

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

FORM 10-Q

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

For the quarterly period ended September 30, 2019

Commission File Number 0-16211

DENTSPLY SIRONA 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.)

13320 Ballantyne Corporate Place, Charlotte, North Carolina
(Address of principal executive offices)

28277-3607
(Zip Code)

(844) 848-0137

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value \$.01 per share	XRAY	The Nasdaq Stock Market LLC

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Yes No x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: At November 5, 2019, DENTSPLY SIRONA Inc. had 222,413,682 shares of Common Stock outstanding.

DENTSPLY SIRONA Inc.

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PART I – FINANCIAL INFORMATION

Item 1 – Financial Statements

DENTSPLY SIRONA INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions, except per share amounts)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net sales	\$ 962.1	\$ 928.4	\$ 2,917.7	\$ 2,926.6
Cost of products sold	448.1	452.3	1,363.2	1,383.6
Gross profit	514.0	476.1	1,554.5	1,543.0
Selling, general, and administrative expenses	399.3	418.5	1,262.1	1,285.9
Goodwill impairment	—	—	—	1,085.8
Restructuring and other costs	5.2	12.1	68.1	211.2
Operating income (loss)	109.5	45.5	224.3	(1,039.9)
Other income and expenses:				
Interest expense	6.6	9.7	23.0	27.9
Interest income	(0.7)	(0.6)	(2.0)	(1.6)
Other expense (income), net	(2.9)	4.7	(4.6)	(30.4)
Income (loss) before income taxes	106.5	31.7	207.9	(1,035.8)
Provision (benefit) for income taxes	21.5	4.2	47.3	(23.4)
Net income (loss)	85.0	27.5	160.6	(1,012.4)
Less: Net (loss) income attributable to noncontrolling interest	—	(0.5)	—	0.4
Net income (loss) attributable to Dentsply Sirona	\$ 85.0	\$ 28.0	\$ 160.6	\$ (1,012.8)
Net income (loss) per common share attributable to Dentsply Sirona:				
Basic	\$ 0.38	\$ 0.13	\$ 0.72	\$ (4.50)
Diluted	\$ 0.38	\$ 0.13	\$ 0.71	\$ (4.50)
Weighted average common shares outstanding:				
Basic	223.1	222.4	223.5	224.9
Diluted	224.9	223.7	225.2	224.9

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

DENTSPLY SIRONA INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in millions)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income (loss)	\$ 85.0	\$ 27.5	\$ 160.6	\$ (1,012.4)
Other comprehensive loss, net of tax:				
Foreign currency translation loss	(127.5)	(29.0)	(144.8)	(155.9)
Net gain on derivative financial instruments	20.1	2.2	12.0	19.8
Net realized holding gain on available for sale securities	—	—	—	(44.3)
Pension liability gain	0.9	1.0	2.7	5.2
Total other comprehensive loss, net of tax	(106.5)	(25.8)	(130.1)	(175.2)
Total comprehensive (loss) income	(21.5)	1.7	30.5	(1,187.6)
Less: Comprehensive (loss) income attributable to noncontrolling interests	—	(0.6)	0.3	0.7
Total comprehensive (loss) income attributable to Dentsply Sirona	\$ (21.5)	\$ 2.3	\$ 30.2	\$ (1,188.3)

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

DENTSPLY SIRONA INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in millions, except per share amounts)
(unaudited)

	September 30, 2019	December 31, 2018
Assets		
Current Assets:		
Cash and cash equivalents	\$ 226.1	\$ 309.6
Accounts and notes receivables-trade, net	698.4	701.9
Inventories, net	605.1	598.9
Prepaid expenses and other current assets, net	281.7	277.6
Total Current Assets	1,811.3	1,888.0
Property, plant, and equipment, net	782.5	870.6
Operating lease right-of-use assets, net	156.7	—
Identifiable intangible assets, net	2,167.7	2,420.3
Goodwill, net	3,355.7	3,431.3
Other noncurrent assets, net	92.9	76.8
Total Assets	\$ 8,366.8	\$ 8,687.0
Liabilities and Equity		
Current Liabilities:		
Accounts payable	\$ 246.3	\$ 283.9
Accrued liabilities	541.0	578.9
Income taxes payable	69.9	58.1
Notes payable and current portion of long-term debt	11.7	92.4
Total Current Liabilities	868.9	1,013.3
Long-term debt	1,403.9	1,564.9
Operating lease liabilities	118.5	—
Deferred income taxes	500.7	552.8
Other noncurrent liabilities	415.7	423.0
Total Liabilities	3,307.7	3,554.0
Commitments and contingencies	—	—
Equity:		
Preferred stock, \$1.00 par value; 0.25 million shares authorized; no shares issued	—	—
Common stock, \$0.01 par value; 400.0 million shares authorized and 264.5 million shares issued at September 30, 2019 and December 31, 2018 222.3 million and 223.0 million shares outstanding at September 30, 2019 and December 31, 2018, respectively	2.6	2.6
Capital in excess of par value	6,567.2	6,522.3
Retained earnings	1,324.3	1,225.9
Accumulated other comprehensive loss	(609.1)	(478.7)
Treasury stock, at cost, 42.2 million and 41.5 million shares at September 30, 2019 and December 31, 2018, respectively	(2,227.7)	(2,151.0)
Total Dentsply Sirona Equity	5,057.3	5,121.1
Noncontrolling interests	1.8	11.9
Total Equity	5,059.1	5,133.0
Total Liabilities and Equity	\$ 8,366.8	\$ 8,687.0

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

DENTSPLY SIRONA INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in millions, except per share amounts)
(unaudited)

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Dentsply Sirona Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2018	\$ 2.6	\$ 6,522.3	\$ 1,225.9	\$ (478.7)	\$ (2,151.0)	\$ 5,121.1	\$ 11.9	\$ 5,133.0
Net income	—	—	39.2	—	—	39.2	—	39.2
Other comprehensive (loss) income	—	—	—	(58.7)	—	(58.7)	0.3	(58.4)
Divestiture of noncontrolling interest	—	—	—	—	—	—	(10.4)	(10.4)
Exercise of stock options	—	1.5	—	—	18.2	19.7	—	19.7
Stock based compensation expense	—	9.1	—	—	—	9.1	—	9.1
Funding of Employee Stock Purchase Plan	—	0.1	—	—	1.9	2.0	—	2.0
Restricted Stock Unit "RSU" distributions	—	(12.8)	—	—	8.0	(4.8)	—	(4.8)
RSU dividends	—	0.2	(0.2)	—	—	—	—	—
Cash dividends (\$0.0875 per share)	—	—	(19.9)	—	—	(19.9)	—	(19.9)
Balance at March 31, 2019	\$ 2.6	\$ 6,520.4	\$ 1,245.0	\$ (537.4)	\$ (2,122.9)	\$ 5,107.7	\$ 1.8	\$ 5,109.5
Net income	—	—	36.4	—	—	36.4	—	36.4
Other comprehensive income	—	—	—	34.8	—	34.8	—	34.8
Exercise of stock options	—	6.3	—	—	50.2	56.5	—	56.5
Stock based compensation expense	—	25.2	—	—	—	25.2	—	25.2
Treasury shares purchased	—	—	—	—	(60.0)	(60.0)	—	(60.0)
RSU distributions	—	(0.8)	—	—	0.7	(0.1)	—	(0.1)
RSU dividends	—	0.2	(0.2)	—	—	—	—	—
Cash dividends (\$0.0875 per share)	—	—	(19.4)	—	—	(19.4)	—	(19.4)
Balance at June 30, 2019	\$ 2.6	\$ 6,551.3	\$ 1,261.8	\$ (502.6)	\$ (2,132.0)	\$ 5,181.1	\$ 1.8	\$ 5,182.9
Net income	—	—	85.0	—	—	85.0	—	85.0
Other comprehensive loss	—	—	—	(106.5)	—	(106.5)	—	(106.5)
Exercise of stock options	—	0.4	—	—	2.0	2.4	—	2.4
Stock based compensation expense	—	15.4	—	—	—	15.4	—	15.4
Funding of Employee Stock Purchase Plan	—	0.2	—	—	2.0	2.2	—	2.2
Treasury shares purchased	—	—	—	—	(100.0)	(100.0)	—	(100.0)
RSU distributions	—	(0.4)	—	—	0.3	(0.1)	—	(0.1)
RSU dividends	—	0.3	(0.3)	—	—	—	—	—
Cash dividends (\$0.1000 per share)	—	—	(22.2)	—	—	(22.2)	—	(22.2)
Balance at September 30, 2019	\$ 2.6	\$ 6,567.2	\$ 1,324.3	\$ (609.1)	\$ (2,227.7)	\$ 5,057.3	\$ 1.8	\$ 5,059.1

DENTSPLY SIRONA INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in millions, except per share amounts)
(unaudited)

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Dentsply Sirona Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2017	\$ 2.6	\$ 6,543.9	\$ 2,316.2	\$ (291.0)	\$ (1,955.4)	\$ 6,616.3	\$ 11.6	\$ 6,627.9
Net income (loss)	—	—	81.2	—	—	81.2	(0.1)	81.1
Other comprehensive income	—	—	—	10.0	—	10.0	0.6	10.6
Exercise of stock options	—	(1.8)	—	—	9.4	7.6	—	7.6
Cumulative effect on adoption of ASC 606	—	—	(6.0)	—	—	(6.0)	—	(6.0)
Reclassification on adoption of ASU No. 2016-16	—	—	(2.7)	—	—	(2.7)	—	(2.7)
Reclassification on adoption of ASU No. 2018-02	—	—	7.6	—	—	7.6	—	7.6
Stock based compensation expense	—	9.3	—	—	—	9.3	—	9.3
RSU distributions	—	(19.9)	—	—	9.9	(10.0)	—	(10.0)
RSU dividends	—	0.2	(0.2)	—	—	—	—	—
Cash dividends (\$0.0875 per share)	—	—	(20.2)	—	—	(20.2)	—	(20.2)
Balance at March 31, 2018	\$ 2.6	\$ 6,531.7	\$ 2,375.9	\$ (281.0)	\$ (1,936.1)	\$ 6,693.1	\$ 12.1	\$ 6,705.2
Net (loss) income	—	—	(1,122.0)	—	—	(1,122.0)	1.0	(1,121.0)
Other comprehensive loss	—	—	—	(159.8)	—	(159.8)	(0.2)	(160.0)
Exercise of stock options	—	(4.6)	—	—	8.2	3.6	—	3.6
Reclassification on adoption of ASU No. 2018-02	—	—	0.5	—	—	0.5	—	0.5
Stock based compensation expense	—	0.5	—	—	—	0.5	—	0.5
Treasury shares purchased	—	—	—	—	(250.2)	(250.2)	—	(250.2)
RSU distributions	—	(1.5)	—	—	1.1	(0.4)	—	(0.4)
RSU dividends	—	0.1	(0.1)	—	—	—	—	—
Cash dividends (\$0.175 per share)	—	—	(38.1)	—	—	(38.1)	—	(38.1)
Balance at June 30, 2018	\$ 2.6	\$ 6,526.2	\$ 1,216.2	\$ (440.8)	\$ (2,177.0)	\$ 5,127.2	\$ 12.9	\$ 5,140.1
Net income (loss)	—	—	28.0	—	—	28.0	(0.5)	27.5
Other comprehensive loss	—	—	—	(25.7)	—	(25.7)	(0.1)	(25.8)
Exercise of stock options	—	(0.7)	—	—	9.5	8.8	—	8.8
Stock based compensation expense	—	5.3	—	—	—	5.3	—	5.3
RSU distributions	—	(2.2)	—	—	1.1	(1.1)	—	(1.1)
RSU dividends	—	0.1	(0.1)	—	—	—	—	—
Cash dividends (\$0.0 per share)	—	—	(0.5)	—	—	(0.5)	—	(0.5)
Balance at September 30, 2018	\$ 2.6	\$ 6,528.7	\$ 1,243.6	\$ (466.5)	\$ (2,166.4)	\$ 5,142.0	\$ 12.3	\$ 5,154.3

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

DENTSPLY SIRONA INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)
(unaudited)

	Nine Months Ended September 30,	
	2019	2018
Cash flows from operating activities:		
Net income (loss)	\$ 160.6	\$ (1,012.4)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	101.6	103.4
Amortization of intangible assets	142.9	149.7
Amortization of deferred financing costs	2.1	2.0
Fixed asset impairment	33.4	—
Goodwill impairment	—	1,085.8
Indefinite-lived intangible asset impairment	5.3	179.2
Definite-lived intangible asset impairment	3.8	—
Deferred income taxes	(39.9)	(97.9)
Stock based compensation expense	49.8	15.1
Restructuring and other costs - non-cash	15.2	19.2
Other non-cash income	(12.4)	(2.0)
Loss on disposal of property, plant and equipment	2.9	2.7
Gain on divestiture of noncontrolling interest	(8.7)	—
Loss on sale of non-strategic businesses and product lines	14.0	—
Gain on sale of equity security	—	(44.1)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts and notes receivable-trade, net	(20.7)	25.1
Inventories, net	(48.4)	(83.3)
Prepaid expenses and other current assets, net	(3.6)	(47.3)
Other noncurrent assets, net	(14.4)	(10.3)
Accounts payable	(30.5)	10.1
Accrued liabilities	(35.5)	(7.1)
Income taxes	11.4	13.2
Other noncurrent liabilities	4.6	(3.5)
Net cash provided by operating activities	333.5	297.6
Cash flows from investing activities:		
Capital expenditures	(86.9)	(130.6)
Cash paid for acquisitions of businesses and equity investments, net of cash acquired	(3.3)	(130.5)
Cash received on sale of non-strategic businesses or product lines	11.6	—
Cash received on derivatives contracts	34.5	3.7
Cash paid on derivatives contracts	—	(2.4)
Expenditures for identifiable intangible assets	—	(5.5)
Purchase of short-term investments	—	(0.1)
Liquidation of short-term investments	0.1	—
Proceeds from sale of equity security	—	54.1
Proceeds from sale of property, plant, and equipment, net	4.3	6.3
Net cash used in investing activities	(39.7)	(205.0)
Cash flows from financing activities:		
Repayments on short-term borrowings, net	(67.4)	124.3
Cash paid for treasury stock	(160.0)	(250.2)
Cash dividends paid	(58.7)	(59.1)
Proceeds from long-term borrowings, net of deferred financing costs	118.9	0.3
Repayments on long-term borrowings	(251.2)	(9.3)
Proceeds from exercised stock options	78.8	22.8
Cash paid for contingent consideration on prior acquisitions	(30.7)	—
Net cash used in financing activities	(370.3)	(171.2)
Effect of exchange rate changes on cash and cash equivalents	(7.0)	(8.9)
Net decrease in cash and cash equivalents	(83.5)	(87.5)
Cash and cash equivalents at beginning of period	309.6	320.6
Cash and cash equivalents at end of period	\$ 226.1	\$ 233.1

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

DENTSPLY SIRONA Inc. and Subsidiaries

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”) and the rules of the U.S. Securities and Exchange Commission (“SEC”). The year-end consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by US GAAP. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair statement of the results for interim periods have been included. Results for interim periods should not be considered indicative of results for a full year. These financial statements and related notes contain the accounts of DENTSPLY SIRONA Inc. and Subsidiaries (“Dentsply Sirona” or the “Company”) on a consolidated basis and should be read in conjunction with the consolidated financial statements and notes included in the Company’s most recent Form 10-K for the year ended December 31, 2018.

The accounting policies of the Company, as applied in the interim consolidated financial statements presented herein are substantially the same as presented in the Company’s Form 10-K for the year ended December 31, 2018, except as may be indicated below.

Revenue Recognition

At September 30, 2019, the Company had \$28.8 million of deferred revenue recorded in Accrued liabilities in the Consolidated Balance Sheets. The Company expects to recognize significantly all of the deferred revenue within the next 12 months.

Accounts and Notes Receivable

The Company records a provision for doubtful accounts, which is included in Selling, general, and administrative expenses in the Consolidated Statements of Operations.

Accounts and notes receivables – trade, net are stated net of allowances for doubtful accounts and trade discounts, which were \$29.7 million at September 30, 2019 and \$24.5 million at December 31, 2018.

Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) with subsequent amendments (collectively, “ASC 842”). The Company adopted the new leasing standards on January 1, 2019 using the modified retrospective approach transition method. Results for reporting periods beginning after January 1, 2019 are presented under ASC 842, while prior periods are not adjusted and continue to be reported in accordance with historic accounting under ASC 840. The Company elected the package of practical expedients permitted under the transition guidance within the standard, which eliminates the reassessment of past leases, their classification and initial direct costs for existing leases. The Company did not elect to adopt the hindsight practical expedient. The Company recognized material right-of-use assets and liabilities in the Consolidated Balance Sheets for its operating lease commitments with terms greater than 12 months. See Note 8, Leases for additional information. The impact of adopting this standard, by financial statement line item, on January 1, 2019 were as follows:

(in millions)	January 1, 2019	
Assets		
Operating lease right-of-use assets, net	\$	167.1
Property, plant, and equipment, net		1.8
Liabilities		
Accrued liabilities	\$	39.4
Notes payable and current portion of long-term debt		0.2
Long-term debt		1.5
Operating lease liabilities		126.5

In August 2017, the FASB issued ASU No. 2017-12, "Derivatives and Hedging." This newly issued accounting standard improves the financial reporting and disclosure of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. The amendments in this update make improvements to simplify the application of the hedge accounting guidance in current US GAAP based on the feedback received from preparers, auditors, users and other stakeholders. More specifically, this update expands and refines hedge accounting for both nonfinancial and financial risk components and aligns the recognition and presentation of the effects of the hedging instruments and the hedged items in the financial statements. The effect of adoption should be reflected as of the beginning of the fiscal year of adoption. For cash flow and net investment hedges existing at the date of adoption, an entity should apply a cumulative-effect adjustment related to eliminating the separate measurement of ineffectiveness to accumulated other comprehensive income with a corresponding adjustment to the opening balance of retained earnings as of the beginning of the fiscal year that an entity adopts the amendments in this update. The amended presentation and disclosure guidance is required only prospectively. The Company adopted this accounting standard during the three months ended March 31, 2019. The adoption of this standard did not materially impact the statements of operations, financial position, cash flows, and disclosures.

Recently Issued Accounting Pronouncements Not Yet Adopted

In August 2018, the FASB issued ASU No. 2018-14 "Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans." This newly issued accounting standard changes disclosure requirements for defined benefit plans, including removal and modification of existing disclosures. The amendments in this standard are required for fiscal years ending after December 15, 2020. Early adoption is permitted. The amendments should be applied on a retrospective basis for all periods presented. The Company is currently assessing the impact that this standard will have on its disclosures.

NOTE 2 – STOCK COMPENSATION

The following represents total stock based compensation expense for non-qualified stock options, RSUs and the tax related benefit for the three and nine months ended September 30, 2019 and 2018:

(in millions)	Three Months Ended		Nine Months Ended	
	2019	2018	2019	2018
Stock option expense	\$ 0.6	\$ 1.7	\$ 5.6	\$ 5.1
RSU expense	14.6	3.4	43.4	9.2
Total stock based compensation expense	\$ 15.2	\$ 5.1	\$ 49.0	\$ 14.3
Related deferred income tax benefit	\$ 1.8	\$ 0.8	\$ 6.8	\$ 2.4

For the three and nine months ended September 30, 2019, stock compensation expense was \$15.2 million and \$49.0 million, respectively, of which \$14.7 million and \$47.5 million, respectively, was recorded in Selling, general, and administrative expense, and \$0.5 million and \$1.5 million, respectively, was recorded in Cost of products sold in the Consolidated Statements of Operations.

For the three and nine months ended September 30, 2018, stock compensation expense was \$5.1 million and \$14.3 million, respectively, of which \$4.4 million and \$12.6 million, respectively, was recorded in Selling, general, and administrative expense, and \$0.1 million and \$0.5 million, respectively, was recorded in Cost of products sold in the Consolidated Statements of Operations. For the three and nine months ended September 30, 2018, the Company recorded expense of \$0.6 million and \$1.2 million, respectively, in Restructuring and other costs in the Consolidated Statements of Operations. For the nine months ended September 30, 2018, the Company lowered the likely payout level on certain performance-based grants.

During the nine months ended September 30, 2019, the Company granted certain performance-based RSUs issued under the 2016 Omnibus Incentive Plan to provide performance targets for the Company's three year restructuring program. The adjusted operating income margin performance target approximates the adjusted operating income margin targets previously disclosed by the Company as part of its effort to support revenue growth and margin expansion. For vesting to occur an adjusted operating income margin target must be achieved over a period of four consecutive quarters, and an adjusted operating income margin above that target threshold as measured at the end of the subsequent quarter, all calculated on a trailing four quarter basis. The performance period began on January 1, 2019 and concludes on December 31, 2022.

NOTE 3 – COMPREHENSIVE INCOME (LOSS)

The following summarizes the components of Other comprehensive income (loss), net of tax, for the three and nine months ended September 30, 2019 and 2018:

(in millions)	Three Months Ended		Nine Months Ended	
	2019	2018	2019	2018
Foreign currency translation losses	\$ (147.2)	\$ (30.1)	\$ (164.2)	\$ (169.5)
Foreign currency translation gain on hedges of net investments	19.7	1.2	19.1	13.3

These amounts are recorded in Accumulated other comprehensive loss ("AOCI"), net of any related tax adjustments. At September 30, 2019 and December 31, 2018, the cumulative tax adjustments were \$143.8 million and \$157.4 million, respectively, primarily related to foreign currency translation gains and losses.

The cumulative foreign currency translation adjustments included translation losses of \$337.1 million and \$172.9 million at September 30, 2019 and December 31, 2018, respectively, and cumulative gains on loans designated as hedges of net investments of \$92.7 million and \$111.8 million, respectively. These foreign currency translation gains and losses were partially offset by movements on derivative financial instruments.

Changes in AOCI, net of tax, by component for the nine months ended September 30, 2019 and 2018 were as follows:

(in millions)	Foreign Currency Translation Gain (Loss)	Gain (Loss) on Cash Flow Hedges	Gain (Loss) on Net Investment Hedges	Pension Liability Gain (Loss)	Total
Balance, net of tax, at December 31, 2018	\$ (284.7)	\$ 0.6	\$ (111.4)	\$ (83.2)	\$ (478.7)
Other comprehensive (loss) income before reclassifications and tax impact	(134.0)	(18.6)	31.7	—	(120.9)
Tax (expense) benefit	(11.1)	4.5	(7.0)	—	(13.6)
Other comprehensive (loss) income, net of tax, before reclassifications	(145.1)	(14.1)	24.7	—	(134.5)
Amounts reclassified from accumulated other comprehensive income, net of tax	—	1.4	—	2.7	4.1
Net (decrease) increase in other comprehensive loss	(145.1)	(12.7)	24.7	2.7	(130.4)
Balance, net of tax, at September 30, 2019	\$ (429.8)	\$ (12.1)	\$ (86.7)	\$ (80.5)	\$ (609.1)

(in millions)	Foreign Currency Translation Gain (Loss)	Gain (Loss) on Cash Flow Hedges	Gain (Loss) on Net Investment Hedges	Net Unrealized Holding Gain on Available- for-sale Securities	Pension Liability Gain (Loss)	Total
Balance, net of tax, at December 31, 2017	\$ (104.5)	\$ (12.6)	\$ (127.6)	\$ 44.3	\$ (90.6)	\$ (291.0)
Other comprehensive (loss) income before reclassifications and tax impact	(131.6)	(2.2)	28.9	—	2.4	(102.5)
Tax (expense) benefit	(24.6)	—	(15.3)	—	(0.6)	(40.5)
Other comprehensive (loss) income, net of tax, before reclassifications	(156.2)	(2.2)	13.6	—	1.8	(143.0)
Amounts reclassified from accumulated other comprehensive income (loss), net of tax	—	8.4	—	(44.3)	3.4	(32.5)
Net (decrease) increase in other comprehensive loss	(156.2)	6.2	13.6	(44.3)	5.2	(175.5)
Balance, net of tax, at September 30, 2018	<u>\$ (260.7)</u>	<u>\$ (6.4)</u>	<u>\$ (114.0)</u>	<u>\$ —</u>	<u>\$ (85.4)</u>	<u>\$ (466.5)</u>

Reclassifications out of AOCI to the Consolidated Statements of Operations for the three and nine months ended September 30, 2019 and 2018 were as follows:

Details about AOCI Components (in millions)	Amounts Reclassified from AOCI		Affected Line Item in the Consolidated Statements of Operations
	Three Months Ended 2019	2018	
Loss on derivative financial instruments:			
Interest rate swaps	\$ (0.7)	\$ (0.6)	Interest expense
Foreign exchange forward contracts	0.5	(1.8)	Cost of products sold
Net loss before tax	(0.2)	(2.4)	
Tax impact	—	0.4	Provision (benefit) for income taxes
Net loss after tax	<u>\$ (0.2)</u>	<u>\$ (2.0)</u>	
Amortization of defined benefit pension and other postemployment benefit items:			
Amortization of prior service benefits	\$ 0.2	\$ 0.1	(a)
Amortization of net actuarial losses	(1.4)	(1.5)	(a)
Net loss before tax	(1.2)	(1.4)	
Tax impact	0.3	0.4	Provision (benefit) for income taxes
Net loss after tax	<u>\$ (0.9)</u>	<u>\$ (1.0)</u>	
Total reclassifications for the period	<u>\$ (1.1)</u>	<u>\$ (3.0)</u>	

(a) These AOCI components are included in the computation of net periodic benefit cost for the three months ended September 30, 2019 and 2018.

Details about AOCI Components (in millions)	Amounts Reclassified from AOCI		Affected Line Item in the Consolidated Statements of Operations
	Nine Months Ended		
	2019	2018	
Loss on derivative financial instruments:			
Interest rate swaps	\$ (1.8)	\$ (1.7)	Interest expense
Foreign exchange forward contracts	0.4	(7.9)	Cost of products sold
Net loss before tax	(1.4)	(9.6)	
Tax impact	—	1.2	Provision (benefit) for income taxes
Net loss after tax	\$ (1.4)	\$ (8.4)	
Net unrealized holding gain on available-for-sale securities:			
Available-for-sale securities	\$ —	\$ 45.0	Other expense (income), net
Tax impact	—	(0.7)	Provision (benefit) for income taxes
Net gain after tax	\$ —	\$ 44.3	
Amortization of defined benefit pension and other postemployment benefit items:			
Amortization of prior service benefits	\$ 0.4	\$ 0.1	(a)
Amortization of net actuarial losses	(4.1)	(4.9)	(a)
Net loss before tax	(3.7)	(4.8)	
Tax impact	1.0	1.4	Provision (benefit) for income taxes
Net loss after tax	\$ (2.7)	\$ (3.4)	
Total reclassifications for the period	\$ (4.1)	\$ 32.5	

(a) These AOCI components are included in the computation of net periodic benefit cost for the nine months ended September 30, 2019 and 2018.

NOTE 4 – EARNINGS PER COMMON SHARE

The calculation of earnings per common share for the three and nine months ended September 30 were as follows:

Basic Earnings Per Common Share Computation (in millions, except per share amounts)	Three Months Ended		Nine Months Ended	
	2019	2018	2019	2018
Net income (loss) attributable to Dentsply Sirona	\$ 85.0	\$ 28.0	\$ 160.6	\$ (1,012.8)
Weighted average common shares outstanding	223.1	222.4	223.5	224.9
Earnings (loss) per common share - basic	\$ 0.38	\$ 0.13	\$ 0.72	\$ (4.50)
Diluted Earnings Per Common Share Computation (in millions, except per share amounts)	Three Months Ended		Nine Months Ended	
	2019	2018	2019	2018
Net income (loss) attributable to Dentsply Sirona	\$ 85.0	\$ 28.0	\$ 160.6	\$ (1,012.8)
Weighted average common shares outstanding	223.1	222.4	223.5	224.9
Incremental weighted average shares from assumed exercise of dilutive options from stock-based compensation awards	1.8	1.3	1.7	—
Total weighted average diluted shares outstanding	224.9	223.7	225.2	224.9
Earnings (loss) per common share - diluted	\$ 0.38	\$ 0.13	\$ 0.71	\$ (4.50)

The calculation of weighted average diluted common shares outstanding excludes stock options and RSUs of 2.5 million and 3.4 million equivalent shares of common stock that were outstanding during the three and nine months ended September 30, 2019, respectively, because their effect would be antidilutive. There were 4.4 million and 5.1 million antidilutive equivalent shares of common stock outstanding during the three and nine months ended September 30, 2018, respectively.

NOTE 5 – BUSINESS COMBINATIONS

On May 1, 2018, the Company acquired all of the outstanding shares of privately held OraMetrix, Inc. for \$120.0 million, with an additional payment totaling \$30.0 million, subject to meeting certain earn-out provisions. During the three months ended March 31, 2019, the Company paid the earn-out provision. OraMetrix specializes in orthodontic treatment planning software, wire bending, and clear aligner manufacturing and is headquartered in Richardson, Texas.

NOTE 6 – SEGMENT INFORMATION

The Company has numerous operating businesses covering a wide range of dental consumable products, dental technology, and dental equipment products primarily serving the professional dental market, and certain healthcare products. Professional dental products represented approximately 92% of net sales for the three and nine months ended September 30, 2019 and September 30, 2018, respectively.

The operating businesses are combined into two operating groups, which generally have overlapping geographical presence, customer bases, distribution channels, and regulatory oversight. These operating groups are considered the Company's reportable segments as the Company's chief operating decision-maker regularly reviews financial results at the operating group level and uses this information to manage the Company's operations. The accounting policies of the segments are consistent with those described in the Company's most recently filed Form 10-K, in the summary of significant accounting policies.

The Company evaluates performance of the segments based on the groups' net third party sales, excluding precious metal content, and segment adjusted operating income. Net third party sales excluding precious metal content is considered a measure not calculated in accordance with US GAAP, and is therefore considered a non-US GAAP measure. Management believes that the presentation of net sales, excluding precious metal content, provides useful information to investors because a portion of Dentsply Sirona'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 cost of the precious metal content of the Company's sales is largely passed through to customers and has minimal effect on earnings, Dentsply Sirona 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 Company's exclusion of precious metal content in the measurement of net third party sales enhances comparability of performance between periods as it excludes the fluctuating market prices of the precious metal content. The Company also evaluates segment performance based on each segment's adjusted operating income before provision for income taxes and interest. Segment adjusted operating income is defined as operating income before income taxes and before certain corporate headquarter unallocated costs, restructuring and other costs, interest expense, interest income, other expense (income), net, amortization of intangible assets, and depreciation resulting from the fair value step-up of property, plant and equipment from acquisitions. The Company's segment adjusted operating income is considered a non-US GAAP measure. A description of the products and services provided within each of the Company's two operating segments is provided below.

During the three and nine months ended September 30, 2019, certain reclassifications have been made to prior year's data in order to conform to current year presentation. Specifically, during the three months ended March 31, 2019; the Company moved the dental laboratory business into the Consumables segment as the products sold from this business are typically made on a recurring basis and have similar sales and operating characteristics as the other businesses in this segment. The Company moved the orthodontics business into the Technologies & Equipment segment to take advantage of the synergies related to digital planning and treatment within this segment. The Company also moved the instruments business into the Technologies & Equipment segment in order to take advantage of the synergies that stem from pairing equipment with instruments, which are often sold in conjunction with each other. The segment information reflects the revised structure for all periods shown.

Technologies & Equipment

This segment is responsible for the worldwide design, manufacture, sales, and distribution of the Company's Dental Technology and Equipment Products and Healthcare Consumable Products. These products include dental implants, CAD/CAM systems, orthodontic dental products, imaging systems, treatment centers, instruments, as well as consumable medical device products.

Consumables

This segment is responsible for the worldwide design, manufacture, sale, and distribution of the Company's Dental Consumable Products which include preventive, restorative, endodontic, and dental laboratory products.

The Company's segment information for the three and nine months ended September 30 were as follows:

Third Party Net Sales

(in millions)	Three Months Ended		Nine Months Ended	
	2019	2018	2019	2018
Technologies & Equipment	\$ 534.5	\$ 508.5	\$ 1,613.7	\$ 1,571.8
Consumables	427.6	419.9	1,304.0	1,354.8
Total net sales	\$ 962.1	\$ 928.4	\$ 2,917.7	\$ 2,926.6

Third Party Net Sales, Excluding Precious Metal Content

(in millions)	Three Months Ended		Nine Months Ended	
	2019	2018	2019	2018
Technologies & Equipment	\$ 534.5	\$ 508.5	\$ 1,613.7	\$ 1,571.8
Consumables	416.1	412.1	1,272.4	1,327.3
Total net sales, excluding precious metal content	950.6	920.6	2,886.1	2,899.1
Precious metal content of sales	11.5	7.8	31.6	27.5
Total net sales, including precious metal content	\$ 962.1	\$ 928.4	\$ 2,917.7	\$ 2,926.6

Segment Adjusted Operating Income

(in millions)	Three Months Ended		Nine Months Ended	
	2019	2018	2019	2018
Technologies & Equipment	\$ 104.7	\$ 48.1	\$ 272.5	\$ 185.4
Consumables	113.8	102.3	341.3	360.4
Segment adjusted operating income before income taxes and interest	218.5	150.4	613.8	545.8

Reconciling items expense (income):

All Other (a)	54.7	41.4	173.3	133.6
Goodwill impairment	—	—	—	1,085.8
Restructuring and other costs	5.2	12.1	68.1	211.2
Interest expense	6.6	9.7	23.0	27.9
Interest income	(0.7)	(0.6)	(2.0)	(1.6)
Other expense (income), net	(2.9)	4.7	(4.6)	(30.4)
Amortization of intangible assets	47.4	49.6	142.9	149.7
Depreciation resulting from the fair value step-up of property, plant, and equipment from business combinations	1.7	1.8	5.2	5.4
Income (loss) before income taxes	\$ 106.5	\$ 31.7	\$ 207.9	\$ (1,035.8)

(a) Includes the results of unassigned Corporate headquarter costs and inter-segment eliminations.

