

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 June 30, 2018

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.)

221 West Philadelphia Street, York, PA  
(Address of principal executive offices)

17401-2991  
(Zip Code)

(717) 845-7511  
(Registrant's telephone number, including area code)

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

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).

Yes  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. (Check one):

Large accelerated filer  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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: At July 26, 2018, DENTSPLY SIRONA Inc. had 222,344,874 shares of Common Stock outstanding, with a par value of \$.01 per share.

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 June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net sales	\$ 1,042.1	\$ 992.7	\$ 1,998.2	\$ 1,893.2
Cost of products sold	489.3	448.5	931.3	857.0
Gross profit	552.8	544.2	1,066.9	1,036.2
Selling, general and administrative expenses	432.2	417.6	867.4	822.3
Goodwill impairment	1,085.8	1,092.9	1,085.8	1,092.9
Restructuring and other costs	188.9	81.7	199.1	84.8
Operating loss	(1,154.1)	(1,048.0)	(1,085.4)	(963.8)
Other income and expenses:				
Interest expense	9.6	9.6	18.2	18.9
Interest income	(0.4)	(0.6)	(1.0)	(1.3)
Other expense (income), net	(1.0)	7.8	(35.1)	6.8
Loss before income taxes	(1,162.3)	(1,064.8)	(1,067.5)	(988.2)
Provision (benefit) for income taxes	(41.3)	(14.5)	(27.6)	2.4
Net loss	(1,121.0)	(1,050.3)	(1,039.9)	(990.6)
Less: Net income (loss) attributable to noncontrolling interests	1.0	(0.3)	0.9	(0.4)
Net loss attributable to Dentsply Sirona	\$ (1,122.0)	\$ (1,050.0)	\$ (1,040.8)	\$ (990.2)
Net loss per common share attributable to Dentsply Sirona:				
Basic	\$ (4.98)	\$ (4.58)	\$ (4.60)	\$ (4.31)
Diluted	\$ (4.98)	\$ (4.58)	\$ (4.60)	\$ (4.31)
Weighted average common shares outstanding:				
Basic	225.2	229.4	226.2	229.7
Diluted	225.2	229.4	226.2	229.7
Dividends declared per common share:	\$ 0.0875	\$ 0.0875	\$ 0.1750	\$ 0.1750

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 June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net loss	\$ (1,121.0)	\$ (1,050.3)	\$ (1,039.9)	\$ (990.6)
Other comprehensive (loss) income, net of tax:				
Foreign currency translation (loss) gain	(192.6)	222.0	(126.9)	271.7
Net gain (loss) on derivative financial instruments	29.6	(2.5)	17.6	(5.8)
Net realized holding gain on available for sale securities	—	—	(44.3)	—
Pension liability gain	3.0	1.1	4.2	2.3
Total other comprehensive (loss) income, net of tax	(160.0)	220.6	(149.4)	268.2
Total comprehensive loss	(1,281.0)	(829.7)	(1,189.3)	(722.4)
Less: Comprehensive income attributable to noncontrolling interests	0.8	0.3	1.3	0.1
Comprehensive loss attributable to Dentsply Sirona	\$ (1,281.8)	\$ (830.0)	\$ (1,190.6)	\$ (722.5)

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

**DENTSPLY SIRONA INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

(In millions, except per share amounts)

(unaudited)

	June 30, 2018	December 31, 2017
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 239.3	\$ 320.6
Accounts and notes receivables-trade, net	710.3	746.2
Inventories, net	666.3	623.1
Prepaid expenses and other current assets, net	276.5	312.6
<b>Total Current Assets</b>	<b>1,892.4</b>	<b>2,002.5</b>
Property, plant and equipment, net	857.6	876.0
Identifiable intangible assets, net	2,546.8	2,800.7
Goodwill, net	3,457.8	4,539.2
Other noncurrent assets, net	67.4	156.1
<b>Total Assets</b>	<b>\$ 8,822.0</b>	<b>\$ 10,374.5</b>
<b>Liabilities and Equity</b>		
Current Liabilities:		
Accounts payable	\$ 292.4	\$ 284.4
Accrued liabilities	575.3	585.8
Income taxes payable	31.9	54.2
Notes payable and current portion of long-term debt	218.1	30.1
<b>Total Current Liabilities</b>	<b>1,117.7</b>	<b>954.5</b>
Long-term debt	1,586.6	1,611.6
Deferred income taxes	538.0	718.0
Other noncurrent liabilities	439.6	462.5
<b>Total Liabilities</b>	<b>3,681.9</b>	<b>3,746.6</b>
Commitments and contingencies	—	—
Equity:		
Preferred stock, \$1.00 par value; 0.25 million shares authorized; no shares issued	—	—
Common stock, \$0.01 par value;	2.6	2.6
400.0 million shares authorized and 264.5 million shares issued at June 30, 2018 and December 31, 2017, respectively		
222.2 million and 226.8 million shares outstanding at June 30, 2018 and December 31, 2017, respectively		
Capital in excess of par value	6,526.2	6,543.9
Retained earnings	1,216.2	2,316.2
Accumulated other comprehensive loss	(440.8)	(291.0)
Treasury stock, at cost, 42.3 million and 37.7 million shares at June 30, 2018 and December 31, 2017, respectively	(2,177.0)	(1,955.4)
<b>Total Dentsply Sirona Equity</b>	<b>5,127.2</b>	<b>6,616.3</b>
Noncontrolling interests	12.9	11.6
<b>Total Equity</b>	<b>5,140.1</b>	<b>6,627.9</b>
<b>Total Liabilities and Equity</b>	<b>\$ 8,822.0</b>	<b>\$ 10,374.5</b>

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

**DENTSPLY SIRONA INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(In millions)  
(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, 2016	\$ 2.6	\$ 6,516.7	\$ 3,948.0	\$ (705.7)	\$ (1,647.3)	\$ 8,114.3	\$ 11.6	\$ 8,125.9
Net loss	—	—	(990.2)	—	—	(990.2)	(0.4)	(990.6)
Other comprehensive income	—	—	—	267.7	—	267.7	0.5	268.2
Exercise of stock options	—	6.3	—	—	39.1	45.4	—	45.4
Stock based compensation expense	—	21.9	—	—	—	21.9	—	21.9
Reclassification on adoption of ASU No. 2016-09	—	1.0	(1.5)	—	—	(0.5)	—	(0.5)
Funding of Employee Stock Ownership Plan	—	3.3	—	—	3.3	6.6	—	6.6
Treasury shares purchased	—	—	—	—	(150.3)	(150.3)	—	(150.3)
RSU distributions	—	(22.1)	—	—	10.1	(12.0)	—	(12.0)
RSU dividends	—	0.3	(0.3)	—	—	—	—	—
Cash dividends	—	—	(40.4)	—	—	(40.4)	—	(40.4)
Balance at June 30, 2017	\$ 2.6	\$ 6,527.4	\$ 2,915.6	\$ (438.0)	\$ (1,745.1)	\$ 7,262.5	\$ 11.7	\$ 7,274.2

	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 (loss) income	—	—	(1,040.8)	—	—	(1,040.8)	0.9	(1,039.9)
Other comprehensive (loss) income	—	—	—	(149.8)	—	(149.8)	0.4	(149.4)
Exercise of stock options	—	(6.4)	—	—	17.6	11.2	—	11.2
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	—	—	8.1	—	—	8.1	—	8.1
Stock based compensation expense	—	9.8	—	—	—	9.8	—	9.8
Treasury shares purchased	—	—	—	—	(250.2)	(250.2)	—	(250.2)
RSU distributions	—	(21.4)	—	—	11.0	(10.4)	—	(10.4)
RSU dividends	—	0.3	(0.3)	—	—	—	—	—
Cash dividends	—	—	(58.3)	—	—	(58.3)	—	(58.3)
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

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

**DENTSPY SIRONA INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In millions)  
(unaudited)

	Six Months Ended June 30,	
	2018	2017
<b>Cash flows from operating activities:</b>		
Net loss	\$ (1,039.9)	\$ (990.6)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	68.8	62.1
Amortization of intangible assets	100.1	91.8
Amortization of deferred financing costs	1.3	1.3
Goodwill impairment	1,085.8	1,092.9
Indefinite-lived intangible asset impairment	179.2	79.8
Deferred income taxes	(70.8)	(34.2)
Stock based compensation expense	9.8	21.9
Restructuring and other costs - non-cash	9.1	1.0
Other non-cash (income) expense	(2.9)	5.5
Loss on disposal of property, plant and equipment	0.6	0.4
Gain on sale of equity security	(44.1)	—
Changes in operating assets and liabilities, net of acquisitions:		
Accounts and notes receivable-trade, net	23.0	1.9
Inventories, net	(69.3)	(49.6)
Prepaid expenses and other current assets, net	(25.7)	(59.3)
Other noncurrent assets, net	(7.7)	1.2
Accounts payable	(6.5)	9.5
Accrued liabilities	(4.6)	(19.2)
Income taxes	(28.5)	(15.4)
Other noncurrent liabilities	(5.7)	7.7
<b>Net cash provided by operating activities</b>	<b>172.0</b>	<b>208.7</b>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(81.2)	(64.8)
Cash paid for acquisitions of businesses and equity investments, net of cash acquired	(130.5)	(125.2)
Cash received on derivatives contracts	1.9	5.3
Cash paid on derivatives contracts	(2.4)	—
Expenditures for identifiable intangible assets	(5.3)	(5.9)
Purchase of short-term investments	—	(2.3)
Purchase of Company-owned life insurance policies	—	(0.9)
Proceeds from sale of equity security	54.1	—
Proceeds from sale of property, plant and equipment, net	3.9	1.9
<b>Net cash used in investing activities</b>	<b>(159.5)</b>	<b>(191.9)</b>
<b>Cash flows from financing activities:</b>		
Increase in short-term borrowings	187.3	1.4
Cash paid for treasury stock	(250.2)	(151.5)
Cash dividends paid	(39.7)	(38.1)
Proceeds from long-term borrowings	0.3	2.9
Repayments on long-term borrowings	(0.4)	(6.6)
Proceeds from exercised stock options	13.9	45.4
<b>Net cash used in financing activities</b>	<b>(88.8)</b>	<b>(146.5)</b>
Effect of exchange rate changes on cash and cash equivalents	(5.0)	14.2
Net decrease in cash and cash equivalents	(81.3)	(115.5)
Cash and cash equivalents at beginning of period	320.6	383.9
Cash and cash equivalents at end of period	<b>\$ 239.3</b>	<b>\$ 268.4</b>



**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, 2017.

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, 2017, except as may be indicated below.

**Revenue Recognition**

Revenue is recognized when performance obligations under the terms of a contract with a customer are satisfied; generally this occurs with the transfer of risk and/or control of Dental and Healthcare Consumables products (“consumable” products), Dental Technology products (“technology” products), or Dental Equipment products (“equipment” products). Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods or providing services. Sales, value add and other taxes collected concurrent with revenue-producing activities are excluded from revenue. Incidental items that are immaterial in the context of the contract are recognized as expense.

For most of consumable, technology and equipment products, the Company transfers control and recognizes a sale when products are shipped from the manufacturing facility or warehouse to the customer (distributors and direct to dentists). For contracts with customers that contain destination shipping terms, revenue is not recognized until risk has transferred and the goods are delivered to the agreed upon destination. The amount of consideration received and revenue recognized varies with changes in marketing incentives (e.g., discounts, rebates, free goods) and returns offered to customers and their customers. When the Company gives customers the right to return eligible products and receive credit, returns are estimated based on an analysis of historical experience. However, returns of products, excluding warranty related returns, are infrequent and insignificant. The Company adjusts the estimate of revenue at the earlier of when the most likely amount of consideration can be estimated, the amount expected to be received changes, or when the consideration becomes fixed. Consideration received from customers in advance of revenue recognition is classified as deferred revenue.

Depending on the terms of the arrangement, the Company will defer the recognition of a portion of the consideration received when performance obligations are not yet satisfied (e.g., extended maintenance/service contracts, software and licenses, customer loyalty points and coupon programs). The Company uses an observable price, typically average selling price, to determine the stand-alone selling price for separate performance obligations. The Company determines the stand-alone selling price, based on Company geographic sales locations’ database of pricing and discounting practices for the specific product or service when sold separately, and utilizes this data to arrive at average selling prices by product. Revenue is then allocated proportionately, based on the determined stand-alone selling price, to the unsatisfied performance obligation, which is deferred until satisfied. At June 30, 2018, the Company had \$26.2 million of deferred revenue recorded in Accrued liabilities on the Consolidated Balance Sheets. The Company expects to recognize significantly all of the deferred revenue within the next twelve months.

The Company has elected to account for shipping and handling activities as a fulfillment cost within the cost of products sold, and records shipping and handling costs collected from customers in net sales. The Company has adopted two practical expedients: the “right to invoice” practical expedient, which allows us to recognize revenue in the amount of the invoice when it corresponds directly with the value of performance completed to date; and relief from considering the existence of a significant financing component when the payment for the good or service is expected to be one year or less.

The Company offers discounts to its customers and distributors if certain conditions are met. Discounts are primarily based on the volume of products purchased or targeted to be purchased by the customer. Discounts are deducted from revenue at the time of sale or when the discount is offered, whichever is later. The Company estimates volume discounts based on an individual customer's historical and estimated future product purchases.

Certain of the Company's customers are offered cash rebates based on targeted sales increases. The Company estimates rebates based on the forecasted performance of a customer and their expected level of achievement within the rebate programs. In accounting for these rebate programs, the Company records an accrual and reduces sales ratably as sales occur over the rebate period. The Company updates the accruals for these rebate programs as actual results and updated forecasts impact the estimated achievement for customers within the rebate programs.

A portion of the Company's net sales is comprised of sales of precious metals generated through its precious metal dental alloy product offerings. As the precious metal content of the Company's sales is largely a pass-through to customers, 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 alloy sale prices are typically adjusted when the prices of underlying precious metals change.

### **Accounts and Notes Receivable**

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

Accounts and notes receivables – trade, net are stated net of allowances for doubtful accounts and trade discounts, which were \$23.4 million at June 30, 2018 and \$22.4 million at December 31, 2017.

### **Marketable Securities**

During the three months ended March 31, 2018, the Company sold its direct investment in the DIO Corporation ("DIO") for \$54.1 million, resulting in a gain of \$44.1 million. At December 31, 2017, the Company had recorded an unrealized gain of \$45.0 million in accumulated other comprehensive loss. This gain was transferred out of Accumulated other comprehensive loss ("AOCI"), and recorded in Other expense (income), net on the Consolidated Statements of Operations. The fair value of the direct investment at December 31, 2017 was \$54.4 million.

### **Income Taxes**

The Company has accounted for the tax effects of the Tax Cuts and Jobs Act, enacted on December 22, 2017, on a provisional basis. At December 31, 2017, the accounting for certain income tax effects was incomplete, but the Company determined reasonable estimates for those effects which were included in the financial statements. The Company expects to complete the accounting during 2018 in accordance with the one year measurement period.

### **Recently Adopted Accounting Pronouncements**

Effective January 1, 2018, the Company adopted Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers", as amended (Topic 606, commonly referred to as ASC 606) to all contracts using the modified retrospective method. The Company recognized the cumulative effect of initially applying the new revenue standard as an adjustment to the opening balance of retained earnings. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods.

Most of the Company's sales revenue continues to be recognized when products are shipped from manufacturing facilities. For certain customer and dealer incentive programs, such as coupons, customer loyalty and free goods, the Company recognizes the proportionate revenue and cost of product when the incentives are shipped or awarded. Prior to adoption of ASC 606, costs for these types of programs were recognized when triggering events occurred. For contracts with customers where performance occurs over time, such as software sales, the Company recognizes revenue ratably over the performance period.

The new revenue standard also provided additional guidance that resulted in reclassifications to or from Net sales, Cost of products sold, Selling, general and administrative expenses, and the resultant change in Provision (benefit) for income taxes.

The cumulative effect of the changes made on the Consolidated Balance Sheets at December 31, 2017 for the adoption of ASC 606, is as follows:

(in millions)

Consolidated Balance Sheets Item	December 31, 2017 As Reported Balance	Adoption of ASC 606	January 1, 2018 Revised Balance
<b>Assets</b>			
Accounts and notes receivable-trade, net	\$ 746.2	\$ 0.2	\$ 746.4
Inventory, net	623.1	(0.3)	622.8
Prepaid expense and other current assets, net	312.6	1.9	314.5
<b>Liabilities and Equity</b>			
Accrued liabilities	585.8	9.9	595.7
Income taxes payable	54.2	(2.1)	52.1
Retained earnings	2,316.2	(6.0)	2,310.2

The impact of adopting the new revenue recognition standard on the Company's Consolidated Statements of Operations and Consolidated Balance Sheets is as follows:

Consolidated Statements of Operations Item	Three Months Ended June 30, 2018			Six Months Ended June 30, 2018		
	As Reported Balance	Balances Without Adoption of ASC 606	Effect of Change Increase/(Decrease)	As Reported Balance	Balances Without Adoption of ASC 606	Effect of Change Increase/(Decrease)
Net sales	\$ 1,042.1	\$ 1,044.8	\$ (2.7)	\$ 1,998.2	\$ 1,998.8	\$ (0.6)
Cost of products sold	489.3	491.4	(2.1)	931.3	930.3	1.0
Selling, general and administrative expenses	432.2	432.3	(0.1)	867.4	868.1	(0.7)
Provision (benefit) for income taxes	(41.3)	(41.2)	(0.1)	(27.6)	(27.4)	(0.2)
Net loss attributable to Dentsply Sirona	(1,122.0)	(1,121.6)	(0.4)	(1,040.8)	(1,040.1)	(0.7)

Consolidated Balance Sheets Item	Balance at June 30, 2018		
	As Reported Balance	Balances Without Adoption of ASC 606	Effect of Change Increase/(Decrease)
<b>Assets</b>			
Accounts and notes receivables-trade, net	\$ 710.3	\$ 710.2	\$ 0.1
Inventories, net	666.3	666.6	(0.3)
Prepaid expenses and other current assets, net	276.5	273.4	3.1
<b>Liabilities and Equity</b>			
Accrued liabilities	575.3	563.4	11.9
Income taxes payable	31.9	34.2	(2.3)
Retained earnings	1,216.2	1,222.9	(6.7)

Effective January 1, 2018, the Company adopted ASU No. 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory." This accounting standard seeks to improve the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. Previously, US GAAP prohibited the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to a third party, which is an exception to the principle of comprehensive recognition of current and deferred income taxes in US GAAP. ASU No. 2016-16 eliminates this exception. The Company adopted this accounting standard using the modified retrospective method with a cumulative-effect adjustment directly to retained earnings. Upon adoption, the Company made the following reclassification:

(in millions)

Consolidated Balance Sheets Item	December 31, 2017 As Reported Balance	Adoption of ASU 2016-16 Increase/(Decrease)	January 1, 2018 Revised Balance
<b>Assets</b>			
Prepaid expenses and other current assets, net	\$ 312.6	\$ (5.6)	\$ 307.0
Other noncurrent assets, net	156.1	(73.1)	83.0
<b>Liabilities and Equity</b>			
Deferred income taxes	718.0	(76.0)	642.0
Retained earnings	2,316.2	(2.7)	2,313.5

In March 2017, the FASB issued ASU No. 2017-07, "Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost." This newly issued accounting standard is primarily intended to improve the presentation of net periodic pension cost and net periodic postretirement benefit cost. The amendments in this update require an employer to report the service cost component of net periodic benefit cost in operating income, while the interest cost, amortization, return on assets and any settlement or curtailment expense will be reported below operating income. More specifically, the service cost will be reported in the same line item as other compensation costs arising from the services rendered by the pertinent employee during the period. The amendments in this update are required for annual and interim periods beginning after December 15, 2017, and should be applied retrospectively for the presentation of the components of net periodic benefit cost and net periodic postretirement benefit cost in the income statement. The amendment allows a practical expedient that permits an employer to use the amounts disclosed in its pension and other postretirement benefit plan note for the prior comparative periods as the estimation basis for applying the retrospective presentation requirements. The Company adopted this accounting standard on January 1, 2018, and applied the practical expedient upon adoption. The impact of adopting this standard, by financial statement line item, is reflected below:

(in millions)

Consolidated Statements of Operations Item	Three Months Ended June 30, 2017 As Reported	Adoption of 2017-07 Increase/(Decrease)	Three Months Ended June 30, 2017 Revised
Cost of products sold	\$ 448.5	\$ (0.3)	\$ 448.2
Gross profit	544.2	0.3	544.5
Selling, general and administrative expense	417.6	(1.9)	415.7
Operating loss	(1,048.0)	2.2	(1,045.8)
Other expense (income), net	7.8	2.2	10.0

(in millions)

Consolidated Statements of Operations Item	Six Months Ended June 30, 2017 As Reported	Adoption of 2017-07 Increase/(Decrease)	Six Months Ended June 30, 2017 Revised
Cost of products sold	\$ 857.0	\$ (0.8)	\$ 856.2
Gross profit	1,036.2	0.8	1,037.0
Selling, general and administrative expense	822.3	(3.6)	818.7
Operating loss	(963.8)	4.4	(959.4)
Other expense (income), net	6.8	4.4	11.2

In February 2018, the FASB issued ASU No. 2018-02, "Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." This newly issued accounting standard allows for a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from tax rate changes due to the Tax Cuts and Jobs Act. The amendments in this update are required for annual and interim periods beginning after December 15, 2018. This standard also requires the Company to disclose its accounting policy for releasing income tax effects from accumulated other comprehensive income. In general, the Company applies the individual item approach. As permitted by the accounting standard, the Company early adopted this accounting standard on January 1, 2018. As a result of the adoption, the Company elected to reclassify the income tax effects from AOCI to Retained earnings and reclassified \$8.1 million.

#### Recently Issued Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) with subsequent amendments (collectively, "Topic 842"). This accounting standard seeks to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The adoption of this standard is required for interim and fiscal periods ending after December 15, 2018, using the modified retrospective approach. Topic 842 provides for an additional optional transition method that allows application of the new standard beginning January 1, 2019 with recognition of a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. Periods prior to adoption would continue to conform to current US GAAP (Topic 840, Leases) and periods after adoptions would conform to Topic 842. The Company anticipates adopting Topic 842 using the optional transition method and is currently assessing the impact that this standard will have on its financial position, results of operations, cash flows and disclosures.

In August 2017, the FASB issued ASU No. 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities." 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 instrument and the hedged item in the financial statements. The amendments in this update are required for annual and interim periods beginning after December 15, 2018. Early adoption is permitted. 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 is currently assessing the impact that this standard will have on its financial position, results of operations, cash flows and disclosures.

## NOTE 2 – STOCK COMPENSATION

The following table represents total stock based compensation expense for non-qualified stock options, restricted stock units (“RSU”) and the tax related benefit for the three and six months ended June 30, 2018 and 2017.

