

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

FORM 10-Q

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

For the quarterly period ended September 30, 2017  
OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 0-16211

**DENTSPLY 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 website, 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 October 26, 2017, DENTSPLY SIRONA Inc. had 229,682,907 shares of Common Stock outstanding, with a par value of \$.01 per share.

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DENTSPLY SIRONA Inc.

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**PART I – FINANCIAL INFORMATION**

**Item 1 – Financial Statements**

**DENTSPLY SIRONA INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net sales	\$ 1,009.2	\$ 954.2	\$ 2,902.4	\$ 2,748.8
Cost of products sold	450.2	440.6	1,307.2	1,289.4
Gross profit	559.0	513.6	1,595.2	1,459.4
Selling, general and administrative expenses	430.5	379.1	1,252.8	1,123.3
Goodwill impairment	—	—	1,092.9	—
Restructuring and other costs	20.6	7.9	105.4	15.6
Operating income (loss)	107.9	126.6	(855.9)	320.5
Other income and expenses:				
Interest expense	9.8	8.4	28.7	26.9
Interest income	(0.4)	(0.5)	(1.7)	(1.4)
Other expense (income), net	0.9	1.6	7.7	(13.3)
Income (loss) before income taxes	97.6	117.1	(890.6)	308.3
Provision (benefit) for income taxes	7.1	24.8	9.5	(15.2)
Net income (loss)	90.5	92.3	(900.1)	323.5
Less: Net (loss) income attributable to noncontrolling interests	(0.1)	(0.2)	(0.5)	0.6
Net income (loss) attributable to Dentsply Sirona	\$ 90.6	\$ 92.5	\$ (899.6)	\$ 322.9
Net income (loss) per common share attributable to Dentsply Sirona:				
Basic	\$ 0.39	\$ 0.40	\$ (3.92)	\$ 1.51
Diluted	\$ 0.39	\$ 0.39	\$ (3.92)	\$ 1.48
Weighted average common shares outstanding:				
Basic	229.5	232.6	229.6	213.8
Diluted	233.1	236.3	229.6	217.4
Dividends declared per common share:	\$ 0.0875	\$ 0.0775	\$ 0.2625	\$ 0.2325

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

**DENTSPLY SIRONA INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

(In millions)  
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income (loss)	\$ 90.5	\$ 92.3	\$ (900.1)	\$ 323.5
Other comprehensive income (loss), net of tax:				
Foreign currency translation gain	122.0	38.8	393.7	132.8
Net loss on derivative financial instruments	(3.5)	(4.2)	(9.3)	(20.5)
Pension liability gain	1.3	1.3	3.6	3.1
Total other comprehensive income (loss), net of tax	119.8	35.9	388.0	115.4
Total comprehensive income (loss)	210.3	128.2	(512.1)	438.9
Less: Comprehensive income attributable				
to noncontrolling interests	0.3	0.5	0.4	1.4
Comprehensive income (loss) attributable to Dentsply Sirona	\$ 210.0	\$ 127.7	\$ (512.5)	\$ 437.5

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

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

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

	September 30, 2017	December 31, 2016
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 370.0	\$ 383.9
Accounts and notes receivables-trade, net	734.4	636.0
Inventories, net	624.4	517.1
Prepaid expenses and other current assets, net	243.6	206.5
<b>Total Current Assets</b>	<b>1,972.4</b>	<b>1,743.5</b>
Property, plant and equipment, net	859.9	799.8
Identifiable intangible assets, net	3,109.2	2,957.6
Goodwill, net	5,074.9	5,952.0
Other noncurrent assets, net	182.6	102.9
<b>Total Assets</b>	<b>\$ 11,199.0</b>	<b>\$ 11,555.8</b>
<b>Liabilities and Equity</b>		
Current Liabilities:		
Accounts payable	\$ 249.0	\$ 223.0
Accrued liabilities	538.3	462.7
Income taxes payable	39.7	60.8
Notes payable and current portion of long-term debt	21.4	21.1
<b>Total Current Liabilities</b>	<b>848.4</b>	<b>767.6</b>
Long-term debt	1,600.7	1,511.1
Deferred income taxes	818.2	751.7
Other noncurrent liabilities	441.9	399.5
<b>Total Liabilities</b>	<b>3,709.2</b>	<b>3,429.9</b>
Commitments and contingencies	—	—
Equity:		
Preferred stock, \$1.00 par value; 0.25 million shares authorized; no shares issued	—	—
Common stock, \$.01 par value;	2.6	2.6
400.0 million shares authorized at September 30, 2017 and December 31, 2016, respectively		
264.5 million shares issued at September 30, 2017 and December 31, 2016, respectively		
229.6 million and 230.1 million shares outstanding at September 30, 2017 and December 31, 2016, respectively		
Capital in excess of par value	6,544.9	6,516.7
Retained earnings	2,986.0	3,948.0
Accumulated other comprehensive loss	(318.6)	(705.7)
Treasury stock, at cost, 34.9 million and 34.4 million shares at September 30, 2017 and December 31, 2016, respectively	(1,737.1)	(1,647.3)
<b>Total Dentsply Sirona Equity</b>	<b>7,477.8</b>	<b>8,114.3</b>
Noncontrolling interests	12.0	11.6
<b>Total Equity</b>	<b>7,489.8</b>	<b>8,125.9</b>
<b>Total Liabilities and Equity</b>	<b>\$ 11,199.0</b>	<b>\$ 11,555.8</b>

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.



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

	Nine Months Ended September 30,	
	2017	2016
<b>Cash flows from operating activities:</b>		
Net (loss) income	\$ (900.1)	\$ 323.5
<b>Adjustments to reconcile net (loss) income to net cash provided by operating activities:</b>		
Depreciation	93.9	87.0
Amortization of intangible assets	140.5	109.9
Amortization of deferred financing costs	1.9	3.6
Goodwill impairment	1,092.9	—
Indefinite-lived intangible asset impairment	79.8	—
Deferred income taxes	(46.3)	(102.0)
Stock based compensation expense	40.8	29.4
Restructuring and other costs - non-cash	11.6	4.2
Stock option income tax benefit	—	(11.3)
Other non-cash income	(1.6)	(41.4)
Loss on disposal of property, plant and equipment	2.3	1.8
<b>Changes in operating assets and liabilities, net of acquisitions:</b>		
Accounts and notes receivable-trade, net	(57.6)	(92.9)
Inventories, net	(67.3)	40.9
Prepaid expenses and other current assets, net	(60.2)	(22.7)
Other noncurrent assets, net	4.3	4.9
Accounts payable	9.1	(1.4)
Accrued liabilities	46.8	2.5
Income taxes	(24.1)	(8.7)
Other noncurrent liabilities	6.3	13.7
<b>Net cash provided by operating activities</b>	<b>373.0</b>	<b>341.0</b>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(98.6)	(79.0)
Cash assumed in Merger	—	522.3
Cash and deposits paid for acquisitions of businesses and equity investments, net of cash acquired	(135.9)	(341.8)
Cash received from sale of business or product line	—	6.0
Cash received on derivatives contracts	6.5	12.7
Cash paid on derivatives contracts	—	(15.7)
Expenditures for identifiable intangible assets	(6.7)	(1.1)
Purchase of short-term investments	(2.3)	—
Purchase of Company-owned life insurance policies	(0.9)	(1.7)
Proceeds from sale of property, plant and equipment, net	2.1	4.9
<b>Net cash (used in) provided by investing activities</b>	<b>(235.8)</b>	<b>106.6</b>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short-term borrowings	1.4	(47.7)
Cash paid for treasury stock	(151.4)	(694.7)
Cash dividends paid	(58.2)	(46.7)
Proceeds from long-term borrowings	2.9	840.7
Repayments on long-term borrowings	(16.2)	(503.2)
Proceeds from exercised stock options	52.9	26.8
Excess tax benefits from stock based compensation	—	11.3
<b>Net cash used in financing activities</b>	<b>(168.6)</b>	<b>(413.5)</b>
Effect of exchange rate changes on cash and cash equivalents	17.5	12.0

Net (decrease) increase in cash and cash equivalents	(13.9)	46.1
Cash and cash equivalents at beginning of period	383.9	284.6
Cash and cash equivalents at end of period	\$ 370.0	\$ 330.7

Schedule of non-cash investing activities:

Merger financed by common stock	\$	—	\$	6,256.2
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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, 2015	\$ 1.6	\$ 237.8	\$ 3,591.0	\$ (594.0)	\$ (898.4)	\$ 2,338.0	\$ 1.4	\$ 2,339.4
Net income	—	—	322.9	—	—	322.9	0.6	323.5
Other comprehensive income	—	—	—	114.6	—	114.6	0.8	115.4
Common stock issuance related to Merger	1.0	6,255.2	—	—	—	6,256.2	10.2	6,266.4
Exercise of stock options	—	(9.0)	—	—	35.6	26.6	—	26.6
Tax benefit from stock options exercised	—	11.3	—	—	—	11.3	—	11.3
Stock based compensation expense	—	29.4	—	—	—	29.4	—	29.4
Funding of Employee Stock Ownership Plan	—	2.1	—	—	4.2	6.3	—	6.3
Treasury shares purchased	—	—	—	—	(699.6)	(699.6)	—	(699.6)
RSU distributions	—	(18.0)	—	—	10.8	(7.2)	—	(7.2)
RSU dividends	—	0.5	(0.5)	—	—	—	—	—
Cash dividends	—	—	(54.4)	—	—	(54.4)	—	(54.4)
Balance at September 30, 2016	<u>\$ 2.6</u>	<u>\$ 6,509.3</u>	<u>\$ 3,859.0</u>	<u>\$ (479.4)</u>	<u>\$ (1,547.4)</u>	<u>\$ 8,344.1</u>	<u>\$ 13.0</u>	<u>\$ 8,357.1</u>

	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	—	—	(899.6)	—	—	(899.6)	(0.5)	(900.1)
Other comprehensive income	—	—	—	387.1	—	387.1	0.9	388.0
Exercise of stock options	—	6.4	—	—	46.5	52.9	—	52.9
Stock based compensation expense	—	40.8	—	—	—	40.8	—	40.8
Reclassification on adoption of ASU No. 2016-09 (see Note 1)	—	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	—	(23.8)	—	—	10.7	(13.1)	—	(13.1)
RSU dividends	—	0.5	(0.5)	—	—	—	—	—
Cash dividends	—	—	(60.4)	—	—	(60.4)	—	(60.4)
Balance at September 30, 2017	<u>\$ 2.6</u>	<u>\$ 6,544.9</u>	<u>\$ 2,986.0</u>	<u>\$ (318.6)</u>	<u>\$ (1,737.1)</u>	<u>\$ 7,477.8</u>	<u>\$ 12.0</u>	<u>\$ 7,489.8</u>

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

## DENTSPLY SIRONA Inc. and Subsidiaries

### NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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, 2016.

On February 29, 2016, DENTSPLY International Inc. merged with Sirona Dental Systems, Inc. (“Sirona”) to form DENTSPLY SIRONA Inc. (the “Merger”). See Note 5, Business Combinations, for additional information about the Merger.

