37	$0.42	

NM – Not meaningful

Provision for Income Taxes

The Company's effective tax rate for the third quarter of 2012 was 25.0%. During the third quarter of 2011 the Company recorded a tax benefit from the release of a valuation allowance on previously unrecognized tax loss carryforwards of approximately $47.7 million.

The Company’s effective income tax rate for 2012 included the impact of amortization on purchased intangibles assets, integration and restructuring and other costs and various income tax adjustments which impacted income before income taxes and the provision for income taxes by $22.6 million and $3.8 million, respectively. In 2011, the Company’s effective income tax rate included the impact of acquisition related activity, restructuring and other costs, amortization on purchased intangibles assets, income related to a credit risk adjustment on outstanding derivatives and various income tax adjustments which impacted income before income taxes and the provision for income taxes by $68.8 million and $61.5 million, respectively.

Equity in net (loss) income of unconsolidated affiliated company

The Company’s 17% ownership investment of DIO Corporation resulted in a loss of $2.5 million on an after-tax basis for the three months ended September 30, 2012. The net loss of DIO includes the result of a negative fair value adjustment related to the convertible bonds issued by DIO to DENTSPLY. The fair value adjustments related to the convertible bonds reported by DIO are primarily impacted by changes in the DIO share price. The impact of changes in the DIO share price on the fair value adjustment for the three months ended September 30, 2012 and 2011 was an unrealized loss of approximately $2.0 million and unrealized income of $1.5 million, respectively.

Net Income attributable to DENTSPLY International

In addition to the results reported in accordance with US GAAP, the Company provides adjusted net income attributable to DENTSPLY International and adjusted earnings per diluted common share. These adjusted amounts consist of US GAAP amounts excluding, net of tax (1) acquisition related costs, (2) restructuring and other costs, (3) amortization of purchased intangible assets, (4) Orthodontic business continuity costs, (5) income related to credit risk adjustments, (6) certain fair value adjustments at an unconsolidated affiliated company, and (7) income tax related adjustments. Adjusted earnings per diluted common share is calculated by dividing adjusted net income attributable to

DENTSPLY International by diluted weighted-average common shares outstanding. Adjusted net income attributable to DENTSPLY International and adjusted earnings per diluted common share are considered measures not calculated in accordance with US GAAP, and therefore are non-US GAAP measures. These non-US GAAP measures may differ from other companies. Income tax related adjustments may include the impact to adjust the interim effective income tax rate to the expected annual effective tax rate.

The Company believes that the presentation of adjusted net income attributable to DENTSPLY International and adjusted earnings per diluted common share provides important supplemental information to management and investors seeking to understand the Company's financial condition and results of operations. The non-US GAAP financial information should not be considered in isolation from, or as a substitute for, measures of financial performance prepared in accordance with US GAAP.

37

(in thousands, except per share amounts)	Three Months Ended September 30, 2012 Income (Expense)	Per Diluted Common Share
Net income attributable to DENTSPLY International	$53,364	$0.37
Restructuring and other costs, net of tax	10,909	0.08
Amortization of purchased intangible assets, net of tax	5,159	0.04
Income tax related adjustments	4,039	0.03
Loss on fair value adjustments at an unconsolidated affiliated company, net of tax	1,687	0.01
Orthodontics business continuity costs, net of tax	70	—
Acquisition related activities, net of tax	(1,161)	(0.01)
Rounding	—	(0.01)
Adjusted non-US GAAP earnings	$74,067	$0.51

(in thousands, except per share amounts)	Three Months Ended September 30, 2011 Income (Expense)	Per Diluted Common Share
Net income attributable to DENTSPLY International	$60,597	$0.42
Acquisition related activities, net of tax	36,122	0.25
Restructuring and other costs, net of tax	9,530	0.07
Amortization of purchased intangible assets, net of tax	3,838	0.03
Orthodontics business continuity costs, net of tax	866	—
Gain on fair value adjustments at an unconsolidated affiliated company, net of tax	(1,800)	(0.01)
Income tax related adjustments	(42,950)	(0.30)
Adjusted non-US GAAP earnings	$66,203	$0.46