(in millions)	Three Months Ended		Six Months Ended	
	2018	2017	2018	2017
Stock option expense	\$ 2.7	\$ 2.5	\$ 3.4	\$ 5.2
RSU expense	(2.6)	8.0	5.9	15.7
Total stock based compensation expense	\$ 0.1	\$ 10.5	\$ 9.3	\$ 20.9
Related deferred income tax benefit	\$ —	\$ 2.5	\$ 1.6	\$ 5.8

For the three and six months ended June 30, 2018, stock compensation expense of \$0.1 million and \$9.3 million, respectively, was recorded on the Consolidated Statements of Operations. For the three months ended June 30, 2018 the Company lowered the likely payout level on certain performance-based grants. For the three and six months ended June 30, 2018, \$1.2 million and \$8.3 million, respectively, was recorded in Selling, general, and administrative expense, and \$0.1 million and \$0.4 million, respectively, was recorded in Cost of products sold on the Consolidated Statements of Operations. For the three and six months ended June 30, 2018, the Company recorded income of \$1.2 million and expense of \$0.5 million, respectively, in Restructuring and other costs on the Consolidated Statements of Operations.

For the three and six months ended June 30, 2017, stock compensation expense of \$10.5 million and \$20.9 million, respectively, was recorded on the Consolidated Statements of Operations. For the three and six months ended June 30, 2017, \$10.3 million and \$20.4 million, respectively, was recorded in Selling, general, and administrative expense, and \$0.2 million and \$0.5 million, respectively, was recorded in Cost of products sold on the Consolidated Statements of Operations.

### NOTE 3 – COMPREHENSIVE INCOME (LOSS)

The following table summarizes the components of comprehensive income (loss), net of tax, for the three and six months ended June 30, 2018 and 2017:

(in millions)	Three Months Ended		Six Months Ended	
	2018	2017	2018	2017
Foreign currency translation gains	\$ —	\$ 248.2	\$ —	\$ 304.8
Foreign currency translation losses	(223.4)	—	(139.4)	—
Foreign currency translation gain on hedges of net investments	31.0	—	12.1	—
Foreign currency translation loss on hedges of net investments	—	(24.2)	—	(33.6)

These amounts are recorded in AOCI, net of any related tax adjustments. At June 30, 2018 and December 31, 2017, the cumulative tax adjustments were \$168.5 million and \$203.8 million, respectively, primarily related to foreign currency translation gains and losses.

The cumulative foreign currency translation adjustments included translation losses of \$117.3 million and gains \$22.1 million at June 30, 2018 and December 31, 2017, respectively, and cumulative losses on loans designated as hedges of net investments of \$114.5 million and \$126.6 million, respectively. These foreign currency translation gains and losses were partially offset by movements on derivative financial instruments, which are discussed in Note 10, Financial Instruments and Derivatives.

Changes in AOCI, net of tax, by component for the six months ended June 30, 2018 and 2017 were as follows:

(in millions)	Foreign Currency Translation Gain (Loss)	Gain and (Loss) on Derivative Financial Instruments Designated as Cash Flow Hedges	Gain and (Loss) on Derivative Financial Instruments	Net Unrealized Holding Gain (Loss) 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	(106.6)	(4.2)	29.4	—	2.4	(79.0)
Tax (expense) benefit	(20.7)	0.5	(14.5)	—	(0.6)	(35.3)
Other comprehensive (loss) income, net of tax, before reclassifications	(127.3)	(3.7)	14.9	—	1.8	(114.3)
Amounts reclassified from accumulated other comprehensive income (loss), net of tax	—	6.4	—	(44.3)	2.4	(35.5)
Net (decrease) increase in other comprehensive income	(127.3)	2.7	14.9	(44.3)	4.2	(149.8)
Balance, net of tax, at June 30, 2018	\$ (231.8)	\$ (9.9)	\$ (112.7)	\$ —	\$ (86.4)	\$ (440.8)

(in millions)	Foreign Currency Translation Gain (Loss)	Gain and (Loss) on Derivative Financial Instruments Designated as Cash Flow Hedges	Gain and (Loss) on Derivative Financial Instruments	Pension Liability Gain (Loss)	Total
Balance, net of tax, at December 31, 2016	\$ (490.5)	\$ (3.2)	\$ (116.8)	\$ (95.2)	\$ (705.7)
Other comprehensive income (loss) before reclassifications and tax impact	245.8	(2.7)	(4.2)	—	238.9
Tax benefit	25.4	0.2	0.8	—	26.4
Other comprehensive income (loss), net of tax, before reclassifications	271.2	(2.5)	(3.4)	—	265.3
Amounts reclassified from accumulated other comprehensive income, net of tax	—	0.1	—	2.3	2.4
Net increase (decrease) in other comprehensive income	271.2	(2.4)	(3.4)	2.3	267.7
Balance, net of tax, at June 30, 2017	\$ (219.3)	\$ (5.6)	\$ (120.2)	\$ (92.9)	\$ (438.0)

Reclassifications out of AOCI to the Consolidated Statements of Operations for the three and six months ended June 30, 2018 and 2017 were as follows:

(in millions)	Amounts Reclassified from AOCI		Affected Line Item on the Consolidated Statements of Operations
	Three Months Ended 2018	2017	
<b>(Loss) gain on derivative financial instruments:</b>			
Interest rate swaps	\$ (0.5)	\$ (0.4)	Interest expense
Foreign exchange forward contracts	(4.3)	0.5	Cost of products sold
Net (loss) gain before tax	(4.8)	0.1	
Tax impact	0.7	—	Provision (benefit) for income taxes
Net (loss) gain after tax	\$ (4.1)	\$ 0.1	
<b>Amortization of defined benefit pension and other postemployment benefit items:</b>			
Amortization of prior service benefits	\$ —	\$ 0.1	(a)
Amortization of net actuarial losses	(1.7)	(1.7)	(a)
Net loss before tax	(1.7)	(1.6)	
Tax impact	0.5	0.5	Provision (benefit) for income taxes
Net loss after tax	\$ (1.2)	\$ (1.1)	
<b>Total reclassifications for the period</b>	<b>\$ (5.3)</b>	<b>\$ (1.0)</b>	

(a) These AOCI components are included in the computation of net periodic benefit cost for the three months ended June 30, 2018 and 2017 (see Note 8, Benefit Plans, for additional details).

(in millions)

Details about AOCI Components	Amounts Reclassified from AOCI		Affected Line Item on the Consolidated Statements of Operations
	2018	2017	
<b>Loss on derivative financial instruments:</b>			
Interest rate swaps	\$ (1.1)	\$ (1.1)	Interest expense
Foreign exchange forward contracts	(6.1)	1.0	Cost of products sold
Net loss before tax	(7.2)	(0.1)	
Tax impact	0.8	—	Provision (benefit) for income taxes
Net loss after tax	\$ (6.4)	\$ (0.1)	
<b>Net realized holding gain on available-for-sale securities:</b>			
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	\$ —	
<b>Amortization of defined benefit pension and other postemployment benefit items:</b>			
Amortization of prior service benefits	\$ —	\$ 0.1	(a)
Amortization of net actuarial losses	(3.4)	(3.4)	(a)
Net loss before tax	(3.4)	(3.3)	
Tax impact	1.0	1.0	Provision (benefit) for income taxes
Net loss after tax	\$ (2.4)	\$ (2.3)	
Total reclassifications for the period	\$ 35.5	\$ (2.4)	

(a) These AOCI components are included in the computation of net periodic benefit cost for the six months ended June 30, 2018 and 2017 (see Note 8, Benefit Plans, for additional details).

**NOTE 4 – EARNINGS PER COMMON SHARE**

The calculation of weighted average diluted common shares outstanding excludes stock options and RSUs of 5.5 million and 4.7 million equivalent shares of common stock that were outstanding during the three and six months ended June 30, 2018, respectively, because their effect would be antidilutive. There were 0.8 million and 1.2 million antidilutive equivalent shares of common stock outstanding during the three and six months ended June 30, 2017, 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 earn-out provisions. OraMetrix specializes in orthodontic treatment planning software, wire bending, and clear aligner manufacturing and is headquartered in Richardson, Texas. At June 30, 2018, the Company recorded a preliminary estimate of \$62.8 million in goodwill related to the fair value of assets acquired and liabilities assumed and the consideration given for the acquisition. The purchase price has been assigned on the basis of the preliminary estimate of the fair values of assets acquired and liabilities assumed. Goodwill is considered to represent the value associated with workforce and synergies the two companies anticipate realizing as a combined company. The goodwill is not expected to be deductible for tax purposes.

Intangible assets acquired consist of the following:

(in millions, except for useful life)	Amount	Weighted Average Useful Life (in years)
Customer relationships	\$ 17.5	15
Developed technology and patents	63.4	15
Trade names and trademarks	12.8	Indefinite
Total	<u>\$ 93.7</u>	

During the quarter ended June 30, 2017, the Company acquired Recherche Techniques Dentaires (“RTD”), a privately-held France-based manufacturer of endodontic posts for \$132.0 million. The Company recorded \$83.9 million in goodwill related to the fair value of assets acquired and liabilities assumed and the consideration given for the acquisition. Goodwill is considered to represent the value associated with workforce and synergies the two companies anticipate realizing as a combined company. The goodwill is not expected to be deductible for tax purposes.

Intangible assets acquired consist of the following:

(in millions, except for useful life)	Amount	Weighted Average Useful Life (in years)
Customer relationships	\$ 18.1	15
Developed technology and patents	22.4	15
Trade names and trademarks	8.5	Indefinite
Total	<u>\$ 49.0</u>	

The results of operations for these businesses have been included in the accompanying financial statements as of the effective date of each transactions. These transactions were not material to the Company’s net sales and net loss attributable to Dentsply Sirona for the quarter ended June 30, 2018.

## NOTE 6 – SEGMENT INFORMATION

The Company has numerous operating businesses covering a wide range of dental consumable products and dental technology products primarily serving the professional dental market, and certain healthcare products. Professional dental products represented approximately 92% of net sales for all periods presented.

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. The Company defines net third party sales excluding precious metal content as the Company's net sales excluding the precious metal cost within the products sold, which 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.

### 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, laboratory dental products, CAD/CAM systems, imaging systems, treatment centers, as well as consumable medical device products.

### Consumables

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

The following tables set forth information about the Company's segments for the three and six months ended June 30, 2018 and 2017. Certain reclassifications have been made to the prior year's data in order to conform to the current year presentation:

#### Third Party Net Sales

(in millions)	Three Months Ended		Six Months Ended	
	2018	2017	2018	2017
Technologies & Equipment	\$ 548.8	\$ 532.8	\$ 1,057.1	\$ 1,011.8
Consumables	493.3	459.9	941.1	881.4
Total net sales	\$ 1,042.1	\$ 992.7	\$ 1,998.2	\$ 1,893.2

### Third Party Net Sales, Excluding Precious Metal Content

(in millions)	Three Months Ended		Six Months Ended	
	2018	2017	2018	2017
Technologies & Equipment	\$ 539.4	\$ 523.1	\$ 1,037.4	\$ 991.0
Consumables	493.3	459.9	941.1	881.4
Total net sales, excluding precious metal content	1,032.7	983.0	1,978.5	1,872.4
Precious metal content of sales	9.4	9.7	19.7	20.8
Total net sales, including precious metal content	\$ 1,042.1	\$ 992.7	\$ 1,998.2	\$ 1,893.2

### Segment Adjusted Operating Income

(in millions)	Three Months Ended		Six Months Ended	
	2018	2017	2018	2017
Technologies & Equipment	\$ 77.1	\$ 98.0	\$ 151.8	\$ 151.9
Consumables	146.0	122.8	253.2	238.9
Segment adjusted operating income before income taxes and interest	223.1	220.8	405.0	390.8
Reconciling items expense (income):				
All Other (a)	50.5	46.3	101.8	82.3
Goodwill impairment	1,085.8	1,092.9	1,085.8	1,092.9
Restructuring and other costs	188.9	81.7	199.1	84.8
Interest expense	9.6	9.6	18.2	18.9
Interest income	(0.4)	(0.6)	(1.0)	(1.3)
Other expense (income), net	(1.0)	7.8	(35.1)	6.8
Amortization of intangible assets	50.2	46.5	100.1	91.8
Depreciation resulting from the fair value step-up of property, plant and equipment from business combinations	1.8	1.4	3.6	2.8
Loss before income taxes	\$ (1,162.3)	\$ (1,064.8)	\$ (1,067.5)	\$ (988.2)

(a) Includes the results of unassigned Corporate headquarter costs, inter-segment eliminations and one distribution warehouse not managed by named segments.

## 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 June 30, 2018 and December 31, 2017 were \$12.7 million and \$12.4 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 June 30, 2018 and December 31, 2017 by \$8.8 million and \$10.6 million, respectively.

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

(in millions)	June 30, 2018	December 31, 2017
Finished goods	\$ 441.6	\$ 387.6
Work-in-process	88.4	90.4
Raw materials and supplies	136.3	145.1
Inventories, net	<u>\$ 666.3</u>	<u>\$ 623.1</u>

The inventory valuation allowance was \$75.1 million and \$71.7 million at June 30, 2018 and December 31, 2017, respectively.

## NOTE 8 – BENEFIT PLANS

The following sets forth the components of net periodic benefit cost of the Company’s defined benefit plans for the three and six months ended June 30, 2018 and 2017:

Defined Benefit Plans (in millions)	Three Months Ended		Six Months Ended		Location on Consolidated Statements of Operations
	2018	2017 (a)	2018	2017 (a)	
Service cost	\$ 1.9	\$ 2.0	\$ 3.7	\$ 3.7	Cost of products sold
Service cost	2.1	1.9	4.5	4.0	Selling, general and administrative expenses
Interest cost	1.9	1.8	3.6	3.5	Other expense (income), net
Expected return on plan assets	(1.3)	(1.2)	(2.7)	(2.3)	Other expense (income), net
Amortization of prior service credit	(0.1)	(0.1)	(0.1)	(0.1)	Other expense (income), net
Amortization of net actuarial loss	1.7	1.7	3.4	3.3	Other expense (income), net
<b>Net periodic benefit cost</b>	<b>\$ 6.2</b>	<b>\$ 6.1</b>	<b>\$ 12.4</b>	<b>\$ 12.1</b>	

(a) Prior period presented reflects adoption of ASU 2017-07. For further discussion on the reclassification, refer to Note 1, Significant Accounting Policies.

The following sets forth the information related to the contributions to the Company’s defined benefit plans for 2018:

(in millions)	Pension Benefits
Actual contributions through June 30, 2018	\$ 7.7
Expected contributions for the remainder of the year	8.4
<b>Total actual and expected contributions</b>	<b>\$ 16.1</b>

## NOTE 9 – RESTRUCTURING AND OTHER COSTS

### Restructuring Costs

During the three and six months ended June 30, 2018, the Company recorded net restructuring costs and other costs of \$188.9 million and \$199.1 million, respectively, which includes net restructuring costs of \$3.4 million and \$10.8 million, respectively. During the three and six months ended June 30, 2017, the Company recorded net restructuring costs and other cost of \$81.7 million and \$84.8 million, respectively, which includes net restructuring costs of \$1.5 million and \$3.8 million, respectively. These costs are recorded in Restructuring and other costs on the Consolidated Statements of Operations and the associated liabilities are recorded in Accrued liabilities on the Consolidated Balance Sheets.

At June 30, 2018, the Company’s restructuring accruals were as follows:

(in millions)	Severance			
	2016 and Prior Plans	2017 Plans	2018 Plans	Total
Balance at December 31, 2017	\$ 7.7	\$ 48.2	\$ —	\$ 55.9
Provisions	0.7	0.2	10.8	11.7
Amounts applied	(1.8)	(7.7)	(5.9)	(15.4)
Change in estimates	(0.1)	(1.8)	(0.2)	(2.1)
Balance at June 30, 2018	\$ 6.5	\$ 38.9	\$ 4.7	\$ 50.1

(in millions)	Lease/Contract Terminations		
	2016 and Prior Plans	2017 Plans	Total
Balance at December 31, 2017	\$ 0.4	\$ 0.2	\$ 0.6
Provisions	0.3	(0.1)	0.2
Amounts applied	(0.5)	(0.1)	(0.6)
Balance at June 30, 2018	\$ 0.2	\$ —	\$ 0.2

(in millions)	Other Restructuring Costs			
	2016 and Prior Plans	2017 Plans	2018 Plans	Total
Balance at December 31, 2017	\$ 2.1	\$ 1.7	\$ —	\$ 3.8
Provisions	0.2	0.4	0.2	0.8
Amounts applied	(1.5)	(0.4)	(0.2)	(2.1)
Balance at June 30, 2018	\$ 0.8	\$ 1.7	\$ —	\$ 2.5

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

(in millions)	December 31, 2017	Provisions	Amounts Applied	Change in Estimates	June 30, 2018
Technologies & Equipment	\$ 46.9	\$ 7.2	\$ (7.9)	\$ (1.8)	\$ 44.4
Consumables	13.3	4.1	(8.2)	(0.3)	8.9
All Other	0.1	1.4	(2.0)	—	(0.5)
Total	\$ 60.3	\$ 12.7	\$ (18.1)	\$ (2.1)	\$ 52.8

## Other Costs

Other costs for the three and six months ended June 30, 2018 were \$185.5 million and \$188.3 million, respectively. Other costs for the three and six months ended June 30, 2017 were \$80.2 million and \$81.0 million, respectively.

For the three months ended June 30, 2018, the Company recorded an impairment charge of \$179.2 million. The impaired indefinite-lived intangibles are tradenames and trademarks 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 Intangibles.

For the three months ended June 30, 2017, the Company recorded an impairment charge of \$79.8 million. The impaired indefinite-lived intangibles are tradenames and trademarks related to two reporting units 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 utilizes interest rate swaps to convert variable rate debt to fixed rate debt.

### Derivative Instruments Designated as Hedging

#### Cash Flow Hedges

The following table summarizes the notional amounts of cash flow hedges by derivative instrument type at June 30, 2018 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	\$ 301.4	\$ 232.7
Interest rate swaps	113.2	—
Total derivative instruments designated as cash flow hedges	<u>\$ 414.6</u>	<u>\$ 232.7</u>

#### Foreign Exchange Risk Management

The Company uses a layered hedging 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 on 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 deemed ineffective and is reported currently in Other expense (income), net on the Consolidated Statements of Operations in the period which it is applicable. Any cash flows associated with these instruments are included in cash from operating activities on 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, Japanese yen and Australian dollars.

These foreign exchange forward contracts generally have maturities up to 18 months and the counterparties to the transactions are typically large international financial institutions.

#### Interest Rate Risk Management

The Company uses interest rate swaps to convert a portion of its variable interest rate debt to fixed interest rate debt. At June 30, 2018, the Company has one significant exposure hedged with interest rate contracts. The exposure is hedged with derivative contracts having notional amounts totaling 12.6 billion Japanese yen, which effectively converts the underlying variable interest rate debt facility to a fixed interest rate of 0.9% for an initial term of five years ending September 2019.

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 cash from operating activities on the Consolidated Statements of Cash Flows.

## Cash Flow Hedge Activity

The following tables summarize the amount of gains (losses) recorded in AOCI on the Consolidated Balance Sheets and income (expense) on the Company's Consolidated Statements of Operations related to all cash flow hedges for the three months ended June 30, 2018 and 2017:

June 30, 2018				
(in millions)	Gain (Loss) in AOCI	Consolidated Statements of Operations Location	Effective Portion Reclassified from AOCI into Income (Expense)	Ineffective Portion Recognized in Income (Expense)
<b>Effective Portion:</b>				
Interest rate swaps	\$ —	Interest expense	\$ (0.6)	\$ —
Foreign exchange forward contracts	2.8	Cost of products sold	(4.2)	—
<b>Ineffective Portion:</b>				
Foreign exchange forward contracts	—	Other expense (income), net	—	(0.3)
<b>Total in cash flow hedging</b>	<b>\$ 2.8</b>		<b>\$ (4.8)</b>	<b>\$ (0.3)</b>

June 30, 2017				
(in millions)	Gain (Loss) in AOCI	Consolidated Statements of Operations Location	Effective Portion Reclassified from AOCI into Income (Expense)	Ineffective Portion Recognized in Income (Expense)
<b>Effective Portion:</b>				
Interest rate swaps	\$ (0.2)	Interest expense	\$ (0.4)	\$ —
Foreign exchange forward contracts	(1.2)	Cost of products sold	0.5	—
<b>Ineffective Portion:</b>				
Foreign exchange forward contracts	—	Other expense (income), net	—	(0.2)
<b>Total for cash flow hedging</b>	<b>\$ (1.4)</b>		<b>\$ 0.1</b>	<b>\$ (0.2)</b>

The following tables summarize the amount of gain (losses) recorded in AOCI on the Consolidated Balance Sheets and income (expense) on the Company's Consolidated Statements of Operations related to all cash flow hedges for the six months ended June 30, 2018 and 2017:

June 30, 2018				
(in millions)	Gain (Loss) in AOCI	Consolidated Statements of Operations Location	Effective Portion Reclassified from AOCI into Income (Expense)	Ineffective Portion Recognized in Income (Expense)
<b>Effective Portion:</b>				
Interest rate swaps	\$ (0.1)	Interest expense	\$ (1.1)	\$ —
Foreign exchange forward contracts	(4.1)	Cost of products sold	(6.1)	—
<b>Ineffective Portion:</b>				
Foreign exchange forward contracts	—	Other expense (income), net	—	(0.4)
<b>Total in cash flow hedging</b>	<b>\$ (4.2)</b>		<b>\$ (7.2)</b>	<b>\$ (0.4)</b>

June 30, 2017

(in millions)	Gain (Loss) in AOCI	Consolidated Statements of Operations Location	Effective Portion Reclassified from AOCI into Income (Expense)	Ineffective Portion Recognized in Income (Expense)
<b>Effective Portion:</b>				
Interest rate swaps	\$ —	Interest expense	\$ (1.1)	\$ —
Foreign exchange forward contracts	(2.7)	Cost of products sold	1.0	—
<b>Ineffective Portion:</b>				
Foreign exchange forward contracts	—	Other expense (income), net	—	(0.5)
<b>Total for cash flow hedging</b>	<b>\$ (2.7)</b>		<b>\$ (0.1)</b>	<b>\$ (0.5)</b>

Overall, the derivatives designated as cash flow hedges are considered to be highly effective. At June 30, 2018, the Company expects to reclassify \$6.5 million of deferred net losses on cash flow hedges recorded in AOCI on the Consolidated Statements of Operations during the next 12 months. The term over which the Company is hedging exposures to variability of cash flows (for all forecasted transactions, excluding interest payments on variable interest rate debt) is typically 18 months.

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

### 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 designated as hedges of net investments, which are included in AOCI. Any cash flows associated with these instruments are included in investing activities on 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 on the Consolidated Statements of Cash Flows.

On January 2, 2018, the Company entered into a 245.6 million euro cross currency basis swap maturing in August 2021, that was designated as a hedge of net investments. This contract effectively converts the \$295.7 million bond coupon from 4.1% to 1.7%, which will result in a net reduction of interest expense through maturity in 2021.