#### **NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

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, 2016, except as may be indicated below:

##### **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 \$24.4 million at September 30, 2017 and \$22.7 million at December 31, 2016.

##### **Marketable Securities**

The Company accounts for its direct investment in the DIO Corporation (“DIO”) using the cost-basis method of accounting. At September 30, 2017 and December 31, 2016, the fair value of the direct investment was \$51.2 million and \$63.4 million.

##### **New Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, “Revenue from Contracts with Customers (Topic 606)” that seeks to provide a single, comprehensive revenue recognition model for all contracts with customers that improve comparability within industries, across industries and across capital markets. Under this standard, an entity should recognize revenue for the transfer of goods or services equal to the amount it expects to be entitled to receive for those goods or services. Enhanced disclosure requirements regarding the nature, timing and uncertainty of revenue and related cash flows exist. To assist entities in applying the standard, a five step model for recognizing and measuring revenue from contracts with customers has been introduced. Entities have the option to apply the new guidance retrospectively to each prior reporting period presented (full retrospective approach) or retrospectively with a cumulative effect adjustment to retained earnings for initial application of the guidance at the date of initial adoption (modified retrospective method). The Company has elected to apply the new guidance using the modified retrospective method. On July 9, 2015, the FASB issued ASU No. 2015-14, deferring the effective date by one year to annual reporting periods beginning after December 15, 2017. Early adoption is permitted. In April 2016, the FASB issued ASU No. 2016-10, which clarifies the “identifying performance obligations and licensing implementations guidance” aspects of Topic 606. In May 2016, the FASB issued ASU No. 2016-11, which amends and or rescinds certain aspects of the Accounting Standards Codification (“ASC”) to reflect the requirements under Topic 606. Additionally, the FASB issued ASU No. 2016-12, which clarifies the criteria for assessing collectibility, permits an entity to elect an accounting policy to exclude from the transaction price amounts collected from customers for all sales taxes, and provides a practical expedient that permits an entity to reflect the aggregate effect of all contract modifications that occur before the beginning of the earliest period presented in accordance with Topic 606. In December 2016, the FASB issued ASU No. 2016-20, which clarifies several additional aspects of Topic 606 including contract modifications and performance obligations. The Company will adopt these accounting standards on January 1, 2018. The Company has completed its analysis of revenue areas that will be impacted by the adoption of this standard. The primary areas affected are the Company’s promotional and customer loyalty programs. The

Company is currently gathering and assessing the impact this standard will have on its financial position, results of operations, cash flows and disclosures. The Company is also in the process of implementing changes to systems, processes and internal controls to meet the standard update to reporting and disclosure requirements.

In July 2015, the FASB issued ASU No. 2015-11, “Simplifying the Measurement of Inventory.” This accounting standard requires that an entity measure inventory at the lower of cost and net realizable value, as opposed to the lower of cost or market value. Net realizable value is defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Excluded from this update are the Last In First Out (“LIFO”) and retail inventory methods of accounting for inventory. Prospective application is required for presentation purposes. The Company adopted this accounting standard for the quarter ended March 31, 2017. The adoption of this standard did not materially impact the Company’s financial position or results of operations.

In November 2015, the FASB issued ASU No. 2015-17, “Balance Sheet Classification of Deferred Taxes.” This accounting standard seeks to simplify the accounting related to deferred income taxes. Current US GAAP requires an entity to separate deferred tax assets (“DTAs”) and deferred tax liabilities (“DTLs”) into current and noncurrent amounts for each tax jurisdiction based on the classification of the related asset or liability for financial reporting. DTAs and DTLs not related to assets and liabilities for financial reporting are classified based on the expected reversal date. The new standard requires DTAs or DTLs for each tax jurisdiction to be classified as noncurrent in a classified statement of financial position. The Company adopted this accounting standard for the quarter ended March 31, 2017, applying retrospective application to the December 31, 2016, Consolidated Balance Sheet presented in this Form 10-Q. At adoption, the Company reclassified certain deferred charges on the December 31, 2016 Consolidated Balance Sheet. During the quarter ended June 30, 2017, upon further review of these deferred charges, the Company determined that an error was made in the reclassification of certain deferred charges on the December 31, 2016 Consolidated Balance Sheet. As a result the Company corrected the presentation to the December 31, 2016 Consolidated Balance Sheet to increase “Prepaid expenses and other current assets” by \$33.0 million and decrease “Deferred income taxes” and “Other noncurrent assets, net” by \$28.2 million and \$4.8 million, respectively. The Company determined that the error was not material to the Company’s financial position in the periods covered. The adoption of this standard is reflected below in the summary of the classification adjustments, including the correction for the error noted above, by financial statement line item:

(in millions)

Consolidated Balance Sheet Item	Deferred Tax Assets and Liabilities	December 31, 2016 As Reported Balance	Classification Adjustment As Revised	December 31, 2016 Revised Balance
Prepaid expenses and other current assets	Current DTAs	\$ 345.6	\$ (139.1)	\$ 206.5
Other noncurrent assets, net	Noncurrent DTAs	64.1	38.8	102.9
Income taxes payable	Current DTLs	64.2	(3.4)	60.8
Deferred income taxes	Noncurrent DTLs	848.6	(96.9)	751.7

In January 2016, the FASB issued ASU No. 2016-01, “Recognition and Measurement of Financial Assets and Financial Liabilities.” This accounting standard seeks to enhance the reporting model for financial instruments to provide users of financial statements with more decision-useful information as well as to improve and achieve convergence of the FASB and International Accounting Standards Board (“IASB”) standards on the accounting for financial instruments. The amendments allow equity investments that do not have readily determinable fair values to be remeasured at fair value either upon the occurrence of an observable price change or upon identification of an impairment. It also requires enhanced disclosures about those investments and reduces the number of items that are recognized in other comprehensive income. The adoption of this standard is required for interim and fiscal periods beginning after December 15, 2017 and should be applied by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The Company is currently assessing the impact that this standard may have on its financial position, results of operations, cash flows and disclosures.

In February 2016, the FASB issued ASU No. 2016-02, “Leases.” 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. Current US GAAP does not require lessees to recognize assets and liabilities arising from operating leases on the balance sheet. This standard also provides guidance from the lessees prospective on how to determine if a lease is an operating lease or a financing lease and the differences in accounting for each. The adoption of this standard is required for interim and fiscal periods ending after December 15, 2018 and it is required to be applied using the modified retrospective approach. Early adoption is permitted. The Company is currently assessing the impact that this standard will have on its financial position, results of operations, cash flows and disclosures.

In March 2016, the FASB issued ASU No. 2016-09, "Stock Compensation." This accounting standard seeks to simplify the accounting for all entities that issue stock-based payment awards to their employees. The primary areas of change include accounting for income taxes, cash flow statement classification of excess tax benefits and employee taxes paid when an employer withholds shares, accounting for forfeitures and tax withholding requirements. Amendments related to the timing of when excess tax benefits are recognized, minimum statutory withholding requirements and forfeitures should be applied using a modified retrospective transition method by means of a cumulative-effect adjustment to equity as of the beginning of the period in which the guidance is adopted. Amendments related to the presentation of employee taxes paid in the statement of cash flows when an employer withholds shares to meet the minimum statutory withholding requirement should be applied retrospectively. Amendments requiring recognition of excess tax benefits and tax deficiencies in the income statement should be applied prospectively. The Company adopted this accounting standard for the quarter ended March 31, 2017, and as a result, the Company recorded \$1.5 million of excess tax benefit related to employee share-based compensation as a component of income tax expense which impacted the current year tax provision. The Company elected to record forfeitures on stock-based compensation as the participant terminates rather than estimating forfeitures. As result of election to actual-basis forfeitures, the Company recorded a cumulative-effect adjustment of \$1.0 million, net of tax, to "Capital in Excess of Par Value" and "Retained Earnings" in the Consolidated Statements of Changes in Equity related to prior year's estimated forfeitures. In addition, the Company elected to adopt the cash flow classification of excess tax benefits on a prospective basis. The adoption of this standard did not materially impact the Company's financial position, results of operations, cash flows, or disclosures.

In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows." This accounting standard seeks to clarify the presentation of eight specific cash flow issues in order to reduce diversity in practice. The topics of clarification include debt prepayment or extinguishment costs, settlement of zero-coupon debt instruments, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, distributions received from equity method investees, beneficial interest in securitization transactions, and separately identifiable cash flows. The amendments in this update are effective for interim and fiscal periods beginning after December 15, 2017. Early adoption is permitted. The amendments in this update should be applied using a retrospective transition method to each period presented. The adoption of this standard will not materially impact the Company's presentation of its Consolidated Statements of Cash Flows.

In October 2016, the FASB issued ASU No. 2016-16, "Income Taxes." This accounting standard seeks to improve the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. Current US GAAP prohibits 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 amendments in this update are effective for interim and fiscal periods beginning after December 15, 2017. Early adoption is permitted. The amendments in this update should be applied using a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The Company is currently assessing the impact that this standard will have on its financial position, results of operations, cash flows and disclosures.

In January 2017, the FASB issued ASU No. 2017-01, "Business Combinations." This newly issued accounting standard clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisition or disposal of assets or businesses. The amendments in this update provide a screen to determine when a set of assets is not a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set of assets is not a business. The amendments in this update are effective for interim and fiscal periods beginning after December 15, 2017. Early adoption is permitted under certain conditions. The amendments in this update should be applied prospectively.

In January 2017, the FASB issued ASU No. 2017-04, "Intangibles, Goodwill and Other." This newly issued accounting standard seeks to simplify the subsequent measurement of goodwill by eliminating the second step of the goodwill impairment test, which requires business to perform procedures to determine the fair value of its assets and liabilities at the impairment testing date. Under this amendment, an entity should perform its goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and then recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. The loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. Additionally, an entity should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. The amendments in this update are required for annual and interim goodwill impairment tests in fiscal years beginning after December 15, 2019. The amendments in this update should be applied prospectively. As permitted by the accounting standard, the Company early adopted this accounting standard during the three months ended March 31, 2017. During the three months ended June 30, 2017, the Company assessed its goodwill impairment

under this new standard and recorded an impairment charge of \$1,092.9 million. For further information, see Note 14, Goodwill and Intangibles.