Operating Segment Results

Third Party Net Sales, Excluding Precious Metal Content

(in millions)	Three Months Ended September 30, 2012	2011	$ Change	% Change
Dental Consumable and Laboratory Businesses	$199.8	$203.3	$(3.5)	(1.7)%
Orthodontics/Canada/Mexico/Japan	$73.3	$62.7	$10.6	16.9%
Select Distribution Businesses	$66.6	$68.6	$(2.0)	(2.9)%
Implants/Endodontics/Healthcare/Pacific Rim	$307.9	$229.8	$78.1	34.0%

38

Segment Operating Income

(in millions)	Three Months Ended September 30, 2012	2011	$ Change	% Change
Dental Consumable and Laboratory Businesses	$59.7	$54.2	$5.5	10.1 %
Orthodontics/Canada/Mexico/Japan	$5.3	$(1.4)	$6.7	NM
Select Distribution Businesses	$0.1	$1.1	$(1.0)	NM
Implants/Endodontics/Healthcare/Pacific Rim	$63.3	$38.6	$24.7	64.0 %

NM – Not meaningful

Dental Consumable and Laboratory Businesses

Net sales, excluding precious metal content, decreased $3.5 million, or 1.7%, during the three months ended September 30, 2012 compared to 2011. On a constant currency basis, net sales, excluding precious metal content, increased 2.0%. This increase was primarily the result of higher demand in dental consumables businesses partially offset by lower sales in the dental laboratory businesses.

Operating income increased by 10.1% during the three months ended September 30, 2012 compared to 2011 despite a negative impact of $1.0 million of unfavorable currency translation. Gross profit increased by $1.9 million including unfavorable currency translation of $4.3 million. SG&A expenses decreased by $3.6 million primarily due to the favorable impact of currency translation.

Orthodontics/Canada/Mexico/Japan

Net sales, excluding precious metal content, increased by $10.6 million, or 16.9% during the three months ended September 30, 2012 compared to 2011. On a constant currency basis, net sales, excluding precious metal content, increased 19.8% due to stronger dental specialty product sales primarily due to the relaunch of the orthodontic businesses.

Operating income increased by $6.7 million compared to the same year ago period. The same period in 2011 was impacted by Orthodontic business continuity costs of $1.3 million.

Select Distribution Businesses

Net sales, excluding precious metal content, decreased $2.0 million, or 2.9%, during the three months ended September 30, 2012 compared to 2011. On a constant currency basis, net sales, excluding precious metal content, increased 8.7% when compared to the same period of 2011. The growth was primarily related to increased sales of dental specialty and dental consumable products.

Operating income decreased $1.0 million during the three months ended September 30, 2012 compared to 2011. Gross profit decreased $1.9 million, as a result of unfavorable currency translation. SG&A expenses were $0.9 million lower during the three months ended September 30, 2012 compared to 2011, due to the results of favorable currency translation.

Implants/Endodontics/Healthcare/Pacific Rim

Net sales, excluding precious metal content, increased $78.1 million, or 34.0%, during the three months ended September 30, 2012 compared to 2011. On a constant currency basis, net sales, excluding precious metal content, increased 39.5% primarily driven by acquisitions and strong internal growth in endodontics and Pacific Rim.

Operating income for the three months ended September 30, 2012 increased $24.7 million or 64.0%, compared to 2011. Gross profit increased $61.7 million primarily due to acquisitions, partially offset by the unfavorable impact of currency translation of $14.0 million. SG&A expenses increased $36.9 million primarily due to acquisitions partially offset by $7.3 million of favorable currency translation.