The following table summarizes the notional amount of hedges of net investments by derivative instrument at June 30, 2018 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	\$ 600.6	\$ 299.5
Cross currency basis swaps	286.5	—
<b>Total for instruments not designated as hedges</b>	<b>\$ 887.1</b>	<b>\$ 299.5</b>

The fair value of the foreign exchange forward contracts is the estimated amount the Company would receive or pay at the reporting date, taking into account the effective interest rates and foreign exchange rates. The effective portion of the change in the value of these derivatives is recorded in AOCI, net of tax effects.

The following tables summarize the amount of 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 June 30, 2018 and 2017:

June 30, 2018			
(in millions)	Gain (Loss) in AOCI	Consolidated Statements of Operations Location	Recognized in Income (Expense)
<b>Effective Portion:</b>			
Cross currency basis swaps	\$ 16.0	Interest expense	\$ 1.9
Foreign exchange forward contracts	31.3	Other expense (income), net	3.9
Total for net investment hedging	<u>\$ 47.3</u>		<u>\$ 5.8</u>

June 30, 2017			
(in millions)	Gain (Loss) in AOCI	Consolidated Statements of Operations Location	Recognized in Income (Expense)
<b>Effective Portion:</b>			
Foreign exchange forward contracts	\$ (2.4)	Other expense (income), net	\$ 0.3
Total for net investment hedging	<u>\$ (2.4)</u>		<u>\$ 0.3</u>

The following tables summarize the amount of gain (losses) recorded in AOCI on the Consolidated Balance Sheets and income (expense) on the Company's Consolidated Statements of Operations related to the hedges of net investments for the six months ended June 30, 2018 and 2017:

June 30, 2018			
(in millions)	Gain (Loss) in AOCI	Consolidated Statements of Operations Location	Recognized in Income (Expense)
<b>Effective Portion:</b>			
Cross currency basis swaps	\$ 9.6	Interest expense	\$ 3.6
		Other expense (income), net	(6.6)
Foreign exchange forward contracts	19.8	Other expense (income), net	5.4
Total for net investment hedging	<u>\$ 29.4</u>		<u>\$ 2.4</u>

June 30, 2017			
(in millions)	Gain (Loss) in AOCI	Consolidated Statements of Operations Location	Recognized in Income (Expense)
<b>Effective Portion:</b>			
Foreign exchange forward contracts	\$ (4.2)	Other expense (income), net	\$ 0.8
Total for net investment hedging	<u>\$ (4.2)</u>		<u>\$ 0.8</u>

## 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 on the Consolidated Statements of Operations. The Company primarily uses foreign exchange forward contracts and cross currency basis swaps 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 on the Consolidated Statements of Cash Flows. Any cash flows associated with the cross currency basis swaps not designated as hedges are included in investing activities on the Consolidated Statements of Cash Flows except for derivative instruments that include an other-than-insignificant financing element, for which the cash flows are classified as financing activities on the Consolidated Statements of Cash Flows.

The following tables summarize the aggregate notional amounts of the Company's economic hedges not designated as hedges by derivative instrument types at June 30, 2018 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	\$ 388.0	\$ 388.0
Total for instruments not designated as hedges	<u>\$ 388.0</u>	<u>\$ 388.0</u>

The following table summarizes the amounts of gains (losses) recorded on the Company's Consolidated Statements of Operations related to the economic hedges not designated as hedging for the three and six months ended June 30, 2018 and 2017:

(in millions)	Consolidated Statements of Operations Location	Gain (Loss) Recognized	
		Three Months Ended 2018	2017
Foreign exchange forward contracts (a)	Other expense (income), net	\$ 3.6	\$ (2.3)
Total for instruments not designated as hedges		<u>\$ 3.6</u>	<u>\$ (2.3)</u>

(a) The gains and losses on these derivative transactions offset the gains and losses generated by the revaluation of the underlying non-functional currency balances which are recorded in Other expense (income), net on the Consolidated Statements of Operations.

(in millions)	Consolidated Statements of Operations Location	Gain (Loss) Recognized	
		Six Months Ended 2018	2017
Foreign exchange forward contracts (a)	Other expense (income), net	\$ 4.3	\$ (5.1)
Total for instruments not designated as hedges		<u>\$ 4.3</u>	<u>\$ (5.1)</u>

(a) The gains and losses on these derivative transactions offset the gains and losses generated by the revaluation of the underlying non-functional currency balances which are recorded in Other expense (income), net on the Consolidated Statements of Operations.

## Consolidated Balance Sheets Location of Derivative Fair Values

The following tables summarize the fair value and the location of the Company's derivatives on the Consolidated Balance Sheets at June 30, 2018 and December 31, 2017:

		June 30, 2018			
(in millions)	Designated as Hedges	Prepaid Expenses and Other Current Assets, Net	Other Noncurrent Assets, Net	Accrued Liabilities	Other Noncurrent Liabilities
	Designated as Hedges				
	Foreign exchange forward contracts	\$ 11.4	\$ 10.4	\$ 6.5	\$ 1.0
	Interest rate swaps	—	—	0.3	—
	Cross currency basis swaps	—	3.0	—	—
	Total	<u>\$ 11.4</u>	<u>\$ 13.4</u>	<u>\$ 6.8</u>	<u>\$ 1.0</u>
	Not Designated as Hedges				
	Foreign exchange forward contracts	\$ 2.7	\$ —	\$ 4.3	\$ —
	Total	<u>\$ 2.7</u>	<u>\$ —</u>	<u>\$ 4.3</u>	<u>\$ —</u>
		December 31, 2017			
(in millions)	Designated as Hedges	Prepaid Expenses and Other Current Assets, Net	Other Noncurrent Assets, Net	Accrued Liabilities	Other Noncurrent Liabilities
	Designated as Hedges				
	Foreign exchange forward contracts	\$ 1.4	\$ —	\$ 13.4	\$ 4.5
	Interest rate swaps	—	—	0.3	0.1
	Total	<u>\$ 1.4</u>	<u>\$ —</u>	<u>\$ 13.7</u>	<u>\$ 4.6</u>
	Not Designated as Hedges				
	Foreign exchange forward contracts	\$ 3.4	\$ —	\$ 3.7	\$ —
	Total	<u>\$ 3.4</u>	<u>\$ —</u>	<u>\$ 3.7</u>	<u>\$ —</u>

## 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 on the Consolidated Balance Sheets.

Offsetting of financial assets and liabilities under netting arrangements at June 30, 2018:

(in millions)	Gross Amounts Recognized	Gross Amount Offset on the Consolidated Balance Sheets	Net Amounts Presented on the Consolidated Balance Sheets	Gross Amounts Not Offset on the Consolidated Balance Sheets		Net Amount
				Financial Instruments	Cash Collateral Received/Pledged	
<b>Assets</b>						
Foreign exchange forward contracts	\$ 24.9	\$ —	\$ 24.9	\$ (9.5)	\$ —	\$ 15.4
Cross currency basis swaps	3.0	—	3.0	(2.7)	—	0.3
<b>Total Assets</b>	<b>\$ 27.9</b>	<b>\$ —</b>	<b>\$ 27.9</b>	<b>\$ (12.2)</b>	<b>\$ —</b>	<b>\$ 15.7</b>
(in millions)	Gross Amounts Recognized	Gross Amount Offset on the Consolidated Balance Sheets	Net Amounts Presented on the Consolidated Balance Sheets	Gross Amounts Not Offset on the Consolidated Balance Sheets		Net Amount
				Financial Instruments	Cash Collateral Received/Pledged	
<b>Liabilities</b>						
Foreign exchange forward contracts	\$ 12.2	\$ —	\$ 12.2	\$ (12.0)	\$ —	\$ 0.2
Interest rate swaps	0.3	—	0.3	(0.2)	—	0.1
<b>Total Liabilities</b>	<b>\$ 12.5</b>	<b>\$ —</b>	<b>\$ 12.5</b>	<b>\$ (12.2)</b>	<b>\$ —</b>	<b>\$ 0.3</b>

Offsetting of financial assets and liabilities under netting arrangements at December 31, 2017:

(in millions)	Gross Amounts Recognized	Gross Amount Offset on the Consolidated Balance Sheets	Net Amounts Presented on the Consolidated Balance Sheets	Gross Amounts Not Offset on the Consolidated Balance Sheets		Net Amount
				Financial Instruments	Cash Collateral Received/Pledged	
<b>Assets</b>						
Foreign exchange forward contracts	\$ 4.8	\$ —	\$ 4.8	\$ (3.9)	\$ —	\$ 0.9
<b>Total Assets</b>	<b>\$ 4.8</b>	<b>\$ —</b>	<b>\$ 4.8</b>	<b>\$ (3.9)</b>	<b>\$ —</b>	<b>\$ 0.9</b>

(in millions)	Gross Amounts Recognized	Gross Amount Offset on the Consolidated Balance Sheets	Net Amounts Presented on the Consolidated Balance Sheets	Gross Amounts Not Offset on the Consolidated Balance Sheets		Net Amount
				Financial Instruments	Cash Collateral Received/Pledged	
<b>Liabilities</b>						
Foreign exchange forward contracts	\$ 21.6	\$ —	\$ 21.6	\$ (3.8)	\$ —	\$ 17.8
Interest rate swaps	0.4	—	0.4	(0.1)	—	0.3
<b>Total Liabilities</b>	<b>\$ 22.0</b>	<b>\$ —</b>	<b>\$ 22.0</b>	<b>\$ (3.9)</b>	<b>\$ —</b>	<b>\$ 18.1</b>

## NOTE 11 – FAIR VALUE MEASUREMENT

The Company records financial instruments at fair value with unrealized gains and losses related to certain financial instruments reflected in AOCI on the Consolidated Balance Sheets. In addition, the Company recognizes certain liabilities at fair value. The Company applies the market approach for recurring fair value measurements. Accordingly, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Financial assets and liabilities that are recorded at fair value as of the balance sheet date are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The fair value of financial instruments is determined by reference to various market data and other valuation techniques as appropriate. The Company believes the carrying amounts of cash and cash equivalents, accounts receivable (net of allowance for doubtful accounts), prepaid expenses and other current assets, accounts payable, accrued liabilities, income taxes payable and notes payable approximate fair value due to the short-term nature of these instruments. The Company estimated the fair value using Level 1 inputs and carrying value of total long-term debt, including the current portion, was \$1,598.5 million and \$1,595.4 million, respectively at June 30, 2018. At December 31, 2017, the Company estimated the fair value and carrying value, including the current portion, was \$1,629.9 million and \$1,620.8 million, respectively. The variable interest rate on the Japanese yen term loan is consistent with current market conditions, therefore the fair value approximates the loan's carrying value.

The following tables 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 June 30, 2018 and December 31, 2017:

(in millions)	June 30, 2018			
	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
Cross currency basis swaps	\$ 3.0	\$ —	\$ 3.0	\$ —
Foreign exchange forward contracts	24.5	—	24.5	—
<b>Total assets</b>	<b>\$ 27.5</b>	<b>\$ —</b>	<b>\$ 27.5</b>	<b>\$ —</b>
<b>Liabilities</b>				
Interest rate swaps	\$ 0.3	\$ —	\$ 0.3	\$ —
Foreign exchange forward contracts	11.8	—	11.8	—
Contingent considerations on acquisitions	8.8	—	—	8.8
<b>Total liabilities</b>	<b>\$ 20.9</b>	<b>\$ —</b>	<b>\$ 12.1</b>	<b>\$ 8.8</b>
(in millions)	December 31, 2017			
	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
Foreign exchange forward contracts	\$ 4.8	\$ —	\$ 4.8	\$ —
Available-for-sale security	54.4	—	54.4	—
<b>Total assets</b>	<b>\$ 59.2</b>	<b>\$ —</b>	<b>\$ 59.2</b>	<b>\$ —</b>
<b>Liabilities</b>				
Interest rate swaps	\$ 0.4	\$ —	\$ 0.4	\$ —
Foreign exchange forward contracts	21.6	—	21.6	—
Contingent considerations on acquisitions	8.6	—	—	8.6
<b>Total liabilities</b>	<b>\$ 30.6</b>	<b>\$ —</b>	<b>\$ 22.0</b>	<b>\$ 8.6</b>

There have been no transfers between levels during the six months ended June 30, 2018 and 2017.

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.

The Company's Level 3 liabilities at June 30, 2018 and December 31, 2017 are related to earn-out obligations on prior acquisitions. The following table presents a reconciliation of the Company's Level 3 holdings measured at fair value on a recurring basis using unobservable inputs:

(in millions)	Earn-out Obligations
Balance at December 31, 2017	\$ 8.6
Fair value adjustment:	
Reported in Other expense (income), net	0.4
Effect of exchange rate changes	(0.2)
Balance at June 30, 2018	<u>\$ 8.8</u>

For the six months ended June 30, 2018, there were no other purchases, issuances or transfers of Level 3 financial instruments.

## NOTE 12 – INCOME TAXES

### Uncertainties in Income Taxes

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

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 interim consolidated financial statements. Final settlement and resolution of outstanding tax matters in various jurisdictions during the next twelve months are not expected to be significant.

### Other Tax Matters

During the quarter ended June 30, 2018, the Company recorded the following discrete tax items, \$0.5 million of excess tax benefit related to employee share-based compensation, tax benefits of \$0.7 million related to valuation allowances, \$2.5 million related to enacted statutory rate changes and \$0.6 million of tax benefit for other discrete tax matters. 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 goodwill that was tax-deductible for the three months ended June 30, 2018. In addition the Company also recorded a \$0.6 million tax benefit as a discrete item related to the gain on sale of marketable securities.

During the quarter ended June 30 2017, the Company recorded the following discrete tax items, \$4.2 million of excess tax benefit related to employee share-based compensation, \$0.5 million of tax expense related to enacted statutory rate changes and \$1.5 million of tax expense for other discrete tax matters. The Company also recorded a \$23.5 million tax benefit as a discrete item related to the indefinite-lived intangible asset impairment charge recorded during the three months ended June 30, 2017. The goodwill impairment charge for the quarter ended June 30, 2017 was non-deductible for income tax purposes.

### U.S. Federal Legislative Changes

On December 22, 2017, the Tax Cuts and Jobs Act (the "Act" or "U.S. tax reform") was enacted. U.S. tax reform, among other things, reduced the U.S. federal income tax rate to 21% in 2018 from 35%, instituted a dividends received deduction for foreign earnings with a related tax for the deemed repatriation of unremitted foreign earnings and created a new U.S. minimum tax on earnings of foreign subsidiaries. In addition, the SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118"), which provides guidance on accounting for enactment effects of the Act and provides a measurement period of up to one year from the Act's enactment date for companies to complete their accounting under Accounting Standards Codification No. 740 "Income Taxes", ("ASC 740"). In accordance with SAB 118, to the extent that a company's accounting for certain income tax effects of the Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in its financial statements. If a company cannot determine a provisional estimate to be included in its financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the Act. The Company has accounted for the tax effects of the Act on a provisional basis. At December 31, 2017, the accounting for certain income tax effects was incomplete, but the Company determined reasonable estimates for those effects which were included in the financial statements. The Company expects to complete the accounting during 2018 to comply with the one year measurement period.

Based on information available, at December 31, 2017, the Company estimated the cumulative undistributed foreign earnings and recorded a provisional estimate of income tax expense related to the one-time deemed repatriation toll charge. There is still uncertainty as to the application of the Act, in particular as it relates to state income taxes. Further, the Company has not yet completed the analysis of the components of the computation, including the amount of the foreign earnings subject to U.S. income tax, and the portion of the foreign earnings held in cash or other specified assets. At June 30, 2018, the estimated cash liability for the deemed repatriation of foreign earnings is approximately \$1.0 million primarily due to the utilization of foreign tax credit carryforwards and certain other tax attributes. However, as the Company completes its analysis an additional liability could be recorded and the Company would elect to make installment payments as allowed under the Act.

As a result of the Act, the Company can repatriate the cumulative undistributed foreign earnings back to the U.S. when needed with minimal U.S. income tax consequences other than the one-time deemed repatriation toll charge. The Company is still evaluating whether to change its indefinite reinvestment assertion in light of the Act and consider that conclusion to be incomplete in accordance SAB 118.

For the Global Intangible Low Tax Income (“GILTI”) provision of the Act, the Company recorded an estimate for the six months ended June 30, 2018, as a period expense based on current guidance, but the Company has not yet completed its assessment or elected an accounting policy to either recognize deferred taxes for basis differences expected to reverse as GILTI or to record GILTI as period costs if and when incurred.

In accordance with SEC guidance, provisional amounts may be refined as a result of additional guidance from, and interpretations by, U.S. regulatory and standard-setting bodies, and changes in assumptions. In subsequent periods, provisional amounts will be adjusted for the effects, if any, of interpretative guidance issued by the U.S. Department of the Treasury. The effects of the Act may be subject to changes for items that were previously reported as provisional amounts, as well as any element of the Act that a provisional estimate could not be made, and such changes could be material.

## NOTE 13 – FINANCING ARRANGEMENTS

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 June 30, 2018, the Company was in compliance with all debt covenants.

At June 30, 2018, there were no outstanding borrowings under the current \$500.0 million multi-currency revolving credit facility. During the quarter ended June 30, 2018, the Company had issued \$205.0 million of Commercial Paper which was outstanding at June 30, 2018. The multi-currency revolving credit facility serves as a back-stop facility for the Company's \$500.0 million Commercial Paper program.

On July 27, 2018, the Company amended and extended its \$500.0 million multicurrency revolving credit facility increasing the total available to \$700.0 million through July 27, 2023. In addition, certain new lenders joined the bank group. The Company has access to the full \$700.0 million through July 27, 2023. 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 June 30, 2018, the Company had \$322.9 million of borrowing available under lines of credit, including lines available under its short-term arrangements and revolving credit agreement.

## NOTE 14 – GOODWILL AND INTANGIBLE ASSETS

The Company performed its annual impairment tests of goodwill as of April 30, 2018 on 11 reporting units. 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 7.9% to 10.5%. 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 is 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. 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.

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.

In connection with the updating of the estimates and assumptions with the annual impairment tests of goodwill and the preparation of the financial statements for the three months ended June 30, 2018, the Company determined that the goodwill associated with the CAD/CAM, Imaging and Orthodontics reporting units was impaired. Additionally, near the end of the quarter, the Company recognized that the CAD/CAM and Imaging reporting units' ("equipment reporting units") revenue and operating margins would not meet forecasted expectations for the quarter as a result of several significant unfavorable developments which also affected the reporting units' projections for future revenue and operating margins. As a result, the Company recorded a goodwill impairment charge of \$1,085.8 million. The CAD/CAM and Imaging reporting units are within the Technologies & Equipment segment and the Orthodontics reporting unit is within the Consumables segment. The significant unfavorable developments in the current period which are reflected in the Company's April 30, 2018 goodwill impairment testing model, are as follows:

- The equipment reporting units were negatively affected in connection with the continued transition of the Company's distribution relationships primarily in the U.S. from exclusive to non-exclusive. The Company's expectations for revenue growth from its non-exclusive distribution relationships, which replaced its former long-term exclusive distribution relationship, were not met. As a result, the Company's forecasts of current and future third-party demand have been reduced as the Company's U.S. distributors continue to offer and promote competitive alternatives to the Company's full CAD/CAM systems and lower-priced alternatives to the Imaging reporting units' products.
- The Imaging reporting unit observed revenue and operating margins being negatively impacted by aggressive competition with a focus on value-based products in the marketplace as opposed to the reporting unit's premium products. This has resulted in increased competition from low-cost products in certain regions throughout the world causing the reporting unit to offer additional product features at the current price levels and to offer additional promotions and reduce its future sales forecasts.
- The CAD/CAM and Imaging reporting units have also experienced lower than expected sales with respect to higher margin products as well as a regional shift in sales to emerging markets each of which has negatively impacted the reporting units' overall operating margins as compared to the original forecasts for the period and for future sales forecasts.
- The equipment reporting units were also further impacted by the unfavorable change in the discount rate due primarily to a higher risk factor, which represents management's assessment of increased risk with respect to the CAD/CAM and Imaging reporting units' forecasts primarily due to the factors described above, and to a lesser extent a higher risk-free interest rate for all reporting units.
- The increased reduction of inventory being held by the Company's U.S. distributors in the second quarter, which was larger than anticipated for the period, and planned further reductions of inventory, will impact the Company's near-term results.

As a result of the factors described above, and the resulting reduced revenue and profitability expectations for these reporting units, we have forecasted reductions in unit volume growth rates and operating margins and lower future cash flows used to estimate the fair value of these reporting units, which resulted in a determination that an impairment adjustment was required.

The Orthodontics reporting unit goodwill impairment charge was primarily driven by lower operating margins and lower sales growth. The products manufactured and sold within this reporting unit have consisted mainly of traditional orthodontic treatment products, i.e., brackets, bands and wires. The impairment charge is unrelated to the Company's acquisition of OraMetrix. The Company has observed a continuing decline in operating margins as the marketplace has seen higher than expected price competition primarily due to increased supply of traditional orthodontic products in the market. In addition, the Company has seen lower than expected revenue growth which is reflected in its future forecast. The Company believes the revenue trend is the result of competition as well as the growing end-user demand for newer orthodontic treatment options.

For the Company's reporting units that were not impaired, the Company applied a hypothetical sensitivity analysis. Had the discount rate of each of these reporting units been hypothetically increased by 100 basis points at April 30, 2018, the fair value of one reporting unit, Treatment Centers, would not exceed net book value. If the fair value of each of these reporting units had been hypothetically reduced by 10% at April 30, 2018, the fair value of one reporting unit, Treatment Centers, would not exceed net book value. Goodwill for the Treatment Centers reporting unit totals \$292.7 million at June 30, 2018.

In conjunction with the goodwill and indefinite-lived intangibles impairment test, the Company utilized its best estimate of future cash flows as of April 30, 2018, which include significant management assumptions such as future revenue growth rates, operating margins, weighted average cost of capital, and future economic and market conditions affecting the dental and medical device industries. Any changes to these assumptions and estimates could have a negative impact on the fair value of these reporting units and may result in further impairment. Given the uncertainty in the marketplace and other factors affecting management's assumptions underlying the Company's discounted cash flow model, these estimates could vary significantly in the future, which may result in a goodwill impairment charge at that time. The goodwill impairment charge is not expected to result in future cash expenditures.

The Company also assessed the annual impairment of indefinite-lived intangible assets as of April 30, 2018, which largely consists of acquired tradenames, in conjunction with the annual impairment tests of goodwill. As a result of the annual impairment tests of indefinite-lived intangible assets, the Company recorded an impairment charge of \$179.2 million for the three months ended June 30, 2018 which was recorded in Restructuring and other costs on the Consolidated Statements of Operations. The impaired indefinite-lived intangible assets are tradenames and trademarks related to the CAD/CAM, Imaging, and Instrument reporting units. The impairment charge was primarily driven by a decline in forecasted sales resulting from increased competition and the impact of low-cost competitive products, as discussed above with respect to goodwill. In addition, the unfavorable impact of an increase in the equipment reporting units' respective risk factors, along with increases in the risk-free rate, increased the discount rate. The assumptions and estimates used in determining the fair value of the indefinite-lived intangible assets contain uncertainties, and any changes to these assumptions and estimates could have a negative impact and result in a future impairment.