In March 2017, the FASB issued ASU No. 2017-07, “Compensation - Retirement Benefits.” 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. Early adoption is permitted as of the beginning of an annual period for which financial statements have not been issued. The amendments in this update 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 Company is currently assessing the impact that this standard will have on its results of operations and disclosures.

In May 2017, the FASB issued ASU No. 2017-09, “Compensation - Stock Compensation.” This newly issued accounting standard provides clarity and reduces both diversity in practice as well cost and complexity when applying Topic 718 “Stock Compensation” as it relates to changes in terms or conditions of share based payments. The amendments in this update provide guidance about what changes to a share based payment should be considered substantive and therefore require modification accounting. More specifically, this update requires entities to apply modification accounting unless the modified awards fair value, vesting conditions and award classification as an equity or liability instrument all remain the same as the original award. The amendments in this update are required for annual and interim periods beginning after December 15, 2017. Early adoption is permitted for reporting periods for which financial statements have not been issued. The amendments in this update should be applied prospectively to an award modified on or after the adoption date. The Company is currently assessing the impact that this standard will have on its results of operations, financial position, cash flows and disclosures.

In August 2017, the FASB issued ASU No. 2017-12, “Derivatives and Hedging.” This newly issued accounting standard improves the financial reporting and disclosure of hedging relationships to better portray the economic results of an entity’s risk management activities in its financial statements. The amendments in this update make improvements to simplify the application of the hedge accounting guidance in current 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 align 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 nine months ended September 30, 2017 and 2016.

(in millions)	Three Months Ended		Nine Months Ended	
	2017	2016	2017	2016
Stock option expense	\$ 7.5	\$ 2.7	\$ 12.7	\$ 7.7
RSU expense	11.4	9.1	27.1	20.7
Total stock based compensation expense	\$ 18.9	\$ 11.8	\$ 39.8	\$ 28.4
Related deferred income tax benefit	\$ 5.9	\$ 3.0	\$ 11.7	\$ 7.1

For the three and nine months ended September 30, 2017, stock compensation expense of \$18.9 million and \$39.8 million, respectively, of which, \$18.7 million and \$39.2 million, respectively, was recorded in Selling, general and administrative expenses and \$0.2 million and \$0.6 million, respectively, was recorded in Cost of products sold on the Consolidated Statements of Operations. For the three and nine months ended September 30, 2016, stock compensation expense of \$11.8 million and \$28.4 million,

respectively, of which \$11.6 million and \$28.0 million, respectively, was recorded in Selling, general and administrative expense and \$0.2 million and \$0.4 million, respectively, was recorded in Cost of products sold on the Consolidated Statements of Operations.

### NOTE 3 – COMPREHENSIVE INCOME

The following table summarizes the components of comprehensive income, net of tax, for the three and nine months ended September 30, 2017 and 2016:

(in millions)	Three Months Ended		Nine Months Ended	
	2017	2016	2017	2016
Foreign currency translation gains	\$ 129.0	\$ 42.2	\$ 433.7	\$ 149.4
Foreign currency translation loss on hedges of net investments	(7.2)	(4.1)	(40.9)	(17.4)

These amounts are recorded in Accumulated other comprehensive loss (“AOCI”), net of any related tax adjustments. At September 30, 2017 and December 31, 2016, the cumulative tax adjustments were \$197.8 million and \$166.4 million, respectively, primarily related to foreign currency translation gains and losses.

The cumulative foreign currency translation adjustments included translation gains of \$21.3 million and losses of \$412.4 million at September 30, 2017 and December 31, 2016, respectively, and cumulative losses on loans designated as hedges of net investments of \$119.0 million and \$78.1 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 nine months ended September 30, 2017 and 2016:

(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	363.0	(9.0)	(3.8)	—	350.2
Tax (expense) benefit	29.8	0.9	0.7	—	31.4
Other comprehensive income (loss), net of tax, before reclassifications	392.8	(8.1)	(3.1)	—	381.6
Amounts reclassified from accumulated other comprehensive income (loss), net of tax	—	1.9	—	3.6	5.5
Net increase (decrease) in other comprehensive income	392.8	(6.2)	(3.1)	3.6	387.1
Balance, net of tax, at September 30, 2017	\$ (97.7)	\$ (9.4)	\$ (119.9)	\$ (91.6)	\$ (318.6)

(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, 2015	\$ (401.2)	\$ (1.2)	\$ (110.2)	\$ (81.4)	\$ (594.0)
Other comprehensive (loss) income before reclassifications and tax impact	119.9	(6.7)	(21.6)	0.6	92.2
Tax (expense) benefit	12.1	2.0	8.3	(0.2)	22.2
Other comprehensive (loss) income, net of tax, before reclassifications	132.0	(4.7)	(13.3)	0.4	114.4
Amounts reclassified from accumulated other comprehensive (loss) income, net of tax	—	(2.5)	—	2.7	0.2
Net (decrease) increase in other comprehensive income	132.0	(7.2)	(13.3)	3.1	114.6
Balance, net of tax, at September 30, 2016	\$ (269.2)	\$ (8.4)	\$ (123.5)	\$ (78.3)	\$ (479.4)

Reclassifications out of accumulated other comprehensive income (expense) to the Consolidated Statements of Operations for the three and nine months ended September 30, 2017 and 2016:

(in millions)

Details about AOCI Components	Amounts Reclassified from AOCI		Affected Line Item in the Consolidated Statements of Operations
	Three Months Ended 2017	2016	
<b>Gain and (loss) on derivative financial instruments:</b>			
Interest rate swaps	\$ (0.6)	\$ (0.4)	Interest expense
Foreign exchange forward contracts	(1.6)	—	Cost of products sold
Net (loss) gain before tax	(2.2)	(0.4)	
Tax impact	0.4	0.1	Provision (benefit) for income taxes
Net (loss) gain after tax	\$ (1.8)	\$ (0.3)	
<b>Amortization of defined benefit pension and other postemployment benefit items:</b>			
Amortization of net actuarial losses	\$ (1.8)	\$ (1.4)	(a)
Net loss before tax	(1.8)	(1.4)	
Tax impact	0.5	0.5	Provision (benefit) for income taxes
Net loss after tax	\$ (1.3)	\$ (0.9)	
Total reclassifications for the period	\$ (3.1)	\$ (1.2)	

(a) These accumulated other comprehensive income components are included in the computation of net periodic benefit cost for the three months ended September 30, 2017 and 2016 (see Note 8, Benefit Plans, for additional details).

(in millions)

Details about AOCI Components	Amounts Reclassified from AOCI		Affected Line Item in the Consolidated Statements of Operations
	2017	2016	
<b>Gain and (loss) on derivative financial instruments:</b>			
Interest rate swaps	\$ (1.7)	\$ (2.4)	Interest expense
Foreign exchange forward contracts	(0.7)	5.2	Cost of products sold
Foreign exchange forward contracts	—	0.1	SG&A expenses
Commodity contracts	—	(0.1)	Cost of products sold
Net (loss) gain before tax	(2.4)	2.8	
Tax impact	0.5	(0.3)	Provision (benefit) for income taxes
Net (loss) gain after tax	\$ (1.9)	\$ 2.5	
<b>Amortization of defined benefit pension and other postemployment benefit items:</b>			
Amortization of prior service benefits	\$ 0.1	\$ 0.1	(a)
Amortization of net actuarial losses	(5.2)	(4.0)	(a)
Net loss before tax	(5.1)	(3.9)	
Tax impact	1.5	1.2	Provision (benefit) for income taxes
Net loss after tax	\$ (3.6)	\$ (2.7)	
<b>Total reclassifications for the period</b>	<b>\$ (5.5)</b>	<b>\$ (0.2)</b>	

(a) These accumulated other comprehensive income components are included in the computation of net periodic benefit cost for the nine months ended September 30, 2017 and 2016 (see Note 8, Benefit Plans, for additional details).

#### NOTE 4 – EARNINGS PER COMMON SHARE

The following table sets forth the computation of basic and diluted earnings per common share for the three and nine months ended September 30, 2017 and 2016:

Basic Earnings Per Common Share Computation (in millions, except per share amounts)	Three Months Ended		Nine Months Ended	
	2017	2016	2017	2016
Net income (loss) attributable to Dentsply Sirona	\$ 90.6	\$ 92.5	\$ (899.6)	\$ 322.9
Weighted average common shares outstanding	229.5	232.6	229.6	213.8
Earnings (loss) per common share - basic	\$ 0.39	\$ 0.40	\$ (3.92)	\$ 1.51
<b>Diluted Earnings Per Common Share Computation</b>				
(in millions, except per share amounts)				
Net income (loss) attributable to Dentsply Sirona	\$ 90.6	\$ 92.5	\$ (899.6)	\$ 322.9
Weighted average common shares outstanding	229.5	232.6	229.6	213.8
Incremental weighted average shares from assumed exercise of dilutive options from stock-based compensation awards	3.6	3.7	—	3.6
Total weighted average diluted shares outstanding	233.1	236.3	229.6	217.4
Earnings (loss) per common share - diluted	\$ 0.39	\$ 0.39	\$ (3.92)	\$ 1.48

The calculation of weighted average diluted common shares outstanding excludes stock options and RSUs of 0.8 million and 1.1 million shares of common stock that were outstanding during the three and nine months ended September 30, 2017, respectively,



because their effect would be antidilutive. There were 0.5 million and 0.7 million antidilutive shares of common stock outstanding during the three and nine months ended September 30, 2016, respectively.

#### NOTE 5 – BUSINESS COMBINATIONS

On February 29, 2016, DENTSPLY merged with Sirona in an all-stock transaction and the registrant was renamed DENTSPLY SIRONA Inc. During the three months ended March 31, 2017, the Company finalized the valuation analysis of identifiable assets acquired and liabilities assumed and allocated the consideration based on the final fair values of those identifiable assets acquired and liabilities assumed related to the Merger.