NOTE 7 – INVENTORIES

Inventories are stated at the lower of cost and net realizable value. The cost of inventories determined by the last-in, first-out (“LIFO”) method at September 30, 2019 and December 31, 2018 were \$8.0 million and \$9.0 million, respectively. The cost of remaining inventories was determined by the first-in, first-out (“FIFO”) or average cost methods. If the FIFO method had been used to determine the cost of LIFO inventories, the amounts at which net inventories are stated would be higher than reported at September 30, 2019 and December 31, 2018 by \$13.9 million and \$10.2 million, respectively.

Inventories, net of inventory valuation reserves, were as follows:

(in millions)	September 30, 2019	December 31, 2018
Finished goods	\$ 385.7	\$ 380.0
Work-in-process	84.0	89.2
Raw materials and supplies	135.4	129.7
Inventories, net	<u>\$ 605.1</u>	<u>\$ 598.9</u>

The inventory valuation allowance was \$85.9 million and \$92.5 million at September 30, 2019 and December 31, 2018, respectively.

NOTE 8 – LEASES

The Company leases real estate, automobiles and equipment under various operating and finance leases. Operating lease right-of-use assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the implicit rate is not readily determinable in most of the Company's lease agreements, the Company uses its estimated secured incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. Lease expense is recognized on a straight-line basis over the lease term. Leases with an initial term of 12 months or less are not recorded on the balance sheet; the Company recognizes lease expense for these leases on a straight-line basis over the lease term. Beginning January 1, 2019, any new real estate and equipment operating lease agreements with lease and nonlease components, will be accounted for as a single lease component; auto leases will be accounted for as separate lease components.

The Company determines if an arrangement is a lease or contains a lease at inception. The Company's leases have remaining lease terms of approximately 1 year to 11 years. Many of the Company's real estate and equipment leases have one or more options to renew, with terms that can extend primarily from 1 year to 3 years, which are not included in the initial lease term. The Company does not have lease agreements with residual value guarantees, sale-and-leaseback terms, or material restrictive covenants. The Company does not have any material sublease arrangements.

The net present value of finance and operating lease assets and liabilities were as follows:

(in millions, except percentages)	Location in the Consolidated Balance Sheets	September 30, 2019
Assets		
Current assets		
Finance leases	Property, plant, and equipment, net	\$ 1.5
Operating leases	Operating lease right-of-use assets, net	156.7
Total right-of-use assets		<u>\$ 158.2</u>
Liabilities		
Current liabilities		
Finance leases	Notes payable and current portion of long-term debt	\$ 0.2
Operating leases	Accrued liabilities	41.6
Noncurrent liabilities		
Finance leases	Long-term debt	1.3
Operating leases	Operating lease liability	118.5
Total lease liabilities		<u>\$ 161.6</u>
Supplemental information:		
Weighted-average discount rate		
Finance leases		3.6 %
Operating leases		2.9 %
Weighted-average remaining lease term in years		
Finance leases		7.2
Operating leases		5.5

The lease cost recognized in the Consolidated Statements of Operations for the three and nine months ended September 30, 2019 were as follows:

(in millions)	Three Months Ended	Nine Months Ended
Finance lease cost		
Amortization of right-of-use assets	\$ 0.1	\$ 0.2
Operating lease cost	13.8	39.5
Short-term lease cost	0.3	0.7
Variable lease cost	2.2	6.1
Total lease cost	\$ 16.4	\$ 46.5

The contractual maturity dates of the remaining lease liabilities at September 30, 2019 were as follows:

(in millions)	Finance Leases	Operating Leases	Total
2019, excluding the nine months ended September 30, 2019	\$ 0.1	\$ 12.0	\$ 12.1
2020	0.3	43.3	43.6
2021	0.3	33.0	33.3
2022	0.2	24.3	24.5
2023	0.2	18.6	18.8
2024 and beyond	0.7	44.1	44.8
Total lease payments	\$ 1.8	\$ 175.3	\$ 177.1
Less imputed interest	0.3	15.2	15.5
Present value of lease liabilities	\$ 1.5	\$ 160.1	\$ 161.6

The contractual maturity dates presented under prior lease accounting guidance of the remaining rental commitments at December 31, 2018 were as follows:

(in millions)	Finance Leases	Operating Leases	Total
2019	\$ 4.2	\$ 36.6	\$ 40.8
2020	4.2	28.5	32.7
2021	2.5	22.1	24.6
2022	1.8	16.4	18.2
2023	1.3	12.7	14.0
2024 and beyond	1.1	16.9	18.0
Total lease payments	\$ 15.1	\$ 133.2	\$ 148.3

The supplemental cash flow information for the three and nine months ended September 30, 2019 were as follows:

(in millions)	Three Months Ended		Nine Months Ended	
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	\$	14.3	\$	39.5
Financing cash flows from finance leases		—		0.2
Right-of-use assets obtained in exchange for new lease liabilities:				
Operating leases	\$	17.0	\$	22.8

NOTE 9 – RESTRUCTURING AND OTHER COSTS

During the three and nine months ended September 30, 2019, the Company recorded restructuring and other costs of \$5.2 million and \$68.1 million, respectively. During the three and nine months ended September 30, 2018, the Company recorded restructuring and other costs of \$12.1 million and \$211.2 million, respectively. These costs are recorded in Restructuring and other costs in the Consolidated Statements of Operations and the associated liabilities are recorded in Accrued liabilities and Other noncurrent liabilities in the Consolidated Balance Sheets.

Restructuring Costs

During the three months ended September 30, 2019, the Company had net restructuring benefit of \$1.9 million related to a change in estimated severance costs. During the nine months ended September 30, 2019 the Company recorded net restructuring costs of \$23.0 million. During the three and nine months ended September 30, 2018, the Company recorded net restructuring costs of \$11.7 million and \$22.5 million, respectively.

The Company's restructuring accruals at September 30, 2019 were as follows:

(in millions)	Severance			
	2017 and Prior Plans	2018 Plans	2019 Plans	Total
Balance at December 31, 2018	\$ 26.8	\$ 16.4	\$ —	\$ 43.2
Provisions	3.3	1.8	17.1	22.2
Amounts applied	(18.1)	(9.8)	(6.1)	(34.0)
Change in estimates	(4.0)	(0.5)	(0.1)	(4.6)
Balance at September 30, 2019	\$ 8.0	\$ 7.9	\$ 10.9	\$ 26.8

(in millions)	Lease/Contract Terminations			
	2017 and Prior Plans	2018 Plans	2019 Plans	Total
Balance at December 31, 2018	\$ 0.5	\$ 0.1	\$ —	\$ 0.6
Provisions	0.5	—	0.1	0.6
Amounts applied	(0.5)	(0.1)	—	(0.6)
Balance at September 30, 2019	\$ 0.5	\$ —	\$ 0.1	\$ 0.6

(in millions)	Other Restructuring Costs			
	2017 and Prior Plans	2018 Plans	2019 Plans	Total
Balance at December 31, 2018	\$ 2.0	\$ 0.4	\$ —	\$ 2.4
Provisions	1.3	1.0	2.3	4.6
Amounts applied	(1.3)	(1.0)	(1.3)	(3.6)
Change in estimate	0.2	—	—	0.2
Balance at September 30, 2019	\$ 2.2	\$ 0.4	\$ 1.0	\$ 3.6

The following provides the year-to-date changes in the restructuring accruals by segment:

(in millions)	December 31, 2018 (a)	Provisions	Amounts Applied	Change in Estimates	September 30, 2019
Technologies & Equipment	\$ 32.9	\$ 9.5	\$ (25.7)	\$ (3.7)	\$ 13.0
Consumables	13.6	16.9	(11.6)	(0.5)	18.4
All Other	(0.3)	1.0	(0.9)	(0.2)	(0.4)
Total	\$ 46.2	\$ 27.4	\$ (38.2)	\$ (4.4)	\$ 31.0

(a) Reclassifications have been made to prior year balances to conform to the new segments, see Note 6, Segment Information.

Other Costs

Other costs for the three and nine months ended September 30, 2019 were \$7.1 million and \$45.1 million, respectively. For the three months ended September 30, 2019, the Company recorded an impairment charge of \$3.8 million of intangible assets related to discontinued product lines within the Consumables segment. For the nine months ended September 30, 2019, the Company recorded fixed asset impairments of \$32.8 million and an impairments of \$9.1 million related to both definite-lived and indefinite-lived intangible assets.

Other costs for the three and nine months ended September 30, 2018 were \$0.4 million and \$188.7 million, respectively. For the three months ended September 30, 2018, other costs were primarily related to legal settlements. For the nine months ended September 30, 2018 the Company recorded an impairment of \$179.2 million related to indefinite-lived tradenames and trademarks within the Technologies & Equipment segment.

NOTE 10 – FINANCIAL INSTRUMENTS AND DERIVATIVES

Derivative Instruments and Hedging Activities

The Company's activities expose it to a variety of market risks, which primarily include the risks related to the effects of changes in foreign currency exchange rates and interest rates. These financial exposures are monitored and managed by the Company as part of its overall risk management program. The objective of this risk management program is to reduce the volatility that these market risks may have on the Company's operating results and equity. The Company employs derivative financial instruments to hedge certain anticipated transactions, firm commitments, or assets and liabilities denominated in foreign currencies. Additionally, the Company has utilized interest rate swaps to convert variable rate debt to fixed rate debt.

Derivative Instruments Designated as Hedging

Cash Flow Hedges

The following summarizes the notional amounts of cash flow hedges by derivative instrument type at September 30, 2019 and the notional amounts expected to mature during the next 12 months, with a discussion of the various cash flow hedges by derivative instrument type following the table:

(in millions)	Aggregate Notional Amount	Aggregate Notional Amount Maturing within 12 Months
Foreign exchange forward contracts	\$ 323.3	\$ 240.5
Interest rate swaps	150.0	—
Total derivative instruments designated as cash flow hedges	<u>\$ 473.3</u>	<u>\$ 240.5</u>

Foreign Exchange Risk Management

The Company uses a program to hedge select anticipated foreign currency cash flows to reduce volatility in both cash flows and reported earnings of the consolidated Company. The Company accounts for the designated foreign exchange forward contracts as cash flow hedges. As a result, the Company records the fair value of the contracts primarily through AOCI based on the assessed effectiveness of the foreign exchange forward contracts. The Company measures the effectiveness of cash flow hedges of anticipated transactions on a spot-to-spot basis rather than on a forward-to-forward basis. Accordingly, the spot-to-spot change in the derivative fair value will be deferred in AOCI and released and recorded in the Consolidated Statements of Operations in the same period that the hedged transaction is recorded. The time value component of the fair value of the derivative is reported on a straight line basis in Cost of products sold in the Consolidated Statements of Operations in the period which it is applicable. Any cash flows associated with these instruments are included in operating activities in the Consolidated Statements of Cash Flows. The Company hedges various currencies, with the most significant activity occurring in euros, Swedish kronor, Canadian dollars, British pounds, Swiss francs and Australian dollars.

Interest Rate Risk Management

On March 11, 2019, the Company entered into a Treasury Rate Lock ("T-Lock") transaction to hedge the base interest rate variability exposure on a planned \$150.0 million ten year debt issuance in 2021. The T-Lock is designated as a cash flow hedge of interest rate risk. The T-Lock will be cash settled when the debt is issued, with the fair value of the T-Lock recognized as an asset or liability with an offsetting position in AOCI. As interest is accrued on this debt in the future, a pro-rata amount from AOCI will be released and recorded in Other expense (income) in the Consolidated Statements of Operations.

The Company enters into interest rate swap contracts infrequently as they are only used to manage interest rate risk on long-term debt instruments and not for speculative purposes. Any cash flows associated with these instruments are included in operating activities in the Consolidated Statements of Cash Flows.

Cash Flow Hedge Activity

The following summarizes the amount of gains and losses recorded in AOCI in the Consolidated Balance Sheets, interest expense and cost of products sold in the Company's Consolidated Statements of Operations related to the cash flow hedges for the nine months ended September 30, 2019:

(in millions)	September 30, 2019			
	Gain (Loss) in AOCI	Consolidated Statements of Operations Location	Effective Portion Reclassified from AOCI into Income (Expense)	Ineffective Portion Recognized in Income (Expense)
Effective Portion:				
Interest rate swaps	\$ (14.6)	Interest expense	\$ (1.8)	\$ —
Foreign exchange forward contracts	(4.0)	Cost of products sold	0.4	—
Ineffective Portion:				
Foreign exchange forward contracts	—	Cost of products sold	—	1.5
Total in cash flow hedging	\$ (18.6)		\$ (1.4)	\$ 1.5

Gains and losses recorded in AOCI in the Consolidated Balance Sheets and Cost of products sold in the Company's Consolidated Statements of Operations related to all cash flow hedges for the three months ended September 30, 2019 and the three months and nine months ended September 30, 2018 were insignificant.

For the rollforward of derivative instruments designated as cash flow hedges in AOCI see Note 3, Comprehensive Income (Loss).

Hedges of Net Investments in Foreign Operations

The Company has significant investments in foreign subsidiaries the most significant of which are denominated in euros, Swiss francs, Japanese yen and Swedish kronor. The net assets of these subsidiaries are exposed to volatility in currency exchange rates. The Company employs both derivative and non-derivative financial instruments to hedge a portion of this exposure. The derivative instruments consist of foreign exchange forward contracts and cross currency basis swaps. The non-derivative instruments consist of foreign currency denominated debt held at the parent company level. Translation gains and losses related to the net assets of the foreign subsidiaries are offset by gains and losses in derivative and non-derivative financial instruments; which are designated as hedges of net investments and are included in AOCI. The time value component of the fair value of the derivative is reported on a straight line basis in Other expense (income), net in the Consolidated Statements of Operations in the period which it is applicable. Any cash flows associated with these instruments are included in investing activities in the Consolidated Statements of Cash Flows except for derivative instruments that include an other-than-insignificant financing element, for which all cash flows are classified as financing activities in the Consolidated Statements of Cash Flows.

During the nine months ended September 30, 2019, the Company early terminated its existing 245.6 million euro cross currency basis swap and entered into a new 263.4 million euro cross currency basis swap maturing in August 2021. The cross currency basis swap is designated as a hedge of net investments. This contract effectively converts the \$295.7 million bond coupon from 4.1% to 1.2%, which will result in a net reduction of interest expense through maturity in 2021. The early termination resulted in a cash receipt of \$17.4 million.

The following summarizes the notional amount of hedges of net investments by derivative instrument at September 30, 2019 and the notional amounts expected to mature during the next 12 months:

(in millions)	Aggregate Notional Amount	Aggregate Notional Amount Maturing within 12 Months
Foreign exchange forward contracts	\$ 753.0	\$ 251.0
Cross currency basis swaps	287.1	—
Total for instruments designated as hedges of net investment	\$ 1,040.1	\$ 251.0

The following summarizes the amount of gains and losses recorded in AOCI in the Consolidated Balance Sheets and Other expense (income), net in the Company's Consolidated Statements of Operations related to the hedges of net investments for the three months ended September 30, 2019:

(in millions)	September 30, 2019		
	Gain (Loss) in AOCI	Consolidated Statements of Operations Location	Recognized in Income (Expense)
Effective Portion:			
Cross currency basis swaps	\$ 12.4	Interest Expense	\$ 2.2
Foreign exchange forward contracts	25.5	Other expense (income), net	6.1
Total for net investment hedging	\$ 37.9		\$ 8.3

Gains (losses) recorded in AOCI on the Consolidated Balance Sheets and Other expense (income), net on the Company's Consolidated Statements of Operations related to the hedges of net investments for the three months ended September 30, 2018 were insignificant.

The following summarizes the amount of gains and losses recorded in AOCI in the Consolidated Balance Sheets and Other expense (income), net in the Company's Consolidated Statements of Operations related to the hedges of net investments for the nine months ended September 30, 2019 and 2018:

(in millions)	September 30, 2019		
	Gain (Loss) in AOCI	Consolidated Statements of Operations Location	Recognized in Income (Expense)
Effective Portion:			
Cross currency basis swaps	\$ 13.1	Interest expense	\$ 6.3
Foreign exchange forward contracts	31.7	Other expense (income), net	15.7
Total for net investment hedging	\$ 44.8		\$ 22.0

(in millions)	September 30, 2018		
	Gain (Loss) in AOCI	Consolidated Statements of Operations Location	Recognized in Income (Expense)
Effective Portion:			
Cross currency basis swaps	\$ 11.0	Interest expense	\$ 5.5
		Other expense (income), net	(7.1)
Foreign exchange forward contracts	17.9	Other expense (income), net	9.9
Total for net investment hedging	\$ 28.9		\$ 8.3

Fair Value Hedges

Foreign Exchange Risk Management

The Company has an intercompany loan denominated in Swedish kronor that is exposed to volatility in currency exchange rates. The Company employs derivative financial instruments to hedge this exposure. The Company accounts for these designated foreign exchange forward contracts as fair value hedges. The Company measures the effectiveness of fair value hedges of anticipated transactions on a spot-to-spot basis rather than on a forward-to-forward basis. Accordingly, the spot-to-spot change in the derivative fair value will be recorded in the Consolidated Statements of Operations. Any cash flows associated with these instruments are included in investing activities in the Consolidated Statements of Cash Flows.