A reconciliation of changes in the Company's goodwill by reportable segment is as follows:

(in millions)	Technologies & Equipment	Consumables	Total
Balance at December 31, 2017	\$ 3,660.6	\$ 878.6	\$ 4,539.2
Acquisition related additions	—	66.5	66.5
Measurement period adjustments on prior acquisitions	—	0.5	0.5
Impairment	(1,017.2)	(68.5)	(1,085.7)
Effects of exchange rate changes	(51.3)	(11.4)	(62.7)
Balance at June 30, 2018	<u>\$ 2,592.1</u>	<u>\$ 865.7</u>	<u>\$ 3,457.8</u>

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

(in millions)	June 30, 2018			December 31, 2017		
	Gross Carrying Amount	Cumulative Impairment	Net Carrying Amount	Gross Carrying Amount	Cumulative Impairment	Net Carrying Amount
Technologies & Equipment	\$ 5,260.2	\$ (2,668.1)	\$ 2,592.1	\$ 5,311.5	\$ (1,650.9)	\$ 3,660.6
Consumables	934.2	(68.5)	865.7	878.6	—	878.6
Total effect of cumulative impairment	6,194.4	(2,736.6)	3,457.8	6,190.1	(1,650.9)	4,539.2

Identifiable definite-lived and indefinite-lived intangible assets consist of the following:

(in millions)	June 30, 2018			December 31, 2017		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Patents and developed technology	\$ 1,416.1	\$ (353.5)	\$ 1,062.6	\$ 1,385.5	\$ (305.0)	\$ 1,080.5
Trademarks	82.6	(61.5)	21.1	76.4	(46.5)	29.9
Licensing agreements	36.1	(25.4)	10.7	31.2	(24.8)	6.4
Customer relationships	1,098.8	(301.8)	797.0	1,109.1	(272.0)	837.1
Total definite-lived	\$ 2,633.6	\$ (742.2)	\$ 1,891.4	\$ 2,602.2	\$ (648.3)	\$ 1,953.9
Indefinite-lived tradenames and trademarks	\$ 655.4	\$ —	\$ 655.4	\$ 846.8	\$ —	\$ 846.8
Total identifiable intangible assets	\$ 3,289.0	\$ (742.2)	\$ 2,546.8	\$ 3,449.0	\$ (648.3)	\$ 2,800.7

## 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 May 5, 2015, Roth Licensing, LLC ("Roth Licensing") filed a demand for arbitration alleging that GAC International, LLC, a subsidiary of the Company ("GAC"), infringes a registered trademark of Roth Licensing pursuant to the Lanham Act, California Civil Code Section 3344.1, and certain other common law causes of action. On August 9, 2017, the arbitrator issued an interim decision on liability finding that GAC had willfully infringed the registered trademark of Roth Licensing. On November 8, 2017, the arbitrator served his Final Award on damages awarding Roth Licensing approximately \$16.0 million for damages, attorneys' fees and costs as well as injunctive relief regarding the ROTH mark and any reproduction, counterfeit, copy, or colorable imitation of the ROTH mark and Dr. Roth's image. The Company believes that the arbitrator failed to follow the applicable arbitration procedures, and it has filed a Motion to Vacate Arbitration Award with the Eastern District of New York.

On January 11, 2018, Thomas 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. The Court held an initial hearing on the matter on April 11, 2018, allowing Mr. Redlich to file a reply to the Company's response on July 9, 2018, and allowing the Company to respond to that reply. The Court has set a further hearing on August 30, 2018 for this matter. The Company intends to defend this claim vigorously.

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. 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 pay overtime. The Company has filed its answer to the complaint and the parties have initiated written and other discovery. The Company continues to vigorously defend against this matter.

On June 7, 2018, John Castronovo filed a putative class action suit in the County of New York alleging that the Company and certain of its present and former officers and directors violated U.S. securities laws by allegedly making false and misleading statements in connection with a February 2016 registration statement issued in connection with the acquisition of and merger with former Sirona Dental Systems, Inc. by former Dentsply International Inc. The Company intends to defend itself vigorously.

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.

**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 1A “Risk Factors” of the Company’s Form 10-K for the year ended December 31, 2017.

**OVERVIEW**

**Highlights**

- For the three months ended June 30, 2018, the Company reported a sales increase of 5.0% compared to the three months ended June 30, 2017. On a constant currency basis sales increased 1.3% compared to the same year ago period.
- On a geographic basis, the Company generated constant currency sales growth of 4.2% in the Rest of World region, a decline of 1.4% in Europe, and growth in the United States of 2.3% for the three month period ended June 30, 2018.
- For the three months ended June 30, 2018, the Company generated a loss per diluted share of \$4.98 compared to a loss per diluted share of \$4.58 for the three months ended June 30, 2017. On an adjusted basis (a non-US GAAP measure as reconciled under Net income attributable to Dentsply Sirona below) for the three months ended June 30, 2018 earnings per diluted share was \$0.60 as compared to \$0.65 earnings per diluted share for the three months ended June 30, 2017.
- Cash flow from operations for the first six months of 2018 was \$172.0 million, as compared to \$208.7 million in the first six months of 2017.

**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 York, Pennsylvania. 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, Equipment Products and Healthcare Consumable Products. These products include dental implants, laboratory dental products, CAD/CAM systems, imaging systems, treatment centers 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 includes preventive, restorative, instruments and endodontic and orthodontic dental 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, Merger accounting impacts 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, competition and the impact of low-cost products 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 consolidation of operations and functions, as part of integration activities, to further reduce costs. While the current period results continue to reflect the unfavorable impact of incomplete integration related activities, the Company believes that the future benefits from these global efficiency and integration initiatives will improve its cost structure. In 2017, the Company targeted a cost reduction initiative of approximately \$100 million expected to be achieved over the next several years as the benefits of these initiatives, net of related investments, are realized over time. The Company expects that it will record restructuring charges, from time to time, associated with such initiatives. Consistent with these efforts, the Company is currently evaluating plans to simplify the organizational structure and consolidate its supply chain. The Company expects to announce final plans by the end of 2018. Future restructuring charges could be material to the Company’s consolidated financial statements and there can be no assurance that the cost reduction will be achieved.

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’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.

The Company continues to be impacted by the transition in distribution strategy with Patterson Companies, Inc. (“Patterson”) and Henry Schein, Inc. (“Henry Schein”). During 2017, the Company signed new distribution agreements with Patterson and Henry Schein for the Company’s equipment products. The Company shipped initial stocking orders for the equipment products to Henry Schein under the agreements primarily in the second and third quarters of 2017 which resulted in unfavorable year-over-year sales growth comparisons. Based on the Company’s estimate, year-over-year changes in distributor inventories associated with these agreements negatively impacted the Company’s reported sales growth in the first six months of 2018 by approximately \$5 million. Based on the Company’s estimate, distributor inventories decreased during the first six months of 2017 by approximately \$29 million as compared to a decrease of approximately \$34 million during the first six months of 2018. At this time, the Company estimates that net changes in distributor inventories will unfavorably impact the Company’s sales by approximately \$130 million to \$135 million for the balance of 2018. Based on the Company’s estimate, year-over-year changes in distributor inventories associated with these agreements is projected to unfavorably impact the Company’s reported sales growth for the full year of 2018 by approximately \$135 million to \$140 million.

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.

### **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**

Certain reclassifications have been made to the prior year’s data in order to conform to the current year presentation.

## **RESULTS OF OPERATIONS, QUARTER ENDED JUNE 30, 2018 COMPARED TO QUARTER ENDED JUNE 30, 2017**

### **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, which includes internal sales growth and net acquisition sales growth, and (2) foreign currency impacts. These disclosures of net sales growth provide the reader with sales results on a comparable basis between periods.

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)	Three Months Ended			
	June 30,		\$ Change	% Change
	2018	2017		
Net sales	\$ 1,042.1	\$ 992.7	\$ 49.4	5.0%
Less: precious metal content of sales	9.4	9.7	(0.3)	(3.1%)
Net sales, excluding precious metal content	<u>\$ 1,032.7</u>	<u>\$ 983.0</u>	<u>\$ 49.7</u>	<u>5.1%</u>

Net sales, excluding precious metal content, for the three months ended June 30, 2018 were \$1,032.7 million, an increase of \$49.7 million from the three months ended June 30, 2017. The increase in net sales, excluding precious metal content, was negatively impacted, based on the Company's estimate, by approximately \$9 million as a result of net changes in equipment inventory levels in the current quarter as compared to the prior year quarter at certain distributors in North America and Europe, that the Company believes is related to the transition in distribution strategy (see "Business Drivers" under this section for further detail). Based on the Company's estimate, inventory held by these distributors decreased by approximately \$26 million during the three months ended June 30, 2018, compared to a decrease of approximately \$17 million in the same three month period in 2017. At this time, the Company estimates that net changes in distributor inventories will unfavorably impact the Company's sales by approximately \$130 million to \$135 million for the balance of 2018. Based on the Company's estimate, year-over-year changes in distributor inventories associated with these agreements is projected to unfavorably impact the Company's reported sales growth for the full year of 2018 by approximately \$135 million to \$140 million.

For the three months ended June 30, 2018, net sales, excluding precious metal content, increased 1.3% on a constant currency basis. This includes a benefit of 0.4% from acquisitions, which results in internal sales growth of 0.9%. Net sales, excluding precious metal content, were positively impacted by approximately 3.8% due to the weakening of the U.S. dollar over the prior year period. The internal sales growth was attributable to the Consumables segment, offset by a decline in the Technologies & Equipment segment.

### Sales Growth by Region

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

(in millions)	Three Months Ended			
	June 30,		\$ Change	% Change
	2018	2017		
United States	\$ 337.1	\$ 330.1	\$ 7.0	2.1%
Europe	419.4	395.0	24.4	6.2%
Rest of World	276.2	257.9	18.3	7.1%

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

(in millions)	Three Months Ended			
	June 30, 2018			
	United States	Europe	Rest of World	Total
Net sales	\$ 338.4	\$ 426.7	\$ 277.0	\$ 1,042.1
Less: precious metal content of sales	1.3	7.3	0.8	9.4
Net sales, excluding precious metal content	337.1	419.4	276.2	1,032.7
Acquisition related adjustments (a)	2.1	—	—	2.1
Non-US GAAP net sales, excluding precious metal content	<u>\$ 339.2</u>	<u>\$ 419.4</u>	<u>\$ 276.2</u>	<u>\$ 1,034.8</u>

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

(in millions)	Three Months Ended			
	June 30, 2017			
	United States	Europe	Rest of World	Total
Net sales	\$ 331.6	\$ 402.2	\$ 258.9	\$ 992.7
Less: precious metal content of sales	1.5	7.2	1.0	9.7
Net sales, excluding precious metal content	330.1	395.0	257.9	983.0
Merger related adjustments (a)	1.5	—	—	1.5
Non-US GAAP net sales, excluding precious metal content	\$ 331.6	\$ 395.0	\$ 257.9	\$ 984.5

(a) Represents an adjustment to reflect deferred subscription and warranty revenue that was eliminated under business combination accounting standards to make the 2018 and 2017 non-U.S. GAAP results comparable.

#### United States

Net sales increased by 2.1% in the quarter ended June 30, 2018 as compared to the quarter ended June 30, 2017. Net sales, excluding precious metal content, increased by 2.1% in the second quarter of 2018 as compared to the second quarter of 2017.

For the three month period ended June 30, 2018, net sales, excluding precious metal content, increased 2.3% on a constant currency basis. This includes a benefit of 1.0% from acquisitions, which results in internal sales growth of 1.3%. The internal sales growth was attributable to both the Technologies & Equipment and Consumables segments.

Based on the Company's estimate, sales growth for the three months ended June 30, 2018 was negatively impacted by approximately \$11 million from net changes in equipment inventory levels in the current quarter as compared to the prior year quarter at the two distributors in the United States related to the transition in distribution strategy (see "Business Drivers" under this section for further detail). Based on the Company's estimate, inventory held by these distributors decreased by approximately \$24 million during the three months ended June 30, 2018 compared to a decrease of approximately \$13 million during the three months of June 30, 2017. At this time, the Company estimates that net changes in distributor inventories will unfavorably impact the Company's sales by approximately \$130 million to \$135 million for the balance of 2018 in the United States. Based on the Company's estimate, year-over-year changes in distributor inventories associated with these agreements is projected to unfavorably impact the Company's reported sales growth for the full year of 2018 by approximately \$135 million to \$140 million in this region.

#### Europe

Net sales increased by 6.1% in the quarter ended June 30, 2018 as compared to the quarter ended June 30, 2017. Net sales, excluding precious metal content, increased by 6.2% in the second quarter of 2018 as compared to the second quarter of 2017, which was positively impacted by approximately 7.6% due to the weakening of the U.S. dollar over the prior year period.

For the three month period ended June 30, 2018, net sales, excluding precious metal content, decreased 1.4% on a constant currency basis, resulting in negative internal sales growth of 1.4%. The decline in internal sales growth was driven primarily by the Technologies & Equipment segment.

#### Rest of World

Net sales increased by 7.0% in the quarter ended June 30, 2018 as compared to the quarter ended June 30, 2017. Net sales, excluding precious metal content, increased 7.1% in the second quarter of 2018 as compared to the second quarter of 2017, which was positively impacted by approximately 2.9% due to the weakening of the U.S. dollar over the prior year period.

For the three month period ended June 30, 2018, sales, excluding precious metal content, increased 4.2% on a constant currency basis. This includes a benefit of 0.2% from acquisitions, which results in internal sales growth of 4.0%. Internal sales growth was driven by both segments.

## Gross Profit

(in millions)	Three Months Ended		\$ Change	% Change
	2018	2017		
Gross profit	\$ 552.8	\$ 544.2	\$ 8.6	1.6%
Gross profit as a percentage of net sales, including precious metal content	53.0%	54.8%		
Gross profit as a percentage of net sales, excluding precious metal content	53.5%	55.4%		

Gross profit as a percentage of net sales, excluding precious metal content, decreased by 190 basis points for the quarter ended June 30, 2018 as compared to the same three month period ended June 30, 2017.

For the three months ended June 30, 2018, the decrease in the gross profit rate was primarily driven by unfavorable product mix, increased manufacturing costs and unfavorable product pricing which impacted the rate approximately 225 basis points, partially offset by the benefit of the Company's global efficiency initiatives as compared to the three months ended June 30, 2017.

## Operating Expenses

(in millions)	Three Months Ended		\$ Change	% Change
	2018	2017		
Selling, general and administrative expenses ("SG&A")	\$ 432.2	\$ 417.6	\$ 14.6	3.5%
Goodwill impairment	1,085.8	1,092.9	(7.1)	(0.6%)
Restructuring and other costs	188.9	81.7	107.2	NM
SG&A as a percentage of net sales, including precious metal content	41.5%	42.1%		
SG&A as a percentage of net sales, excluding precious metal content	41.9%	42.5%		

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 quarter ended June 30, 2018 decreased 60 basis points compared to the quarter ended June 30, 2017. The lower rate was primarily driven by a reduction in business combination related costs and favorable foreign currency which impacted the rate by approximately 130 basis points, mostly offset by increased compensation costs as compared to the three months ended June 30, 2017.

### Goodwill impairment

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

For the three months ended June 30, 2017, the Company recorded a goodwill impairment charge of \$1,092.9 million. This charge is related to three reporting units within the Technologies & Equipment segment.

### Restructuring and Other Cost

The Company recorded net restructuring and other costs of \$188.9 million for the three months ended June 30, 2018 compared to \$81.7 million for the three months ended June 30, 2017.

During the three months ended June 30, 2018, the Company recorded an impairment charge of \$179.2 million related to certain tradenames within the reporting units in the Technologies & Equipment segment that were impaired during the Company's annual impairment testing as well as an intangible with the Consumables segment. For further information see Note 14, Goodwill and Intangible Assets, in the Notes to Unaudited Consolidated Financial Statements in Part 1, Item 1 of this Form 10-Q.

During the three months ended June 30, 2017, the Company recorded an impairment charge of \$79.8 million related to certain tradenames within the reporting units in the Technologies & Equipment segment that were impaired during the Company's annual impairment testing.

The Company is currently evaluating plans to simplify the organizational structure and consolidate its supply chain. The Company expects to announce final plans by the end of 2018.

#### Other Income and Expense

(in millions)	Three Months Ended June 30,		Change
	2018	2017	
Net interest expense	\$ 9.2	\$ 9.0	\$ 0.2
Other expense (income), net	(1.0)	7.8	(8.8)
Net interest and other expense	\$ 8.2	\$ 16.8	\$ (8.6)

#### Net Interest Expense

Net interest expense for the three months ended June 30, 2018 increased \$0.2 million compared to the three months ended June 30, 2017.

#### Other Expense (Income), Net

Other expense (income), net for the three months ended June 30, 2018 was income of \$1.0 million, comprised primarily of \$5.7 million curtailment gain recorded on the termination of a post-employment medical benefit plan partially offset by \$2.0 million currency transaction losses and \$2.7 million of other non-operating expense. Other expense (income), net for the three months ended June 30, 2017 was expense of \$7.8 million, comprised primarily of \$4.5 million of currency transaction losses and \$3.3 of non-operating expense.

#### Income Taxes and Net Income

(in millions, except per share data)	Three Months Ended June 30,		\$ Change
	2018	2017	
Provision (benefit) for income taxes	\$ (41.3)	\$ (14.5)	\$ (26.8)
Effective income tax rate	NM	NM	
Net loss attributable to Dentsply Sirona	\$ (1,122.0)	\$ (1,050.0)	\$ (72.0)
Net loss per common share - diluted	\$ (4.98)	\$ (4.58)	

NM - Not meaningful

#### Provision for Income Taxes

For the three months ended June 30, 2018, income taxes were a net benefit of \$41.3 million as compared to a net benefit of \$14.5 million in the quarter ended June 30, 2017.

During the quarter ended June 30, 2018, the Company recorded the following discrete tax items, \$0.5 million of excess tax benefit related to employee share-based compensation, tax benefits of \$0.7 million related to valuation allowances, \$2.5 million related to enacted statutory rate changes and \$0.6 million of tax benefit for other discrete tax matters. 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 three months ended June 30, 2018. In addition the Company also recorded \$0.6 million of tax benefit 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 and adjusting for the pretax loss related to the impairment of indefinite-lived intangible assets, tax deductible and non-deductible goodwill impairment charges, the Company's effective tax rate was 17.02%.

For the second quarter of 2017, the Company recorded the following discrete tax items, \$4.2 million of excess tax benefit related to employee share-based compensation, \$0.5 million of tax expense related to enacted statutory rate changes and \$1.5 million of tax expense related to other discrete tax matters. The Company also recorded a \$23.5 million tax benefit as a discrete item related to the indefinite-lived intangible asset impairment charge recorded during the three months ended June 30, 2017. Excluding these discrete tax items and adjusting pretax loss to exclude the pretax loss related to the impairment of the indefinite-lived intangible assets and non-deductible goodwill impairment charge, the Company's effective tax rate was 10.4%. The effective tax rate was favorably impacted by the Company's change in the mix of consolidated earnings.

The Company's effective income tax rate for the second quarter of 2018 included the net impact of restructuring program related costs and other costs, amortization of purchased intangible assets, business combination related costs, credit risk and fair value adjustments, business combination related costs and income tax related adjustments which impacted income before income taxes and the provision for income taxes by \$1,337.7 million and \$78.9 million, respectively.

The Company's effective income tax rate for the second quarter of 2017 included the net impact of restructuring program related costs and other costs, amortization of purchased intangible assets, business combination related costs, fair value adjustments, credit risk and fair value adjustments and income tax related adjustments which impacted the loss before income taxes and the provision for income taxes by \$1,244.2 million and \$43.5 million, respectively.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Act" or "U.S. tax reform") was enacted. U.S. tax reform, among other things, reduced the U.S. federal income tax rate to 21% in 2018 from 35%, instituted a dividends received deduction for foreign earnings with a related tax for the deemed repatriation of unremitted foreign earnings and created a new U.S. minimum tax on earnings of foreign subsidiaries. In addition, the SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118"), which provides guidance on accounting for enactment effects of the Act and provides a measurement period of up to one year from the Act's enactment date for companies to complete their accounting under Accounting Standards Codification No. 740 "Income Taxes", ("ASC 740"). In accordance with SAB 118, to the extent that a company's accounting for certain income tax effects of the Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in its financial statements. If a company cannot determine a provisional estimate to be included in its financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the Act. The Company has accounted for the tax effects of the Act on a provisional basis. At December 31, 2017, the accounting for certain income tax effects was incomplete, but the Company determined reasonable estimates for those effects which were included in the financial statements. The Company expects to complete the accounting during 2018 to comply with the one year measurement period.

Based on information available, at December 31, 2017, the Company estimated the cumulative undistributed foreign earnings and recorded a provisional estimate of income tax expense related to the one-time deemed repatriation toll charge. There is still uncertainty as to the application of the Act, in particular as it relates to state income taxes. Further, the Company has not yet completed the analysis of the components of the computation, including the amount of the foreign earnings subject to U.S. income tax, and the portion of the foreign earnings held in cash or other specified assets. At June 30, 2018, primarily due to the utilization of foreign tax credit carryforwards and certain other tax attributes the estimated cash liability for the deemed repatriation of foreign earnings is approximately \$1.0 million. However, as the Company completes its analysis an additional liability could be recorded and the Company would elect to make installment payments as allowed under the Act.

As a result of the Act, the Company can repatriate the cumulative undistributed foreign earnings back to the U.S. when needed with minimal U.S. income tax consequences other than the one-time deemed repatriation toll charge. The Company is still evaluating whether to change its indefinite reinvestment assertion in light of the Act and consider that conclusion to be incomplete under SAB 118.

For the three months ended June 30, 2018, for the Global Intangible Low Tax Income (“GILTI”) provision of the Act, an estimate was recorded based on current guidance as a period expense, but the Company has not yet completed its assessment or elected an accounting policy to either recognize deferred taxes for basis differences expected to reverse as GILTI or to record GILTI as period costs if and when incurred.

In accordance with SEC guidance, provisional amounts may be refined as a result of additional guidance from, and interpretations by, U.S. regulatory and standard-setting bodies, and changes in assumptions. In subsequent periods, provisional amounts will be adjusted for the effects, if any, of interpretative guidance issued by the U.S. Department of the Treasury. The effects of the Act may be subject to changes for items that were previously reported as provisional amounts, as well as any element of the Act that a provisional estimate could not be made, and such changes could be material.

#### Net loss 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 (loss) 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.