RESULTS OF OPERATIONS, NINE MONTHS ENDED SEPEMBER 30, 2012 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2011

Net Sales

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

(in millions)	Nine Months Ended September 30, 2012	2011	$ Change	% Change	
Net sales	$2,175.1	$1,799.7	$375.4	20.9	%
Less: precious metal content of sales	163.9	145.0	18.9	13.0	%
Net sales, excluding precious metal content	$2,011.2	$1,654.7	$356.5	21.5	%

Net sales, excluding precious metal content, for the nine months ended September 30, 2012 was $2,011.2 million, an increase of 21.5% over the same period of 2011. The change in net sales, excluding precious metal content, was the result of constant currency growth of 26.1% and acquisition growth of 22.9%. The constant currency sales growth included internal growth of 3.2%. Excluding the Japanese market and the Orthodontic business, the internal growth rate was 3.7%.

Constant Currency and Internal Sales Growth

The following table includes growth rates for net sales, excluding precious metal content for the nine months ended September 30, 2012 compared with the nine months ended September 30, 2011.

	Nine Months Ended September 30, 2012							
	United States		Europe		All Other Regions		Worldwide	
Internal sales growth	2.8	%	2.4	%	5.2	%	3.2	%
Acquisition sales growth	13.6	%	36.9	%	12.2	%	22.9	%
Constant currency sales growth	16.4	%	39.3	%	17.4	%	26.1	%

United States

Net sales, excluding precious metal content, increased by 16.4% for the nine months ended September 30, 2012 compared to the same period of 2011 on a constant currency basis, including acquisition growth of 13.6%. The internal growth rate was 2.8%, primarily due to increases in dental laboratory and dental consumable product sales partially offset by a decrease in orthodontic product sales.

Europe

Net sales, excluding precious metal content, increased by 39.3% for the nine months ended September 30, 2012 on a constant currency basis, including acquisition growth of 36.9%. Internal growth rate was 2.4% and was primarily driven by growth in dental specialty and dental consumables products, partially offset by lower demand for precious metal alloy products in the dental laboratory products.

All Other Regions

Net sales, excluding precious metal content, in the other regions of the world increased by 17.4% on a constant currency basis, which includes 12.2% of acquisition growth. Internal growth was 5.2% driven primarily by growth in dental specialty products, with slight increases in demand for dental consumables and dental laboratory products.

40

Gross Profit

(in millions)	Nine Months Ended September 30, 2012	2011	$ Change	% Change
Gross profit	$1,164.3	$912.5	$251.8	27.6 %
Gross profit as a percentage of net sales, including precious metal content	53.5 %	50.7 %		
Gross profit as a percentage of net sales, excluding precious metal content	57.9 %	55.1 %		

Gross profit as a percentage of net sales, excluding precious metal content, increased by 2.8 percentage points for the nine months ended September 30, 2012 compared to the same period in 2011. The margin rate was primarily impacted by favorable mix associated with strong endodontic sales, recent acquisitions as well as a favorable rate impact from changes in foreign currency translation rates.

Operating Expenses

(in millions)	Nine Months Ended September 30, 2012	2011	$ Change	% Change
Selling, general and administrative expenses (“SG&A”)	$860.7	$643.2	$217.5	33.8 %
Restructuring and other costs	$18.9	$33.8	$(14.9)	NM
SG&A as a percentage of net sales, including precious metal content	39.6 %	35.7 %		
SG&A as a percentage of net sales, excluding precious metal content	42.8 %	38.9 %		

NM – Not meaningful

SG&A Expenses

SG&A expenses as a percentage of net sales, excluding precious metal content, increased for the nine months ended September 30, 2012 by 3.9 percentage points when compared to the same period of 2011. Increased expenses as a percent of net sales, excluding precious metal content, over the prior year is primarily a result of the higher expense rate of the Astra Tech business and $25.4 million of amortization primarily associated with intangibles from 2011 acquisitions as well as additional expenses associated with key global marketing events. The for the nine months ended 2012 also included $12.1 million for expenses related to integration costs. For the nine months ended 2011 included $4.9 million of amortization expense related to acquired intangible assets.