The following summarizes the notional amounts of fair value hedges by derivative instrument type at September 30, 2019 and the notional amounts expected to mature during the next 12 months:

(in millions)	Aggregate Notional Amount	Aggregate Notional Amount Maturing within 12 Months
Foreign exchange forward contracts	\$ 104.7	\$ 36.6
Total derivative instruments as fair value hedges	\$ 104.7	\$ 36.6

Gains (losses) recorded in AOCI on the Consolidated Balance Sheets and Other expense (income), net on the Company's Consolidated Statements of Operations related to the fair value hedges for the three and nine months ended September 30, 2019 were insignificant.

Derivative Instruments Not Designated as Hedges

The Company enters into derivative instruments with the intent to partially mitigate the foreign exchange revaluation risk associated with recorded assets and liabilities that are denominated in a non-functional currency. The gains and losses on these derivative transactions offset the gains and losses generated by the revaluation of the underlying non-functional currency balances and are recorded in Other expense (income), net in the Consolidated Statements of Operations. The Company primarily uses foreign exchange forward contracts to hedge these risks. Any cash flows associated with the foreign exchange forward contracts and interest rate swaps not designated as hedges are included in cash from operating activities in the Consolidated Statements of Cash Flows.

The following summarizes the aggregate notional amounts of the Company's economic hedges not designated as hedges by derivative instrument types at September 30, 2019 and the notional amounts expected to mature during the next 12 months:

(in millions)	Aggregate Notional Amount	Aggregate Notional Amount Maturing within 12 Months
Foreign exchange forward contracts	\$ 210.8	\$ 210.8
Total for instruments not designated as hedges	\$ 210.8	\$ 210.8

Gains and losses recorded in the Company's Consolidated Statements of Operations related to the economic hedges not designated as hedging for the three and nine months ended September 30, 2019 and 2018 were insignificant.

Balance Sheet Offsetting

Substantially all of the Company's derivative contracts are subject to netting arrangements, whereby the right to offset occurs in the event of default or termination in accordance with the terms of the arrangements with the counterparty. While these contracts contain the enforceable right to offset through netting arrangements with the same counterparty, the Company elects to present them on a gross basis in the Consolidated Balance Sheets.

Offsetting of financial liabilities under netting arrangements at September 30, 2019 were insignificant. Offsetting of financial assets under netting arrangements at September 30, 2019 were as follows:

(in millions)	Gross Amounts Recognized	Gross Amount Offset in the Consolidated Balance Sheets	Net Amounts Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets		Net Amount
				Financial Instruments	Cash Collateral Received/Pledged	
Assets						
Foreign exchange forward contracts	\$ 70.5	\$ —	\$ 70.5	\$ (11.7)	\$ —	\$ 58.8
Cross currency basis swaps	10.9	—	10.9	(2.1)	—	8.8
Total Assets	\$ 81.4	\$ —	\$ 81.4	\$ (13.8)	\$ —	\$ 67.6

Offsetting of financial liabilities under netting arrangements at December 31, 2018 were insignificant. Offsetting of financial assets under netting arrangements at December 31, 2018 were as follows:

(in millions)	Gross Amounts Recognized	Gross Amount Offset in the Consolidated Balance Sheets	Net Amounts Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets		Net Amount
				Financial Instruments	Cash Collateral Received/Pledged	
Assets						
Foreign exchange forward contracts	\$ 33.7	\$ —	\$ 33.7	\$ (1.8)	\$ —	\$ 31.9
Cross currency basis swaps	11.6	—	11.6	(1.6)	—	10.0
Total Assets	\$ 45.3	\$ —	\$ 45.3	\$ (3.4)	\$ —	\$ 41.9

NOTE 11 – FAIR VALUE MEASUREMENT

The Company estimated the fair value using Level 1 inputs and carrying value of total long-term debt, including the current portion, were \$1,422.1 million and \$1,415.5 million, respectively at September 30, 2019. At December 31, 2018, the Company estimated the fair value and carrying value of total long-term debt, including the current portion, were \$1,577.1 million and \$1,575.5 million, respectively.

The following set forth by level within the fair value hierarchy the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis at September 30, 2019 and December 31, 2018, respectively:

(in millions)	September 30, 2019			
	Total	Level 1	Level 2	Level 3
Assets				
Cross currency basis swaps	\$ 10.9	\$ —	\$ 10.9	\$ —
Foreign exchange forward contracts	70.6	—	70.6	—
Total assets	<u>\$ 81.5</u>	<u>\$ —</u>	<u>\$ 81.5</u>	<u>\$ —</u>
Liabilities				
Interest rate swaps	\$ 14.5	\$ —	\$ 14.5	\$ —
Foreign exchange forward contracts	5.2	—	5.2	—
Contingent considerations on acquisitions	9.1	—	—	9.1
Total liabilities	<u>\$ 28.8</u>	<u>\$ —</u>	<u>\$ 19.7</u>	<u>\$ 9.1</u>

(in millions)	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Assets				
Cross currency basis swaps	\$ 11.6	\$ —	\$ 11.6	\$ —
Foreign exchange forward contracts	33.7	—	33.7	—
Total assets	<u>\$ 45.3</u>	<u>\$ —</u>	<u>\$ 45.3</u>	<u>\$ —</u>
Liabilities				
Interest rate swaps	\$ 0.2	\$ —	\$ 0.2	\$ —
Foreign exchange forward contracts	3.2	—	3.2	—
Contingent considerations on acquisitions	9.1	—	—	9.1
Total liabilities	<u>\$ 12.5</u>	<u>\$ —</u>	<u>\$ 3.4</u>	<u>\$ 9.1</u>

There have been no transfers between levels during the nine months ended September 30, 2019.

Derivative valuations are based on observable inputs to the valuation model including interest rates, foreign currency exchange rates and credit risks. The Company utilizes interest rate swaps and foreign exchange forward contracts that are considered cash flow hedges. In addition, the Company at times employs forward exchange contracts that are considered hedges of net investment in foreign operations. Designated derivative instruments are further discussed in Note 10, Financial Instruments and Derivatives.

NOTE 12 – INCOME TAXES

Uncertainties in Income Taxes

The Company recognizes the impact of a tax position in the interim consolidated financial statements if that position is more likely than not of being sustained on audit based on the technical merits of the position.

Final settlement and resolution of tax matters in various jurisdictions during the three months ended September 30, 2019 included approximately \$4.5 million of previously recorded unrecognized tax benefits.

It is reasonably possible that certain amounts of unrecognized tax benefits will significantly increase or decrease within 12 months of the reporting date of the Company's quarterly consolidated financial statements. Final settlement and resolution of outstanding tax matters in various jurisdictions during the next 12 months are not expected to be significant.

Other Tax Matters

During the three months ended September 30, 2019, the Company recorded tax benefit of \$5.0 million related to valuation allowances.

During the three months ended September 30, 2018, the Company recorded the following discrete tax items, \$0.3 million of excess tax benefit related to employee share-based compensation, \$0.2 million related to enacted statutory rate changes and \$0.6 million of tax expense for other discrete tax matters. In addition, the Company also recorded a \$2.2 million tax expense as a discrete item related to the gain on sale of marketable securities.

The Company recorded a \$50.4 million tax benefit as a discrete item related to the indefinite-lived intangible asset impairment charge, \$1.1 million for the fixed asset impairment charge, and \$3.3 million related to tax-deductible goodwill for the nine months ended September 30, 2018.

NOTE 13 – FINANCING ARRANGEMENTS

At September 30, 2019 and December 31, 2018, there were no outstanding borrowings under the current \$700.0 million multi-currency revolving credit facility. The Company had no outstanding borrowings under the commercial paper facility at September 30, 2019 and \$67.8 million outstanding under the commercial paper facility at December 31, 2018. The multi-currency revolving credit facility serves as a back-stop facility for the Company's \$500.0 million commercial paper program.

At September 30, 2019, the Company had \$716.8 million of borrowing available under lines of credit, including lines available under its short-term arrangements and revolving credit facility.

The Company's revolving credit facility, term loans and senior notes contain certain affirmative and negative covenants relating to the Company's operations and financial condition. At September 30, 2019, the Company was in compliance with all debt covenants.

On May 28, 2019, the Company pre-paid the PNC Term Loan for a total of \$131.3 million using cash and short-term commercial paper.

On June 24, 2019, the Company entered into a Private Placement Note Purchase Agreement ("PPN") to borrow 12.5 billion Japanese yen for a term of 12 years at a coupon of 0.99%. The proceeds were used to repay the 12.5 billion Japanese yen Term Loan maturing September 30, 2019.

On July 31, 2019, the Company amended its \$700.0 million revolving credit facility to extend the maturity date one year to July 26, 2024.

NOTE 14 – GOODWILL AND INTANGIBLE ASSETS

The Company performed its annual impairment tests of goodwill at April 30, 2019 on 5 reporting units. As discussed in Note 6, Segment Information, effective in the first quarter of 2019, the Company realigned certain businesses between segments. As a result, the Company transferred goodwill between segments due to changes in the reporting units. Affected reporting units were tested for potential impairment of goodwill before the transfers. No goodwill impairment was identified due to the realignment.

To determine the fair value of the Company's reporting units, the Company uses a discounted cash flow model with market-based support as its valuation technique to measure the fair value for its reporting units. The discounted cash flow model uses five- to ten- year forecasted cash flows plus a terminal value based on a multiple of earnings or by capitalizing the last period's cash flows using a perpetual growth rate. In the development of the forecasted cash flows, the Company applies revenue, gross profit and operating expense assumptions taking into consideration historical trends as well as future expectations. These future expectations include, but are not limited to, new product development and distribution channel changes for the respective reporting units. The Company also considers the current and projected market conditions for dental and medical device industries, both in the U.S. and globally, when determining its assumptions. The total forecasted cash flows are discounted based on a range between 8.0% to 11.3%. The discount rate used is based on the weighted-average cost of capital adjusted for the relevant risk associated with business-specific characteristics and the uncertainty related to the reporting unit's ability to execute on the projected cash flows. The Company's significant estimates in the discounted cash flow models include, but are not limited to, the weighted average cost of capital, long-term rate of growth and profitability of the reporting unit's business and working capital effects. As a result of the annual impairment tests of goodwill, no impairment was identified. A change in any of these estimates and assumptions could produce a different fair value, which could have a material impact on the Company's results of operations.

In addition, the Company assessed the annual impairment of indefinite-lived intangible assets at April 30, 2019, which largely consists of acquired tradenames and trademarks, in conjunction with the annual impairment tests of goodwill. The performance of the Company's annual impairment test did not result in any impairment of the Company's indefinite-lived intangible assets.

Unfavorable developments in the market for the dental or medical device industries, an increase in discount rates, unfavorable changes in earnings multiples or a decline in future cash flow projections, among other factors, may cause a change in circumstances indicating that the carrying value of the indefinite-lived assets and goodwill within the Company's reporting units may not be recoverable.

A reconciliation of changes in the Company's goodwill by reportable segment were as follows (the segment information below reflects the current structure for all periods shown):

(in millions)	Technologies & Equipment	Consumables	Total
Balance at December 31, 2018	\$ 2,579.8	\$ 851.5	\$ 3,431.3
Business unit transfers	(37.1)	37.1	—
Acquisition related additions	3.8	—	3.8
Divestiture of a business	(4.1)	—	(4.1)
Effects of exchange rate changes	(59.0)	(16.3)	(75.3)
Balance at September 30, 2019	<u>\$ 2,483.4</u>	<u>\$ 872.3</u>	<u>\$ 3,355.7</u>

The following provides the gross carrying amount of goodwill and the cumulative goodwill impairment:

(in millions)	September 30, 2019			December 31, 2018		
	Gross Carrying Amount	Cumulative Impairment	Net Carrying Amount	Gross Carrying Amount	Cumulative Impairment	Net Carrying Amount
Technologies & Equipment	\$ 5,220.0	\$ (2,736.6)	\$ 2,483.4	\$ 5,247.9	\$ (2,668.1)	\$ 2,579.8
Consumables	872.3	—	872.3	920.0	(68.5)	851.5
Total effect of cumulative impairment	<u>\$ 6,092.3</u>	<u>\$ (2,736.6)</u>	<u>\$ 3,355.7</u>	<u>\$ 6,167.9</u>	<u>\$ (2,736.6)</u>	<u>\$ 3,431.3</u>

Identifiable definite-lived and indefinite-lived intangible assets were as follows:

(in millions)	September 30, 2019			December 31, 2018		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Patents	\$ 1,318.3	\$ (477.0)	\$ 841.3	\$ 1,376.4	\$ (407.1)	\$ 969.3
Tradenames and trademarks	77.5	(61.9)	15.6	81.1	(62.5)	18.6
Licensing agreements	35.8	(27.3)	8.5	36.1	(26.3)	9.8
Customer relationships	1,047.1	(373.8)	673.3	1,085.3	(334.4)	750.9
Total definite-lived	\$ 2,478.7	\$ (940.0)	\$ 1,538.7	\$ 2,578.9	\$ (830.3)	\$ 1,748.6
Indefinite-lived tradenames and trademarks	\$ 629.0	\$ —	\$ 629.0	\$ 671.7	\$ —	\$ 671.7
Total identifiable intangible assets	\$ 3,107.7	\$ (940.0)	\$ 2,167.7	\$ 3,250.6	\$ (830.3)	\$ 2,420.3

During the three months ended March 31, 2019, the Company impaired \$5.3 million of product tradenames and trademarks within the Technologies & Equipment segment. The impairment was the result of a change in forecasted sales related to divestitures of non-strategic product lines. During the three months ended September 30, 2019, the Company impaired \$3.8 million of intangible assets related to discontinued product lines within the Consumables segment.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Litigation

The SEC's Division of Enforcement has asked the Company to provide documents and information concerning the Company's accounting and disclosures. The Company is cooperating with the SEC's investigation. The Company is unable to predict the ultimate outcome of this matter, or whether it will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

On January 11, 2018, Tom Redlich, a former employee, filed a lawsuit against the Company, demanding supplemental compensation pursuant to an agreement allegedly entered into with Sirona Dental GmbH which was intended to entice Mr. Redlich to continue to work for the company for no less than eight years following the date of this agreement. The Company filed its response on April 4, 2018, denying the authenticity and enforceability of, and all liability under, the alleged agreement. Mr. Jost Fischer, upon invitation of the Company, joined the litigation against Mr. Redlich as a third party. In his submission to the court Mr. Fischer disputed the central allegations raised by Mr. Redlich in his lawsuit. The court held several hearings in the matter, and then closed the hearings in June 2019 pending the court's decision on the capacity of Mr. Fischer to enter into a binding agreement of the type alleged by Mr. Redlich in the manner alleged. On November 5, 2019, the Company received the court's judgment rejecting Mr. Redlich's lawsuit and dismissing his claims. Mr. Redlich has until December 2019 to appeal the court's decision.

On January 25, 2018, Futuredontics, Inc. received service of a purported class action lawsuit brought by Henry Olivares and other similarly situated individuals in the Superior Court of the State of California for the County of Los Angeles. In January 2019, an amended complaint was filed adding another named plaintiff, Rachael Clarke, and various claims. The plaintiff class alleges several violations of the California wage and hours laws, including, but not limited to, failure to provide rest and meal breaks and the failure to pay overtime. The parties have engaged in written and other discovery. On February 5, 2019, Plaintiff Caletia Holt (represented by the same counsel as Mr. Olivares and Ms. Clarke) filed a separate representative action in Los Angeles Superior Court alleging a single violation of the Private Attorneys' General Act that is based on the same underlying claims as the Olivares/Clarke lawsuit. On April 5, 2019, Plaintiff Kendra Cato filed a similar action in Los Angeles Superior Court alleging a single violation of the Private Attorneys' General Act that is based on the same underlying claims as the Olivares/Clarke lawsuit. The Company continues to vigorously defend against these matters.

On June 7, 2018, and August 9, 2018, two putative class action suits were filed, and later consolidated, in the Supreme Court of the State of New York, County of New York claiming that the Company and certain individual defendants, violated U.S. securities laws (the "State Court Class Action") by making material misrepresentations and omitting required information in the December 4, 2015 registration statement filed with the SEC in connection with the Merger. The amended complaint alleges that the defendants failed to disclose, among other things, that a distributor had purchased excessive inventory of legacy Sirona products and that three distributors of the Company's products had been engaging in anticompetitive conduct. The plaintiffs seek to recover damages on behalf of a class of former Sirona shareholders who exchanged their shares for shares of the Company's stock in the Merger. The Company has filed motions to dismiss the amended complaint, to stay discovery pending resolution of the motion to dismiss, and to stay all proceedings pending resolution of the Federal Class Action described below. On August 2, 2019, the Court denied the Company's motions to stay discovery and to stay all proceedings. On August 21, 2019, the Company filed a notice of appeal of that decision. Briefing has not yet commenced on that appeal. On September 26, 2019, the Court granted the Company's motion to dismiss all claims. The associated judgment was entered on September 30, 2019. On October 9, 2019, the plaintiffs moved by order to show cause to vacate or modify the judgment and grant plaintiffs leave to amend their complaint. The Company's opposition to that motion is due on November 8, 2019, and the reply is due November 29, 2019, with a hearing date scheduled for December 11, 2019.