The following table summarizes the final fair value of identifiable assets acquired and liabilities assumed at the date of the Merger:

(in millions)

Cash and cash equivalents	\$	522.3
Trade receivables		143.0
Inventory		220.7
Prepaid expenses and other current assets		111.1
Property, plant and equipment		237.1
Identifiable intangible assets		2,435.0
Goodwill		3,758.1
Other long-term assets		6.9
<b>Total assets</b>		<b>7,434.2</b>
Accounts payable		68.0
Other current liabilities		197.9
Debt		57.5
Deferred income taxes		749.1
Other long-term liabilities		95.3
<b>Total liabilities</b>		<b>1,167.8</b>
Noncontrolling interest		10.2
<b>Total identifiable net assets</b>	<b>\$</b>	<b>6,256.2</b>

Weighted average useful lives for intangible assets were determined based upon the useful economic lives of the intangible assets that are expected to contribute to future cash flows. The acquired definite-lived intangible assets are being amortized on a straight-line basis over their expected useful lives. Intangible assets acquired consist of the following:

(in millions, except for useful life)

	Amount	Weighted Average Useful Life (in years)
Customer relationships	\$ 495.0	14
Developed technology and patents	1,035.0	12
Trade names and trademarks	905.0	Indefinite
<b>Total</b>	<b>\$ 2,435.0</b>	

The fair values assigned to intangible assets were determined through the use of the income approach, specifically the relief from royalty method was used to fair value the developed technology and patents and tradenames and trademarks and the multi-period excess earnings method was used to fair value customer relationships. Both valuation methods rely on management's judgments, including expected future cash flows resulting from existing customer relationships, customer attrition rates, contributory effects of other assets utilized in the business, peer group cost of capital and royalty rates as well as other factors. The valuation of tangible assets was derived using a combination of the income approach, the market approach and the cost approach. Significant judgments used in valuing tangible assets include estimated reproduction or replacement cost, weighted average useful lives of assets, estimated selling prices, costs to complete and reasonable profit.

The \$3,758.1 million of goodwill is attributable to the excess of the purchase price over the fair value of the net tangible and

intangible 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. Goodwill of \$1,362.5 million has been assigned to the Company's Imaging, Treatment Centers & Orthodontics segment, \$2,286.5 million has been assigned to the Company's Implants, CAD/CAM, Prosthetics & Healthcare segment and \$109.1 million has been assigned to the Company's Chairside Consumables & Endodontics segment. The goodwill is not expected to be deductible for tax purposes.

Sirona contributed net sales of \$811.0 million and operating loss of \$1,052.7 million to the Company's Consolidated Statements of Operations during the period from January 1, 2017 to September 30, 2017. The operating loss includes a goodwill impairment charge of \$1,092.9 million and an indefinite-lived intangible asset impairment charge of \$79.8 million. For the period from February 29, 2016 to September 30, 2016, Sirona contributed net sales of \$735.2 million and operating income of \$162.4 million.

The following unaudited pro forma financial information reflects the consolidated results of operations of the Company had the Merger occurred on January 1, 2015. Sirona's financial information has been compiled in a manner consistent with the accounting policies adopted by DENTSPLY. The following unaudited pro forma financial information for the three and nine months ended September 30, 2016, has been prepared for comparative purposes and does not purport to be indicative of what would have occurred had the Merger occurred on January 1, 2015, nor are they indicative of any future results.

(in millions, except per share amount)	Pro forma - unaudited	
	Three Months Ended	Nine Months Ended
	2016	2016
Net sales	\$ 955.8	\$ 2,917.9
Net income attributable to Dentsply Sirona	\$ 94.0	\$ 328.9
Diluted earnings per common share	\$ 0.40	\$ 1.39

These pro forma amounts were calculated after applying the Company's accounting policies and adjusting Sirona's results to reflect adjustments that are directly attributable to the Merger. These adjustments mainly included additional intangible asset amortization, depreciation, inventory fair value adjustments, transaction costs and taxes that would have been charged assuming the fair value adjustments had been applied from January 1, 2015, together with the consequential tax effects at the statutory rate. Pro forma results do not include any anticipated synergies or other benefits of the Merger.

During the quarter ended June 30, 2017, the Company acquired RTD, a privately-held France-based manufacturer of endodontic posts for \$132.0 million which is subject to final purchase price adjustments. At June 30, 2017, the Company recorded a preliminary estimate of \$84.7 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	\$ 23.6	15
Developed technology and patents	23.6	15
Trade names and trademarks	9.0	Indefinite
Total	\$ 56.2	

The results of operation for this business have been included in the accompanying financial statements as of the effective date of the transaction. The purchase price has been assigned on the basis of the preliminary estimate of the fair values of assets acquired and liabilities assumed. This transaction was not material to the Company's net sales and net (loss) income attributable to Dentsply Sirona for the quarter ended September 30, 2017.

#### NOTE 6 – SEGMENT INFORMATION

The Company has numerous operating businesses covering a wide range of dental consumable products, dental technology products and certain healthcare products primarily serving the professional dental market. Professional dental products represented approximately 92% of net sales for the three and nine months ended September 30, 2017 and September 30, 2016.

The operating businesses are combined into three 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 three operating segments is provided below.

During the September 30, 2017 quarter, the Company realigned reporting responsibilities for multiple businesses as a result of a retirement of one of the Company's Chief Operating Officers. The Company changed from two operating segments to three. Segment information below reflects the revised structure for all periods shown.

#### **Implants, CAD/CAM, Prosthetics & Healthcare**

This segment is responsible for the worldwide design, manufacture, sales and distribution of certain dental technology and healthcare consumable products which includes dental implants, CAD/CAM systems and laboratory dental products as well as consumable medical device products.

#### **Chairside Consumables & Endodontics**

This segment is responsible for the worldwide design, manufacture, sales and distribution of dental consumable products which includes preventive, restorative, instruments and endodontic products.

#### **Imaging, Treatment Centers & Orthodontics**

This segment is responsible for the worldwide design, manufacture, sales and distribution of certain dental technology products which includes imaging systems, treatment centers and orthodontic products.

The following tables set forth information about the Company's segments for the three and nine months ended September 30, 2017 and 2016:

Third Party Net Sales

(in millions)	Three Months Ended		Nine Months Ended	
	2017	2016	2017	2016
Implants, CAD/CAM, Prosthetics & Healthcare	\$ 394.8	\$ 382.8	\$ 1,156.2	\$ 1,112.1
Chairside Consumables & Endodontics	412.6	383.5	1,213.4	1,151.1
Imaging, Treatment Centers & Orthodontics	201.8	187.9	532.8	485.6
Total net sales	<u>\$ 1,009.2</u>	<u>\$ 954.2</u>	<u>\$ 2,902.4</u>	<u>\$ 2,748.8</u>

Third Party Net Sales, Excluding Precious Metal Content

(in millions)	Three Months Ended		Nine Months Ended	
	2017	2016	2017	2016
Implants, CAD/CAM, Prosthetics & Healthcare	\$ 385.4	\$ 367.8	\$ 1,126.0	\$ 1,061.7
Chairside Consumables & Endodontics	412.6	383.5	1,213.4	1,151.1
Imaging, Treatment Centers & Orthodontics	201.8	187.9	532.8	485.6
Total net sales, excluding precious metal content	999.8	939.2	2,872.2	2,698.4
Precious metal content of sales	9.4	15.0	30.2	50.4
Total net sales, including precious metal content	<u>\$ 1,009.2</u>	<u>\$ 954.2</u>	<u>\$ 2,902.4</u>	<u>\$ 2,748.8</u>

Segment Adjusted Operating Income

(in millions)	Three Months Ended		Nine Months Ended	
	2017	2016	2017	2016
Implants, CAD/CAM, Prosthetics & Healthcare	\$ 85.2	\$ 84.2	\$ 222.1	\$ 221.8
Chairside Consumables & Endodontics	126.9	110.8	367.7	302.6
Imaging, Treatment Centers & Orthodontics	40.0	23.0	48.9	47.3
Segment adjusted operating income before income taxes and interest	252.1	218.0	638.7	571.7
Reconciling items expense (income):				
All Other (a)	73.3	37.7	151.4	122.2
Goodwill impairment	—	—	1,092.9	—
Restructuring and other costs	20.6	7.9	105.4	15.6
Interest expense	9.8	8.4	28.7	26.9
Interest income	(0.4)	(0.5)	(1.7)	(1.4)
Other expense (income), net	0.9	1.6	7.7	(13.3)
Amortization of intangible assets	48.7	44.4	140.5	109.9
Depreciation resulting from the fair value step-up of property, plant and equipment from business combinations	1.6	1.4	4.4	3.5
Income (loss) before income taxes	<u>\$ 97.6</u>	<u>\$ 117.1</u>	<u>\$ (890.6)</u>	<u>\$ 308.3</u>

(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 September 30, 2017 and December 31, 2016 were \$12.3 million and \$8.6 million, respectively. The cost

of remaining inventories was determined by the first-in, first-out (“FIFO”) or average cost methods. If the FIFO method had been used to determine the cost of LIFO inventories, the amounts at which net inventories are stated would be higher than reported at September 30, 2017 and December 31, 2016 by \$9.6 million and \$6.8 million, respectively.

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

(in millions)	September 30, 2017	December 31, 2016
Finished goods	\$ 387.7	\$ 311.3
Work-in-process	91.3	77.1
Raw materials and supplies	145.4	128.7
Inventories, net	<u>\$ 624.4</u>	<u>\$ 517.1</u>

The inventory valuation allowance was \$57.3 million and \$37.5 million at September 30, 2017 and December 31, 2016, respectively.