Restructuring and Other Costs

During the nine months ended September 30, 2012 and 2011, the Company recorded restructuring and other costs of $18.9 million and $33.8 million, respectively. (See also Note 9, Restructuring and Other Costs, of the Notes to Unaudited Interim Consolidated Financial Statements).

Other Income and Expense

(in millions)	Nine Months Ended September 30, 2012	2011	Change
Net interest expense	$38.2	$21.3	$16.9
Other expense (income), net	2.0	8.7	(6.7)
Net interest and other expense	$40.2	$30.0	$10.2

41

Net Interest Expense

Net interest expense for the nine months ended September 30, 2012 was $16.9 million higher compared to the nine months ended September 30, 2011. The increase is due to increased interest expense as a result of higher overall debt in support of recent acquisitions.

Other Expense (Income), Net

Other expense (income), net in the nine months ended September 30, 2012 was $2.0 million, including $1.7 million of currency transaction losses and $0.3 million of non-operating expenses. Other expenses (income), net in the nine months ended September 30, 2011 was $8.7 million, including $3.8 million of expense on the ineffective portion of a Treasury Rate Lock ("T-Lock") to hedge the then planned 10 year bond issuance, $2.9 million of expenses related to terminations of two interest rate swaps and $1.4 million of currency transaction losses.

Income Taxes and Net Income

(in millions, except per share data)	Nine Months Ended September 30, 2012	2011	$ Change
Effective income tax rates	19.9 %	0.5 %	
Equity in net (loss) earnings of unconsolidated affiliated company	$(5.4)	$1.7	$(7.1)
Net income attributable to noncontrolling interests	$3.1	$2.1	$1.0
Net income attributable to DENTSPLY International	$187.4	$203.9	$(16.5)
Earnings per common share - diluted	$1.30	$1.42	

Provision for Income Taxes

The Company's effective income tax rates for the first nine months of 2012 and 2011 were 19.9% and 0.5%, respectively. During the nine months ended September 30, 2011 the Company recorded a tax benefit from the release of a valuation allowance on previously unrecognized tax loss carryforwards of approximately $47.7 million.

The Company's effective income tax rate for 2012 included the impact of amortization on purchased intangibles assets, integration and restructuring and other costs and various income tax adjustments which impacted income before income taxes and the provision for income taxes by $68.8 million and $23.8 million, respectively. The Company's effective income tax rate for 2011 included the impact of acquisition related activity, restructuring and other costs, amortization on purchased intangibles and the release of the valuation allowance and various income tax adjustments which impacted income before income taxes and the provision for income tax by $80.7 million and $64.8 million, respectively.

Equity in net (loss) income of unconsolidated affiliated company

The Company's 17% ownership investment of DIO Corporation resulted in a net loss of $5.4 million on an after-tax basis for the nine months ended September 30, 2012. The net loss of DIO includes the result of a negative fair value adjustment related to the convertible bonds issued by DIO to DENTSPLY. The fair value adjustments related to the convertible bonds reported by DIO are primarily impacted by the changing DIO share price. The impact of the changing DIO share price on the fair value adjustment and the Company's portion of DIO's net loss for the nine months ended September 30, 2012 and 2011 was a unrealized loss of approximately $5.4 million and unrealized income of $1.8 million, respectively.

Net Income attributable to DENTSPLY International

In addition to the results reported in accordance with US GAAP, the Company provides adjusted net income attributable to DENTSPLY International and adjusted earnings per diluted common share. These adjusted amounts consist of US GAAP amounts

42

excluding, net of tax (1) acquisition related costs, (2) restructuring and other costs, (3) amortization of purchased intangible assets, (4) Orthodontic business continuity costs, (5) income related to credit risk adjustments, (6) certain fair value adjustments at an unconsolidated affiliated company, and (7) income tax related adjustments. Adjusted earnings per diluted common share is calculated by dividing adjusted net income attributable to DENTSPLY International by diluted weighted-average common shares outstanding. Adjusted net income attributable to DENTSPLY International and adjusted earnings per diluted common share are considered measures not calculated in accordance with US GAAP, and therefore are non-US GAAP measures. These non-US GAAP measures may differ from other companies. Income tax related adjustments may include the impact to adjust the interim effective income tax rate to the expected annual effective tax rate.