(in millions, except per share amounts)	Three Months Ended June 30, 2018	
	Net (Loss) Income	Per Diluted Common Share
Net loss attributable to Dentsply Sirona	\$ (1,122.0)	\$ (4.98)
Pre-tax non-US GAAP adjustments:		
Restructuring program related costs and other costs	1,278.5	
Amortization of purchased intangible assets	50.1	
Business combination related costs and fair value adjustments	6.6	
Credit risk and fair value adjustments	2.5	
Tax impact of the pre-tax non-US GAAP adjustments (a)	(72.6)	
Subtotal non-US GAAP adjustments	1,265.1	5.57
Adjustment for calculating non-US GAAP net income per diluted common share (b)		0.04
Income tax related adjustments	(6.3)	(0.03)
Adjusted non-US GAAP net income	\$ 136.8	\$ 0.60

(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 three months ended June 30, 2018, but had net income on a non-US GAAP basis. The shares used in calculating diluted non-US GAAP net income per share includes the dilutive effect of common stock.

Shares used in calculating diluted GAAP net loss per share	225.2
Shares used in calculating diluted non-US GAAP net income per share	226.9

(in millions, except per share amounts)	Three Months Ended June 30, 2017	
	Net (Loss) Income	Per Diluted Common Share
Net loss attributable to Dentsply Sirona	\$ (1,050.0)	\$ (4.58)
Pre-tax non-US GAAP adjustments:		
Restructuring program related costs and other costs	1,177.6	
Amortization of purchased intangible assets	46.5	
Business combination related costs and fair value adjustments	19.3	
Credit risk and fair value adjustments	0.8	
Tax impact of the pre-tax non-US GAAP adjustments (a)	(44.4)	
Subtotal non-US GAAP adjustments	1,199.8	5.14
Adjustment for calculating non-US GAAP net income per diluted common share (b)		0.08
Income tax related adjustments	0.9	0.01
Adjusted non-US GAAP net income	\$ 150.7	\$ 0.65

(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 three months ended June 30, 2017, but had net income on a non-US GAAP basis. The shares used in calculating diluted non-US GAAP net income per share includes the dilutive effect of common stock.

Shares used in calculating diluted GAAP net loss per share	229.4
Shares used in calculating diluted non-US GAAP net income per share	233.3

#### 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)	Three Months Ended June 30, 2018	
	Operating (Loss) Income	Percentage of Net Sales, Excluding Precious Metal Content
Operating Loss	\$ (1,154.1)	(111.8)%
Restructuring program related costs and other costs	1,278.5	123.8 %
Amortization of purchased intangible assets	50.1	4.9 %
Business combination related costs and fair value adjustments	5.8	0.5 %
Adjusted non-US GAAP Operating Income	\$ 180.3	17.4 %

(in millions)	Three Months Ended	
	June 30, 2017	
	Operating (Loss) Income	Percentage of Net Sales, Excluding Precious Metal Content
Operating Loss	\$ (1,048.0)	(106.6)%
Restructuring program related costs and other costs	1,176.7	119.7 %
Amortization of purchased intangible assets	46.5	4.7 %
Business combination related costs and fair value adjustments	19.1	1.9 %
Credit risk and fair value adjustments	0.8	0.1 %
Adjusted non-US GAAP Operating Income	\$ 195.1	19.8 %

### Operating Segment Results

#### Third Party Net Sales, Excluding Precious Metal Content

(in millions)	Three Months Ended			
	June 30,		\$ Change	% Change
	2018	2017		
Technologies & Equipment	\$ 539.4	\$ 523.1	\$ 16.3	3.1%
Consumables	493.3	459.9	33.4	7.3%

## Segment Operating Income

(in millions)	Three Months Ended June 30,			
	2018	2017	\$ Change	% Change
Technologies & Equipment	\$ 77.1	\$ 98.0	\$ (20.9)	(21.3%)
Consumables	146.0	122.8	23.2	18.9%

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

(in millions)	Three Months Ended June 30, 2018		
	Technologies & Equipment	Consumables	Total
Net sales	\$ 548.8	\$ 493.3	\$ 1,042.1
Less: precious metal content of sales	9.4	—	9.4
Net sales, excluding precious metal content	539.4	493.3	1,032.7
Acquisition related adjustments (a)	—	2.1	2.1
Non-US GAAP net sales, excluding precious metal content	\$ 539.4	\$ 495.4	\$ 1,034.8

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

(in millions)	Three Months Ended June 30, 2017		
	Technologies & Equipment	Consumables	Total
Net sales	\$ 532.8	\$ 459.9	\$ 992.7
Less: precious metal content of sales	9.7	—	9.7
Net sales, excluding precious metal content	523.1	459.9	983.0
Merger related adjustments (a)	1.5	—	1.5
Non-US GAAP net sales, excluding precious metal content	\$ 524.6	\$ 459.9	\$ 984.5

(a) Represents an adjustment to reflect deferred subscription and warranty revenue that was eliminated under business combination accounting standards to make the 2018 and 2017 non-US GAAP results comparable.

## Technologies & Equipment

Net sales increased by 3.0% in the quarter ended June 30, 2018 as compared to the quarter ended June 30, 2017. Net sales, excluding precious metal content, increased by 3.1% in the second quarter of 2018 as compared to the second quarter of 2017. Net sales, excluding precious metal content, were positively impacted by approximately 4.0% due to the weakening of the U.S. dollar over the prior year period. The increase in net sales, excluding precious metal content, was unfavorably impacted, based on the Company's estimate, by approximately \$9 million as a result of net changes in equipment inventory levels in the current quarter as compared to the prior year quarter at certain distributors in North America and Europe, that the Company believes is related to the transition in distribution strategy (see "Business Drivers" under this section for further detail). Based on the Company's estimate, inventory held by these distributors decreased by approximately \$26 million during the three months ended June 30, 2018, compared to a decrease of approximately \$17 million in the same three month period in 2017. At this time, the Company estimates that net changes in distributor inventories will unfavorably impact the Company's sales by approximately \$130 million to \$135 million for the balance of 2018. Based on the Company's estimate, year-over-year changes in distributor inventories associated with these agreements is projected to unfavorably impact the Company's reported sales growth for the full year of 2018 by approximately \$135 million to \$140 million.

For the three months ended June 30, 2018, net sales, excluding precious metal content, decreased 1.2% on a constant currency basis compared to the three months ended June 30, 2017. This includes a decrease of approximately 0.1% related to the disposal of a non-strategic business, which results in negative internal sales growth of 1.1%. The decline in internal sales growth was driven by Europe, mostly offset by internal sales growth in Rest of World region.

The operating income decreased \$20.9 million or 21.3% for the three months ended June 30, 2018 as compared to the same three month period in 2017. The decrease is primarily related to unfavorable product pricing and product mix as compared to the three months ended June 30, 2017.

#### Consumables

Net sales increased by 7.3% in the quarter ended June 30, 2018 as compared to the quarter ended June 30, 2017. Net sales, excluding precious metal content, increased 7.3% for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017. Net sales, excluding precious metal content, were positively impacted by approximately 3.5% due to the weakening of the U.S. dollar over the same prior year period.

For the three month period ended June 30, 2018, net sales, excluding precious metal content, increased 4.2% on a constant currency basis. This includes a benefit of 0.9% from acquisitions, which results in internal sales growth of 3.3%. The internal sales growth was positive in all regions led by Rest of World region.

The operating income increased \$23.2 million or 18.9% for the three months ended June 30, 2018 as compared to the same three month period in 2017. The increase is primarily related to higher sales volume as compared to the three months ended June 30, 2017.

**RESULTS OF OPERATIONS, SIX MONTHS ENDED JUNE 30, 2018 COMPARED TO SIX MONTHS ENDED JUNE 30, 2017**
**Net Sales**

(in millions)	Six Months Ended June 30,		\$ Change	% Change
	2018	2017		
Net sales	\$ 1,998.2	\$ 1,893.2	\$ 105.0	5.5%
Less: precious metal content of sales	19.7	20.8	(1.1)	(5.3%)
Net sales, excluding precious metal content	<u>\$ 1,978.5</u>	<u>\$ 1,872.4</u>	<u>\$ 106.1</u>	<u>5.7%</u>

Net sales, excluding precious metal content, for the six months ended June 30, 2018 were \$1,978.5 million, an increase of \$106.1 million from the six months ended June 30, 2017. The increase in net sales, excluding precious metal content, was negatively impacted, based on the Company's estimate, by approximately \$5 million as a result of net changes in equipment inventory levels in the current year as compared to the prior year at certain distributors in North America and Europe, that the Company believes is related to the transition in distribution strategy (see "Business Drivers" under this section for further detail). Based on the Company's estimate, inventory held by these distributors decreased by approximately \$34 million during the six months ended June 30, 2018, compared to a decrease of approximately \$29 million in the same six month period in 2017. At this time, the Company estimates that net changes in distributor inventories will unfavorably impact the Company's sales by approximately \$130 million to \$135 million for the balance of 2018. Based on the Company's estimate, year-over-year changes in distributor inventories associated with these agreements is projected to unfavorably impact the Company's reported sales growth for the full year of 2018 by approximately \$135 million to \$140 million.

For the six months ended June 30, 2018, net sales, excluding precious metal content, increased 0.2% on a constant currency basis. This includes a benefit of 0.4% from acquisitions, which results in negative internal sales growth of 0.2%. Net sales, excluding precious metal content, were positively impacted by approximately 5.4% due to the weakening of the U.S. dollar over the prior year period. The decline in internal sales growth was attributable to a decrease in the Technologies & Equipment segment partially offset by an increase in the Consumables segment.

**Sales Growth by Region**

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

(in millions)	Six Months Ended June 30,		\$ Change	% Change
	2018	2017		
United States	\$ 627.6	\$ 642.3	\$ (14.7)	(2.3%)
Europe	836.8	759.1	77.7	10.2%
Rest of World	514.1	471.0	43.1	9.2%

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

(in millions)	Six Months Ended June 30, 2018			
	United States	Europe	Rest of World	Total
Net sales	\$ 630.2	\$ 852.2	\$ 515.8	\$ 1,998.2
Less: precious metal content of sales	2.6	15.4	1.7	19.7
Net sales, excluding precious metal content	<u>627.6</u>	<u>836.8</u>	<u>514.1</u>	<u>1,978.5</u>
Acquisition related adjustments (a)	2.1	—	—	2.1
Non-US GAAP net sales, excluding precious metal content	<u>\$ 629.7</u>	<u>\$ 836.8</u>	<u>\$ 514.1</u>	<u>\$ 1,980.6</u>

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

(in millions)	Six Months Ended			
	June 30, 2017			
	United States	Europe	Rest of World	Total
Net sales	\$ 645.2	\$ 774.9	\$ 473.1	\$ 1,893.2
Less: precious metal content of sales	2.9	15.8	2.1	20.8
Net sales, excluding precious metal content	642.3	759.1	471.0	1,872.4
Merger related adjustments (a)	3.0	—	—	3.0
Non-US GAAP net sales, excluding precious metal content	\$ 645.3	\$ 759.1	\$ 471.0	\$ 1,875.4

(a) Represents an adjustment to reflect deferred subscription and warranty revenue that was eliminated under business combination accounting standards to make the 2018 and 2017 non-US GAAP results comparable.

#### United States

Net sales decreased by 2.3% in the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. Net sales, excluding precious metal content, decreased by 2.3% in the six months ended June 30, 2018 as compared to the same six month period of 2017.

For the six month period ended June 30, 2018, net sales, excluding precious metal content, decreased 2.4% on a constant currency basis. This includes a benefit of 0.6% from acquisitions, which results in negative internal sales growth of 3.0%. The decline in internal sales growth was attributable to both the Technologies & Equipment and Consumables segments.

Based on the Company's estimate, net sales, excluding precious metal content, was negatively impacted by approximately \$11 million as a result of net changes in equipment inventory levels in the current year as compared to the prior year at the two distributors in the United States related to the transition in distribution strategy (see "Business Drivers" under this section for further detail). Based on the Company's estimate, inventory held by these distributors decreased by approximately \$30 million during the six months ended June 30, 2018 as compare to \$19 million during the six months ended June 30, 2017. At this time, the Company estimates that net changes in distributor inventories will unfavorably impact the Company's sales by approximately \$130 million to \$135 million for the balance of 2018. Based on the Company's estimate, year-over-year changes in distributor inventories associated with these agreements is projected to unfavorably impact the Company's reported sales growth for the full year of 2018 by approximately \$135 million to \$140 million.

#### Europe

Net sales increased by 10.0% in the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. Net sales, excluding precious metal content, increased by 10.2% in the six months ended June 30, 2018 as compared to the six months ended June 30, 2017, which was positively impacted by approximately 10.6% due to the weakening of the U.S. dollar over the prior year period.

For the six month period ended June 30, 2018, net sales, excluding precious metal content, decreased 0.5% on a constant currency basis. This includes a benefit of 0.2% from acquisitions, which results in negative internal sales growth of 0.7%. The decline in internal sales growth was driven by the Technologies & Equipment segment partially offset by an increase in the Consumables segment.

#### Rest of World

Net sales increased by 8.9% in the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. Net sales, excluding precious metal content, increased 9.2% in the six months ended June 30, 2018 as compared to the six months ended June 30, 2017, which was positively impacted by approximately 4.5% due to the weakening of the U.S. dollar over the prior year period.

For the six month period ended June 30, 2018, sales, excluding precious metal content, increased 4.7% on a constant currency basis. This includes a benefit of 0.4% from acquisitions, which results in internal sales growth of 4.3%. Internal sales growth was driven by both segments.

## Gross Profit

(in millions)	Six Months Ended			
	June 30,		\$ Change	% Change
	2018	2017		
Gross profit	\$ 1,066.9	\$ 1,036.2	\$ 30.7	3.0%
Gross profit as a percentage of net sales, including precious metal content	53.4%	54.7%		
Gross profit as a percentage of net sales, excluding precious metal content	53.9%	55.3%		

Gross profit as a percentage of net sales, excluding precious metal content, decreased by 140 basis points for the six months ended June 30, 2018 as compared to the same six month period ended June 30, 2017.

For the six months ended June 30, 2018, the decrease in the gross profit rate was primarily driven by unfavorable manufacturing costs, product mix and the impact of foreign currency which impacted the rate approximately 190 basis points, partially offset by the benefit of the Company's global efficiency initiatives as compared to the six months ended June 30, 2017.

## Operating Expenses

(in millions)	Six Months Ended			
	June 30,		\$ Change	% Change
	2018	2017		
Selling, general and administrative expenses ("SG&A")	\$ 867.4	\$ 822.3	\$ 45.1	5.5%
Goodwill impairment	1,085.8	1,092.9	(7.1)	(0.6%)
Restructuring and other costs	199.1	84.8	114.3	NM
SG&A as a percentage of net sales, including precious metal content	43.4%	43.4%		
SG&A as a percentage of net sales, excluding precious metal content	43.8%	43.9%		

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 six months ended June 30, 2018 decreased 10 basis points compared to the six months ended June 30, 2017. The lower rate was primarily driven by a reduction in business combination related costs and favorable foreign currency which impacted the rate by approximately 100 basis points, mostly offset by increased compensation costs as compared to the six months ended June 30, 2017.

### Goodwill impairment

For the six months ended June 30, 2018, the Company recorded a goodwill impairment charge of \$1,085.8 million. The charge is 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.

For the six months ended June 30, 2017, the Company recorded a goodwill impairment charge of \$1,092.9 million. The charge is related to three reporting units within the Technologies & Equipment segment.

### Restructuring and Other Cost

The Company recorded net restructuring and other costs of \$199.1 million for the six months ended June 30, 2018 compared to \$84.8 million for the six months ended June 30, 2017. The Company recorded \$10.8 million in restructuring costs during the six months ended June 30, 2018 as compared to \$3.8 million in restructuring costs during the six months ended June 30, 2017.

During the six months ended June 30, 2018, the Company recorded an impairment charge of \$179.2 million related to certain tradenames within the reporting units in the Technologies & Equipment segment that were impaired during the Company's annual impairment testing as well as an intangible with the Consumables segment. For further information see Note 14, Goodwill and Intangible Assets, in the Notes to Unaudited Consolidated Financial Statements in Part 1, Item 1 of this Form 10-Q.

During the six months ended June 30, 2017, the Company recorded an impairment charge of \$79.8 million related to certain tradenames within the reporting units in the Technologies & Equipment segment that were impaired during the Company's annual impairment testing.

The Company is currently evaluating plans to simplify the organizational structure and consolidate its supply chain. The Company expects to announce final plans by the end of 2018.

#### Other Income and Expense

(in millions)	Six Months Ended		Change
	2018	2017	
Net interest expense	\$ 17.2	\$ 17.6	\$ (0.4)
Other expense (income), net	(35.1)	6.8	(41.9)
Net interest and other expense	\$ (17.9)	\$ 24.4	\$ (42.3)

#### Net Interest Expense

Net interest expense for the six months ended June 30, 2018 decreased \$0.4 million compared to the six months ended June 30, 2017.

#### Other Expense (Income), Net

Other expense (income), net for the six months ended June 30, 2018 was income of \$35.1 million, comprised primarily of a gain recorded on the sale of marketable securities. Other expense (income), net for the six months ended June 30, 2017 was expense of \$6.8 million, comprised primarily of \$3.3 million of currency transaction losses and non-operating expense of \$3.5 million.

#### Income Taxes and Net Income

(in millions, except per share data)	Six Months Ended		\$ Change
	2018	2017	
Provision (benefit) for income taxes	\$ (27.6)	\$ 2.4	\$ (30.0)
Effective income tax rate	NM	NM	
Net loss attributable to Dentsply Sirona	\$ (1,040.8)	\$ (990.2)	\$ (50.6)
Net loss per common share - diluted	\$ (4.60)	\$ (4.31)	

NM - Not meaningful

#### Provision for Income Taxes

For the six months ended June 30, 2018, income taxes were a net benefit of \$27.6 million as compared to a net expense of \$2.4 million in the six months ended June 30, 2017.

In the first six months of 2018, the Company recorded the following discrete tax items, \$2.7 million of excess tax benefit related to employee share-based compensation, tax expense of \$0.5 million related to valuation allowances, tax benefit of \$2.3 million related to enacted statutory rate changes, tax expense of \$ 6.6 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 related to tax-deductible goodwill for the six months ended June 30, 2018. In addition the Company also recorded \$0.5 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, tax deductible and non-deductible goodwill impairment charges, the Company's effective tax rate was 17.6%.

In the first six months of 2017, the Company recorded the following discrete tax items, \$10.5 million of excess tax benefit related to employee share-based compensation, \$12.7 million of tax expense related to enacted statutory rate changes and \$0.1 million of tax expense related to other discrete tax matters. The Company also recorded a \$23.5 million tax benefit as a discrete item related to the indefinite-lived intangible asset impairment charge recorded during the six months ended June 30, 2017. Excluding these discrete tax items and adjusting pretax loss to exclude the pretax loss related to the impairment of the indefinite-lived intangible assets and non-deductible goodwill impairment charge the Company's effective tax rate was 12.8%. The effective tax rate was favorably impacted by the Company's change in the mix of consolidated earnings.

The Company's effective income tax rate for the first six months of 2018 included the net impact of restructuring program related costs and other costs, amortization of purchased intangible assets, credit risk and fair value adjustments, business combination related costs, income tax related adjustments and the gain on sale of marketable securities which impacted income before income taxes and the provision for income taxes by \$1,373.5 million and \$93.1 million, respectively.

The Company's effective income tax rate for the first six months of 2017 included the net impact of restructuring program related costs and other costs, amortization of purchased intangible assets, business combination related costs, fair value adjustments, credit risk and fair value adjustments and income tax related adjustments which impacted the loss before income taxes and the provision for income taxes by \$1,308.1 million and \$53.6 million, respectively.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Act" or "U.S. tax reform") was enacted. U.S. tax reform, among other things, reduced the U.S. federal income tax rate to 21% in 2018 from 35%, instituted a dividends received deduction for foreign earnings with a related tax for the deemed repatriation of unremitted foreign earnings and created a new U.S. minimum tax on earnings of foreign subsidiaries. In addition, the SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118"), which provides guidance on accounting for enactment effects of the Act and provides a measurement period of up to one year from the Act's enactment date for companies to complete their accounting under Accounting Standards Codification No. 740 "Income Taxes", ("ASC 740"). In accordance with SAB 118, to the extent that a company's accounting for certain income tax effects of the Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in its financial statements. If a company cannot determine a provisional estimate to be included in its financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the Act. The Company has accounted for the tax effects of the Act on a provisional basis. At December 31, 2017, the accounting for certain income tax effects was incomplete, but the Company determined reasonable estimates for those effects which were included in the financial statements. During the six months ended June 30, 2018, a tax benefit of \$3.4 million related to provisional estimates was recorded. The Company expects to complete the accounting during 2018 to comply with the one year measurement period.

Based on information available, at December 31, 2017, the Company estimated the cumulative undistributed foreign earnings and recorded a provisional estimate of income tax expense related to the one-time deemed repatriation toll charge. There is still uncertainty as to the application of the Act, in particular as it relates to state income taxes. Further, the Company has not yet completed the analysis of the components of the computation, including the amount of the foreign earnings subject to U.S. income tax, and the portion of the foreign earnings held in cash or other specified assets. At June 30, 2018, primarily due to the utilization of foreign tax credit carryforwards and certain other tax attributes the estimated cash liability for the deemed repatriation of foreign earnings is approximately \$1.0 million. However, as the Company completes its analysis an additional liability could be recorded and the Company would elect to make installment payments as allowed under the Act.

As a result of the Act, the Company can repatriate the cumulative undistributed foreign earnings back to the U.S. when needed with minimal U.S. income tax consequences other than the one-time deemed repatriation toll charge. The Company is still evaluating whether to change its indefinite reinvestment assertion in light of the Act and consider that conclusion to be incomplete under SAB 118.

For the six months ended June 30, 2018, for the Global Intangible Low Tax Income (“GILTI”) provision of the Act, an estimate was recorded based on current guidance as a period expense, but the Company has not yet completed its assessment or elected an accounting policy to either recognize deferred taxes for basis differences expected to reverse as GILTI or to record GILTI as period costs if and when incurred.

In accordance with SEC guidance, provisional amounts may be refined as a result of additional guidance from, and interpretations by, U.S. regulatory and standard-setting bodies, and changes in assumptions. In subsequent periods, provisional amounts will be adjusted for the effects, if any, of interpretative guidance issued by the U.S. Department of the Treasury. The effects of the Act may be subject to changes for items that were previously reported as provisional amounts, as well as any element of the Act that a provisional estimate could not be made, and such changes could be material.

#### Net loss 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.

(in millions, except per share amounts)	Six Months Ended June 30, 2018	
	Net (Loss) Income	Per Diluted Common Share
Net loss attributable to Dentsply Sirona	\$ (1,040.8)	\$ (4.60)
Pre-tax non-US GAAP adjustments:		
Restructuring program related costs and other costs	1,294.3	
Amortization of purchased intangible assets	100.1	
Credit risk and fair value adjustments	13.3	
Business combination related costs and fair value adjustments	9.9	
Gain on sale of marketable securities	(44.1)	
Tax impact of the pre-tax non-US GAAP adjustments (a)	(95.4)	
Subtotal non-US GAAP adjustments	1,278.1	5.60
Adjustment for calculating non-US GAAP net income per diluted common share (b)		0.04
Income tax related adjustments	2.3	0.01
Adjusted non-US GAAP net income	\$ 239.6	\$ 1.05

(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 six months ended June 30, 2018, but had net income on a non-US GAAP basis. The shares used in calculating diluted non-US GAAP net income per share includes the dilutive effect of common stock.