On December 19, 2018, a related putative class action was filed in the U.S. District Court for the Eastern District of New York against the Company and certain individual defendants (the "Federal Class Action"). The plaintiff makes similar allegations and asserts the same claims as those asserted in the State Court Class Action. In addition, the plaintiff alleges that the defendants violated U.S. securities laws by making false and misleading statements in quarterly and annual reports and other public statements between February 20, 2014, and August 7, 2018. The plaintiff asserts claims on behalf of a putative class consisting of (a) all purchasers of the Company's stock during the period February 20, 2014 through August 7, 2018 and (b) former shareholders of Sirona who exchanged their shares of Sirona stock for shares of the Company's stock in the Merger. The Company's motion to dismiss the amended complaint was served on August 15, 2019. Briefing was completed on October 21, 2019 and the Company is awaiting the decision of the court.

On April 29, 2019, two purported stockholders of the Company filed a derivative action on behalf of the Company in the U.S. District Court for the District of Delaware against the Company's directors (the "Stockholder's Derivative Action"). Based

on allegations similar to those asserted in the class actions described above, the plaintiffs allege that the directors caused the Company to misrepresent its business prospects and thereby subjected the Company to multiple securities class actions and other litigation. On September 20, 2019, the plaintiffs in the Stockholder's Derivative Action filed an amended derivative complaint on behalf of the Company in the U.S. District Court for the District of Delaware against the Company's directors. The plaintiffs assert claims for breach of fiduciary duty, unjust enrichment, waste of corporate assets, and violations of the U.S. securities laws. The plaintiffs seek relief that includes, among other things, monetary damages and various corporate governance reforms.

The Company intends to defend itself vigorously in these actions.

As a result of an audit by the IRS for fiscal years 2012 through 2013, on February 11, 2019, the IRS issued to the Company a "30-day letter" and a Revenue Agent's Report ("RAR"), relating to the Company's worthless stock deduction in 2013 in the amount of \$546.0 million. The RAR disallows the deduction and, after adjusting the Company's net operating loss carryforward, asserts that the Company is entitled to a refund of \$4.7 million for 2012, has no tax liability for 2013, and owes a deficiency of \$17.1 million in tax for 2014, excluding interest. In accordance with ASC 740, the Company recorded the tax benefit associated with the worthless stock deduction in the Company's 2012 financial statements. The Company has submitted a formal protest disputing on multiple grounds the proposed taxes.

The Company believes the IRS position is without merit and believes that it is more likely-than-not the Company's position will be sustained upon further review. The Company has not accrued a liability relating to the proposed tax adjustments. However, the outcome of this dispute involves a number of uncertainties, including those inherent in the valuation of various assets at the time of the worthless stock deduction, and those relating to the application of the Internal Revenue Code and other federal income tax authorities and judicial precedent. Accordingly, there can be no assurance that the dispute with the IRS will be resolved favorably. If determined adversely, the dispute would result in a current period charge to earnings and could have a material adverse effect in the consolidated results of operations, financial position, and liquidity of the Company.

The Swedish Tax Agency has disallowed certain of the Company's interest expense deductions for the tax years from 2013 to 2017 and is also expected to do the same for the 2018 tax year. If such interest expense deductions were disallowed, the Company would be subject to an additional \$41.0 million in tax expense. The Company has appealed the disallowance to the Swedish administrative court. With respect to such deductions taken in the tax years from 2013 to 2014, the court ruled against the Company on July 5, 2017. On August 7, 2017, the Company appealed the unfavorable decision of the Swedish administrative court. On November 5, 2018, the Company delivered its final argument to the administrative court of appeal at a hearing. The European Union Commission has taken the view that Sweden's interest deduction limitation rules are incompatible with European Union law and supporting legal opinions, and therefore the Company has not paid the tax or made provision in its financial statements for such potential expense. The Company intends to vigorously defend its position and pursue related appeals.

In addition to the matters disclosed above, the Company is, from time to time, subject to a variety of litigation and similar proceedings incidental to its business. These legal matters primarily involve claims for damages arising out of the use of the Company's products and services and claims relating to intellectual property matters including patent infringement, employment matters, tax matters, commercial disputes, competition and sales and trading practices, personal injury, and insurance coverage. The Company may also become subject to lawsuits as a result of past or future acquisitions or as a result of liabilities retained from, or representations, warranties or indemnities provided in connection with, divested businesses. Some of these lawsuits may include claims for punitive and consequential, as well as compensatory damages. Based upon the Company's experience, current information and applicable law, it does not believe that these proceedings and claims will have a material adverse effect on its consolidated results of operations, financial position or liquidity. However, in the event of unexpected further developments, it is possible that the ultimate resolution of these matters, or other similar matters, if unfavorable, may be materially adverse to the Company's business, financial condition, results of operations or liquidity.

While the Company maintains general, product, property, workers' compensation, automobile, cargo, aviation, crime, fiduciary and directors' and officers' liability insurance up to certain limits that cover certain of these claims, this insurance may be insufficient or unavailable to cover such losses. In addition, while the Company believes it is entitled to indemnification from third parties for some of these claims, these rights may also be insufficient or unavailable to cover such losses.

Purchase Commitments

From time to time, the Company enters into long-term inventory purchase commitments with minimum purchase requirements for raw materials and finished goods to ensure the availability of products for production and distribution. These commitments may have a significant impact on levels of inventory maintained by the Company.

DENTSPLY SIRONA Inc. and Subsidiaries

Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations

Information included in or incorporated by reference in this Form 10-Q, and other filings with the U.S. Securities and Exchange Commission (the “SEC”) and the Company’s press releases or other public statements, contains or may contain forward-looking statements. Please refer to a discussion of the Company’s forward-looking statements and associated risks in Part I, “Forward-Looking Statements” and Part I, Item 1. “Business” of the Company’s Form 10-K for the year ended December 31, 2018.

OVERVIEW

Highlights

- For the three months ended September 30, 2019, reported net sales increased 3.6% compared to the three months ended September 30, 2018. On a constant currency basis sales increased 5.2% for the three months ended September 30, 2019 compared to the three months ended September 30, 2018.
- For the three months ended September 30, 2019, the Company generated earnings per diluted common share of \$0.38 compared to earnings per diluted common share of \$0.13 for the three months ended September 30, 2018. Adjusted earnings per diluted common share (a non-US GAAP measure as reconciled under net income attributable to Dentsply Sirona below) for the three months ended September 30, 2019 was \$0.57 compared to \$0.38 earnings per diluted common share for the three months ended September 30, 2018.
- Cash flow from operations for the nine months ended September 30, 2019 was \$333.5 million, as compared to \$297.6 million during the nine months ended September 30, 2018.

Company Profile

Dentsply Sirona is the world’s largest manufacturer of professional dental products and technologies, with over a century of innovation and service to the dental industry and patients worldwide. Dentsply Sirona develops, manufactures, and markets a comprehensive solutions offering including dental and oral health products as well as other consumable medical devices under a strong portfolio of world class brands. As The Dental Solutions Company, Dentsply Sirona’s products provide innovative, high-quality and effective solutions to advance patient care and deliver better, safer and faster dentistry. Dentsply Sirona’s global headquarters is located in Charlotte, North Carolina. The Company’s shares are listed in the United States on Nasdaq under the symbol XRAY.

BUSINESS

The Company operates in two business segments:

The Technologies & Equipment segment is responsible for the worldwide design, manufacture, sales and distribution of the Company’s Dental Technology and Equipment Products and Healthcare Consumable Products. These products include dental implants, CAD/CAM systems, orthodontic dental products, imaging systems, treatment centers, instruments, as well as consumable medical device products.

The Consumables segment is responsible for the worldwide design, manufacture, sales and distribution of the Company’s Dental Consumable Products which include preventive, restorative, endodontic, and dental laboratory products.

Principal Measurements

The principal measurements used by the Company in evaluating its business are: (1) constant currency sales growth by segment and geographic region; (2) internal sales growth by segment and geographic region; and (3) adjusted operating income and margins of each reportable segment, which excludes the impacts of purchase accounting, corporate expenses, and certain other items to enhance the comparability of results period to period. These principal measurements are not calculated in accordance with accounting principles generally accepted in the United States; therefore, these items represent non-US GAAP measures. These non-US GAAP measures may differ from other companies and should not be considered in isolation from, or as a substitute for, measures of financial performance prepared in accordance with US GAAP.

The Company defines “constant currency” sales growth as the increase or decrease in net sales from period to period excluding precious metal content and the impact of changes in foreign currency exchange rates. This impact is calculated by comparing current-period revenues to prior-period revenues, with both periods converted at the U.S. dollar to local currency foreign exchange rate for each month of the prior period, for the currencies in which the Company does business. The Company defines “internal” sales growth as constant currency sales growth excluding the impacts of net acquisitions and divestitures and discontinued products.

Business Drivers

The primary drivers of internal growth include macroeconomic factors, global dental market growth, innovation, and new product launches by the Company; as well as continued investments in sales and marketing resources, including clinical education. Management believes that the Company’s ability to execute its strategies should allow it to grow faster than the underlying dental market over time. On a short-term basis, changes in strategy or distributor inventory levels can impact the Company’s internal growth.

The Company has a focus on maximizing operational efficiencies on a global basis. The Company has expanded the use of technology as well as process improvement initiatives to enhance global efficiency. In addition, management continues to evaluate the worldwide consolidation of operations and functions to further reduce costs. While the Company continues consolidation initiatives which can have an adverse impact on reported results, the Company expects that the continued benefits from these global efficiency efforts will improve its cost structure.

In connection with these initiatives, the Board of Directors of the Company approved a plan to restructure the Company’s business to support revenue growth and margin expansion and to simplify the organization, with the understanding that the restructuring plan may continue to evolve as the Company progresses through the continued planning and execution of the plan. The plan includes a restructuring of the business through streamlining the organization and consolidating functions. The restructuring plan anticipates a net reduction in the Company’s global workforce of approximately 6% to 8%, and the Company will consult with employee representation in connection with the execution of the restructuring plan where required. The Company’s goal is that the restructuring will result in annualized topline growth of 3% to 4%, an adjusted operating income margin of 20% by the end of the year 2020, an adjusted operating income margin of 22% by the year 2022 and \$200 million to \$225 million in net annual cost savings by 2021. As part of the restructuring plan announced on November 18, 2018, the Company put in place a plan to reduce headcount from 16,300 as of that date, to a range of 15,300 and 15,000 before the end of 2022. Since the announcement, the Company has made significant progress in reducing headcount. At September 30, 2019 the Company remained on track to achieve this goal. The Company is currently in the process of making strategic headcount additions to support revenue growth and other initiatives. At the same time, the Company continues to execute on additional cost reduction programs which are anticipated to incrementally reduce headcount over the remaining time period required to fully execute its cost containment programs. The Company expects to incur approximately \$275 million in one-time expenditures and charges. During the nine months ended September 30, 2019, the Company has recorded expenses and charges of approximately \$150 million related to this restructuring plan, of which, approximately \$72 million were non-cash charges. There can be no assurance that the cost reductions and results will be achieved.

As part of this restructuring plan, the Company has introduced five key operating principles in order to achieve this goal:

- *Approach customers as one:* Put the customer at the center of how Dentsply Sirona is organized. The Company is creating one integrated approach to customer service, direct and indirect selling, and clinical education to strengthen the relationship with the customer and better serve the customers’ needs.

- *Assume greater responsibility for Dentsply Sirona's demand creation:* To better support dealer partners and end-user customers, the Company launched a sales force effectiveness program, with a view to improving returns on sales and marketing investments.
- *Ensure that innovation is substantial and supported:* Create a comprehensive R&D program that prioritizes spending across the entire Company portfolio resulting in more impactful innovations each year.
- *Lead in clinical education:* Dentsply Sirona is investing to further its leadership position through local training events and enhancing online training presence to strengthen the relationship with the dental professionals.
- *Take advantage of scale:* The Company is focused on integrating its dental product portfolios to unlock operational efficiencies, including performance improvements in procurement, logistics, manufacturing, sales force and marketing programs. In addition, Dentsply Sirona is taking significant measures to simplify the business. In combination, these initiatives will improve organizational efficiency and better leverage the Company's selling, general and administrative infrastructure.

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 the dentistry and consumable medical device markets in which the Company operates. 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, healthcare consumable, and dental technology 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, technologies, and sales and service infrastructure through partnerships and acquisitions. Although the professional dental and the consumable medical device markets in which the Company operates have experienced consolidation, they remain fragmented. Management believes that there will continue to be adequate opportunities to participate as a consolidator in the industry for the foreseeable future.

The Company's business is subject to quarterly fluctuations of consolidated net sales and net income. Price increases, promotional activities, as well as changes in inventory levels at distributors contribute to this fluctuation. The Company typically implements most of its price increases in October or January of a given year across most of its businesses. Distributor inventory levels tend to increase in the period leading up to a price increase and decline in the period following the implementation of a price increase. Required minimum purchase commitments under agreements with key distributors may increase inventory levels in excess of retail demand. These net inventory changes have impacted the Company's consolidated net sales and net income in the past, and may continue to do so in the future, over a given period or multiple periods. In addition, the Company may from time to time, engage in new distributor relationships that could cause quarterly fluctuations of consolidated net sales and net income. Distributor inventory levels may fluctuate, and may differ from the Company's predictions, resulting in the Company's projections of future results being different than expected. There can be no assurance that the Company's dealers and customers will maintain levels of inventory in accordance with the Company's predictions or past history, or that the timing of customers' inventory build or liquidation will be in accordance with the Company's predictions or past history. Any of these fluctuations could be material to the Company's consolidated financial statements.

Impact of Foreign Currencies and Interest Rates

Due to the Company's significant international presence, movements in foreign exchange and interest rates may impact the Consolidated Statements of Operations. With approximately two-thirds of the Company's net sales located in regions outside the United States, the Company's consolidated net sales are impacted negatively by the strengthening or positively impacted 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 as a number of the Company's manufacturing and distribution operations are located outside of the U.S.

Reclassification of Prior Year Amounts

During the three and nine months ended September 30, 2019, certain reclassifications have been made to prior year's data in order to conform to current year presentation. Specifically, during the three months ended March 31, 2019, the Company moved the dental laboratory business into the Consumables segment as the products sold from this business are typically made on a recurring basis and have similar sales and operating characteristics as the other businesses in this segment. The Company moved the orthodontics business into the Technologies & Equipment segment to take advantage of the synergies related to digital planning and treatment within this segment. The Company also moved the instruments business into the Technologies & Equipment segment in order to take advantage of the synergies that stem from pairing equipment with instruments, which are often sold in conjunction with each other. The segment information reflects the revised structure for all periods shown.

RESULTS OF OPERATIONS, QUARTER ENDED SEPTEMBER 30, 2019 COMPARED TO QUARTER ENDED SEPTEMBER 30, 2018

Net Sales

The discussion below summarizes the Company's sales growth which excludes precious metal content, into the following components: (1) constant currency sales growth by segment and geographic region and (2) internal sales growth by segment and geographic region. These disclosures of net sales growth provide the reader with sales results on a comparable basis between periods. These principal measurements are not calculated in accordance with accounting principles generally accepted in the United States; therefore, these items represent non-US GAAP measures. These non-US GAAP measures may differ from other companies and should not be considered in isolation from, or as a substitute for, measures of financial performance prepared in accordance with US GAAP.

The Company defines "constant currency" sales growth as the increase or decrease in net sales from period to period excluding precious metal content and the impact of changes in foreign currency exchange rates. This impact is calculated by comparing current-period revenues to prior-period revenues, with both periods converted at the U.S. dollar to local currency foreign exchange rate for each month of the prior period, for the currencies in which the Company does business. The Company defines "internal" sales growth as constant currency sales growth excluding the impacts of net acquisitions and divestitures and discontinued products.

Management believes that the presentation of net sales, excluding precious metal content, provides useful information to investors because a portion of Dentsply Sirona'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 cost of the precious metal content of the Company's sales is largely passed through to customers and has minimal effect on earnings, Dentsply Sirona 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 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.

(in millions, except percentages)	Three Months Ended September 30,			
	2019	2018	\$ Change	% Change
Net sales	\$ 962.1	\$ 928.4	\$ 33.7	3.6 %
Less: precious metal content of sales	11.5	7.8	3.7	47.4 %
Net sales, excluding precious metal content	<u>\$ 950.6</u>	<u>\$ 920.6</u>	<u>\$ 30.0</u>	<u>3.3 %</u>

Reported net sales, for the three months ended September 30, 2019 were \$962.1 million, an increase of \$33.7 million from the three months ended September 30, 2018. For the three months ended September 30, 2019 net sales, excluding precious metal content were \$950.6 million, an increase of \$30.0 million from the three months ended September 30, 2018. Net sales, excluding precious metal content, were negatively impacted by approximately 2.3% due to the strengthening of the U.S. dollar as compared to the same prior year period.

For the three months ended September 30, 2019, net sales, excluding precious metal content, increased 7.5% on an internal sales growth basis. On a constant currency basis, revenue increased 5.2%. The constant currency increase included the negative impact of 1.2% from divestitures of non-strategic businesses and 1.1% reduction due to discontinued products. Internal sales growth was led by Technologies & Equipment growth of 11.0% and Consumables grew by 3.2%.