The Company believes that the presentation of adjusted net income attributable to DENTSPLY International and adjusted earnings per diluted common share provides important supplemental information to management and investors seeking to understand the Company's financial condition and results of operations. The non-US GAAP financial information should not be considered in isolation from, or as a substitute for, measures of financial performance prepared in accordance with US GAAP.

	Nine Months Ended September 30, 2012	
(in thousands, except per share amounts)	Income (Expense)	Per Diluted Common Share
Net income attributable to DENTSPLY International	$187,413	$1.30
Amortization of purchased intangible assets, net of tax	25,148	0.17
Restructuring and other costs, net of tax	14,063	0.10
Acquisition related activities, net of tax	6,630	0.05
Loss on fair value adjustments at an unconsolidated affiliated company, net of tax	5,280	0.04
Orthodontics business continuity costs, net of tax	692	—
Income tax related adjustments	(1,375)	(0.01)
Adjusted non-US GAAP earnings	$237,851	$1.65

	Nine Months Ended September 30, 2011	
(in thousands, except per share amounts)	Income (Expense)	Per Diluted Common Share
Net income attributable to DENTSPLY International	$203,917	$1.42
Acquisition related activities, net of tax and noncontrolling interests	42,363	0.30
Restructuring and other costs, net of tax and noncontrolling interests	10,403	0.07
Amortization of purchased intangible assets, net of tax	6,844	0.05
Orthodontics business continuity costs, net of tax	1,308	0.01
Credit risk adjustment to outstanding derivatives, net of tax	(783)	(0.01)
Gain on fair value adjustments at an unconsolidated affliliated company, net of tax	(2,059)	(0.01)
Income tax related adjustments	(43,733)	(0.31)
Adjusted non-US GAAP earnings	$218,260	$1.52

Operating Segment Results

Third Party Net Sales, Excluding Precious Metal Content

(in millions)	Nine Months Ended September 30, 2012	2011	$ Change	% Change
Dental Consumable and Laboratory Businesses	$614.1	$618.6	$(4.5)	(0.7)%
Orthodontics/Canada/Mexico/Japan	$216.2	$220.6	$(4.4)	(2.0)%
Select Distribution Businesses	$207.9	$213.6	$(5.7)	(2.7)%
Implants/Endodontics/Healthcare/Pacific Rim	$977.6	$605.3	$372.3	61.5%

Segment Operating Income

(in millions)	Nine Months Ended September 30, 2012	2011	$ Change	% Change
Dental Consumable and Laboratory Businesses	$184.5	$171.7	$12.8	7.5%
Orthodontics/Canada/Mexico/Japan	$9.5	$12.2	$(2.7)	(22.1)%
Select Distribution Businesses	$(0.8)	$1.5	$(2.3)	NM
Implants/Endodontics/Healthcare/Pacific Rim	$206.8	$156.3	$50.5	32.3%

NM – Not meaningful

Dental Consumable and Laboratory Businesses

Net sales, excluding precious metal content, decreased $4.5 million during the nine months ended September 30, 2012 compared to 2011. On a constant currency basis, net sales, excluding precious metal content, increased 2.7% which was primarily driven by increased demand in dental consumable products.

Operating income increased $12.8 million during the nine months ended September 30, 2012 compared to 2011. This was due to a decrease in the selling, general and administrative expenses within the segment of $9.2 million, primarily due to favorable foreign currency translation, and an increase in gross profit of $3.5 million that includes $12.0 million of unfavorable foreign currency translation.