Shares used in calculating diluted US GAAP net loss per share	226.2
Shares used in calculating diluted non-US GAAP net income per share	228.3

(in millions, except per share amounts)	Six Months Ended June 30, 2017	
	Net (Loss) Income	Per Diluted Common Share
Net loss attributable to Dentsply Sirona	\$ (990.2)	\$ (4.31)
Pre-tax non-US GAAP adjustments:		
Restructuring program related costs and other costs	1,182.8	
Amortization of purchased intangible assets	91.8	
Business combination related costs and fair value adjustments	30.1	
Credit risk and fair value adjustments	3.4	
Tax impact of the pre-tax non-US GAAP adjustments (a)	(57.2)	
Subtotal non-US GAAP adjustments	1,250.9	5.36
Adjustment for calculating non-US GAAP net income per diluted common share (b)		0.07
Income tax related adjustments	3.6	0.01
Adjusted non-US GAAP net income	\$ 264.3	\$ 1.13

(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 six months ended June 30, 2017, but had net income on a non-US GAAP basis. The shares used in calculating diluted non-US GAAP net income per share includes the dilutive effect of common stock.

Shares used in calculating diluted US GAAP net loss per share	229.4
Shares used in calculating diluted non-US GAAP net income per share	233.3

#### 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)	Six Months Ended June 30, 2018	
	Operating (Loss) Income	Percentage of Net Sales, Excluding Precious Metal Content
Operating Loss	\$ (1,085.4)	(54.9)%
Restructuring program related costs and other costs	1,294.3	65.5 %
Amortization of purchased intangible assets	100.1	5.0 %
Business combination related costs and fair value adjustments	8.8	0.4 %
Adjusted non-US GAAP Operating Income	\$ 317.8	16.0 %

(in millions)	Six Months Ended June 30, 2017	
	Operating (Loss) Income	Percentage of Net Sales, Excluding Precious Metal Content
Operating Loss	\$ (963.8)	(51.5)%
Restructuring program related costs and other costs	1,181.7	63.1 %
Amortization of purchased intangible assets	91.8	4.9 %
Business combination related costs and fair value adjustments	29.7	1.6 %
Credit risk and fair value adjustments	3.4	0.2 %
Adjusted non-US GAAP Operating Income	\$ 342.8	18.3 %

### Operating Segment Results

#### Third Party Net Sales, Excluding Precious Metal Content

(in millions)	Six Months Ended June 30,			
	2018	2017	\$ Change	% Change
Technologies & Equipment	\$ 1,037.4	\$ 991.0	\$ 46.4	4.7%
Consumables	941.1	881.4	59.7	6.8%

#### Segment Operating Income

(in millions)	Six Months Ended June 30,			
	2018	2017	\$ Change	% Change
Technologies & Equipment	\$ 151.8	\$ 151.9	\$ (0.1)	(0.1)%
Consumables	253.2	238.9	14.3	6.0%

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

(in millions)	Six Months Ended June 30, 2018		
	Technologies & Equipment	Consumables	Total
Net sales	\$ 1,057.1	\$ 941.1	\$ 1,998.2
Less: precious metal content of sales	19.7	—	19.7
Net sales, excluding precious metal content	1,037.4	941.1	1,978.5
Acquisition related adjustments (a)	—	2.1	2.1
Non-US GAAP net sales, excluding precious metal content	\$ 1,037.4	\$ 943.2	\$ 1,980.6

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

(in millions)	Six Months Ended June 30, 2017		
	Technologies & Equipment	Consumables	Total
Net sales	\$ 1,011.8	\$ 881.4	\$ 1,893.2
Less: precious metal content of sales	20.8	—	20.8
Net sales, excluding precious metal content	991.0	881.4	1,872.4
Merger related adjustments (a)	3.0	—	3.0
Non-US GAAP net sales, excluding precious metal content	\$ 994.0	\$ 881.4	\$ 1,875.4

(a) Represents an adjustment to reflect deferred subscription and warranty revenue that was eliminated under business combination accounting standards to make the 2018 and 2017 non-US GAAP results comparable.

### Technologies & Equipment

Net sales increased by 4.5% in the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. Net sales, excluding precious metal content, increased by 4.7% in the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. Net sales, excluding precious metal content, were positively impacted by approximately 5.8% due to the weakening of the U.S. dollar over the prior year period. The increase in net sales, excluding precious metal content, was negatively impacted, based on the Company's estimate, by approximately \$5 million as a result of net changes in equipment inventory levels in the current year as compared to the prior year at certain distributors in North America and Europe, that the Company believes is related to the transition in distribution strategy (see "Business Drivers" under this section for further detail). Based on the Company's estimate, inventory held by these distributors decreased by approximately \$34 million during the six months ended June 30, 2018, compared to an decrease of approximately \$29 million in the same six month period in 2017. At this time, the Company estimates that net changes in distributor inventories will unfavorably impact the Company's sales by approximately \$130 million to \$135 million for the balance of 2018. Based on the Company's estimate, year-over-year changes in distributor inventories associated with these agreements is projected to unfavorably impact the Company's reported sales growth for the full year of 2018 by approximately \$135 million to \$140 million.

For the six months ended June 30, 2018, net sales, excluding precious metal content, decreased 1.4% on a constant currency basis compared to the six months ended June 30, 2017. This includes a decrease of approximately 0.1% related to the disposal of a non-strategic business, which results in negative internal sales growth of 1.3%. The decline in internal sales growth was driven by the U.S., mostly offset by internal sales growth in Rest of World region.

The operating income decreased \$0.1 million or 0.1% for the six months ended June 30, 2018 as compared to the same six month period in 2017. The decrease is primarily related to unfavorable product pricing and product mix as compared to the six months ended June 30, 2017.

### Consumables

Net sales increased by 6.8% in the six months June 30, 2018 as compared to the six months ended June 30, 2017. Net sales, excluding precious metal content, increased 6.8% for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. Net sales, excluding precious metal content, were positively impacted by approximately 5.0% due to the weakening of the U.S. dollar over the same prior year period.

For the six month period ended June 30, 2018, net sales, excluding precious metal content, increased 2.0% on a constant currency basis. This includes a benefit of 0.9% from acquisitions, which results in internal sales growth of 1.1%. The internal sales growth was primarily driven by the Rest of World region partially offset by a decline in the U.S.

The operating income increased \$14.3 million or 6.0% for the six months ended June 30, 2018 as compared to the same six month period in 2017. The increase is primarily related to increased sales volume and favorable product pricing partially offset by higher operating costs as compared to the six months ended June 30, 2017.

## 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, 2017.

### Annual Goodwill Impairment Testing

#### Goodwill

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

As a result of the annual impairment tests of goodwill and in conjunction with the preparation of the financial statements for the three months ended June 30, 2018, the Company recorded a goodwill impairment charge of \$1,085.8 million related to the CAD/CAM, Imaging and Treatment Center equipment reporting units all within the Technologies segment and the Orthodontics reporting unit within the Consumables segment. The goodwill impairment charge was primarily driven by a change in forecasted sales and gross profit which resulted in a lower fair value for these reporting units. The equipment reporting units were also further impacted by the unfavorable change in the discount rate due primarily to a higher risk factor, which represents management's assessment of increased risk with respect to these reporting units' forecasts, and to a lesser extent a higher risk-free interest rate as compared to the year ended December 31, 2017. The assumptions and estimates used in determining the fair value of these reporting units contain uncertainties, and any changes to these assumptions and estimates could have a negative impact and result in a future impairment. For further information see Note 14, Goodwill and Intangible Assets, in the Notes to Unaudited Consolidated Financial Statements in Part 1, Item 1 of this Form 10-Q.

For the Company's reporting units that were not impaired, the Company applied a hypothetical sensitivity analysis. Had the discount rate of each of these reporting units been hypothetically increased by 100 basis points at April 30, 2018, the fair value of one reporting unit, Treatment Centers, would not exceed net book value. If the fair value of each of these reporting units had been hypothetically reduced by 10% at April 30, 2018, the fair value of one reporting unit, Treatment Centers, would not exceed net book value. Goodwill for the Treatment Centers reporting unit totals \$292.7 million at June 30, 2018.

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

#### Indefinite-Lived Assets

Indefinite-lived intangible assets consist of tradenames 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 Company also assessed the annual impairment of indefinite-lived intangible assets as of April 30, 2018, which largely consists of acquired tradenames, in conjunction with the annual impairment tests of goodwill. As a result of the annual impairment tests of indefinite-lived intangible assets, the Company recorded an impairment charge of \$179.2 million for the three months ended June 30, 2018 which was recorded in "Restructuring and other costs" on the Consolidated Statements of Operations. The impaired indefinite-lived intangibles assets are tradenames and trademarks related to the CAD/CAM and Imaging equipment reporting units. The impairment charge was primarily driven by a decline in forecasted sales as well as an unfavorable change in the discount rate due primarily to a higher risk factor, which represents management's assessment of increased risk with respect to these reporting units' forecasts, and to a lesser extent a higher risk-free interest rate as compared to the year ended December 31, 2017. The assumptions and estimates used in determining the fair value of the indefinite-lived intangible assets contain uncertainties, and any changes to these assumptions and estimates could have a negative impact and result in a future impairment. For further information see Note 14, Goodwill and Intangible Assets, in the Notes to Unaudited Consolidated Financial Statements in Part 1, Item 1 of this Form 10-Q.

For the Company's indefinite-lived assets that were not impaired, the Company applied a hypothetical sensitivity analysis. If the fair value of each of these indefinite-lived intangibles assets had been hypothetically reduced by 10% or the discount rate had been hypothetically increased by 50 basis points at April 30, 2018, the fair value of these assets would still exceed their book value.

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

## **Income Taxes**

The Company has accounted for the tax effects of The Tax Cuts and Jobs Act, enacted on December 22, 2017, on a provisional basis. At December 31, 2017, the accounting for certain income tax effects was incomplete, but the Company determined reasonable estimates for those effects which were included in the financial statements. The Company expects to complete the accounting during 2018 to comply with the one year measurement period.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Six months ended June 30, 2018 OPEN**

Net income decreased \$49.3 million compared to the June 30, 2017 period, primarily due to increased impairment charges, and SG&A expenses. Cash flow from operating activities during the six months ended June 30, 2018 was \$172.0 million compared to \$208.7 million during the six months ended June 30, 2017. Cash from operations decreased \$36.7 million for the first six months of 2018 as compared to the same period in 2017 and was primarily due to payments of accrued liabilities and higher inventory levels partially offset by lower accounts receivable. The Company's cash and cash equivalents decreased by \$81.3 million to \$239.3 million during the six months ended June 30, 2018.

For the six months ended June 30, 2018, on a constant currency basis, the number of days of sales outstanding in accounts receivable increased by 1 day to 62 days as compared to 61 days at December 31, 2017. On a constant currency basis, the number of days of sales in inventory increased by 11 days to 142 days at June 30, 2018 as compared to 131 days at December 31, 2017.

Cash used in investing activities during the first six months of 2018 included capital expenditures of \$81.2 million as well as capital deployment of \$135.8 million related to acquisitions and the purchase of intellectual property. The Company expects capital expenditures to be in the range of approximately \$190 million to \$200 million for the full year 2018.

Cash used in financing activities for the six months ended June 30, 2018 was primarily related to dividend payments and share repurchases of \$289.9 million, offset by proceeds from stock option exercises and short term borrowings.

On April 25, 2018, the Board of Directors of the Company approved an increase in the authorized number of shares of common stock that may be repurchased under the share repurchase program for a total remaining authorization of \$1.0 billion of shares of common stock. For the six months ended June 30, 2018, the Company purchased 5.4 million shares or \$250.2 million at an average price of \$45.92. 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. As of June 30, 2018, the Company held 42.3 million shares of treasury stock. The Company received proceeds of \$13.9 million as a result of the exercise of 0.4 million of stock options during the six months ended June 30, 2018.

The Company's total borrowings increased by a net \$163.0 million during the six months ended June 30, 2018, which includes a decrease of \$25.4 million due to exchange rate fluctuations on debt denominated in foreign currencies. At June 30, 2018, the Company's ratio of total net debt to total capitalization was 23.3% compared to 16.6% at December 31, 2017. 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 is obligated to pay annual principal amortization of \$8.8 million representing a 5% mandatory principal amortization due in each of the first nine years under the terms of the PNC Term Loan with a final maturity of August 25, 2020. The fifth annual installment in the amount of \$8.8 million will be due in August 2018 and has been classified as current on the Consolidated Balance Sheets.

Effective July 27, 2018, the Company amended and extended its \$500 million multicurrency revolving credit facility increasing the total available to \$700 million for an additional five year through July 27, 2023. In addition, certain new lenders joined the bank group. The Company has access to the full \$700 million through July 27, 2023. 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 June 30, 2018, the Company was in compliance with these covenants. The Company also has available an aggregate \$500.0 million under a U.S. dollar commercial paper facility. The five-year 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 June 30, 2018, there were no outstanding borrowings under the previous \$500.0 million multi-currency revolving credit facility. The Company had issued and outstanding \$205.0 million Commercial Paper as of June 30, 2018.

The Company also has access to \$32.0 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 June 30, 2018, the Company had \$4.1 million outstanding under these short-term lines of credit. At June 30, 2018, the Company had total unused lines of credit related to the revolving credit agreement and the uncommitted short-term lines of credit of \$322.9 million.

At June 30, 2018, the Company held \$41.1 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.

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 June 30, 2018 the Company had not repatriated any of these funds to the U.S. However, to the extent the Company repatriates these funds to the U.S., the Company will 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, 2017.

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, 2017.

### **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 quarter ended June 30, 2018, 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

Except as noted below, 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, 2017.

**The Company has recognized three substantial goodwill impairment charges within the last 15 months, including the most recent fiscal quarter, and may be required to recognize additional goodwill and intangible asset impairment charges in the future.**

We acquire other companies and intangible assets and may not realize all the economic benefit from those acquisitions, which could cause an impairment of goodwill or intangibles. We review our amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. We test goodwill for impairment at least annually. Factors that may be a change in circumstances, indicating that the carrying value of our goodwill or amortizable intangible assets may not be recoverable, include reduced future cash flow estimates, slower growth rates in industry segments in which we participate and a decline in our stock price and market capitalization. We may be required to record a significant charge in our consolidated financial statements during the period in which any impairment of our goodwill or amortizable intangible assets is determined, negatively affecting our results of operations.

During the past 15 months, the Company has recorded an aggregate of \$3.3 billion in charges for the impairment of certain financial reporting units:

- In connection with the Company’s April 30, 2017 annual goodwill impairment test and the preparation of the financial statements for the quarter ended June 30, 2017, the Company recorded a \$1,092.9 million non-cash goodwill impairment charge associated with the CAD/CAM, Imaging and Treatment Center equipment reporting units. In addition, the Company tested the indefinite-lived intangible assets related to the CAD/CAM and Imaging reporting units and determined that certain tradenames and trademarks were impaired, resulting in the recording of an impairment charge of \$79.8 million for the three months ended June 30, 2017.
- In preparing the financial statements for the year ended December 31, 2017, the Company identified a triggering event and recorded a \$558.0 million non-cash goodwill impairment charge associated with the CAD/CAM, Imaging and Treatment Center equipment reporting units. In addition, the Company tested the indefinite-lived intangible assets related to these reporting units and determined that certain tradenames and trademarks were impaired, resulting in the recording of an impairment charge of \$266.9 million for the three months ended December 31, 2017.
- In connection with the Company’s April 30, 2018 annual goodwill impairment test and the preparation of the financial statements for the quarter ended June 30, 2018, the Company recorded a \$1,085.8 million non-cash goodwill impairment charge associated with the CAD/CAM and Imaging equipment reporting units and the Orthodontics reporting unit. In addition, the Company tested the indefinite-lived intangible assets related to the equipment reporting units and determined that certain tradenames and trademarks were impaired, resulting in the recording of an impairment charge of \$179.2 million for the three months ended June 30, 2018.

These charges resulted from changes in the Company’s estimates of discounted cash flows which, in turn, resulted from changes in management’s assumptions such as future revenue growth rates, operating margins, weighted average cost of capital, and future economic and market conditions affecting the dental and medical device industries. Given the uncertainty in the marketplace and other factors affecting management’s assumptions underlying the Company’s discounted cash flow model, the Company’s current estimates could vary significantly in the future, which may result in a goodwill impairment charge at that time. For example, for the Company’s reporting units that were not impaired at April 30, 2018, the Company applied a hypothetical sensitivity analysis. Had the discount rate of each of these reporting units been hypothetically increased by 100 basis points at April 30, 2018, the fair value of one reporting unit, Treatment Centers, would not exceed net book value. If the fair value of each of these reporting units had been hypothetically reduced by 10% at April 30, 2018, the fair value of one reporting unit, Treatment Centers, would not exceed net book value. Goodwill for the Treatment Centers reporting unit totals \$292.7 million at June 30, 2018.

Any changes to the assumptions and estimates made by management may cause a change in circumstances indicating that the carrying value of the goodwill and indefinite-lived assets in the Treatment Centers reporting unit may not be recoverable. See Note 14, Goodwill and Intangible Assets, in the Notes to Unaudited Interim Consolidated Financial Statements in Part 1, Item 1 of this Form 10-Q and Note 9, Goodwill and Intangible Assets, in the Notes to Consolidated Financial Statement in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

**The Company may fail to realize the expected benefits of its announced cost reduction and restructuring efforts.**

In order to operate more efficiently and control costs, the Company may announce restructuring plans from time to time, including workforce reductions, global facility consolidations and other cost reduction initiatives that are intended to generate operating expense or cost of goods sold savings through direct and indirect overhead expense reductions as well as other savings. In 2017, the Company announced that it had targeted a cost reduction initiative of approximately \$100 million expected to be achieved over the next several years as the benefits of these initiatives, net of related investments, are realized over time.

The Company's ability to achieve the anticipated cost savings and other benefits from these initiatives within the expected time frame is subject to many estimates and assumptions and other factors that we may not be able to control. We may also incur significant charges related to restructuring plans, which would reduce our profitability in the periods such charges are incurred. The Company is currently evaluating plans to simplify the organizational structure and consolidate its supply chain. The Company expects to announce final plans by the end of 2018.

Due to the complexities inherent in implementing these types of cost reduction and restructuring activities, and the quarterly phasing of related investments, the Company may fail to realize expected efficiencies and benefits, or may experience a delay in realizing such efficiencies and benefits, and its operations and business could be disrupted. Company management may be required to divert their focus to managing these disruptions, and implementation may require the agreement of third party's, such as labor unions or works councils. Risks associated with these actions and other workforce management issues include delays in implementation of anticipated workforce reductions, additional unexpected costs, changes in restructuring plans that increase or decrease the number of employees affected, negative impact on the Company's relationship with labor unions or works councils, adverse effects on employee morale, and the failure to meet operational targets due to the loss of employees, any of which may impair the Company's ability to achieve anticipated cost reductions or may otherwise harm its business, and could have a material adverse effect on its competitive position, results of operations, cash flows or financial condition.

## Item 2 – Unregistered Sales of Securities and Use of Proceeds

### Issuer Purchases of Equity Securities

On February 14, 2018, the Board of Directors of the Company approved an increase in the authorized number of shares of common stock that may be repurchased under the share repurchase program for a total remaining authorization of \$500.0 million of shares of common stock. On April 25, 2018, the Board of Directors of the Company approved a further increase in the share repurchase authorization to a total of \$1.0 billion. 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.

(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
April 1, 2018 to April 30, 2018	—	\$ —	\$ —	\$ 1,000.0
May 1, 2018 to May 31, 2018	4.3	46.77	200.2	799.8
June 1, 2018 to June 30, 2018	1.1	42.79	50.0	749.8
	<u>5.4</u>	\$ 45.92	<u>\$ 250.2</u>	

## Item 6 – Exhibits

<u>Exhibit Number</u>	<u>Description</u>
<a href="#">10.1</a>	Credit Agreement, dated as of July 27, 2018, among DENTSPLY SIRONA Inc., JPMorgan Chase Bank, N.A., as Administrative Agent, Citibank, N.A., as Syndication Agent, Commerzbank AG, New York Branch, MUFG Bank, Ltd., Wells Fargo Bank, National Association, Unicredit Bank AG, New York Branch and TD Bank, N.A., as Co-Documentation Agents, and the several lenders party thereto (1)
<a href="#">10.2</a>	Employee Stock Purchase Plan Agreement, dated May 23, 2018 (Filed herewith)
<a href="#">10.3</a>	Non-Employee Director Compensation Policy, dated June 26, 2018 (Filed herewith)
<a href="#">31.1</a>	Section 302 Certification Statement Chief Executive Officer
<a href="#">31.2</a>	Section 302 Certification Statement Chief Financial Officer
<a href="#">32</a>	Section 906 Certification Statements
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

(1) Incorporated by reference to Exhibit 10.1 in the Company's Form 8-K dated July 30, 2018, File No. 0-16211.

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.**

<i>/s/ Donald M. Casey, Jr.</i>	<u>August 7, 2018</u>
Donald M. Casey, Jr.	Date
Chief Executive Officer	

<i>/s/ Nicholas W. Alexos</i>	<u>August 7, 2018</u>
Nicholas W. Alexos	Date
Executive Vice President and Chief Financial Officer	

DENTSPLY SIRONA INC.  
EMPLOYEE STOCK PURCHASE PLAN  
Effective May 23, 2018

# DENTSPLY SIRONA INC. EMPLOYEE STOCK PURCHASE PLAN

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## DENTSPLY SIRONA INC. EMPLOYEE STOCK PURCHASE PLAN

### SECTION 1 PURPOSE AND TERM

**1.1 Purpose.** The purpose of the DENTSPLY SIRONA Inc. Employee Common Stock Purchase Plan (the "Plan") is to afford Eligible Employees an opportunity to obtain a proprietary interest in the continued growth and prosperity of DENTSPLY SIRONA Inc. (the "Company") through ownership of its shares of Common Stock. The Company intends for the Plan to have two components: a component that is intended to qualify as an "employee stock purchase plan" under Code Section 423 (the "Code Section 423 Component"), and a component that is not intended to qualify as an "employee stock purchase plan" under Code Section 423 (the "Non-Code Section 423 Component"). The provisions of the Code Section 423 Component shall be construed so as to extend and limit participation in a uniform and non-discriminatory basis consistent with the requirements of Code Section 423. A Purchase Right to purchase shares of Common Stock under the Non-Code Section 423 Component shall be effectuated via separate Offerings under one or more sub-plans of the Non-Code Section 423 Component of the Plan for Employees of Participating Affiliates in countries outside of the United States in order to achieve tax, employment, securities law or other purposes and objectives, and to conform the terms of the sub-plans with the laws and requirements of such countries. Except as otherwise provided herein or in the applicable sub-plan, the Non-Code Section 423 Component of the Plan shall be operated and administered in the same manner as the Code Section 423 Component.