Key drivers of the internal sales growth for the three months ended September 30, 2019, were Digital Dentistry, Consumables, and Healthcare businesses partially offset by continued weakness in Equipment & Instruments sales. The growth in Digital Dentistry was the result of new product sales in the CAD/CAM business while the weakness in Equipment & Instruments business is mostly the result of continued competitive pressures in the imaging equipment products. The third quarter of 2018 included an estimated decrease in inventory held at certain distributors of approximately \$34 million as well as the negative impact to net sales of approximately \$20 million due to the relocation of the Company's European distribution center.

Sales Growth by Region

Net sales, excluding precious metal content, by geographic region were as follows:

(in millions, except percentages)	Three Months Ended September 30,			
	2019	2018	\$ Change	% Change
United States	\$ 335.5	\$ 327.4	\$ 8.1	2.5 %
Europe	352.3	343.2	9.1	2.7 %
Rest of World	262.8	250.0	12.8	5.1 %

A reconciliation of reported net sales to non-US GAAP net sales, excluding precious metal content, by geographic region were as follows:

(in millions)	Three Months Ended September 30, 2019			
	United States	Europe	Rest of World	Total
Net sales	\$ 337.0	\$ 361.4	\$ 263.7	\$ 962.1
Less: precious metal content of sales	1.5	9.1	0.9	11.5
Net sales, excluding precious metal content	\$ 335.5	\$ 352.3	\$ 262.8	\$ 950.6

(in millions)	Three Months Ended September 30, 2018			
	United States	Europe	Rest of World	Total
Net sales	\$ 328.7	\$ 348.8	\$ 250.9	\$ 928.4
Less: precious metal content of sales	1.3	5.6	0.9	7.8
Net sales, excluding precious metal content	\$ 327.4	\$ 343.2	\$ 250.0	\$ 920.6
Acquisition related adjustments (a)	3.2	—	—	3.2
Non-US GAAP net sales, excluding precious metal content	\$ 330.6	\$ 343.2	\$ 250.0	\$ 923.8

(a) Represents an adjustment to reflect deferred revenue that was eliminated under business combination accounting standards.

United States

Reported net sales increased by 2.5% in the three months ended September 30, 2019 as compared to the three months ended September 30, 2018. Net sales, excluding precious metal content, increased by 2.5% during the third quarter of 2019 as compared to the third quarter of 2018. The third quarter of 2018 included an estimated decrease of approximately \$35 million in inventory held by certain distributors.

For the three month period ended September 30, 2019, net sales, excluding precious metal content, increased by 4.6% on an internal sales growth basis. On a constant currency basis, revenue increased 1.5%. The constant currency increase included a 2.7% reduction from divestitures of non-strategic businesses and 40 basis points negative impact from discontinued products. The internal sales growth was attributable to the Technologies & Equipment segment, partially offset by a decline in the Consumables segment.

Europe

Reported net sales increased by 3.6% during the three months ended September 30, 2019 as compared to the three months ended September 30, 2018. Net sales, excluding precious metal content, increased by 2.7% in the third quarter of 2019 as compared to the third quarter of 2018, which was negatively impacted by approximately 4.6% due to the strengthening of the U.S. dollar as compared to the prior year period. During the quarter ended September 30, 2018, net sales were negatively impacted by approximately \$20 million due to the relocation of the Company's European distribution center.

For the three month period ended September 30, 2019, net sales, excluding precious metal content, increased by 8.4% on an internal sales growth basis. On a constant currency basis, revenue increased 7.3%. The constant currency increase included a 10 basis points negative impact from divestitures of non-strategic businesses and a 1.0% reduction due to discontinued products. Both segments had internal sales growth, led by the Consumables segment.

Rest of World

Reported net sales increased by 5.1% in the three months ended September 30, 2019 as compared to the three months ended September 30, 2018. Net sales, excluding precious metal content, increased 5.1% in the third quarter of 2019 as compared to the third quarter of 2018. The three months ended September 30, 2019 was negatively impacted by approximately 2.3% due to the strengthening of the U.S. dollar as compared to the same prior year period.

For the three month period ended September 30, 2019, net sales, excluding precious metal content, increased by 10.0% on an internal sales growth basis. On a constant currency basis, revenue increased 7.4%. The constant currency growth included a 60 basis points negative impact from divestitures of non-strategic businesses and 2.0% reduction due to discontinued products. The internal sales growth was driven by the Technologies & Equipment segment.

Gross Profit

(in millions, except percentages)	Three Months Ended September 30,			
	2019	2018	\$ Change	% Change
Gross profit	\$ 514.0	\$ 476.1	\$ 37.9	8.0 %
Gross profit as a percentage of net sales, including precious metal content	53.4 %	51.3 %		
Gross profit as a percentage of net sales, excluding precious metal content	54.1 %	51.7 %		

Gross profit as a percentage of net sales, excluding precious metal content, increased by 240 basis points for the three months ended September 30, 2019 as compared to the same three month period ended September 30, 2018.

For the three months ended September 30, 2019, the increase in the gross profit rate was primarily driven by cost savings initiatives and divestiture of non-strategic businesses which had contributed lower profitability as compared to the three months ended September 30, 2018.

Operating Expenses

(in millions, except percentages)	Three Months Ended September 30,			
	2019	2018	\$ Change	% Change
Selling, general, and administrative expenses ("SG&A")	\$ 399.3	\$ 418.5	\$ (19.2)	(4.6 %)
Restructuring and other costs	5.2	12.1	(6.9)	NM
SG&A as a percentage of net sales, including precious metal content	41.5 %	45.1 %		
SG&A as a percentage of net sales, excluding precious metal content	42.0 %	45.5 %		

NM - Not meaningful

SG&A Expense

SG&A expenses, including research and development expenses, as a percentage of net sales, excluding precious metal content, for the three months ended September 30, 2019 decreased 350 basis points as compared to the three months ended September 30, 2018.

For the three months ended September 30, 2019, the lower rate was driven by cost savings initiatives and higher sales volume which together impacted the rate by approximately 520 basis points, partially offset by higher incentive compensation costs.

Restructuring and Other Cost

The Company recorded restructuring and other costs of \$5.2 million for the three months ended September 30, 2019 compared to \$12.1 million for the three months ended September 30, 2018. The Company recorded \$11.7 million of net restructuring costs for the three months ended September 30, 2018.

During the three months ended September 30, 2019, the Company recorded \$7.1 million of other costs which consist primarily of intangible asset impairments related to discontinued product lines.

During the three months ended September 30, 2018, the Company recorded \$0.4 million in other costs mostly related to legal settlements.

Income Taxes and Net Income

(in millions, except per share data and percentages)	Three Months Ended September 30,		
	2019	2018	\$ Change
Provision (benefit) for income taxes	\$ 21.5	\$ 4.2	\$ 17.3
Effective income tax rate	20.2 %	13.2 %	
Net income attributable to Dentsply Sirona	\$ 85.0	\$ 28.0	\$ 57.0
Net income per common share - diluted	\$ 0.38	\$ 0.13	

Provision for Income Taxes

For the three months ended September 30, 2019, income taxes were a provision of \$21.5 million as compared to a net provision of \$4.2 million during the three months ended September 30, 2018.

During the three months ended September 30, 2019, the Company recorded tax benefit of \$5.0 million related to valuation allowances and \$0.3 million of tax expense for other discrete tax matters. The Company also recorded a \$1.0 million tax benefit as a discrete item related to the definite-lived intangible impairment charge. Excluding these discrete tax items and adjusting pretax income to exclude the pretax charge related to the impairment of fixed assets and the losses related to the divestitures of non-strategic businesses, the Company's effective tax rate was 24.7%.

During the quarter ended September 30, 2018, the Company recorded the following discrete tax items, \$0.3 million of excess tax benefit related to employee share-based compensation, \$0.2 million related to enacted statutory rate changes and \$0.6 million of tax expense for other discrete tax matters. In addition the Company also recorded \$2.2 million of tax expense as a discrete item related to the gain on sale of marketable securities. Excluding these discrete tax items the Company's effective tax rate was 6.7%.

The Company's effective income tax rate for the third quarter of 2019 included the net impact of the amortization of purchased intangible assets, restructuring program related costs and other costs, business combination related costs and fair value adjustments, credit risk and fair value adjustments, and income tax related adjustments which impacted income before income taxes and the provision for income taxes by \$64.0 million and \$20.7 million, respectively.

The Company's effective income tax rate for the third quarter of 2018 included the net impact of the amortization of purchased intangible assets, restructuring program related costs and other costs, business combination related costs and fair value adjustments, credit risk and fair value adjustments, and income tax related adjustments which impacted income before income taxes and the provision for income taxes by \$77.1 million and \$20.5 million, respectively.

Net Income attributable to Dentsply Sirona

In addition to the results reported in accordance with US GAAP, the Company provides adjusted net income attributable to Dentsply Sirona and adjusted earnings per diluted common share ("adjusted EPS"). The Company discloses adjusted net income attributable to Dentsply Sirona to allow investors to evaluate the performance of the Company's operations exclusive of certain items that impact the comparability of results from period to period and may not be indicative of past or future performance of the normal operations of the Company and certain large non-cash charges related to intangible assets either purchased or acquired through a business combination. The Company believes that this information is helpful in understanding underlying operating trends and cash flow generation.

Adjusted net income and adjusted EPS are important internal measures for the Company. Senior management receives a monthly analysis of operating results that includes adjusted net income and adjusted EPS and the performance of the Company is measured on this basis along with other performance metrics.

The adjusted net income attributable to Dentsply Sirona consists of net income attributable to Dentsply Sirona adjusted to exclude the following:

- (1) *Business combination related costs and fair value adjustments.* These adjustments include costs related to integrating and consummating mergers and recently acquired businesses, as well as costs, gains and losses related to the disposal of businesses or significant product lines. In addition, this category includes the roll off to the consolidated statement of operations of fair value adjustments related to business combinations, except for amortization expense noted below. These items are irregular in timing and as such may not be indicative of past and future performance of the Company and are therefore excluded to allow investors to better understand underlying operating trends.

(2) *Restructuring program related costs and other costs.* These adjustments include costs related to the implementation of restructuring initiatives as well as certain other costs. These costs can include, but are not limited to, severance costs, facility closure costs, lease and contract terminations costs, related professional service costs, duplicate facility and labor costs associated with specific restructuring initiatives, as well as, legal settlements and impairments of assets. These items are irregular in timing, amount and impact to the Company's financial performance. As such, these items may not be indicative of past and future performance of the Company and are therefore excluded for the purpose of understanding underlying operating trends.

(3) *Amortization of purchased intangible assets.* This adjustment excludes the periodic amortization expense related to purchased intangible assets. Amortization expense has been excluded from adjusted net income attributed to Dentsply Sirona to allow investors to evaluate and understand operating trends excluding these large non-cash charges.

(4) *Credit risk and fair value adjustments.* These adjustments include both the cost and income impacts of adjustments in certain assets and liabilities including the Company's pension obligations, that are recorded through net income which are due solely to the changes in fair value and credit risk. These items can be variable and driven more by market conditions than the Company's operating performance. As such, these items may not be indicative of past and future performance of the Company and therefore are excluded for comparability purposes.

(5) *Gain on sale of marketable securities.* This adjustment represents the gain on the sale of marketable securities held by the Company. The gain has been excluded from adjusted net income attributed to Dentsply Sirona to allow investors to evaluate and understand operating trends excluding this gain.

(6) *Income tax related adjustments.* These adjustments include both income tax expenses and income tax benefits that are representative of income tax adjustments mostly related to prior periods, as well as the final settlement of income tax audits, and discrete tax items resulting from the implementation of restructuring initiatives and the vesting and exercise of employee share-based compensation. These adjustments are irregular in timing and amount and may significantly impact the Company's operating performance. As such, these items may not be indicative of past and future performance of the Company and therefore are excluded for comparability purposes.

Adjusted earnings per diluted common share is calculated by dividing adjusted net income attributable to Dentsply Sirona by diluted weighted-average common shares outstanding. Adjusted net income attributable to Dentsply Sirona 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 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.

Three Months Ended
September 30, 2019

(in millions, except per share amounts)	Net Income	Per Diluted Common Share
Net income attributable to Dentsply Sirona	\$ 85.0	\$ 0.38
Pre-tax non-US GAAP adjustments:		
Amortization of purchased intangible assets	47.4	
Restructuring program related costs and other costs	13.2	
Business combination related costs and fair value adjustments	1.8	
Credit risk and fair value adjustments	1.6	
Tax impact of the pre-tax non-US GAAP adjustments (a)	(16.5)	
Subtotal non-US GAAP adjustments	47.5	0.21
Income tax related adjustments	(4.2)	(0.02)
Adjusted non-US GAAP net income	\$ 128.3	\$ 0.57

(a) The tax amount was calculated using the applicable statutory tax rate in the tax jurisdiction where the non-US GAAP adjustments were generated.

For the three months ended September 30, 2019, the following table presents the details of the "Restructuring program and related costs and other costs" line item of the above table and the affected line item in the Consolidated Statements of Operations:

(in millions)	Asset impairments	Sale or discontinuation of non-strategic business or product lines	Costs (income) related to restructuring plans	Professional services costs	Incentive compensation	Other	Total
Cost of products sold	\$ —	\$ 2.5	\$ —	\$ —	\$ —	\$ 1.1	\$ 3.6
SG&A	—	(0.8)	—	5.2	0.7	(0.3)	4.8
Restructuring and other costs	3.8	—	(1.9)	—	—	3.3	5.2
Net interest and other expense	—	(0.4)	—	—	—	—	(0.4)
Total	\$ 3.8	\$ 1.3	\$ (1.9)	\$ 5.2	\$ 0.7	\$ 4.1	\$ 13.2

(in millions, except per share amounts)	Three Months Ended September 30, 2018	
	Net Income	Per Diluted Common Share
Net income attributable to Dentsply Sirona	\$ 28.0	\$ 0.13
Pre-tax non-US GAAP adjustments:		
Amortization of purchased intangible assets	49.6	
Restructuring program related costs and other costs	18.6	
Business combination related costs and fair value adjustments	6.7	
Credit risk and fair value adjustments	2.2	
Tax impact of the pre-tax non-US GAAP adjustments (a)	(20.8)	
Subtotal non-US GAAP adjustments	56.3	0.25
Income tax related adjustments	0.3	—
Adjusted non-US GAAP net income	\$ 84.6	\$ 0.38

(a) The tax amount was calculated using the applicable statutory tax rate in the tax jurisdiction where the non-US GAAP adjustments were generated.

Adjusted Operating Income and Margin

Adjusted operating income and margin is another important internal measure for the Company. Operating income in accordance with US GAAP is adjusted for the items noted above which are excluded on a pre-tax basis to arrive at adjusted operating income, a non-US GAAP measure. The adjusted operating margin is calculated by dividing adjusted operating income by net sales, excluding precious metal content.

Senior management receives a monthly analysis of operating results that includes adjusted operating income. The performance of the Company is measured on this basis along with the adjusted non-US GAAP earnings noted above as well as other performance metrics. This non-US GAAP measure may differ from other companies and should not be considered in isolation from, or as a substitute for, measures of financial performance prepared in accordance with US GAAP.

(in millions, except percentages)	Three Months Ended September 30, 2019	
	Operating Income	Percentage of Net Sales, Excluding Precious Metal Content
Operating Income	\$ 109.5	11.5 %
Amortization of purchased intangible assets	47.4	5.0 %
Restructuring program related costs and other costs	13.6	1.4 %
Business combination related costs and fair value adjustments	1.8	0.2 %
Adjusted non-US GAAP Operating Income	\$ 172.3	18.1 %

(in millions, except percentages)	Three Months Ended September 30, 2018	
	Operating Income	Percentage of Net Sales, Excluding Precious Metal Content
Operating Income	\$ 45.5	4.9 %
Amortization of purchased intangible assets	49.6	5.4 %
Restructuring program related costs and other costs	18.6	2.0 %
Business combination related costs and fair value adjustments	6.5	0.7 %
Adjusted non-US GAAP Operating Income	\$ 120.2	13.0 %

Operating Segment Results

Third Party Net Sales, Excluding Precious Metal Content

(in millions, except percentages)	Three Months Ended September 30,			
	2019	2018	\$ Change	% Change
Technologies & Equipment	\$ 534.5	\$ 508.5	\$ 26.0	5.1 %
Consumables	416.1	412.1	4.0	1.0 %

Segment Operating Income

(in millions, except percentages)	Three Months Ended September 30,			
	2019	2018	\$ Change	% Change
Technologies & Equipment	\$ 104.7	\$ 48.1	\$ 56.6	117.7 %
Consumables	113.8	102.3	11.5	11.2 %

A reconciliation of reported net sales to non-US GAAP net sales, excluding precious metal content, by segment were as follows:

(in millions)	Three Months Ended September 30, 2019		
	Technologies & Equipment	Consumables	Total
Net sales	\$ 534.5	\$ 427.6	\$ 962.1
Less: precious metal content of sales	—	11.5	11.5
Net sales, excluding precious metal content	\$ 534.5	\$ 416.1	\$ 950.6

Three Months Ended September 30, 2018

(in millions)	Technologies & Equipment	Consumables	Total
Net sales	\$ 508.5	\$ 419.9	\$ 928.4
Less: precious metal content of sales	—	7.8	7.8
Net sales, excluding precious metal content	\$ 508.5	\$ 412.1	\$ 920.6
Acquisition related adjustments (a)	3.2	—	3.2
Non-US GAAP net sales, excluding precious metal content	\$ 511.7	\$ 412.1	\$ 923.8

(a) Represents an adjustment to reflect deferred revenue that was eliminated under business combination accounting standards.