Orthodontics/Canada/Mexico/Japan

Net sales, excluding precious metal content decreased $4.4 million during the nine months ended September 30, 2012 compared to 2011. The decrease was due to unfavorable currency translation.

Operating income decreased $2.7 million during the nine months ended September 30, 2012 compared to 2011. This was due to the impact of natural disaster in Japan as previously discussed.

Select Distribution Businesses

Net sales, excluding precious metal content, decreased $5.7 million, or 2.7%, during the nine months ended September 30, 2012 compared to 2011. On a constant currency basis, net sales, excluding precious metal content, increased 7.1% when compared to the same period in 2011 as a result of increased demand in all dental product categories.

44

Operating income decreased $2.3 million during the nine months ended September 30, 2012 compared to 2011. The decline was attributable to a lower gross profit of $5.9 million, which was the result of unfavorable currency translation. Selling, general and administrative expenses decreased $3.6 million in the same period compared to 2011 due to favorable currency translation.

Implants/Endodontics/Healthcare/Pacific Rim

Net sales, excluding precious metal content, increased $372.3 million, or 61.5%, during the nine months ended September 30, 2012 compared to 2011. On a constant currency basis, net sales, excluding precious metal content, increased 66.3% primarily driven by acquisitions.

Operating income for the nine months ended September 30, 2012 increased $50.5 million compared to 2011. Gross profit increased $266.1 million as a result of acquisitions partially offset by $37.0 million of unfavorable foreign currency translation. Selling, general and administrative expenses increased by $215.6 million primarily due to acquisitions, partially offset by favorable currency translation.

CRITICAL ACCOUNTING POLICIES

Except as noted below, there have been no other significant material changes to the critical accounting policies as disclosed in the Company’s Form 10-K for the year ended December 31, 2011.

The Company has a note receivable from a borrower with a carrying value of $5.6 million, recorded as a component of other noncurrent assets, where the borrower has experienced recent financial deterioration. A significant downturn or further deterioration in the creditworthiness of the borrower may negatively affect the Company's carrying value of the note receivable.

Annual Goodwill Impairment Testing

Goodwill is not amortized; instead, it is tested for impairment annually or more frequently if indicators of impairment exist or if a decision is made to sell a business. The valuation date for annual impairment testing is April 30. A significant amount of judgment is involved in determining if an indicator of impairment has occurred. Such indicators may include a decline in expected cash flows, a significant adverse change in legal factors or in the business climate, unanticipated competition or slower growth rates, among others. It is important to note that fair values that could be realized in an actual transaction may differ from those used to evaluate the impairment of goodwill.

Goodwill is allocated among and evaluated for impairment at the reporting unit level, which is defined as an operating segment or one level below an operating segment. The Company has several reporting units contained within each operating segment.

The evaluation of impairment involves comparing the current fair value of each reporting unit to its net book value, including goodwill. The Company uses a discounted cash flow model ("DCF model") to estimate the current fair value of its reporting units when testing for impairment, as management believes forecasted operating cash flows are the best indicator of such fair value. A number of significant assumptions and estimates are involved in the application of the DCF model to forecast operating cash flows, including future sales growth, operating margin growth, benefits from restructuring initiatives, tax rates, capital spending, business initiatives, and working capital changes. These assumptions may vary significantly among the reporting units. Operating cash flow forecasts are based on approved business-unit operating plans for the early years and historical relationships and projections in later years. The weighted average cost of capital ("WACC") rate is estimated for geographic regions and applied to the reporting units located within the regions. The Company has not materially changed its methodology for goodwill impairment testing for the years presented. Due to the many variables inherent in the estimation of a reporting unit's fair value and the relative size of the Company's recorded goodwill, differences in assumptions may have a material effect on the results of the Company's impairment analysis.