#### NOTE 8 – BENEFIT PLANS

The following sets forth the components of net periodic benefit cost of the Company’s defined benefit plans and for the Company’s other postemployment benefit plans for the three and nine months ended September 30, 2017 and 2016:

Defined Benefit Plans (in millions)	Three Months Ended		Nine Months Ended	
	2017	2016	2017	2016
Service cost	\$ 4.0	\$ 3.8	\$ 11.7	\$ 11.5
Interest cost	1.9	2.0	5.4	5.8
Expected return on plan assets	(1.2)	(1.2)	(3.5)	(3.6)
Amortization of prior service credit	—	—	(0.1)	(0.1)
Amortization of net actuarial loss	1.8	1.3	5.1	3.8
Curtailment and settlement loss	—	1.2	—	1.2
Net periodic benefit cost	<u>\$ 6.5</u>	<u>\$ 7.1</u>	<u>\$ 18.6</u>	<u>\$ 18.6</u>

Other Postemployment Benefit Plans (in millions)	Three Months Ended		Nine Months Ended	
	2017	2016	2017	2016
Service cost	\$ 0.1	\$ —	\$ 0.3	\$ 0.2
Interest cost	0.2	0.1	0.4	0.4
Amortization of net actuarial loss	—	0.1	0.1	0.2
Net periodic benefit cost	<u>\$ 0.3</u>	<u>\$ 0.2</u>	<u>\$ 0.8</u>	<u>\$ 0.8</u>

The following sets forth the information related to the contributions to the Company’s benefit plans for 2017:

(in millions)	Pension Benefits	Other Postemployment Benefits
Actual contributions through September 30, 2017	\$ 13.9	\$ 0.7
Expected contributions for the remainder of the year	4.3	0.3
Total actual and expected contributions	<u>\$ 18.2</u>	<u>\$ 1.0</u>

## NOTE 9 – RESTRUCTURING AND OTHER COSTS

### Restructuring Costs

During the three and nine months ended September 30, 2017, the Company recorded net restructuring costs and other costs of \$20.6 million and \$105.4 million, respectively, which includes net restructuring costs of \$12.7 million and \$16.5 million, respectively. During the three and nine months ended September 30, 2016, the Company recorded net restructuring costs and other costs of \$7.9 million and \$15.6 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 September 30, 2017, the Company's restructuring accruals were as follows:

(in millions)	Severance			
	2015 and Prior Plans	2016 Plans	2017 Plans	Total
Balance at December 31, 2016	\$ 20.6	\$ 8.2	\$ —	\$ 28.8
Provisions	0.5	(0.2)	12.7	13.0
Amounts applied	(8.7)	(5.0)	(1.9)	(15.6)
Change in estimates	(0.7)	(0.6)	—	(1.3)
Balance at September 30, 2017	\$ 11.7	\$ 2.4	\$ 10.8	\$ 24.9

(in millions)	Lease/Contract Terminations			
	2015 and Prior Plans	2016 Plans	2017 Plans	Total
Balance at December 31, 2016	\$ 2.7	\$ 0.3	\$ —	\$ 3.0
Provisions	0.7	—	0.1	0.8
Amounts applied	(1.8)	(0.2)	(0.1)	(2.1)
Change in estimates	(0.1)	—	—	(0.1)
Balance at September 30, 2017	\$ 1.5	\$ 0.1	\$ —	\$ 1.6

(in millions)	Other Restructuring Costs			
	2015 and Prior Plans	2016 Plans	2017 Plans	Total
Balance at December 31, 2016	\$ 0.5	\$ 0.2	\$ —	\$ 0.7
Provisions	0.9	1.8	0.9	3.6
Amounts applied	(1.0)	(1.8)	(0.6)	(3.4)
Change in estimate	0.5	—	—	0.5
Balance at September 30, 2017	\$ 0.9	\$ 0.2	\$ 0.3	\$ 1.4

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

(in millions)	December 31, 2016	Provisions	Amounts Applied	Change in Estimates	September 30, 2017
Implants, CAD/CAM, Prosthetics & Healthcare	\$ 22.1	\$ 7.0	\$ (13.7)	\$ (0.8)	\$ 14.6
Chairside Consumables & Endodontics	9.3	9.0	(6.3)	0.1	12.1
Imaging, Treatment Centers & Orthodontics	1.0	0.7	(0.4)	—	1.3
All Other	0.1	0.7	(0.7)	(0.2)	(0.1)
Total	\$ 32.5	\$ 17.4	\$ (21.1)	\$ (0.9)	\$ 27.9

As announced in October 2016, the Company is proposing plans in Germany to reorganize and combine portions of its manufacturing, logistics and distribution networks within the Company's three segments. As required under German law, the Company has entered into a statutory co-determination process under which it will collaborate with the appropriate labor groups to jointly define the infrastructure and staffing adjustments necessary to support this initiative. The Company continues to initiate similar actions in other regions of the world. The Company estimates the remaining cost of these initiatives to be approximately \$90 million, primarily for severance related benefits for employees, which is expected to be incurred as actions are implemented over the next two years. In October 2017, the Company reached an agreement with certain labor groups related to these restructuring activities which will result in an expense of approximately \$25 million in the fourth quarter of 2017.

#### Other Costs

Other costs for the three and nine months ended September 30, 2017 were \$7.9 million and \$88.9 million, respectively. For the three months ended September 30, 2017 other costs were primarily related to legal settlements. The Company recorded an impairment charge of \$79.8 million for the three months ended June 30, 2017. The impaired indefinite-lived intangibles are tradenames and trademarks related to one reporting unit in the Implants, CAD/CAM, Prosthetics & Healthcare segment and one reporting unit in the Imaging, Treatment Centers & Orthodontics segment. For further information, see Note 14, Goodwill and Intangibles.

#### 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, interest rates and commodity prices. 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 September 30, 2017 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	\$ 274.7	\$ 92.1
Interest rate swaps	111.6	—
Total derivative instruments designated as cash flow hedges	<u>\$ 386.3</u>	<u>\$ 92.1</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 in the Consolidated Statements of Cash Flows. The Company hedges various currencies, with the most significant activity occurring in euros, Swedish kronor, Canadian dollars, British pounds, Swiss francs, 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 September 30, 2017, 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 in the Consolidated Statements of Cash Flows.

#### Commodity Risk Management

The Company enters into precious metal commodity swap contracts to effectively fix certain variable raw material costs typically for up to 18 months. These swaps are used to stabilize the cost of components used in the production of certain products. The Company generally accounts for the commodity swaps as cash flow hedges in the same manner as described above in foreign exchange risk management.

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 September 30, 2017 and 2016:

September 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	\$ (0.1)	Interest expense	\$ (0.6)	\$ —
Foreign exchange forward contracts	(6.4)	Cost of products sold	(1.6)	—
<b>Ineffective Portion:</b>				
Foreign exchange forward contracts	—	Other expense (income), net	—	(0.3)
Total in cash flow hedging	<u>\$ (6.5)</u>		<u>\$ (2.2)</u>	<u>\$ (0.3)</u>
September 30, 2016				
(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	\$ 0.6	Interest expense	\$ (0.4)	\$ —
Foreign exchange forward contracts	(2.6)	Cost of products sold	—	—
Commodity contracts	(0.1)	Cost of products sold	—	—
<b>Ineffective Portion:</b>				
Foreign exchange forward contracts	—	Other expense (income), net	—	(0.5)
Total for cash flow hedging	<u>\$ (2.1)</u>		<u>\$ (0.4)</u>	<u>\$ (0.5)</u>



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 nine months ended September 30, 2017 and 2016:

September 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	\$ (0.1)	Interest expense	\$ (1.7)	\$ —
Foreign exchange forward contracts	(9.0)	Cost of products sold	(0.7)	—
<b>Ineffective Portion:</b>				
Foreign exchange forward contracts	—	Other expense (income), net	—	(0.8)
Total in cash flow hedging	<u>\$ (9.1)</u>		<u>\$ (2.4)</u>	<u>\$ (0.8)</u>
September 30, 2016				
(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	\$ (0.9)	Interest expense	\$ (2.4)	\$ —
Foreign exchange forward contracts	(5.7)	Cost of products sold	5.2	—
Foreign exchange forward contracts	(0.2)	SG&A expenses	0.1	—
Commodity contracts	0.1	Cost of products sold	(0.1)	—
<b>Ineffective Portion:</b>				
Foreign exchange forward contracts	—	Other expense (income), net	—	(0.3)
Total in cash flow hedging	<u>\$ (6.7)</u>		<u>\$ 2.8</u>	<u>\$ (0.3)</u>

Overall, the derivatives designated as cash flow hedges are considered to be highly effective. At September 30, 2017, the Company expects to reclassify \$5.2 million of deferred net losses on cash flow hedges recorded in AOCI to 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. 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 in the Consolidated Statements of Cash Flows except for derivative instruments that include an other-than-insignificant financing element, in which case all cash flows will be classified as financing activities in the Consolidated Statements of Cash Flows.

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 income (expense) on the Company's Consolidated Statements of Operations related to the hedges of net investments for the three months ended September 30, 2017 and 2016:

September 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	\$ (0.4)	Other expense (income), net	\$ 1.3
Total for net investment hedging	<u>\$ (0.4)</u>		<u>\$ 1.3</u>

September 30, 2016			
(in millions)	Gain (Loss) in AOCI	Consolidated Statements of Operations Location	Recognized in Income (Expense)
<b>Effective Portion:</b>			
Foreign exchange forward contracts	\$ (4.4)	Other expense (income), net	\$ 1.2
Total for net investment hedging	<u>\$ (4.4)</u>		<u>\$ 1.2</u>

The following tables summarize the amount of gains (losses) recorded in AOCI on the Consolidated Balance Sheets and other income (expense) on the Company's Consolidated Statements of Operations related to the hedges of net investments for the nine months ended September 30, 2017 and 2016:

September 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	\$ (3.8)	Other expense (income), net	\$ 2.1
Total for net investment hedging	<u>\$ (3.8)</u>		<u>\$ 2.1</u>

September 30, 2016			
(in millions)	Gain (Loss) in AOCI	Consolidated Statements of Operations Location	Recognized in Income (Expense)
<b>Effective Portion:</b>			
Foreign exchange forward contracts	\$ (21.6)	Other expense (income), net	\$ 5.9
Total for net investment hedging	<u>\$ (21.6)</u>		<u>\$ 5.9</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 in 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 in the Consolidated Statements of Cash Flows except for derivative instruments that include an other-than-insignificant financing element, in which case the cash flows will be classified as financing activities in 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 September 30, 2017 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	\$ 324.3	\$ 324.3
Interest rate swaps	0.4	0.4
<b>Total for instruments not designated as hedges</b>	<b>\$ 324.7</b>	<b>\$ 324.7</b>

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 nine months ended September 30, 2017 and 2016:

(in millions)	Consolidated Statements of Operations Location	Gain (Loss) Recognized	
		Three Months Ended 2017	2016
Foreign exchange forward contracts (a)	Other expense (income), net	\$ (1.7)	\$ (4.7)
<b>Total for instruments not designated as hedges</b>		<b>\$ (1.7)</b>	<b>\$ (4.7)</b>

(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	
		Nine Months Ended 2017	2016
Foreign exchange forward contracts (a)	Other expense (income), net	\$ (6.8)	\$ (12.2)
<b>Total for instruments not designated as hedges</b>		<b>\$ (6.8)</b>	<b>\$ (12.2)</b>

(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.

During March 2016, the Company established hedges totaling 316.5 million euros to offset a euro denominated intercompany note receivable at a U.S. dollar functional entity. The change in the value of the hedges resulted in a \$12.1 million loss, which were offset by the changes in the value of the euro denominated intercompany note receivable at a U.S. dollar functional entity.