Technologies & Equipment

Reported net sales increased by 5.1% in the three months ended September 30, 2019 as compared to the three months ended September 30, 2018. Net sales were negatively impacted by approximately 2.4% due to the strengthening of the U.S. dollar over the prior year period.

For the three months ended September 30, 2019, net sales increased 11.0% on an internal sales growth basis. On a constant currency basis, revenue increased 6.9%. The constant currency increase included a 2.1% negative impact from divestitures of non-strategic businesses and a 2.0% reduction due to discontinued products. All geographic regions experienced internal sales growth.

Key drivers of the internal sales growth for the three months ended September 30, 2019, were Digital Dentistry and Healthcare businesses partially offset by continued weakness in Equipment & Instruments sales. The growth in Digital Dentistry was the result of new product sales in the CAD/CAM and Orthodontics business while the weakness in Equipment & Instruments business is mostly the result of continued competitive pressures in the imaging equipment products. The third quarter of 2018 included an estimated decrease of approximately \$34 million in inventory held by certain distributors.

Operating income increased \$56.6 million or 117.7% for the three months ended September 30, 2019 as compared to the same three month period in 2018. The increase in operating income was primarily related to higher sales, cost savings initiatives and the divestiture of non-strategic businesses, partially offset by higher incentive compensation costs.

Consumables

Reported net sales increased by 1.8% in the three months ended September 30, 2019 as compared to the three months ended September 30, 2018. Net sales, excluding precious metal content, increased 1.0% for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018. Net sales, excluding precious metal content, were negatively impacted by approximately 2.2% due to the strengthening of the U.S. dollar over the same prior year period.

For the three month period ended September 30, 2019, net sales, excluding precious metal content, increased 3.2% on a constant currency and internal sales growth basis. Sales growth was primarily in the European region, partially offset by the U.S. region.

Key drivers of the internal sales growth for the three months ended September 30, 2019, were the Restorative and Endodontics businesses partially offset by declines in the Laboratory business. During the third quarter of 2018, net sales were negatively impacted by approximately \$20 million due to the relocation of the Company's European distribution center.

Operating income increased \$11.5 million or 11.2% for the three months ended September 30, 2019 as compared to the same three month period in 2018. The increase in operating income was primarily related to favorable product pricing and cost savings initiatives, partially offset by unfavorable product mix and higher incentive compensation costs.

RESULTS OF OPERATIONS, NINE MONTHS ENDED SEPTEMBER 30, 2019 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2018

Net Sales

(in millions, except percentages)	Nine Months Ended September 30,			
	2019	2018	\$ Change	% Change
Net sales	\$ 2,917.7	\$ 2,926.6	\$ (8.9)	(0.3 %)
Less: precious metal content of sales	31.6	27.5	4.1	14.9 %
Net sales, excluding precious metal content	\$ 2,886.1	\$ 2,899.1	\$ (13.0)	(0.4 %)

Reported net sales, for the nine months ended September 30, 2019, were \$2,917.7 million, a decrease of \$8.9 million from the nine months ended September 30, 2018. Net sales, excluding precious metal content, for the nine months ended September 30, 2019 were \$2,886.1 million, a decrease of \$13.0 million from the nine months ended September 30, 2018.

For the nine months ended September 30, 2019, sales, excluding precious metal content, increased 4.7% on an internal sales growth basis. On a constant currency basis, revenue increased 3.2%. The constant currency increase included the negative impact of 40 basis points from the divestiture of non-strategic businesses and 1.1% reduction due to discontinued products. Net sales, excluding precious metal content, were negatively impacted by approximately 3.8% due to the continued strengthening of the U.S. dollar over the prior year period. The internal sales growth was attributable to the Technologies & Equipment segment growth of 9.4%, partially offset by negative growth in the Consumables segment of 0.7%.

Key drivers of the internal sales growth for the nine months ended September 30, 2019, were strong growth in Digital Dentistry and positive performance in Healthcare, partially offset by declines in Consumables. The first nine months of 2018 included an estimated decrease in inventory held at certain distributors of approximately \$69 million.

Sales Growth by Region

Net sales, excluding precious metal content, by geographic region were as follows:

(in millions, except percentages)	Nine Months Ended September 30,			
	2019	2018	\$ Change	% Change
United States	\$ 975.4	\$ 955.0	\$ 20.4	2.1 %
Europe	1,154.6	1,180.0	(25.4)	(2.2 %)
Rest of World	756.1	764.1	(8.0)	(1.0 %)

A reconciliation of reported net sales to non-US GAAP net sales, excluding precious metal content, by geographic region were as follows:

(in millions)	Nine Months Ended September 30, 2019			
	United States	Europe	Rest of World	Total
Net sales	\$ 979.9	\$ 1,179.2	\$ 758.6	\$ 2,917.7
Less: precious metal content of sales	4.5	24.6	2.5	31.6
Net sales, excluding precious metal content	\$ 975.4	\$ 1,154.6	\$ 756.1	\$ 2,886.1

(in millions)	Nine Months Ended September 30, 2018			
	United States	Europe	Rest of World	Total
Net sales	\$ 958.9	\$ 1,201.0	\$ 766.7	\$ 2,926.6
Less: precious metal content of sales	3.9	21.0	2.6	27.5
Net sales, excluding precious metal content	955.0	1,180.0	764.1	2,899.1
Acquisition related adjustments (a)	5.3	—	—	5.3
Non-US GAAP net sales, excluding precious metal content	\$ 960.3	\$ 1,180.0	\$ 764.1	\$ 2,904.4

(a) Represents an adjustment to reflect deferred revenue that was eliminated under business combination accounting standards.

United States

Net sales increased by 2.2% in the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018. Net sales, excluding precious metal content, increased by 2.1% in the nine months ended September 30, 2019 as compared to the same nine month period of 2018. The first nine months of 2018 included an estimated decrease in inventory held at certain distributors of approximately \$65 million.

For the nine months ended September 30, 2019, net sales, excluding precious metal content, increased by 2.9% on an internal sales growth basis. On a constant currency basis, revenue increased 1.7%. The constant currency increase included a decrease of 90 basis points due to the divestiture of non-strategic businesses and 30 basis points due to discontinued products. The internal sales growth was driven by the Technologies & Equipment segment, partially offset by lower Consumables revenues.

Europe

Net sales decreased by 1.8% in the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018. Net sales, excluding precious metal content, decreased by 2.2% in the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018, which were negatively impacted by approximately 6.2% due to the strengthening of the U.S. dollar over the prior year period.

For the nine months ended September 30, 2019, net sales, excluding precious metal content, increased by 4.9% on an internal sales growth basis. On a constant currency basis, revenue increased 4.0%. The constant currency increase included a negative impact of 10 basis points from divestitures of non-strategic businesses and 80 basis points due to discontinued products. Both segments had internal sales growth, led by the Technologies & Equipment segment.

Rest of World

Net sales decreased by 1.1% in the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018. Net sales, excluding precious metal content, decreased 1.0% in the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018, which was negatively impacted by approximately 5.1% due to the strengthening of the U.S. dollar over the prior year period.

For the nine months ended September 30, 2019, net sales, excluding precious metal content, increased by 6.7% on an internal sales growth basis. On a constant currency basis, revenue increased 4.1%. The constant currency increase included a 20 basis point reduction from divestitures of non-strategic businesses and a 2.4% reduction due to discontinued products. The internal sales growth was driven primarily by the Technologies & Equipment segment.

Gross Profit

(in millions, except percentages)	Nine Months Ended September 30,			
	2019	2018	\$ Change	% Change
Gross profit	\$ 1,554.5	\$ 1,543.0	\$ 11.5	0.7 %
Gross profit as a percentage of net sales, including precious metal content	53.3 %	52.7 %		
Gross profit as a percentage of net sales, excluding precious metal content	53.9 %	53.2 %		

Gross profit as a percentage of net sales, excluding precious metal content, increased by 70 basis points for the nine months ended September 30, 2019 as compared to the same nine month period ended September 30, 2018.

For the nine months ended September 30, 2019, the increase in the gross profit rate was primarily driven by cost savings initiatives including headcount reductions partially offset by expenses related to the divestitures of non-strategic businesses, compared to the nine months ended September 30, 2018.

Operating Expenses

(in millions, except percentages)	Nine Months Ended September 30,			
	2019	2018	\$ Change	% Change
Selling, general, and administrative expenses (“SG&A”)	\$ 1,262.1	\$ 1,285.9	\$ (23.8)	(1.9 %)
Goodwill impairment	—	1,085.8	(1,085.8)	NM
Restructuring and other costs	68.1	211.2	(143.1)	NM
SG&A as a percentage of net sales, including precious metal content	43.3 %	43.9 %		
SG&A as a percentage of net sales, excluding precious metal content	43.7 %	44.4 %		

NM - Not meaningful

SG&A Expense

SG&A expenses, including research and development expenses, as a percentage of net sales, excluding precious metal content, for the nine months ended September 30, 2019 decreased 70 basis points compared to the nine months ended September 30, 2018.

For the nine months ended September 30, 2019, the lower rate was driven primarily by cost savings initiatives including headcount reductions and higher sales which impacted the rate by approximately 420 basis points, partially offset by higher incentive compensation costs of approximately \$50 million, higher professional fees, the impact of foreign currency, biennial International Dental Show expenses, and certain executive severance costs as compared to the nine months ended September 30, 2018.

Goodwill impairment

For the nine months ended September 30, 2018, the Company recorded a goodwill impairment charge of \$1,085.8 million. The charge was related to two reporting units within the Technologies & Equipment segment and one reporting unit within the Consumables segment. For further information see Note 14, Goodwill and Intangible Assets, in the Notes to Unconsolidated Financial Statements in Part I, Item I of this Form 10-Q.

Restructuring and Other Cost

The Company recorded net restructuring and other costs of \$68.1 million for the nine months ended September 30, 2019 compared to \$211.2 million for the nine months ended September 30, 2018. The Company recorded \$23.0 million in restructuring costs during the nine months ended September 30, 2019 compared to \$22.5 million in restructuring costs during the nine months ended September 30, 2018.

During the nine months ended September 30, 2019, the Company recorded \$45.1 million of other costs which consist primarily of fixed assets impairments of \$32.8 million, a \$5.3 million impairment of indefinite-lived tradenames and trademarks within the Technologies & Equipment segment, and a \$3.8 million impairment of intangible assets related to discontinued product lines in the Consumables segment.

During the nine months ended September 30, 2018, the Company recorded \$188.7 million of other costs which consist primarily of an impairment charge of \$179.2 million related to certain tradenames and trademarks within the Technologies & Equipment segment that were impaired during the Company's annual impairment testing.

Other Income and Expense

(in millions)	Nine Months Ended September 30,		
	2019	2018	Change
Net interest expense	\$ 21.0	\$ 26.3	\$ (5.3)
Other expense (income), net	(4.6)	(30.4)	25.8
Net interest and other expense	\$ 16.4	\$ (4.1)	\$ 20.5

Net Interest Expense

Net interest expense for the nine months ended September 30, 2019 decreased \$5.3 million as compared to the nine months ended September 30, 2018. The Company maintained lower average debt levels during the nine months ended September 30, 2019 when compared to the same period in the prior year resulting in lower net interest expense.

Other Expense (Income), Net

Other expense (income), net for the nine months ended September 30, 2019 was income of \$4.6 million, comprised primarily of foreign currency transaction gains of \$20.4 million, primarily on net investment hedges, partially offset by the non-operating losses of \$15.8 million related to the divestitures of non-strategic businesses. Other expense (income), net for the nine months ended September 30, 2018 was income of \$30.4 million, comprised primarily of a gain recorded on the sale of marketable securities.

Income Taxes and Net Income (Loss)

(in millions, except per share data and percentages)	Nine Months Ended September 30,		
	2019	2018	\$ Change
Provision (benefit) for income taxes	\$ 47.3	\$ (23.4)	\$ 70.7
Effective income tax rate	22.8 %	NM	
Net income (loss) attributable to Dentsply Sirona	\$ 160.6	\$ (1,012.8)	\$ 1,173.4
Net income (loss) per common share - diluted (basic) (a)	\$ 0.71	\$ (4.50)	

NM - Not meaningful

(a) For the nine months ended September 30, 2018, the Company's net loss per share was calculated on a non-diluted basis.

Provision for Income Taxes

For the nine months ended September 30, 2019, income taxes were a net expense of \$47.3 million compared to a net benefit of \$23.4 million in the nine months ended September 30, 2018.

During the nine months ended September 30, 2019, the Company recorded the following discrete tax items, \$2.0 million of excess tax benefit related to employee share-based compensation, tax benefit of \$5.0 million related to valuation allowances, and \$2.9 million of tax expense for other discrete tax matters. The Company also recorded a \$10.1 million tax benefit as a discrete item related to the fixed asset impairment charge, \$1.5 million tax benefit related to the indefinite-lived intangible asset impairment charge and \$1.0 million tax benefit related to the definite-lived intangible asset impairment charge. Excluding these discrete tax items and adjusting pretax income to exclude the pretax charge related to impairment of fixed assets, impairment of the indefinite-lived intangible assets, and the losses related to the divestitures of non-strategic businesses, the Company's effective tax rate was 24.6%.

The Company continues to reassess the realizability of its deferred tax assets and, after weighing all positive and negative evidence, continues to maintain a valuation allowance on certain deferred tax assets. However, the Company has outlined its global business improvement plans, and the benefits of these plans could give rise to a change of the valuation allowance in the next 12 months.

In the first nine months of 2018, the Company recorded the following discrete tax items, \$3.0 million of excess tax benefit related to employee share-based compensation, tax expense of \$0.5 million related to valuation allowances, tax benefit of \$2.5 million related to enacted statutory rate changes, tax expense of \$7.2 million for other discrete tax matters and \$3.4 million tax benefit related to U.S. tax reform. The Company also recorded a \$50.4 million tax benefit as a discrete item related to the indefinite-lived intangible asset impairment charge, \$1.1 million for the fixed asset impairment charge, and \$3.3 million related to tax-deductible goodwill for the nine months ended September 30, 2018. In addition the Company also recorded \$2.7 million of tax expense as a discrete item related to the gain on sale of marketable securities. Excluding these discrete tax items and adjusting pretax income for the gain on the sale of marketable securities, net of tax and adjusting for the pretax loss related to the impairment of indefinite-lived intangible assets, and tax deductible and nondeductible goodwill impairment charges, the Company's effective tax rate was 15.8%.

The Company's effective income tax rate for the first nine months of 2019 included the net impact of restructuring program related costs and other costs, amortization of purchased intangible assets, business combination related costs and fair value adjustments, credit risk and fair value adjustments, and income tax related adjustments, which impacted income before income taxes and the provision for income taxes by \$305.0 million and \$79.7 million, respectively.

The Company's effective income tax rate for the first nine months of 2018 included the net impact of restructuring program related costs and other costs, amortization of purchased intangible assets, business combination related costs and fair value adjustments, credit risk and fair value adjustments, gain on sale of marketable securities and income tax related adjustments, which impacted the loss before income taxes and the provision for income taxes by \$1,450.6 million and \$113.7 million, respectively.

Net income attributable to Dentsply Sirona

In addition to the results reported in accordance with US GAAP, the Company provides adjusted net income attributable to Dentsply Sirona and adjusted earnings per diluted common share ("adjusted EPS"). The Company discloses adjusted net income attributable to Dentsply Sirona to allow investors to evaluate the performance of the Company's operations exclusive of certain items that impact the comparability of results from period to period and may not be indicative of past or future performance of the normal operations of the Company and certain large non-cash charges related to intangible assets either purchased or acquired through a business combination. The Company believes that this information is helpful in understanding underlying operating trends and cash flow generation.

Adjusted net income and adjusted EPS are important internal measures for the Company. Senior management receives a monthly analysis of operating results that includes adjusted net income and adjusted EPS and the performance of the Company is measured on this basis along with other performance metrics.

Nine Months Ended
September 30, 2019

(in millions, except per share amounts)	Net Income	Per Diluted Common Share
Net income attributable to Dentsply Sirona	\$ 160.6	\$ 0.71
Pre-tax non-US GAAP adjustments:		
Restructuring program related costs and other costs (a)	151.9	
Amortization of purchased intangible assets	142.9	
Business combination related costs and fair value adjustments	6.1	
Credit risk and fair value adjustments	4.1	
Tax impact of the pre-tax non-US GAAP adjustments (b)	(77.1)	
Subtotal non-US GAAP adjustments	227.9	1.01
Income tax related adjustments	(2.6)	(0.01)
Adjusted non-US GAAP net income	\$ 385.9	\$ 1.71

(a) Certain severance costs related to the former Chief Financial Officer and former Chief Human Resources Officer of \$11.0 million are included within this item.