The performance of the Company's 2012 annual impairment tests did not result in any impairment of the Company's goodwill. The WACC rates utilized in the 2012 analysis ranged from 8.5% to 10.5%. Excluding the Company's Healthcare reporting unit discussed below, if the fair value of each of the Company's other reporting units been hypothetically reduced by 5% at April 30, 2012 the fair value of those reporting units would still exceed their net book value. If the fair value of each of the Company's reporting units been hypothetically reduced by 10% at April 30, 2012, one reporting unit within the Implants/Endodontics/Healthcare/Pacific Rim segment would have a net book value exceeding its fair value by less than $1.0 million. Goodwill for this reporting unit totals $24.1 million. Had the WACC rate of each of the Company's reporting units been hypothetically increased by 50 basis points at April 30, 2012, the fair value of all reporting units except for the Company's Healthcare reporting unit would still exceed their net book value. The Company's Healthcare reporting unit, a component of the Implants/Endodontics/Healthcare/Pacific Rim operating segment, was created as a part of the Astra Tech acquisition on August 31, 2011. At the date of acquisition,

45

the fair value of the business equaled book value with goodwill for the reporting unit totaling $279.0 million. Given the limited time since the acquisition date, the reporting unit fair value approximates the book value of the reporting unit.

Should the Company's analysis in the future indicate an increase in discount rates or a degradation in the overall markets served by these reporting units, it could result in impairment of the carrying value of goodwill to its implied fair value. There can be no assurance that the Company's future goodwill impairment testing will not result in a charge to earnings.

LIQUIDITY AND CAPITAL RESOURCES

Nine months ended September 30, 2012

Cash flow from operating activities during the nine months ended September 30, 2012 was $202.1 million compared to $254.8 million during the nine months ended September 30, 2011. Net income decreased by $15.5 million to $190.6 million in the period ended September 30, 2012. Depreciation and amortization expense for the nine months was $38.7 million higher than the prior year period. Working capital investments in inventory, accounts receivable and lower accrued liabilities net of higher income taxes payable totaled $109.6 million. On a constant currency basis, as of September 30, 2012, reported days for inventory increased by 11 days to 111days and accounts receivable increased by 6 days to 60 days, respectively, as compared to December 31, 2011, both calculations include recent acquisitions.

Investing activities during the first nine months of 2012 include capital expenditures of $64.9 million.

At September 30, 2012, the Company had authorization to maintain up to 34.0 million shares of treasury stock under the stock repurchase program as approved by the Board of Directors. Under this program, the Company purchased 1.0 million shares for $38.8 million during the first nine months of 2012 at an average price of $38.90. As of September 30, 2012, the Company held 20.8 million shares of treasury stock. The Company also received proceeds of $24.8 million as a result of the exercise of 1.0 million of stock options during the nine months ended September 30, 2012.

The Company's total borrowings decreased by a net of $117.6 million during the nine months ended September 30, 2012. This change included net reduction of $115.6 million during the first nine months and a decrease of $2.0 million due to exchange rate fluctuations on debt denominated in foreign currencies. At September 30, 2012, the Company's ratio of total debt to total capitalization was 43.3% compared to 48.4% at December 31, 2011. Also in that same period, the Company's cash and cash equivalents have decreased from $77.1 million to $56.1 million.

The Company let expire its 364 day $250.0 million revolving credit agreement which matured August 29, 2012, as management believes the Company has adequate liquidity.

Under its five-year revolving credit agreement, the Company is able to borrow up to $500.0 million through July 27, 2016. The facility is unsecured and contains certain affirmative and negative covenants relating to the operations and financial condition of the Company. The most restrictive of these covenants pertain to asset dispositions and prescribed ratios of indebtedness to total capital and operating income plus depreciation and amortization to interest expense. At September 30, 2012, the Company was in compliance with these covenants. The Company also has available an aggregate $500.0 million under a U.S. dollar commercial paper facility. The five-year revolving credit agreement serves as a back-up to the commercial paper facility, thus the total available credit under the commercial paper facility and the multi-currency revolving credit facility in the aggregate is $500.0 million. At September 30, 2012 outstanding borrowings were $151.5 million under the five-year revolving credit facility.