**1.2 Term of the Plan.** Unless sooner terminated pursuant to Section 12, the Plan shall continue in effect until the date on which all of the shares of Common Stock authorized for issuance under the Plan have been issued.

### SECTION 2 DEFINITIONS

#### Definitions.

Any term not expressly defined in the Plan shall have the same definition as set forth in Code Section 423. Whenever the following words and phrases are used in the Plan, they shall have the respective meanings set forth below:

(a) "**Act**" means the Securities Exchange Act of 1934, as amended from time to time.

(b) "**Affiliate**" means each of the following: (i) any Subsidiary; (ii) any corporation, trade or business (including, without limitation, a partnership or limited liability company) that is directly or indirectly controlled fifty percent (50%) or more (whether by ownership of stock, assets or an equivalent ownership interest or voting interest) by the Company; (iii) any corporation, trade or business (including, without limitation, a partnership or limited liability company) that directly or indirectly controls fifty percent (50%) or more (whether by ownership of stock, assets or an equivalent ownership interest or voting interest) of the Company; and (iv) any other entity in which the Company or any of its Affiliates has a material equity interest and that is designated as an "Affiliate" by resolution of the Board.

(c) "**Administrator**" means each individual designated by the Company to receive Enrollment Agreements, withdrawal notices and other communications from Eligible Employees. The Administrator shall also include any third-party vendor hired by the Company to assist with the day-to-day operation and administration of the Plan.

(d) "**Board**" means the Board of Directors of the Company.

(e) "**Change in Control**" means "Change in Control" as defined in the DENTSPLY SIRONA Inc. 2016 Omnibus Incentive Plan, as amended and restated, or any successor plan that the Company may establish.

(f) "**Code**" means, the United States Internal Revenue Code of 1986, as amended, and any applicable regulations promulgated thereunder.

(g) "**Code Section 423 Component**" means those Offerings under the Plan that are intended to meet the requirements of Code Section 423(b).

(h) "**Committee**" means the Human Resources Committee of the Board, or another committee of the Board duly appointed to administer the Plan and having such powers as shall be specified by the Board as described in Section 9. Unless the powers of the Committee have been specifically limited, the Committee shall have all of the powers of the Board granted herein, including, without limitation, the power to amend or terminate the Plan at any time, subject to the terms of the Plan and any applicable limitations imposed by law.

(i) "**Common Stock**" means the common stock, \$0.01 par value per share, of the Company.

(j) "**Company**" means DENTSPLY SIRONA Inc., and any successor thereto.

(k) "**Compensation**" means, with respect to each payroll period in any Offering Period, the actual wages or salary paid to a Participant for services actually rendered at the Participant's base rate of pay prior to any salary reductions, along with overtime, holiday pay and paid time-off, but excluding any other amounts of pay, such as living or other allowances, and incentive compensation of any kind, including annual and long-term bonuses.

(l) "**Eligible Employee**" means an individual who, on the Offering Date, is an Employee of the Company, a Participating Company or a Participating Affiliate (but only to the extent applicable with respect to the Non-Code Section 423 Component), excluding any individual:

(i) who, immediately after any rights under this Plan are granted, owns (directly or through attribution) shares of Common Stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company, a parent corporation, or a Subsidiary (each, as determined under Code Section 423(b)(3)); and

(ii) who has not satisfied a service requirement of at least two (2) years or such shorter period designated by the Committee consistent with Code Section 423(b)(4)(A); provided however, that the limitation contained in this clause (ii) shall only apply to the extent the Committee expressly provides for such limitation, and then, such limitation shall only apply to such Offering Period.

Notwithstanding anything herein to the contrary, under the terms of any Offering, the Committee expressly may exclude from participation Employees who are not customarily employed for at least twenty (20) hours per week and more than five (5) months in any calendar year. The Committee also may exclude from participation under the terms of any Offering Employees who are "highly compensated employees" (within the meaning of Section 414(q) of the Code) or a sub-set of such highly compensated employees with compensation above a certain level or who are officers or subject to the disclosure requirements of section 16(a) of the Act, provided the exclusion is applied in an identical manner to all highly compensated employees of every corporation whose employees are granted Options under the Plan or Offering and otherwise to the extent and in the manner permitted under Section 423 of the Code. For purposes of clause (i) above, the rules of Code Section 424(d) with regard to the attribution of stock ownership shall apply in determining the stock ownership of an individual, and stock, which an Employee may purchase or otherwise acquire under outstanding options or other forms of equity compensation awards granted by the Company, shall be treated as stock owned by the Employee. For purposes of the Plan, the employment relationship shall be treated as continuing intact while the individual is on military leave, sick leave or other leave of absence approved by the Company or a Participating Company and meeting the requirements of Treasury Regulation Section 1.421-1(h)(2).

(m) "**Employee**" means a person treated as an employee of the Company or a Participating Company for purposes of the Code Section 423 Component of the Plan or, for Participating Affiliates offering participation in the Non-Code Section 423 Component of the Plan, persons treated as an employee of a Participating Affiliate as determined under local laws, rules and regulations and specified in the applicable sub-plan. For purposes of this Plan, a Participant shall cease to be an Employee either upon an actual termination of employment or upon the company employing the employee ceasing to be a Participating Company or a Participating Affiliate, as applicable. For purposes of the Plan, an individual shall not cease to be an Employee while such individual is on any military leave, sick leave, statutory leave (as determined under local law) or other bona fide leave of absence approved by the Company, and, with respect to the Code Section 423 Component of the Plan, any such determination shall be made in a manner consistent with the requirements of Treasury Regulation Section 1.421-1(h)(2). The Company shall determine in good faith and in the exercise of its discretion whether an individual has become or has ceased to be an Employee and the effective date of such individual's employment or termination of employment, as the case may be. For purposes of an individual's participation in or other rights, if any, under the Plan as of the time of the Company's determination, all such determinations by the Company shall be final, binding and conclusive, notwithstanding that the Company or any governmental agency subsequently makes a contrary determination.

(n) "**Enrollment Agreement**" means an agreement in such written or electronic form as specified by the Company, stating an Employee's election to participate in the Plan and authorizing payroll deductions or such other form of contribution as may be permitted under the Plan (or any sub-plan established pursuant to Section 9.4) from the Employee's Compensation.

(o) "**Enrollment Period**" means, unless otherwise specified by the Committee, the period commencing on the first day of the month preceding each Offering Period, and ending on the 15th of the month preceding each Offering Period.

(p) "**Fair Market Value**" means, unless otherwise required by any applicable provision of the Code or any regulations issued thereunder, as of any date and except as provided below, (1) if the Common Stock is traded, listed or otherwise reported or quoted on a Stock Exchange, the last sales price reported for the Common Stock on the Purchase Date or other applicable date as reported on such Stock Exchange; or (2) if the Common Stock is not traded, listed or otherwise reported or quoted on a Stock Exchange, such amount as determined by the Committee in good faith in its sole discretion. For purposes of the grant of any Purchase Right, the applicable date shall be the Trading Day on which the Purchase Right is granted, or if such grant date is not a Trading Day, the Trading Day immediately prior to the date on which the Purchase Right is granted.

(q) "**Non-Code Section 423 Component**" means those Offerings under the Plan that are not intended to meet the requirements of Code Section 423(b).

(r) "**Offering**" means the Company's grant of a Purchase Right as described in Section 5.

(s) "**Offering Date**" means the first Trading Day of each Offering Period.

(t) "**Offering Period**" means the consecutive six (6) month period commencing each January 1 and July 1, or such other period or start and end dates as may be established by the Committee in its sole discretion (subject to a maximum Offering Period of twenty seven (27) months).

(u) "**Participant**" means an Eligible Employee who has elected to participate in the Plan by submitting an Enrollment Agreement as provided in Section 3.2.

(v) "**Participating Affiliate**" means any Affiliate designated by the Committee, in its sole and absolute discretion, as a company that may offer participation in the Non-Code Section 423 Component of the Plan to its Eligible Employees pursuant to Section 9.4 of the Plan. The Committee shall have the sole and absolute discretion to determine from time to time when and if an Affiliate shall be classified as a Participating Affiliate.

(w) "**Participating Company**" means any Subsidiary designated by the Committee, in its sole and absolute discretion, as a company that may offer participation in the Code Section 423 Component of the Plan to its Eligible Employees. The Committee shall have the sole and absolute discretion to determine from time to time when and if a Subsidiary shall be classified as a Participating Company.

(x) "**Plan**" means the DENTSPLY SIRONA Inc. Employee Common Stock Purchase Plan, which includes both the Code Section 423 Component and the Non-Code Section 423 Component, as amended from time to time.

(y) "**Purchase Date**" means the last Trading Day of each Offering Period.

(z) "**Purchase Price**" means the price at which a share of Common Stock may be purchased under the Plan, as established from time to time by the Committee subject to the following. In any Offering Period, the "Purchase Price" shall be not be less than the lesser of (i) 85% (or such greater percentage as designated by the Committee) of the Fair Market Value of a share of Common Stock on the Offering Date or (ii) 85% (or such greater percentage as designated by the Committee) of the Fair Market Value of a share of Common Stock on the Purchase Date,

provided that the Purchase Price shall not be less than the par value of the shares of Common Stock.

(aa) "**Purchase Right**" means an option granted to a Participant pursuant to the Plan to purchase shares of Common Stock as provided in Section 5 and otherwise in accordance with the Plan and Offering.

(bb) "**Stock Exchange**" means the principal national securities exchange in the United States on which the Common Stock is listed for trading, or, if the Common Stock is not listed for trading on a national securities exchange, such other recognized trading market or quotation system upon which the largest number of shares of Common Stock has been traded in the aggregate during the last 20 days before the first or last day of an Offering Period, as applicable.

(cc) "**Subsidiary**" means a present or future subsidiary corporation of the Company within the meaning of Code Section 424(f).

(dd) "**Trading Day**" means a day on which the Stock Exchange is open for trading.

**2.2 Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of the Plan. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

### **SECTION 3 ELIGIBILITY AND PARTICIPATION**

**3.1 Eligibility.** An Employee may elect to participate in the Plan as of the first Offering Date on which such person becomes an Eligible Employee by complying with the enrollment procedures set forth in Section 3.2.

#### **3.2 Participation.**

(a) An Eligible Employee shall become a Participant in an Offering by submitting a properly completed Enrollment Agreement to the Administrator. The Company shall establish enrollment procedures for the submission of such Enrollment Agreements to the Administrator using written and/or electronic election forms and shall communicate such procedures to all Eligible Employees. An Eligible Employee who does not timely submit a properly completed Enrollment Agreement to the Administrator during the Enrollment Period for an Offering Period shall not participate in the Plan for that Offering Period but shall be eligible to elect to participate in the Plan for any subsequent Offering Period by timely submitting a properly completed Enrollment Agreement to the Administrator during the Enrollment Period for any future Offering Period.

(b) A Participant may deliver to the Administrator a new Enrollment Agreement for each Offering Period in accordance with the procedures established in this Section and Section 4.

(c) Subject to the limitation set forth in Section 5.3, a Participant who (i) has elected to participate in the Plan pursuant to Subsection (a) for an Offering Period, and (ii) takes no action to change or revoke such election (in accordance with such procedures as established by the Company) as of the first day of the next following Offering Period, shall be deemed to have

made the same election to participate in the Plan, including the same payroll deduction authorization, for each subsequent Offering Period. A Participant who is automatically enrolled in the Plan for an Offering Period pursuant to the preceding sentence shall not be required to deliver an additional Enrollment Agreement to the Administrator for the subsequent Offering Period.

### **3.3 Termination of Employment or Loss of Eligibility.**

(a) In the event that the employment of a Participant is terminated prior to a Purchase Date, for any reason, including retirement, disability or death, or in the event a Participant is no longer an Eligible Employee, the Participant's participation in the Plan shall terminate immediately and, thereupon, automatically and without any further act on his or her part, such Participant's payroll deduction authorization shall terminate. Payroll deductions credited to the Participant's Plan account since the last Purchase Date shall, as soon as practicable, be returned to the Participant or, in the case of the Participant's death, to the Participant's legal representative. Interest shall not be paid on payroll deductions returned unless otherwise required under applicable law. Further, all of the Participant's rights under the Plan shall terminate.

(b) A Participant whose participation in the Plan has been terminated may become eligible to participate in the Plan for any subsequent Offering Period by again satisfying the requirements of Sections 3.1 and 3.2.

**3.4 Hardship Withdrawal from the Plan.** If a Participant makes a hardship withdrawal from any plan with a cash or deferred arrangement qualified under Section 401(k) of the Code which is sponsored, or participated in, by the Company or Affiliate, unless otherwise determined by the Committee with respect to any Offering, such Participant shall be automatically prohibited from making or electing to make payroll deductions under the Plan for a six (6) month period commencing on the date of the hardship withdrawal. Payroll deductions credited to the Participant's Plan account since the last Purchase Date shall, as soon as practicable, be returned to the Participant and shall not be applied to the purchase of shares of Common Stock in any Offering under the Plan. After the expiration of such six (6) month period, the Participant may re-enroll in the Plan for any subsequent Offering Period by again satisfying the requirements of Sections 3.1 and 3.2.

**3.5 Voluntary Withdrawal from the Plan.** A Participant may withdraw from the Plan at any time and receive a refund of all payroll deductions credited to his or her Plan account that have not been applied toward the purchase of shares of Common Stock by submitting a withdrawal election to the Administrator in accordance with such procedures as established by the Company, provided such withdrawal election is submitted to the Administrator no later than the tenth (10th) day of the month prior to the month in which the applicable Purchase Date falls (or at such other time established by the Administrator). The payroll deductions of a Participant who has withdrawn from the Plan shall be returned to the Participant as soon as practicable after the withdrawal and may not be applied to the purchase of shares of Common Stock in any other Offering under the Plan. A Participant who withdraws from the Plan shall be prohibited from resuming participation in the Plan for the same Offering Period, but may participate in any subsequent Offering Period by satisfying Sections 3.1 and 3.2. The Company may from time to time establish or change limitations on the frequency of withdrawals permitted under this Section, establish a minimum amount that must be retained in the Participant's Plan account, or terminate the withdrawal right provided by this Section.

## SECTION 4 PAYROLL DEDUCTIONS AND PARTICIPANT ACCOUNTS

### 4.1 Payroll Deductions.

(a) Shares of Common Stock acquired pursuant to the exercise of all or any portion of a Purchase Right may be paid for only by means of payroll deductions from a Participant's Compensation accumulated during the Offering Period for which such Purchase Right was granted.

(b) An Eligible Employee who elects to enroll in the Plan as a Participant shall designate in the Enrollment Agreement a whole percentage from one percent (1%) to fifty percent (50%) of his or her Compensation to be deducted each pay period during the Offering Period and credited under the Plan for his or her notional account. Notwithstanding the foregoing, the Committee may change the limits on payroll deductions effective as of any future Offering Date, including by increasing or decreasing such limits. To the extent permitted by the Committee with respect to any Offering, a Participant may state such deduction as a flat dollar amount, subject to such limits.

(c) Payroll deductions shall commence on the first pay day following the Offering Date and shall continue to be deducted each pay day through the end of the Offering Period, unless as otherwise provided herein.

(d) Interest shall not be paid on a Participant's payroll deductions credited under the Plan.

(e) A Participant may not increase, but may elect to decrease the rate of payroll deductions once during an Offering Period by submitting an amended Enrollment Agreement authorizing such change to the Administrator no later than the tenth (10th) day of the month prior to the month in which the applicable Purchase Date falls (or at such other time established by the Administrator) in accordance with such procedures established by the Company, and such change shall become effective as soon as reasonably practicable. A Participant who elects to decrease the rate of his or her payroll deductions to zero percent (0%) shall remain a Participant in the Plan for the Offering Period unless such Participant elects to withdraw from the Plan pursuant to Section 3.

(f) The Company may suspend a Participant's payroll deductions under the Plan as the Company deems advisable pursuant to the limitation described in Section 5.3. If the Company suspends a Participant's payroll deductions under this provision, the Participant may participate in future Offering Periods by satisfying the requirements of Sections 3.1 and 3.2.

(g) The provisions of this Section 4.1 shall not apply to Participants in countries outside of the United States where payroll deductions are prohibited under local law. Such individuals shall be permitted to make payment under Section 6.1 through such other form(s) of contribution which may be permitted under local law and which are specified under the applicable sub-plan.

**4.2 Participant Accounts.** Individual bookkeeping accounts shall be maintained for each Participant. All payroll deductions or other amounts contributed to the Plan by or on behalf of a Participant shall be credited to such Participant's Plan notional account and shall be deposited

with the general funds of the Company. All payroll deductions or other amounts credited to the Plan by or on behalf of a Participant may be used by the Company for any corporate purpose.

## **SECTION 5 GRANT OF PURCHASE RIGHT**

**5.1 General.** On each Offering Date, the Company shall grant to each Participant a Purchase Right under the Plan to purchase shares of Common Stock. Each Purchase Right shall be treated as an option for purposes of Code Section 423.

**5.2 Term of Purchase Right.** Each Purchase Right shall have a term equal to the length of the Offering Period to which the Purchase Right relates.

### **5.3 Number of Shares of Common Stock Subject to a Purchase Right.**

(a) On the Offering Date of each Offering Period, each Participant shall be granted a Purchase Right to purchase on the Purchase Date for such Offering Period (at the applicable Purchase Price) up to a maximum number of shares of Common Stock determined by dividing such Participant's payroll deductions or contributions accumulated prior to such Purchase Date by the applicable Purchase Price; provided, however, that in no event will a Participant be permitted to purchase more than One Thousand (1,000) shares of Common Stock, subject to adjustment pursuant to Section 8, during any Offering Period. The purchase of shares of Common Stock pursuant to the Purchase Right shall occur as provided in Section 6, unless the Participant has withdrawn pursuant to Section 3. Each Purchase Right shall expire on the last day of the Offering Period.

(b) In connection with each Offering Period made under the Plan, the Committee may specify a maximum aggregate number of shares of Common Stock that may be purchased by all Participants pursuant to such Offering Period. If the aggregate purchase of shares of Common Stock issuable upon exercise of Purchase Rights granted under the Offering Period would exceed any such maximum aggregate number, then, in the absence of any Committee action otherwise, a pro rata (based on each Participant's accumulated payroll deductions for such Offering Period) allocation of the shares of Common Stock available will be made in as nearly a uniform manner as will be practicable and equitable.

**5.4 Limitation under Code Section 423(b)(8).** Notwithstanding any provision in this Plan to the contrary, no Participant shall be granted a Purchase Right (or such portion of a Purchase Right, as applicable) under the Code Section 423 Component of the Plan to the extent that it permits his or her right to purchase shares of Common Stock under the Plan to accrue at a rate which, when aggregated with such Participant's rights to purchase shares under all other employee stock purchase plans of the Company, any parent, and its Subsidiaries intended to meet the requirements of Code Section 423, exceeds Twenty-Five Thousand U.S. Dollars (\$25,000) in Fair Market Value of Common Stock determined at the time the option is granted (or such other limit, if any, as may be imposed by the Code) for each calendar year in which such Purchase Right is outstanding at any time. Any payroll deductions in excess of the amount specified in the foregoing sentence shall be returned to the Participant as soon as administratively practicable.

**5.5 No Assignment.** A Purchase Right granted under the Plan shall not be transferable otherwise than by will or the laws of descent and distribution and shall be exercisable during the lifetime of the Participant only by the Participant. The Company shall not recognize and shall be under no duty to recognize any assignment or purported assignment by a Participant of a

Purchase Right or any rights granted under the Plan.

**5.6 Rights As Stockholder and Employee.** With respect to shares of Common Stock subject to an Offering, a Participant shall not be deemed to be a stockholder and shall not have any rights or privileges of a stockholder by virtue of the Participant's participation in the Plan until such Purchase Right has been exercised and the Company either has issued a stock certificate for such shares, transferred the shares electronically or made a book entry in favor of the Participant representing such shares. No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such certificate is issued, except as provided in Section 8.1. Nothing herein shall confer upon a Participant any right to continue in the employ of the Company, a Participating Company or a Participating Affiliate, or interfere in any way with any right of the Company, a Participating Company or a Participating Affiliate to terminate the Participant's employment at any time, except as otherwise provided under applicable law.

**5.7 Notices.** All notices or other communications by a Participant to the Board, the Committee and/or Company under or in connection with the Plan shall be deemed to have been duly given when received by the Administrator.

## **SECTION 6 EXERCISE OF PURCHASE RIGHT**

**6.1 Exercise of Purchase Right.** The Purchase Right for each Participant automatically shall be exercised on each Purchase Date and such Participant automatically shall acquire the number of whole shares of Common Stock determined by dividing (i) the total amount of the Participant's payroll deductions accumulated in his or her Plan account during the Offering Period, by (ii) the Purchase Price, to the extent the issuance of Common Stock to such Participant upon such exercise is lawful. However, in no event shall the number of shares of Common Stock purchased by the Participant during an Offering Period exceed the number of shares of Common Stock subject to the Participant's Purchase Right, as determined under Section 5.3 above. No fractional shares of Common Stock shall be issued on the exercise of a Purchase Right. Any cash balance remaining in a Participant's Plan account following any Purchase Date shall be refunded, without interest, to the Participant as soon as practicable after such Offering Period ends; provided however, that any amounts attributable to any fractional shares of Common Stock that were not purchased on the Purchase Date shall be carried over to the next Offering Period as notional fractional shares to be aggregated with other notional fractional shares on future Purchase Dates, unless the Participant has elected to withdraw from the Plan in accordance with Section 3.4. Notwithstanding the foregoing, the Committee may establish alternative means for treating amounts remaining in Participant Accounts following any Purchase Date to the extent consistent with applicable law.

**6.2 Oversubscription.** In the event, with respect to any Offering hereunder, that the number of shares of Common Stock that might be purchased by all Participants in the Plan on a Purchase Date exceeds the number of shares of Common Stock available in the Plan as provided in Section 7.1, the Company shall make a pro rata allocation of the remaining shares in as uniform a manner as shall be practicable and as the Company shall determine to be equitable. Any fractional share resulting from such pro rata allocation to any Participant shall be disregarded.

**6.3 Delivery of Common Stock.** As soon as practicable after each Purchase Date, the Company shall arrange for the delivery of the shares of Common Stock acquired by the Participant on such Purchase Date via either (a) the issuance of stock certificates, (b) the transfer of such shares electronically to a broker that holds such shares in street name for the benefit of the Participant or the Company, or (c) the making of a book entry in favor of the Participant representing such shares. Shares of Common Stock to be delivered to a Participant under the Plan shall be registered and/or recorded in the name of the Participant.