#### 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 September 30, 2017 and December 31, 2016:

September 30, 2017

(in millions)	September 30, 2017			
Designated as Hedges	Prepaid Expenses and Other Current Assets, Net	Other Noncurrent Assets, Net	Accrued Liabilities	Other Noncurrent Liabilities
Foreign exchange forward contracts	\$ 2.0	\$ 0.1	\$ 6.6	\$ 1.4
Interest rate swaps	—	—	0.3	0.2
<b>Total</b>	<b>\$ 2.0</b>	<b>\$ 0.1</b>	<b>\$ 6.9</b>	<b>\$ 1.6</b>

Not Designated as Hedges

Foreign exchange forward contracts	\$ 2.6	\$ —	\$ 2.9	\$ —
<b>Total</b>	<b>\$ 2.6</b>	<b>\$ —</b>	<b>\$ 2.9</b>	<b>\$ —</b>

December 31, 2016

(in millions)	December 31, 2016			
Designated as Hedges	Prepaid Expenses and Other Current Assets, Net	Other Noncurrent Assets, Net	Accrued Liabilities	Other Noncurrent Liabilities
Foreign exchange forward contracts	\$ 12.8	\$ 0.6	\$ 1.0	\$ —
Interest rate swaps	—	—	0.2	0.3
<b>Total</b>	<b>\$ 12.8</b>	<b>\$ 0.6</b>	<b>\$ 1.2</b>	<b>\$ 0.3</b>

Not Designated as Hedges

Foreign exchange forward contracts	\$ 1.3	\$ —	\$ 1.5	\$ —
<b>Total</b>	<b>\$ 1.3</b>	<b>\$ —</b>	<b>\$ 1.5</b>	<b>\$ —</b>

**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 September 30, 2017:

(in millions)	Gross Amounts Recognized	Gross Amount Offset in the Consolidated Balance Sheets	Net Amounts Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets		
				Financial Instruments	Cash Collateral Received/Pledged	Net Amount
<b>Assets</b>						
Foreign exchange forward contracts	\$ 4.7	\$ —	\$ 4.7	\$ (4.0)	\$ —	\$ 0.7
<b>Total Assets</b>	<b>\$ 4.7</b>	<b>\$ —</b>	<b>\$ 4.7</b>	<b>\$ (4.0)</b>	<b>\$ —</b>	<b>\$ 0.7</b>

(in millions)	Gross Amounts Recognized	Gross Amount Offset in the Consolidated Balance Sheets	Net Amounts Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets		Net Amount
				Financial Instruments	Cash Collateral Received/Pledged	
<b>Liabilities</b>						
Foreign exchange forward contracts	\$ 10.9	\$ —	\$ 10.9	\$ (3.9)	\$ —	\$ 7.0
Interest rate swaps	0.5	—	0.5	(0.1)	—	0.4
<b>Total Liabilities</b>	<b>\$ 11.4</b>	<b>\$ —</b>	<b>\$ 11.4</b>	<b>\$ (4.0)</b>	<b>\$ —</b>	<b>\$ 7.4</b>

Offsetting of financial assets and liabilities under netting arrangements at December 31, 2016:

(in millions)	Gross Amounts Recognized	Gross Amount Offset in the Consolidated Balance Sheets	Net Amounts Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets		Net Amount
				Financial Instruments	Cash Collateral Received/Pledged	
<b>Assets</b>						
Foreign exchange forward contracts	\$ 14.7	\$ —	\$ 14.7	\$ (2.8)	\$ —	\$ 11.9
<b>Total Assets</b>	<b>\$ 14.7</b>	<b>\$ —</b>	<b>\$ 14.7</b>	<b>\$ (2.8)</b>	<b>\$ —</b>	<b>\$ 11.9</b>

(in millions)	Gross Amounts Recognized	Gross Amount Offset in the Consolidated Balance Sheets	Net Amounts Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets		Net Amount
				Financial Instruments	Cash Collateral Received/Pledged	
<b>Liabilities</b>						
Foreign exchange forward contracts	\$ 2.5	\$ —	\$ 2.5	\$ (2.5)	\$ —	\$ —
Interest rate swaps	0.5	—	0.5	(0.3)	—	0.2
<b>Total Liabilities</b>	<b>\$ 3.0</b>	<b>\$ —</b>	<b>\$ 3.0</b>	<b>\$ (2.8)</b>	<b>\$ —</b>	<b>\$ 0.2</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 \$1,623.3 million and \$1,609.8 million, respectively at September 30, 2017. At December 31, 2016, the Company estimated the fair value and carrying value, including the current portion, was \$1,525.7 million and \$1,522.2 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 September 30, 2017 and December 31, 2016:

(in millions)	September 30, 2017			
	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
Foreign exchange forward contracts	\$ 4.7	\$ —	\$ 4.7	\$ —
<b>Total assets</b>	<b>\$ 4.7</b>	<b>\$ —</b>	<b>\$ 4.7</b>	<b>\$ —</b>
<b>Liabilities</b>				
Interest rate swaps	\$ 0.5	\$ —	\$ 0.5	\$ —
Foreign exchange forward contracts	10.9	—	10.9	—
Contingent considerations on acquisitions	9.0	—	—	9.0
<b>Total liabilities</b>	<b>\$ 20.4</b>	<b>\$ —</b>	<b>\$ 11.4</b>	<b>\$ 9.0</b>

(in millions)	December 31, 2016			
	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
Foreign exchange forward contracts	\$ 14.7	\$ —	\$ 14.7	\$ —
<b>Total assets</b>	<b>\$ 14.7</b>	<b>\$ —</b>	<b>\$ 14.7</b>	<b>\$ —</b>
<b>Liabilities</b>				
Interest rate swaps	\$ 0.5	\$ —	\$ 0.5	\$ —
Foreign exchange forward contracts	2.5	—	2.5	—
Contingent considerations on acquisitions	7.6	—	—	7.6
<b>Total liabilities</b>	<b>\$ 10.6</b>	<b>\$ —</b>	<b>\$ 3.0</b>	<b>\$ 7.6</b>

Derivative valuations are based on observable inputs to the valuation model including interest rates, foreign currency exchange rates, future commodities prices and credit risks. The Company utilizes commodity contracts, 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 September 30, 2017 and December 31, 2016 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)	Earm-out Obligations
Balance at December 31, 2016	\$ 7.6
Fair value adjustment:	
Reported in Other expense (income), net	0.6
Effect of exchange rate changes	0.8
Balance at September 30, 2017	\$ 9.0

For the nine months ended September 30, 2017, 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, the Company recorded the following discrete tax items, \$1.5 million of excess tax benefit related to employee share-based compensation, \$0.3 million of tax expense related to enacted statutory rate changes and \$2.0 million of tax expense for other discrete tax matters.

During the first nine months of 2017, the Company 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 is non-deductible for income tax purposes. For further information, see Note 14, Goodwill and Intangibles.

During the first nine months of 2016, the Company recorded a tax benefit from the release of a valuation allowance of approximately \$77.1 million as a result of the Merger related to previously unrecognized tax assets on foreign interest deduction carryforwards of a non-U.S. legacy DENTSPLY subsidiary. In addition, for the three months ended September 30, 2016, the Company recorded \$5.1 million of tax expense related to other discrete tax matters, and for the nine months ended September 30, 2016 recorded \$9.6 million of tax expense related to other discrete tax matters.

## 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 September 30, 2017, the Company was in compliance with all debt covenants.

On August 28, 2017 the Company paid the annual principal payment of \$8.8 million representing a 5% mandatory principal payment 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 Sheet.

At September 30, 2017, there were no outstanding borrowings under the current \$500.0 million multi-currency revolving credit facility.

At September 30, 2017, the Company had \$542.2 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, 2017 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 7.8% to 9.5%, which includes assumptions regarding the Company's weighted-average cost of capital. The use of estimates and the development of assumptions results in uncertainties around forecasted cash flows. 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.

As a result of updating the estimates and assumptions following recent changes in circumstances, and in connection with the annual impairment tests of goodwill and the preparation of the financial statements for the three months ended June 30, 2017, the Company determined that the goodwill associated with the CAD/CAM, Imaging and Treatment Center equipment reporting units were impaired. As a result, the Company recorded a goodwill impairment charge of \$1,092.9 million. The CAD/CAM reporting unit is within the Implants, CAD/CAM, Prosthetics & Healthcare segment and the Imaging and Treatment Center reporting units are within the Imaging, Treatment Centers & Orthodontics segment. At September 30, 2017, the Company did not identify any impairment triggers related to these reporting units.

The equipment reporting units goodwill impairment charge was primarily driven by unfavorable changes in estimates and assumptions used to forecast discounted cash flows, including lower forecasted revenues and operating margin rates, which resulted in a lower fair value for these reporting units. The forecasted revenues and operating margin rates were negatively impacted by recent unfavorable developments in the marketplace. These developments included significantly lower retail sales for the fiscal quarter ended April 2017 reported by the Company's exclusive North America equipment distributor in May 2017, significant acceleration of sales declines in the Company's quarter ended June 30, 2017, and the execution of new distribution agreements with Patterson Companies, Inc. and Henry Schein, Inc. in May and June 2017. The Company also observed an increase in competition, unfavorable changes in the end-user business model as well as changes in channels of distribution for the Company and its competitors. The estimates of discounted future cash flows include significant management assumptions such as 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. 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, 2017, 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 \$79.8 million for the three months ended June 30, 2017 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 and Imaging equipment reporting units. The impairment charge was driven by a decline in forecasted sales. 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. At September 30, 2017, the Company did not identify any impairment triggers for the indefinite-lived intangibles assets related to the reporting units noted above.

In conjunction with the goodwill and indefinite-lived intangibles impairment test, the Company utilized its best estimate of future revenue growth and operating margin rates as of April 30, 2017. Given the uncertainty in the new distribution agreements, these estimates could vary significantly in the future, which may result in a goodwill impairment charge at that time.