(b) The tax amount was calculated using the applicable statutory tax rate in the tax jurisdiction where the non-US GAAP adjustments were generated.

For the nine months ended September 30, 2019, the following table presents the details of the "Restructuring program and related costs and other costs" line item of the above table and the affected line item in the Consolidated Statements of Operations:

(in millions)	Asset impairments	Separation costs related to executives	Sale or discontinuation of non-strategic business or product lines	Costs related to restructuring plans	Professional services costs	Incentive compensation	Other	Total
Cost of products sold	\$ —	\$ —	\$ 23.6	\$ —	\$ —	\$ —	\$ 0.7	\$ 24.3
SG&A	—	11.0	10.5	—	20.5	10.4	2.1	54.5
Restructuring and other costs	41.7	—	0.8	20.7	—	—	4.9	68.1
Net interest and other expense	—	—	5.0	—	—	—	—	5.0
Total	\$ 41.7	\$ 11.0	\$ 39.9	\$ 20.7	\$ 20.5	\$ 10.4	\$ 7.7	\$ 151.9

(in millions, except per share amounts)	Nine Months Ended September 30, 2018	
	Net (Loss) Income	Per Diluted Common Share
Net loss attributable to Dentsply Sirona	\$ (1,012.8)	\$ (4.50)
Pre-tax non-US GAAP adjustments:		
Restructuring program related costs and other costs	1,313.1	
Amortization of purchased intangible assets	149.7	
Business combination related costs and fair value adjustments	16.5	
Credit risk and fair value adjustments	15.4	
Gain on sale of marketable securities	(44.1)	
Tax impact of the pre-tax non-US GAAP adjustments (a)	(116.4)	
Subtotal non-US GAAP adjustments	1,334.2	5.88
Adjustment for calculating non-US GAAP net income per diluted common share (b)		0.01
Income tax related adjustments	2.7	0.04
Adjusted non-US GAAP net income	\$ 324.1	\$ 1.43

(a) The tax amount was calculated using the applicable statutory tax rate in the tax jurisdiction where the non-US GAAP adjustments were generated.

(b) The Company had a net loss for the nine months ended September 30 2018, but had net income on a non-US GAAP basis. The shares used in calculating diluted non-US GAAP net income per common share includes the dilutive effect of common stock.

Shares used in calculating US GAAP net loss per common share	224.9
Shares used in calculating diluted non-US GAAP net income per common share	226.8

Adjusted Operating Income and Margin

Adjusted operating income and margin is another important internal measure for the Company. Operating income in accordance with US GAAP is adjusted for the items noted above which are excluded on a pre-tax basis to arrive at adjusted operating income, a non-US GAAP measure. The adjusted operating margin is calculated by dividing adjusted operating income by net sales, excluding precious metal content.

Senior management receives a monthly analysis of operating results that includes adjusted operating income. The performance of the Company is measured on this basis along with the adjusted non-US GAAP earnings noted above as well as other performance metrics. This non-US GAAP measure may differ from other companies and should not be considered in isolation from, or as a substitute for, measures of financial performance prepared in accordance with US GAAP.

(in millions, except percentages)	Nine Months Ended September 30, 2019	
	Operating Income	Percentage of Net Sales, Excluding Precious Metal Content
Operating Income	\$ 224.3	7.8 %
Restructuring program related costs and other costs	146.9	5.1 %
Amortization of purchased intangible assets	142.9	5.0 %
Business combination related costs and fair value adjustments	5.7	0.1 %
Adjusted non-US GAAP Operating Income	\$ 519.8	18.0 %

(in millions, except percentages)	Nine Months Ended September 30, 2018	
	Operating (Loss) Income	Percentage of Net Sales, Excluding Precious Metal Content
Operating Loss	\$ (1,039.9)	(35.9 %)
Restructuring program related costs and other costs	1,313.1	45.3 %
Amortization of purchased intangible assets	149.7	5.2 %
Business combination related costs and fair value adjustments	15.2	0.5 %
Adjusted non-US GAAP Operating Income	<u>\$ 438.1</u>	<u>15.1 %</u>

Operating Segment Results

Third Party Net Sales, Excluding Precious Metal Content

(in millions, except percentages)	Nine Months Ended September 30,			
	2019	2018	\$ Change	% Change
Technologies & Equipment	\$ 1,613.7	\$ 1,571.8	\$ 41.9	2.7 %
Consumables	1,272.4	1,327.3	(54.9)	(4.1 %)

Segment Operating Income

(in millions, except percentages)	Nine Months Ended September 30,			
	2019	2018	\$ Change	% Change
Technologies & Equipment	\$ 272.5	\$ 185.4	\$ 87.1	47.0 %
Consumables	341.3	360.4	(19.1)	(5.3 %)

A reconciliation of reported net sales to non-US GAAP net sales, excluding precious metal content, by segment were as follows:

(in millions)	Nine Months Ended September 30, 2019		
	Technologies & Equipment	Consumables	Total
Net sales	\$ 1,613.7	\$ 1,304.0	\$ 2,917.7
Less: precious metal content of sales	—	31.6	31.6
Net sales, excluding precious metal content	<u>\$ 1,613.7</u>	<u>\$ 1,272.4</u>	<u>\$ 2,886.1</u>

Nine Months Ended September 30, 2018

(in millions)	Technologies & Equipment	Consumables	Total
Net sales	\$ 1,571.8	\$ 1,354.8	\$ 2,926.6
Less: precious metal content of sales	—	27.5	27.5
Net sales, excluding precious metal content	1,571.8	1,327.3	2,899.1
Acquisition related adjustments (a)	5.3	—	5.3
Non-US GAAP net sales, excluding precious metal content	\$ 1,577.1	\$ 1,327.3	\$ 2,904.4

(a) Represents an adjustment to reflect deferred revenue that was eliminated under business combination accounting standards.

Technologies & Equipment

Net sales increased by 2.7% in the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018. Net sales were negatively impacted by approximately 4.2% due to the strengthening of the U.S. dollar over the prior year period.

For the nine months ended September 30, 2019, net sales increased by 9.4% on an internal sales growth basis. On a constant currency basis, revenue increased 6.5%. The constant currency increase included a 70 basis points negative impact from divestitures of non-strategic businesses and a 2.2% reduction due to discontinued products. All geographic regions experienced internal sales growth.

Key drivers of the internal sales growth for the nine months ended September 30, 2019, were Digital Dentistry and Healthcare businesses partially offset by a slight decline in Equipment & Instruments sales. The growth in Digital Dentistry was the result of new product sales in the CAD/CAM and Orthodontics businesses. The slight decline in the Equipment & Instruments business was mostly as a result of continued competitive pressures in the imaging equipment products. The first nine months of 2018 included an estimated decrease in inventory held at certain distributors of approximately \$69 million.

Operating income increased \$87.1 million or 47.0% for the nine months ended September 30, 2019 as compared to the same nine month period in 2018. The increase in operating income was related to higher sales, cost savings initiatives including headcount reductions and the divestiture of non-strategic businesses partially offset by higher incentive compensation costs for the nine months ended September 30, 2019.

Consumables

Net sales decreased by 3.7% in the nine months September 30, 2019 as compared to the nine months ended September 30, 2018. Net sales, excluding precious metal content, decreased 4.1% for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018. Net sales, excluding precious metal content, were negatively impacted by approximately 3.4% due to the continued strengthening of the U.S. dollar over the same prior year period.

For the nine months ended September 30, 2019, net sales, excluding precious metal content, decreased 0.7% on a constant currency and internal basis. The negative internal sales growth was primarily driven by the U.S. region, partially offset by the Europe and Rest of World regions.

Key drivers of the decline in internal sales growth for the nine months ended September 30, 2019, were the Laboratory and Preventive businesses partially offset by slight growth in the Restorative business.

Operating income decreased \$19.1 million or 5.3% for the nine months ended September 30, 2019 as compared to the same nine month period in 2018. The decrease in operating income was primarily related to lower sales and higher incentive compensation costs, partially offset by cost savings initiatives including headcount reductions and favorable product pricing.

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, 2018.

Annual Goodwill Impairment Testing

Goodwill

Goodwill is not amortized; instead, it is tested for impairment annually or more frequently if indicators of impairment exist. The valuation date for annual impairment testing is April 30.

The performance of the Company's 2019 annual impairment test did not result in any impairment of the Company's goodwill. The weighted average cost of capital ("WACC") rates utilized in the 2019 analysis ranged from 8.0% to 11.3%. Had the WACC rate of each of the Company's reporting units been hypothetically increased by 100 basis points at April 30, 2019, the fair value of those reporting units would still exceed net book value. If the fair value of each of the Company's reporting units had been hypothetically reduced by 10% at April 30, 2019, the fair value of those reporting units would still exceed net book value. To the extent that future operating results of the reporting units do not meet the forecasted cash flows, the Company can provide no assurance that a future goodwill impairment charge would not be incurred.

Indefinite-Lived Assets

Indefinite-lived intangible assets consist of tradenames and trademarks and are not subject to amortization; instead, they are 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.

The performance of the Company's 2019 annual impairment test did not result in any impairment of the Company's indefinite-lived assets. If the fair value of each of the Company's indefinite-lived intangibles assets had been hypothetically reduced by 10% or the discount rate had been hypothetically increased by 100 basis points at April 30, 2019, the fair value of these assets would still exceed their book value, with the exception of one indefinite-lived intangible asset within the Technologies & Equipment segment which could result in an insignificant impairment.

Should the Company's analysis in the future indicate an increase in discount rates or a degradation in the use of the tradenames and trademarks, it could result in impairment of the carrying value of the indefinite-lived intangible assets to its implied fair value. There can be no assurance that the Company's future indefinite-lived intangible asset impairment testing will not result in a charge to earnings.

LIQUIDITY AND CAPITAL RESOURCES

Nine months ended September 30, 2019

Net income of \$160.6 million for the nine months ended September 30, 2019, increased \$1,173.0 million as compared to net loss of \$1,012.4 million for the nine months ended September 30, 2018, primarily due to the prior year goodwill and indefinite-lived intangible asset impairments. Cash flow from operating activities during the nine months ended September 30, 2019 was \$333.5 million compared to \$297.6 million during the nine months ended September 30, 2018. Cash from operations increased \$35.9 million for the nine months of 2019 as compared to the same period in 2018. The Company's cash and cash equivalents decreased by \$83.5 million to \$226.1 million during the nine months ended September 30, 2019.

For the nine months ended September 30, 2019, on a constant currency basis, the number of days of sales outstanding in accounts receivable increased by 6 days to 65 days as compared to 59 days at December 31, 2018. On a constant currency basis, the number of days of sales in inventory increased by 3 days to 127 days at September 30, 2019 as compared to 124 days at December 31, 2018.

Cash used in investing activities during the first nine months of 2019 included capital expenditures of \$86.9 million and cash proceeds from net investment hedges of \$34.5 million. The Company expects capital expenditures to be in the range of approximately \$120 million to \$130 million for the full year 2019.

Cash used in financing activities for the nine months ended September 30, 2019 was primarily related to dividend payments of \$58.7 million and net payments of short term borrowings of \$67.4 million.

In the nine months ended September 30, 2019, the Company repurchased 3.0 million shares at a cost of \$160.0 million for an average price of \$52.64. At September 30, 2019, the Company held 42.2 million shares of treasury stock. The Company received proceeds of \$78.8 million as a result of the exercise of 2.0 million of stock options during the nine months ended September 30, 2019. Including prior year repurchases, the total amount repurchased under this authorization is \$410.2 million leaving \$589.8 million available to be repurchased. Additional share repurchases, if any, will be made through open market purchases, Rule 10b5-1 plans, accelerated share repurchases, privately negotiated transactions or other transactions in such amounts and at such times as the Company deems appropriate based upon prevailing market and business conditions and other factors.

The Company's total borrowings decreased by a net \$241.7 million during the nine months ended September 30, 2019, which includes a decrease of \$39.5 million due to exchange rate fluctuations on debt denominated in foreign currencies. At September 30, 2019 and December 31, 2018, the Company's ratio of total net debt to total capitalization was 19.0% and 20.8%, respectively. The Company defines net debt as total debt, including current and long-term portions, less cash and cash equivalents and total capitalization as the sum of net debt plus equity.

The Company pre-paid the PNC Term Loan on May 28, 2019 for a total of \$131.3 million using cash and short-term commercial paper. The Company repaid its short-term Commercial Paper that was outstanding at December 31, 2018 of \$67.8 million.

Under its multi-currency revolving credit agreement, the Company is able to borrow up to \$700.0 million through July 28, 2024. 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, 2019, 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 revolver 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 facilities in the aggregate is \$700.0 million. At September 30, 2019, there were no outstanding borrowings under the \$700.0 million multi-currency revolving credit facility. The Company had no outstanding borrowings under the Commercial Paper facility at September 30, 2019.

The Company also has access to \$28.2 million in uncommitted short-term financing under lines of credit from various financial institutions. The lines of credit have no major restrictions and are provided under demand notes between the Company and the lending institutions. At September 30, 2019, the Company had \$11.5 million outstanding under these short-term lines of credit. At September 30, 2019, the Company had total unused lines of credit related to the revolving credit agreement and the uncommitted short-term lines of credit of \$716.8 million.

At September 30, 2019, the Company held \$51.1 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.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Act" or "U.S. tax reform") was enacted. As a result of U.S. tax reform, \$271.7 million of cash and cash equivalents held by the Company's non-U.S. subsidiaries was subject to current tax in the U.S. in 2017. At September 30, 2019 the Company had repatriated \$105.3 million of the \$271.7 million that was taxable under the Act. However, to the extent the Company repatriates the remaining funds to the U.S., the Company may be required to pay income taxes in certain U.S. states and applicable foreign withholding taxes on those amounts during the period when such repatriation occurs.

Except as stated above, 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, 2018.

The Company continues to review its debt portfolio and may refinance additional debt in the near-term as interest rates remain at historically low levels.

NEW ACCOUNTING PRONOUNCEMENTS

Refer to Part 1, Item 1, Note 1, Significant Accounting Policies, to the Unaudited Interim Consolidated Financial Statements of this Form 10-Q 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, 2018.

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 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, as amended, 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 three months ended September 30, 2019, that have materially affected, or are likely to materially affect, its internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1 – Legal Proceedings

Reference to Part I, Item 1, Note 15 Commitments and Contingencies, in the Notes to Unaudited Interim Consolidated Financial Statements of this Form 10-Q.

Item 1A – Risk Factors

There have been no significant material changes to the risk factors as disclosed in Part 1A, “Risk Factors” in the Company’s Form 10-K for the year ended December 31, 2018.

Item 2 – Unregistered Sales of Securities and Use of Proceeds

Issuer Purchases of Equity Securities

At September 30, 2019, the Company had \$589.8 million available under the stock repurchase program. During the quarter ended September 30, 2019, the Company had the following activity with respect to this repurchase program:

(in millions, except per share amounts)	Total Number of Shares Purchased	Average Price Paid Per Share	Total Cost of Shares Purchased	Dollar Value of Shares that May be Purchased Under the Stock Repurchase Program
July 1, 2019 to July 31, 2019	—	\$ —	\$ —	\$ 689.8
August 1, 2019 to August 31, 2019	1.9	51.97	100.0	589.8
September 1, 2019 to September 30, 2019	—	—	—	589.8
	<u>1.9</u>	\$ 51.97	<u>\$ 100.0</u>	

Item 6 – Exhibits

<u>Exhibit Number</u>	<u>Description</u>
31.1	Section 302 Certification Statement Chief Executive Officer
31.2	Section 302 Certification Statement Chief Financial Officer
32	Section 906 Certification Statements
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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

*Management contract or compensatory plan

Signatures

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

DENTSPLY SIRONA Inc.

/s/ <u>Donald M. Casey, Jr.</u> Donald M. Casey, Jr. Chief Executive Officer	<u>November 7, 2019</u> Date
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/s/ <u>Jorge M. Gomez</u> Jorge M. Gomez Executive Vice President and Chief Financial Officer	<u>November 7, 2019</u> Date
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Section 302 Certifications Statement

I, Donald M. Casey, Jr, certify that:

1. I have reviewed this Form 10-Q of DENTSPLY SIRONA Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2019

/s/ Donald M. Casey, Jr.
Donald M. Casey, Jr.
Chief Executive Officer

Section 302 Certifications Statement

I, Jorge M. Gomez, certify that:

1. I have reviewed this Form 10-Q of DENTSPLY SIRONA Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2019

/s/ Jorge M. Gomez

Jorge M. Gomez

Executive Vice President and

Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of DENTSPLY SIRONA Inc. (the "Company") on Form 10-Q for the period ending September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), We, Donald M. Casey, Jr., Chief Executive Officer of the Company and Jorge M. Gomez, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge and belief:

1. The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company as of the date of the Report.

/s/ *Donald M. Casey, Jr.*
Donald M. Casey, Jr.
Chief Executive Officer

/s/ *Jorge M. Gomez*
Jorge M. Gomez
Executive Vice President and
Chief Financial Officer

November 7, 2019