**6.4 Tax Withholding.** At the time a Participant's Purchase Right is exercised, in whole or in part, or at the time a Participant disposes of some or all of the shares of Common Stock he or she acquires under the Plan, the Participant shall make adequate provision for the federal, state, local and non-U.S. tax withholding obligations of the Company, a Participating Company or a Participating Affiliate that arise upon exercise of the Purchase Right or upon such disposition of shares, if any, in accordance with such procedures and withholding methods as may be established by the Company. The Company, a Participating Company or a Participating Affiliate may, but shall not be obligated to, withhold from any compensation or other amounts payable to the Participant the amount necessary to meet such withholding obligations.

**6.5 Expiration of Purchase Right.** Any portion of a Participant's Purchase Right remaining unexercised at the end of the Offering Period to which the Purchase Right relates shall expire immediately upon the end of such Offering Period.

**6.6 Reports to Participants.** Each Participant who has exercised all or part of his or her Purchase Right shall receive, as soon as practicable after the Purchase Date, a report of such Participant's Plan account setting forth the total payroll deductions accumulated prior to such exercise, the number of shares of Common Stock purchased, the Purchase Price for such shares of Common Stock, the date of purchase and the cash balance, if any, remaining immediately after such purchase that is to be refunded to the Participant pursuant to Section

6.1. The report may be delivered in such form and by such means, including by electronic transmission, as the Company may determine.

**6.7 Notification of Sale of Shares of Common Stock.** Each Participant shall give the Company and/or the Administrator prompt notice of any disposition of Common Stock acquired pursuant to the Purchase Rights granted under the Plan in accordance with such procedures as may be established by the Company. The Company may require that until such time as a Participant disposes of shares of Common Stock acquired pursuant to Purchase Rights granted under the Plan, the Participant shall hold all such shares of Common Stock in the Participant's name and with a third-party broker/administrator designated by the Company until the lapse of any time period(s) established by the Company. The Company may direct that the certificates evidencing shares of Common Stock acquired by exercise of a Purchase Right refer to such requirement to give prompt notice of disposition.

**6.8 Clawback/Recoupment Policy.** Notwithstanding anything contained herein to the contrary, all shares of Common Stock acquired pursuant to the Plan shall be and remain subject to any incentive compensation claw back or recoupment policy currently in effect or as may be adopted by the Board and, in each case, as may be amended from time to time. No such policy adoption or amendment shall in any event require the prior consent of any Participant.

## SECTION 7 COMMON STOCK SUBJECT TO THE PLAN

**7.1 Common Stock Subject to the Plan.** The maximum aggregate number of shares of Common Stock that may be issued under the Plan shall be 1,000,000, subject to adjustment in accordance with Section 8. For the sake of clarity, the aggregate share limitation set forth herein may be used to satisfy the purchase of shares of Common Stock under either the Code Section 423 Component of the Plan or the Non-Code Section 423 Component of the Plan. Shares of Common Stock issued under the Plan may consist of authorized but unissued shares, reacquired shares (treasury shares), or any combination thereof. If an outstanding Purchase Right for any reason expires or is terminated or canceled, the shares of Common Stock allocable to the unexercised portion of such Purchase Right shall again be available for issuance under the Plan.

**7.2 Legends.** The Company may at any time place legends or other identifying symbols referencing any applicable federal, state or foreign securities law restrictions or any provision convenient in the administration of the Plan on some or all of the certificates representing shares of Common Stock issued under the Plan. The Participant shall, at the request of the Company, promptly present to the Company any and all certificates representing shares acquired pursuant to a Purchase Right in the possession of the Participant in order to carry out the provisions of this Section.

**7.3 Securities Laws.** The Company shall not be obligated to issue any Common Stock pursuant to any offering under the Plan at any time when the offer, issuance, or sale of shares covered by such Offering (i) has not been registered under the Securities Act of 1933, as amended, or does not comply with such other federal, state or non-U.S. laws, rules or regulations, or the requirements of any stock exchange upon which the Common Stock may then be listed, as the Company or the Board deems applicable, and (ii) in the opinion of legal counsel for the Company, there is no exemption from the requirements of such laws, rules, regulations, or requirements available for the offer, issuance, and sale of such shares of Common Stock. Further, all stock acquired pursuant to the Plan shall be subject to the Company's policies concerning compliance with securities laws and regulations, as such policies may be amended from time to time. The issuance of shares of Common Stock under the Plan shall be subject to compliance with all applicable requirements of federal, state or non-U.S. law with respect to such securities. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any shares of Common Stock under the Plan shall relieve the Company of any liability in respect of the failure to issue or sell such shares of Common Stock as to which such requisite authority shall not have been obtained. As a condition to the exercise of a Purchase Right, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation, and to make any representation or warranty with respect thereto as may be requested by the Company.

## SECTION 8 RECAPITALIZATION, REORGANIZATION AND CHANGE IN CONTROL

**8.1 Adjustments for Changes in Common Stock.** In the event of any Change in Capitalization, an equitable substitution or proportionate adjustment shall be made, in each case, as may be determined by the Committee, in its sole discretion, in the aggregate number of shares of Common Stock reserved for issuance under the Plan and each Purchase Right and in

the kind and number of securities subject to, and the Purchase Price of, any Purchase Rights under the Plan. Any fractional share resulting from an adjustment pursuant to this Section 8.1 shall be rounded down to the nearest whole number, and in no event may the Purchase Price be decreased to an amount less than the par value, if any, of the stock subject to the Purchase Right. Such other equitable substitutions or adjustments shall be made as may be determined by the Committee, in its sole discretion. The adjustments determined by the Committee pursuant to this Section 8.1 shall be final, binding and conclusive. "Change in Capitalization" means any (1) merger, amalgamation, consolidation, reclassification, recapitalization, spin-off, spin-out, repurchase or other reorganization or corporate transaction or event, (2) special or extraordinary dividend or other extraordinary distribution (whether in the form of cash, Common Stock, or other property), share split, reverse share split, subdivision or consolidation, (3) combination or exchange of shares, or (4) other change in corporate structure, which, in any such case, the Committee determines, in its sole discretion, affects the Common Stock such that an adjustment is appropriate.

**8.2 Change in Control.** In the event of a Change in Control, the surviving, continuing, successor, or purchasing corporation or parent corporation thereof, as the case may be (the "Acquiring Company"), may assume the Company's rights and obligations under the Plan. If the Acquiring Company elects not to assume the Company's rights and obligations under outstanding Purchase Rights, the Purchase Date of the then current Offering Period shall be accelerated to a date before the date of the Change in Control specified by the Committee, but the number of shares of Common Stock subject to outstanding Purchase Rights shall not be adjusted. All Purchase Rights that are neither assumed by the Acquiring Company in connection with the Change in Control nor exercised as of the date of the Change in Control shall terminate and cease to be outstanding effective as of the date of the Change in Control.

## **SECTION 9 PLAN ADMINISTRATION**

**9.1 Administration by the Committee.** The Plan shall be administered by the Committee. All questions of interpretation of the Plan, any form of agreement or other document employed by the Company in the administration of the Plan, or of any Purchase Right shall be determined by the Committee and shall be final and binding upon all persons having an interest in the Plan or the Purchase Right. Subject to the provisions of the Plan, the Committee shall determine all of the relevant terms and conditions of Purchase Rights granted pursuant to the Plan; provided, however, that all Participants granted Purchase Rights pursuant to the Code Section 423 Component of the Plan shall have the same rights and privileges within the meaning of Code Section 423(b)(5). The Committee may assign any of its administrative tasks set forth herein to the Company, except that the Committee may not delegate the task of designating Participating Companies under the Code Section 423 Component of the Plan or Participating Affiliates under the Non-Code Section 423 Component of the Plan, or its authority to make adjustments pursuant to Section 8.1. All expenses incurred in connection with the administration of the Plan shall be paid by the Company.

**9.2 Equal Rights.** Notwithstanding any provision of the Plan to the contrary, and in accordance with Section 423 of the Code, Eligible Employees who are granted options under the Code Section 423 Component of the Plan shall have the same rights and privileges.

**9.3 Policies and Procedures Established by the Company.** The Company may, from time to time, consistent with the Plan and the requirements of Code Section 423, establish, change or terminate such rules, guidelines, policies, procedures, limitations, or adjustments as deemed advisable by the Company, in its sole discretion, for the proper administration of the Code Section 423 Component of the Plan, including, without limitation, (i) a minimum payroll deduction amount required for participation in an Offering, (ii) a limitation on the frequency or number of changes permitted in the rate of payroll deduction during an Offering, (iii) an exchange ratio applicable to amounts withheld in a currency other than United States dollars, (iv) a supplemental payment or payroll deduction greater than or less than the amount designated by a Participant in order to adjust for the Company's delay or mistake in processing an Enrollment Agreement or in otherwise effecting a Participant's election under the Plan or as advisable to comply with the requirements of Code Section 423, and (v) a determination of the date and manner by which the Fair Market Value of a share of Common Stock is determined for purposes of administration of the Plan. Similarly, the Company may, from time to time, establish, change or terminate rules, guidelines, policies, procedures, limitations, or adjustments as deemed advisable by the Company, in its sole discretion, for the proper administration of the Non-Code Section 423 Component of the Plan.

**9.4 Non-Code Section 423 Component for Participation Outside of the United States.** The Committee may, in its sole discretion, establish sub-plans under the Non-Code Section 423 Component of the Plan which do not satisfy the requirements of Code Section 423 for purposes of effectuating the participation of Eligible Employees employed by a Participating Affiliate located in countries outside of the United States. For purposes of the foregoing, the Committee may establish one or more sub-plans to: (a) amend or vary the terms of the Non-Code Section 423 Component of the Plan in order to conform such terms with the laws, rules and regulations of each country outside of the United States where the Participating Affiliate is located; (b) amend or vary the terms of the Non-Code Section 423 Component of the Plan in each country where the Participating Affiliate is located as it considers necessary or desirable to take into account or to mitigate or reduce the burden of taxation and social insurance contributions for Participants or the Participating Affiliate, or (c) amend or vary the terms of the Non-Code Section 423 Component of the Plan in each country outside of the United States where the Participating Affiliate is located as it considers necessary or desirable to meet the goals and objectives of the Non-Code Section 423 Component of the Plan. Each sub-plan established pursuant to this Section 9.4 shall be reflected in a written appendix to the Non-Code Section 423 Component of the Plan for each Participating Affiliate in such country, and shall be treated as being separate and independent from Code Section 423 Component of the Plan; provided, the total number of shares of Common Stock authorized to be issued under the Plan shall include any shares of Common Stock issued under the Non-Code Section 423 Component of the Plan (including each sub-plan). To the extent permitted under applicable law, the Committee may delegate its authority and responsibilities under this Section 9.4 to an appropriate sub-committee consisting of one or more officers of the Company.

## **SECTION 10 CODE SECTION 409A TAX QUALIFICATION**

**10.1 Code Section 409A.** Purchase Rights granted under the Plan are exempt from the application of Code Section 409A. In furtherance of the foregoing and notwithstanding any provision in the Plan to the contrary, if the Committee determines that a Purchase Right granted under the Plan may be subject to Code Section 409A or that any provision in the Plan would cause a Purchase Right under the Plan to be subject to Code Section 409A, the Committee

may amend the terms of the Plan and/or of an outstanding Purchase Right granted under the Plan, or take such other action the Committee determines is necessary or appropriate, in each case, without the Participant's consent, to exempt any outstanding Purchase Rights that may be granted under the Plan from or to allow any such Purchase Rights to comply with Code Section 409A, but only to the extent any such amendments or action by the Committee would not violate Code Section 409A. Notwithstanding the foregoing, the Company will have no liability to a Participant or any other party if the Purchase Right under the Plan that is intended to be exempt from or compliant with Code Section 409A is not so exempt or compliant or for any action taken by the Committee with respect thereto. The Company makes no representation that the right to purchase shares of Common Stock under the Plan is compliant with Code Section 409A.

**10.2 Tax Qualification.** Although the Company may endeavor to (i) qualify a Purchase Right for favorable tax treatment under the laws of the United States or jurisdictions outside of the United States or (ii) avoid adverse tax treatment (e.g., under Code Section 409A), the Company makes no representation to that effect and expressly disavows any covenant to maintain favorable or avoid unfavorable tax treatment, notwithstanding anything to the contrary in this Plan. The Company shall be unconstrained in its corporate activities without regard to the potential negative tax impact on Participant's under the Plan.

**10.3 Stockholder Approval.** The Plan shall be effective on the date it is adopted by the Board, subject to the Plan obtaining shareholder approval in accordance with this Section 10.3. The Plan shall be subject to approval by the stockholders of the Company within twelve (12) months before or after the date the Plan is adopted by the Board.

## **SECTION 11 INDEMNIFICATION**

In addition to such other rights of indemnification as they may have as members of the Committee or officers or employees of the Company, a Participating Company or a Participating Affiliate, members of the Committee and any officers or employees of the Company, a Participating Company or a Participating Affiliate to whom authority to act for the Committee or the Company is delegated shall be indemnified by the Company against all reasonable expenses, including attorneys' fees, actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan, or any right granted hereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such person is liable for gross negligence, bad faith or intentional misconduct in duties; provided, however, that within sixty (60) days after the institution of such action, suit or proceeding, such person shall offer to the Company, in writing, the opportunity at its own expense to handle and defend the same.

## **SECTION 12 PLAN AMENDMENT OR TERMINATION; MISCELLANEOUS**

**12.1 Termination.** The Committee may at any time terminate the Plan, except that such termination shall not affect Purchase Rights previously granted under the Plan.

**12.2 Amendment.** The Committee may make such modification or amendment to the Plan as it shall deem advisable; provided, however, that no amendment may materially adversely affect a Purchase Right previously granted under the Plan (except to the extent permitted by the Plan or as may be necessary to qualify the Plan as an employee stock purchase plan pursuant to Code Section 423 or to obtain qualification or registration of the shares of Common Stock under applicable federal, state or non-U.S. securities laws).

An amendment must be approved by the stockholders of the Company within twelve (12) months of the adoption of such amendment if (i) such amendment would authorize the sale of more shares than are authorized for issuance under the Plan or (ii) would change the definition of the corporations or companies that may be designated by the Committee as Participating Companies or Participating Affiliates. In the event that the Committee approves an amendment to increase the number of shares of Common Stock authorized for issuance under the Plan, the Committee, in its sole discretion, may specify that any such additional shares of Common Stock may only be issued pursuant to Purchase Rights granted after the date on which the stockholders of the Company approve such amendment, and such designation by the Committee shall not be deemed to have adversely affected any Purchase Right granted prior to the date on which the stockholders approve the amendment.

**12.3 Death.** Unless otherwise provided in an Enrollment Form or procedures established by the Administrator from time to time, in the event of the Participant's death, any accumulated payroll deductions and other contributions not used to purchase shares of Common Stock shall be paid to and any shares of Common Stock credited to the deceased Participant's brokerage or Plan account shall be transferred to Participant's heirs or estate as soon as reasonably practicable following the Participant's death in accordance with applicable law.

**12.4 Transferability.** Payroll deductions, contributions credited to a Participant's account and any rights with regard to the purchase of shares of Common Stock pursuant to a Purchase Right or to receive shares of Common Stock under the Plan may not be assigned, alienated, pledged, attached, sold or otherwise disposed of in any way (other than by will and the laws of descent and distribution) by the Participant. Any such attempt at assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw from the Plan in accordance with Section 3.

**12.5 Use of Funds.** All payroll deductions or contributions received or held by the Company under the Plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such payroll deductions or contributions except as may be required by applicable local law, as determined by the Administrator, and if so required by the laws of a particular jurisdiction, shall apply to all Participants in the relevant Offering except to the extent otherwise permitted by U.S. Treasury Regulation Section 1.423-2(f). Until shares of Common Stock are issued, Participants shall only have the rights of an unsecured creditor, although Participants in specified Offerings may have additional rights where required under local law, as determined by the Administrator.

**12.6 Severability.** If any particular provision of this Plan is found to be invalid or otherwise unenforceable, such determination shall not affect the other provisions of the Plan, but the Plan shall be construed in all respects as if such invalid provision were omitted.

**12.7 Governing Law and Jurisdiction.** Except to the extent that provisions of this Plan are governed by applicable provisions of the Code or any other substantive provision of federal law, this Plan shall be construed in accordance with the laws of Delaware, without giving effect to the conflict of laws principles thereof. The jurisdiction and venue for any disputes arising under, or any action brought to enforce (or otherwise relating to) this Plan shall be exclusively in the courts in the State of Delaware, including the U.S. federal courts located therein (should federal jurisdiction exist).

**12.8 Headings.** Headings are given to the Sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan.

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**Exhibit A** Participating Companies and Affiliates

<u>Participating Company/Affiliate</u>	<u>Country</u>	<u>Nature of Offering - Code Section 423 Component or Non-Code Section 423 Component</u>
DENTSPLY SIRONA Inc.	U.S.	Code Section 423 Component
DENTSPLY IH Inc.	U.S.	Code Section 423 Component
DENTSPLY North America LLC	U.S.	Code Section 423 Component
Tulsa Dental Products LLC	U.S.	Code Section 423 Component
JCM International Inc.	U.S.	Code Section 423 Component
DENTSPLY Prosthetics US LLC	U.S.	Code Section 423 Component
Zhermack Inc.	U.S.	Code Section 423 Component
DENTSPLY LLC	U.S.	Code Section 423 Component
Ceramco Manufacturing Co.	U.S.	Code Section 423 Component
Ransom & Randolph Company	U.S.	Code Section 423 Component
Orthodontal International Inc.	U.S.	Code Section 423 Component
DENTSPLY SIRONA Orthodontics Inc.	U.S.	Code Section 423 Component
MIS Implants Technologies Inc.	U.S.	Code Section 423 Component
M Guide Dental Laboratory LLC	U.S.	Code Section 423 Component
CCRI Inc.	U.S.	Code Section 423 Component
Sirona Dental Inc.	U.S.	Code Section 423 Component
Futuredontics Inc.	U.S.	Code Section 423 Component

## DENTSPLY SIRONA Inc.

## NON-EMPLOYEE DIRECTOR COMPENSATION POLICY

**Purpose**

DENTSPLY SIRONA Inc. (the “**Company**”) believes that the granting of compensation to its members of the Board of Directors (the “**Board**,” and members of the Board, “**Directors**”) represents a powerful tool to attract, retain and reward Directors of the Company. This Director Compensation Policy (the “**Policy**”) is intended to formalize the Company’s policy regarding grants of equity and cash compensation to its non-employee Directors. This Policy does not apply to Directors who serve as employees of the Company; such Directors do not receive any additional compensation for their service on the Board.

**Administration**

1. The Human Resources Committee of the Board shall evaluate Director compensation in accordance with its charter and may request the input of the Company’s management and an independent compensation consultant of its choosing on the status of compensation of directors. The Human Resources Committee shall review the Policy and shall make recommendations to the Board for potential amendments.
2. The Board shall approve the Policy and shall have the authority to construe and interpret the Policy, prescribe, amend and rescind rules relating to the Policy’s administration and take any other actions necessary or desirable for the administration of the Policy. The Board may correct any defect or supply any omission or reconcile any inconsistency or ambiguity in the Policy. The decisions of the Board are final and binding on all persons.

**Annual Retainer**

3. The Company shall pay to directors an annual retainer as follows:

All directors	\$85,000, payable in cash
Non-Executive Chairman of the Board (the “ <b>Chairman</b> ”), if any	\$132,000, consisting of a cash payment of \$66,000, a grant of restricted stock units valued at \$33,000, and a grant of stock options valued at \$33,000
Lead Director, if any	\$30,000 (in addition to retainer payable to all directors), payable in cash

4. One quarter of the respective annual retainers are payable in cash in advance of each calendar quarter, except as provided in Section 5.
5. The portion of the Chairman’s annual retainer that is payable in stock options and restricted stock units is paid at the same time as the annual long-term incentive award described below. In the event a Chairman is appointed between meetings of stockholders, a prorated grant is automatically made in accordance with provisions of Section 13.

**Committee Membership and Chair Compensation**

6. The chairman of each Board committee receives annual fees as follows:

- Audit and Finance Committee Chair: \$22,500
- Human Resources Committee Chair: \$20,000
- Corporate Governance and Nominating Committee Chair: \$15,000

Other Directors serving as members of a committee receive annual fees as follows:

- Audit and Finance Committee Member: \$7,500
- Human Resources Committee Member: \$5,000
- Corporate Governance and Nominating Committee Member: \$5,000

7. One quarter of the respective committee and committee chair fees are payable in cash in advance of each calendar quarter.

#### **Long-Term Incentive Awards**

8. On the second trading day after each annual meeting of stockholders of the Company, after any stockholder votes are taken on such date, each Director who is to continue to serve as a director is automatically granted, without further action of the Board, an award (an “**Annual Award**”) consisting of:

- a grant of stock options valued at \$87,500; and
- a grant of restricted stock units valued at \$87,500.

9. The value of any stock options granted pursuant to this Policy is calculated using the Black-Scholes valuation method. The value of one restricted stock unit granted pursuant to this Policy equals the fair market value of the Company's common stock, which is the closing stock price.

10. All Annual Awards and the portion of the Chairman's annual retainer that is payable in stock options and restricted stock units vest one year from the date of the grant, or, if earlier, upon a director attaining the age of 75. Annual Awards granted in the form of stock options are exercisable following the vesting for ten years from the grant date.

11. Upon vesting, the restricted stock units are payable to Directors in shares of common stock unless the Director elects to defer settlement of the restricted stock units to a future date.

12. Directors are entitled to receive dividend equivalents on the restricted stock units in the event the Company pays a regular cash dividend on its common stock.

13. Any Director who becomes a director between annual meetings of stockholders automatically receives, without further action of the Board, a prorated award described above for the remaining term in office, effective on the date of the next meeting of the Board following the appointment of the Director (or upon becoming a Chairman, as applicable).

#### **General Provisions**

14. The amounts to be paid to Directors under the Policy are unfunded obligations of the Company. The Company is not required to segregate any monies or other assets from its general funds with respect to these obligations. Directors do not have any preference or security interest in any assets of the Company other than as a general unsecured creditor. Directors will be solely responsible for any tax obligations they incur as a result of the equity and cash payments received under this Policy.

15. The Board, in its sole discretion, may change and otherwise revise the terms of the cash compensation granted under this Policy, including, without limitation, the amount of cash compensation to be paid, on or after the date the Board or the Committee determines to make any such change or revision.

16. Each equity incentive award granted pursuant to this Policy is evidenced by an agreement in such form as the Board has authorized.

17. Neither the Policy nor any compensation paid hereunder will confer on any Director the right to continue to serve as a member of the Board or in any other capacity. Any and all rights of a Director respecting payments under this Policy may not be assigned, transferred, pledged or encumbered in any manner, other than by will or the laws of descent and distribution, and any attempt to do so is void. This Plan will remain in effect until it is revised or terminated by further action of the Board.

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: August 7, 2018

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

Section 302 Certifications Statement

I, Nicholas W. Alexos, 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: August 7, 2018

/s/ Nicholas W. Alexos

Nicholas W. Alexos  
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 June 30, 2018 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 Nicholas W. Alexos, 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/ *Nicholas W. Alexos*  
Nicholas W. Alexos  
Executive Vice President and  
Chief Financial Officer

August 7, 2018