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



(in millions)	Implants, CAD/CAM, Prosthetics & Healthcare	Chairside Consumables & Endodontics	Imaging, Treatment Centers & Orthodontics	Total
Balance at December 31, 2016	\$ 3,843.2	\$ 662.3	\$ 1,446.5	\$ 5,952.0
Acquisition related additions	—	85.4	—	85.4
Measurement period adjustments on prior acquisitions	(1.0)	—	(18.7)	(19.7)
Impairment	(459.9)	—	(633.0)	(1,092.9)
Effects of exchange rate changes	90.6	55.9	3.6	150.1
Balance at September 30, 2017	\$ 3,472.9	\$ 803.6	\$ 798.4	\$ 5,074.9

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

(in millions)	September 30, 2017			December 31, 2016		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Patents and developed technology	\$ 1,342.3	\$ (273.6)	\$ 1,068.7	\$ 1,189.5	\$ (177.3)	\$ 1,012.2
Trademarks	81.1	(45.2)	35.9	65.3	(38.7)	26.6
Licensing agreements	31.1	(24.5)	6.6	33.5	(26.7)	6.8
Customer relationships	1,104.6	(251.1)	853.5	1,004.8	(181.2)	823.6
Total definite-lived	\$ 2,559.1	\$ (594.4)	\$ 1,964.7	\$ 2,293.1	\$ (423.9)	\$ 1,869.2
Indefinite-lived Trademarks and In-process R&D	\$ 1,144.5	\$ —	\$ 1,144.5	\$ 1,088.4	\$ —	\$ 1,088.4
Total identifiable intangible assets	\$ 3,703.6	\$ (594.4)	\$ 3,109.2	\$ 3,381.5	\$ (423.9)	\$ 2,957.6

## NOTE 15 – COMMITMENTS AND CONTINGENCIES

### Litigation

On June 18, 2004, Marvin Weinstat, DDS and Richard Nathan, DDS filed a class action suit in San Francisco County, California alleging that the Company misrepresented that its Cavitron® ultrasonic scalers are suitable for use in oral surgical procedures. The Complaint sought a recall of the product and refund of its purchase price to dentists who have purchased it for use in oral surgery. The Court certified the case as a class action in June 2006 with respect to the breach of warranty and unfair business practices claims. The certified class is defined as California dental professionals who, at any time during the period beginning June 18, 2000 through September 14, 2012, purchased and used one or more Cavitron® ultrasonic scalers for the performance of oral surgical procedures on their patients, which Cavitrons® were accompanied by Directions for Use that “Indicated” Cavitron® use for “periodontal debridement for all types of periodontal disease.” The case went to trial in September 2013, and on January 22, 2014, the San Francisco Superior Court issued its decision in the Company’s favor, rejecting all of the plaintiffs’ claims. The plaintiffs have appealed the Superior Court’s decision, and the appeal is now pending. The Company is defending against this appeal.

On December 12, 2006, Carole Hildebrand, DDS, and Robert Jaffin, DDS, filed a Complaint in the Eastern District of Pennsylvania (the Plaintiffs subsequently added Dr. Mitchell Goldman as a named class representative). The same law firm that filed the Weinstat case in California filed this case. The Complaint asserts putative class action claims on behalf of dentists located in New Jersey and Pennsylvania. The Complaint asserts that the Company’s Cavitron® ultrasonic scaler was negligently designed and sold in breach of contract and warranty arising from alleged misrepresentations about the potential uses of the product because the Company cannot assure the delivery of potable or sterile water through the device. The Court granted the Company’s Motion for Dismissal of the case for lack of jurisdiction. Following that dismissal, the plaintiffs filed a second complaint under the name of Dr. Hildebrand’s corporate practice, Center City Periodontists, asserting the same allegations. The plaintiffs moved to have the case certified as a class action and the Company objected. The Court granted the Company’s Motion to Dismiss plaintiffs’ New

Jersey Consumer Fraud and negligent design claims, leaving only a breach of express warranty claim. The Court subsequently denied the Company's Motion for Summary Judgment on the express warranty claim. The Court held hearings during 2016 on plaintiffs' class certification motion. On July 24, 2017, the Court issued a Memorandum Opinion and Order denying class certification on multiple, independently sufficient grounds. On October 6, 2017, the parties to the lawsuit filed a Stipulation of Dismissal, dismissing all claims with prejudice, with the plaintiffs agreeing to pay the Company's costs associated with the litigation.

The Company does not believe a loss is probable related to the above litigation. Further, a reasonable estimate of a possible range of loss cannot be made. In the event that one or more of these matters is unfavorably resolved, it is possible the Company's results from operations, financial position or liquidity could be materially impacted.

In 2012, the Company received subpoenas from the U. S. Attorney's Office for the Southern District of Indiana (the "USAO") and from the Office of Foreign Assets Control of the United States Department of the Treasury ("OFAC") requesting documents and information related to compliance with export controls and economic sanctions regulations by certain of its subsidiaries. The Company has voluntarily contacted OFAC and the Bureau of Industry and Security of the U. S. Department of Commerce ("BIS"), in connection with these matters as well as regarding compliance with export controls and economic sanctions regulations by certain other business units of the Company identified in connection with an internal review by the Company. On September 1, 2016, the Company entered into an extension of the tolling agreement originally entered into in August 2014, such that the statute of limitations was tolled to May 1, 2017. On August 17, 2017, the Company entered into a new tolling agreement, which tolls the statute of limitations to November 30, 2017. The Company's discussions with OFAC to resolve this matter are ongoing.

At this stage of the inquiries, the Company is unable to predict the ultimate outcome of these matters or what impact, if any, the outcome of these matters might have on the Company's consolidated financial position, results of operations or cash flows. Violations of export control or economic sanctions laws or regulations could result in a range of governmental enforcement actions, including fines or penalties, injunctions and/or criminal or other civil proceedings, which actions could have a material adverse effect on the Company's reputation, business, financial condition and results of operations. At this time, no claims have been made against the Company.

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.

Following Sirona's acquisition of Arges Imaging, Inc. ("Arges") in 2011, certain prior shareholders (the "Arges Shareholders") of Arges filed a demand for arbitration with the American Arbitration Association alleging that Sirona violated certain provisions of the related merger agreement. In January 2016, an interim award was made to the Arges Shareholders, which was subsequently affirmed by the district court for the Southern District of New York. The Company subsequently appealed the decision. In October 2017, the Company entered into a Settlement Agreement, pursuant to which the Company agreed to pay the Arges Shareholders approximately \$6.5 million. Settlement costs associated with this agreement are included in Restructuring and other costs on the Consolidated Statements of Operation for the period ended September 30, 2017.

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 (dated November 2, 2017) 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 the arbitrator's decision exceeded the scope of the arbitration agreement, and it intends to contest the award.

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

possible that the ultimate resolution of these matters, or other similar matters, if unfavorable, may be materially adverse to the Company's business, financial condition, results of operations or liquidity.

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

**Purchase Commitments**

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

## DENTSPLY SIRONA Inc. and Subsidiaries

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

This report contains information that may constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements can be identified by the use of forward-looking terminology, including “may,” “believe,” “will,” “expect,” “anticipate,” “plan,” “intend,” “project,” “forecast,” or other similar words. All statements that address operating performance, events or developments that the Company expects or anticipates will occur in the future are forward-looking statements. Statements contained in this report are based on information presently available to the Company and assumptions that the Company believes to be reasonable. These risks and uncertainties include, but are not limited to, those described in Part I, Item 1A (“Risk Factors”) of the Company’s Form 10-K for the year ended December 31, 2016 and those described from time to time in our future reports filed with the Securities and Exchange Commission. The Company is not assuming any duty to update this information if those facts change or if the assumptions are no longer believed to be reasonable. Investors are cautioned that all such statements involve risks and uncertainties, and important factors could cause actual events or results to differ materially from those indicated by such forward-looking statements. Therefore, you should not rely on any of these forward-looking statements.

On February 29, 2016, DENTSPLY International Inc. merged with Sirona Dental Systems, Inc. (“Sirona”) to form DENTSPLY SIRONA Inc. (the “Merger”). See Note 5, Business Combinations, for additional information about the Merger.

References to the “Combined Businesses” are included below to provide comparisons of net sales performance year over year as if the businesses were combined on January 1, 2016.

## OVERVIEW

### Highlights

- For the three months ended September 30, 2017, the Company reported a sales increase of 5.8%, on a constant currency basis sales increased 4.3% and internal growth was 2.4%. Based on the Company’s estimate, both constant currency and internal sales growth were favorably impacted by approximately \$8 million as a result of current quarter over prior year quarter net changes in equipment inventory levels at certain distributors in North America and Europe. Based on the Company’s estimate, inventory held by these distributors increased by approximately \$28 million during the current three month period compared to an increase of approximately \$20 million in the same three month period in 2016.
- On a geographic basis, the Company generated constant currency sales growth of 8.4% in the United States and 4.0% in Europe while the Rest of World region generated a decline of 0.7% for the three month period ended September 30, 2017. U.S. sales growth benefited from the expansion of distribution of our equipment which commenced on September 1.
- For the three months ended September 30, 2017 the Company generated earnings per diluted share of \$0.39 matching the earnings per diluted share of \$0.39 for the three months ended September 30, 2016. This largely reflects the impact of higher operating expense mostly offset by improved gross profit (including the impact of distribution channel transition) and a favorable effective tax rate. On an adjusted basis (a non-US GAAP measure as reconciled under Net income (loss) attributable to Dentsply Sirona below) for the three months ended September 30, 2017 earnings per diluted share was \$0.70 as compared to \$0.66 earnings per diluted share for the three months ended September 30, 2016.

### 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, and the international headquarters is based in Salzburg, Austria. The Company’s shares are listed in the United States on NASDAQ under the symbol XRAY.

## **BUSINESS**

The Company operates in three business segments:

The Implants, CAD/CAM, Prosthetics & Healthcare segment is responsible for the worldwide design, manufacture, sales and distribution of certain dental technology and healthcare consumable products which includes dental implants, CAD/CAM systems and laboratory dental products as well as consumable medical device products.

The Chairside Consumables & Endodontics segment is responsible for the worldwide design, manufacture, sales and distribution of dental consumable products which includes preventive, restorative, instruments and endodontic products.

The Imaging, Treatment Centers & Orthodontics segment is responsible for the worldwide design, manufacture, sales and distribution of certain dental technology products which includes imaging systems, treatment centers and orthodontic products.

During the September 30, 2017 quarter, the Company realigned reporting responsibilities for multiple businesses as a result of a retirement of one of the Company's Chief Operating Officers. The Company changed from two operating segments to three. Segment information below reflects the revised structure for all periods shown.

### **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 can impact 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 reflect the unfavorable impact of integration related inefficiencies, the Company believes that the future benefits from these global efficiency and integration initiatives will improve the cost structure and help mitigate the impacts of rising costs such as energy, employee benefits and regulatory oversight and compliance. The Company expects that it will record restructuring charges, from time to time, associated with such initiatives. These restructuring charges could be material to the Company's consolidated financial statements and there can be no assurance that the target adjusted operating income margins will continue to be achieved.

As announced in October 2016, the Company is proposing plans in Germany to reorganize and combine portions of its manufacturing, logistics and distribution networks within the Company's three segments. As required under German law, the Company has entered into a statutory co-determination process under which it will collaborate with the appropriate labor groups to jointly define the infrastructure and staffing adjustments necessary to support this initiative. The Company continues to initiate similar actions in other regions of the world. The Company estimates the remaining cost of these initiatives to be approximately \$90 million, primarily for severance related benefits for employees, which is expected to be incurred as actions are implemented over the next two years. In October 2017, the Company reached an agreement with certain labor groups related to these restructuring activities which will result in an expense of approximately \$25 million in the fourth quarter of 2017.