The Company also has access to $74.9 million in uncommitted short-term financing under lines of credit from various financial institutions. The lines of credit have no major restrictions and are provided under demand notes between the Company and the lending institutions. At September 30, 2012, the Company had $9.2 million outstanding under these short-term lines of credit. At September 30, 2012, the Company had total unused lines of credit related to the revolving credit agreement and the uncommitted short-term lines of credit of $414.2 million.

At September 30, 2012, the Company held $136.3 million of precious metals on consignment from several financial institutions. The consignment agreements allow the Company to acquire the precious metal at market rates at a point in time which is approximately the same time and for the same price as alloys are sold to the Company's customers. In the event that the financial institutions would discontinue offering these consignment arrangements, and if the Company could not obtain other comparable arrangements, the Company may be required to obtain third party financing to fund an ownership position in the required precious metal inventory levels.

There have been no material changes to the Company's scheduled contractual cash obligations disclosed in its Form 10-K for the year ended December 31, 2011.

At September 30, 2012, the majority of the Company's cash and cash equivalents were held outside of the United States. Foreign cash repatriation of approximately $71 million can occur without incremental taxes. However, under current law, repatriation of future foreign cash flow in excess of this amount would potentially be subject to U.S. federal income tax, less applicable foreign tax credits. Historically, the Company has generated more than sufficient operating cash flows in the United States to fund domestic operations. Further, the Company expects on an ongoing basis, to be able to finance domestic and international cash requirements, including capital expenditures, stock repurchases, debt service, operating leases and potential future acquisitions, from the funds generated from operations and amounts available under its existing credit facilities.

NEW ACCOUNTING PRONOUNCEMENTS

Refer to Part 1, Item 1, Note 1, Significant Accounting Policies, to the Unaudited Interim Consolidated Financial Statements for a discussion of recent accounting standards and pronouncements.

Item 3 - Quantitative and Qualitative Disclosures about Market Risk

There have been no significant material changes to the market risks as disclosed in the Company’s Form 10-K for the year ended December 31, 2011.

Item 4 - Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

The Company’s management, with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company’s disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended) as of the end of the period covered by this report were effective to provide reasonable assurance that the information required to be disclosed by the Company in reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that it is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company’s internal controls over financial reporting that occurred during the most recent quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1 - Legal Proceedings

Reference to Part I, Item 1, Note 15, Commitments and Contingencies, to the Unaudited Interim Consolidated Financial Statements.

Item 1A – Risk Factors

There have been no significant material changes to the risk factors as disclosed in the Company's Form 10-K for the year ended December 31, 2011.

Item 2 - Unregistered Sales of Securities and Use of Proceeds

At September 30, 2012, the Company had authorization to maintain up to 34.0 million shares of treasury stock under the stock repurchase program as approved by the Board of Directors. During the quarter ended September 30, 2012, the Company had the following activity with respect to this repurchase program:

(in thousands, except per share amounts)

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Cost of Shares Purchased	Number of Shares that May be Purchased Under the Share Repurchase Program
July 1, 2012 to July 31, 2012	—	$—	$—	13,029.9
August 1, 2012 to August 31, 2012	—	—	—	13,103.8
September 1, 2012 to September 30, 2012	—	—	—	13,183.2
	—	$—	$—	

Item 4 - Submission of Matters to Vote of Security Holders

Reserved.

48

Item 6 - Exhibits

Exhibit Number	Description
31	Section 302 Certification Statements
32	Section 906 Certification Statements
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

Signatures

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

DENTSPLY International Inc.

/s/	Bret W. Wise Bret W. Wise Chairman of the Board and Chief Executive Officer	October 25, 2012 Date
/s/	William R. Jellison William R. Jellison Senior Vice President and Chief Financial Officer	October 25, 2012 Date

49