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 had two exclusive distribution agreements with Patterson Companies, Inc. ("Patterson") for the marketing and sales of certain legacy Sirona products and equipment in the United States and Canada. In order to maintain exclusivity, certain purchase targets had to be achieved. In the fourth quarter of 2016, Patterson's decision not to extend the exclusivity beyond September 2017 was announced. Following that announcement, in May 2017, the Company entered into a new three-year agreement with Patterson whereby Patterson would continue to distribute the Company's equipment lines in the United States on a non-exclusive basis. In the second quarter of 2017, the Company also entered into two separate multi-year agreements with Henry Schein, Inc. ("Henry Schein") for the distribution of the Company's equipment lines in the United States and Canada. While the agreement with Henry Schein with respect to the United States was effective September 1, 2017, the agreement relating to Canada was effective June 2017. The Company began shipping initial stocking orders for the equipment products to Henry Schein under the agreements in the second quarter of 2017 and expects orders will continue through the balance of 2017. During the second quarter of 2017, the Company also modified its distribution agreement with Henry Schein with respect to the distribution of certain products in France. Based on the Company's estimate, year-over-year changes in distributor inventories associated with these agreements negatively impacted the Company's reported sales in the first nine months of 2017 by approximately \$37 million. Based on the Company's estimate, distributor inventories increased during the first nine months of 2016 by approximately \$36 million primarily associated with certain distributors making minimum purchase targets required in order to maintain exclusivity. Inventory held by distributors decreased during the first nine months of 2017 by approximately \$1 million, based on the Company's estimate. At this time, the Company estimates that net changes in distributor inventories will decrease the Company's sales by approximately \$25 million to \$30 million for the balance of 2017, which is similar to the impact in the last three months of 2016.

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 and interest rates may unfavorably or favorably impact the Company's results of operations, financial condition and liquidity. For the nine months ended September 30, 2017, net sales, excluding precious metal content, were unfavorably impacted by approximately 0.2%. Excluding periodic revaluation of balance sheet exposures, earnings per diluted common share were unfavorably impacted by approximately \$0.04 due to movements in foreign currency exchange rates when compared to the same period in 2016.

## RESULTS OF OPERATIONS, QUARTER ENDED SEPTEMBER 30, 2017 COMPARED TO QUARTER ENDED SEPTEMBER 30, 2016

### Net Sales

The discussion below summarizes the Company's sales growth which excludes precious metal content, into the following components: (1) impact of the Merger; and (2) the results of the "Combined Businesses" as if the businesses were merged on January 1, 2016. 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		\$ Change	% Change
	September 30,			
	2017	2016		
Net sales	\$ 1,009.2	\$ 954.2	\$ 55.0	5.8%
Less: precious metal content of sales	9.4	15.0	(5.6)	(37.3%)
Net sales, excluding precious metal content	\$ 999.8	\$ 939.2	\$ 60.6	6.5%

Net sales, excluding precious metal content, for the three months ended September 30, 2017 were \$999.8 million, an increase of \$60.6 million from the three months ended September 30, 2016. The increase in net sales, excluding precious metal content, was favorably impacted, based on the Company's estimate, by approximately \$8 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 increased by approximately \$28 million during the current three month period compared to an increase of approximately \$20 million in the same three month period in 2016. The inventory increase in the current three month period was more than anticipated, in the Company's assessment, as a result of higher than expected initial stocking inventory purchases in the U.S. The Company expects net sales to be negatively impacted by an offsetting reduction of inventory in the fourth quarter.

Sales related to precious metal content declined 37.3% in the quarter as compared to the same three month period in 2016, which was primarily due to the continuing reduction in the use of precious metal alloys in dentistry.

For the three months ended September 30, 2017, net sales, excluding precious metal content, increased 4.3% on a constant currency basis. This includes a benefit of 1.9% from acquisitions, which results in internal sales growth of 2.4%. Net sales, excluding precious metal content, were positively impacted by approximately 2.1% due to the weakening of the U.S. dollar over the prior year period. Internal sales growth was primarily driven by the Chairside Consumables & Endodontics as well as the Imaging, Treatment Centers & Orthodontics segments. Based on the Company's assessment, the internal sales growth of the Imaging, Treatment Centers & Orthodontics segment was primarily driven by the net changes in equipment inventory levels in the current quarter over the prior year quarter as discussed above. A reconciliation of reported net sales to net sales, excluding precious metal content, is as follows:

(in millions)	Three Months Ended			
	September 30,			
	2017	2016	\$ Change	% Change
Net sales	\$ 1,009.2	\$ 954.2	\$ 55.0	5.8%
Less: precious metal content of sales	9.4	15.0	(5.6)	(37.3%)
Net sales, excluding precious metal content	999.8	939.2	60.6	6.5%
Merger related adjustments (a)	1.0	1.6	(0.6)	(37.5%)
Non-US GAAP net sales, excluding precious metal content	\$ 1,000.8	\$ 940.8	\$ 60.0	6.4%

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

### Sales Growth by Region

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

(in millions)	Three Months Ended			
	September 30,			
	2017	2016	\$ Change	% Change
United States	\$ 362.3	\$ 334.2	\$ 28.1	8.4%
Europe	379.6	348.3	31.3	9.0%
Rest of World	257.9	256.7	1.2	0.5%

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			
	September 30, 2017			
	United States	Europe	Rest of World	Total
Net sales	\$ 363.8	\$ 386.6	\$ 258.8	\$ 1,009.2
Less: precious metal content of sales	1.5	7.0	0.9	9.4
Net sales, excluding precious metal content	362.3	379.6	257.9	999.8
Merger related adjustments (a)	1.0	—	—	1.0
Non-US GAAP net sales, excluding precious metal content	\$ 363.3	\$ 379.6	\$ 257.9	\$ 1,000.8

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

(in millions)	Three Months Ended			
	September 30, 2016			
	United States	Europe	Rest of World	Total
Net sales	\$ 335.6	\$ 357.2	\$ 261.4	\$ 954.2
Less: precious metal content of sales	1.4	8.9	4.7	15.0
Net sales, excluding precious metal content	334.2	348.3	256.7	939.2
Merger related adjustments (a)	1.1	0.5	—	1.6
Non-US GAAP net sales, excluding precious metal content	\$ 335.3	\$ 348.8	\$ 256.7	\$ 940.8

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

### United States

Reported net sales, excluding precious metal content, increased by 8.4% in the third quarter of 2017 as compared to the third quarter of 2016. The increase in net sales, excluding precious metal content, was favorably impacted, based on the Company's estimate, by approximately \$18 million as a result of net changes in equipment inventory levels in the current quarter as compared to the prior year quarter at two distributors in the United States related to the transition in distribution strategy (see "Business



Drivers” under this section for further detail). The inventory increase in the current three month period was approximately \$16 million more than anticipated, in the Company’s assessment, as a result of higher than expected initial stocking inventory purchases. The Company expects net sales to be negatively impacted by an offsetting reduction of inventory in the fourth quarter.

For the three month period ended September 30, 2017, sales increased 8.4% on a constant currency basis. This includes a benefit of 1.3% from acquisitions, which results in internal sales growth of 7.1%. Internal sales growth was driven by all segments led by the Imaging, Treatment Center & Orthodontics segment. Based on the Company’s assessment, the internal sales growth was primarily a result of the current quarter over prior year quarter net changes in equipment inventory levels at certain distributors.

#### Europe

Reported net sales, excluding precious metal content, increased by 9.0% in the third quarter of 2017 as compared to the third quarter of 2016, which was positively impacted by approximately 4.8% due to the weakening of the U.S. dollar over the prior year period. The increase in net sales, excluding precious metal content, was unfavorably impacted, based on the Company’s estimate, by approximately \$5 million as a result of net changes in equipment inventory levels in the current quarter as compared to the prior year quarter at a certain distributor in Europe that the Company believes is related to the transition in distribution strategy (see “Business Drivers” under this section for further detail).

For the three month period ended September 30, 2017, sales increased 4.0% on a constant currency basis. This includes a benefit of 2.3% from acquisitions, which results in internal sales growth of 1.7%. Internal sales growth was driven by the Chairside Consumables & Endodontics and Imaging, Treatment Center & Orthodontics segments partially offset by the Implants, CAD/CAM, Prosthetics & Healthcare segment. Based on the Company’s assessment, the positive internal sales growth was negatively impacted by the current quarter over prior year quarter net changes in equipment inventory levels at certain distributors.

#### Rest of World

Reported net sales, excluding precious metal content, increased 50 basis points for the three months ended September 30, 2017 as compared to the three months ended September 30, 2016, which was positively impacted by approximately 1.2% 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 \$5 million as a result of net changes in equipment inventory levels in the current quarter as compared to the prior year quarter at a certain distributor in Canada that the Company believes is related to the transition in distribution strategy (see “Business Drivers” under this section for further detail).

For the three month period ended September 30, 2017, sales decreased 70 basis points on a constant currency basis. This includes a benefit of 2.2% from acquisitions, which results in a negative internal sales growth rate of 2.9%. The negative internal sales growth rate was primarily driven by sales declines in the Imaging, Treatment Centers & Orthodontics segment. Based on the Company’s assessment, internal sales growth was negatively impacted by the current quarter over prior year quarter net changes in equipment inventory levels at certain distributors.

#### **Gross Profit**

(in millions)	Three Months Ended		\$ Change	% Change
	2017	2016		
Gross profit	\$ 559.0	\$ 513.6	\$ 45.4	8.8%
Gross profit as a percentage of net sales, including precious metal content	55.4%	53.8%		
Gross profit as a percentage of net sales, excluding precious metal content	55.9%	54.7%		

Gross profit as a percentage of net sales, excluding precious metal content, increased by 120 basis points for the quarter ended September 30, 2017 as compared to the same three month period ended September 30, 2016.

For the three months ended September 30, 2017, the improvement in the gross profit rate was primarily driven by favorable product pricing and product mix as well as savings from the Company’s global efficiency and integration program as compared to the three months ended September 30, 2016. These favorable impacts were partially offset by the unfavorable impact from foreign currency.

## Operating Expenses

(in millions)	Three Months Ended		\$ Change	% Change
	September 30,			
	2017	2016		
Selling, general and administrative expenses ("SG&A")	\$ 430.5	\$ 379.1	\$ 51.4	13.6%
Restructuring and other costs	20.6	7.9	12.7	NM
SG&A as a percentage of net sales, including precious metal content	42.7%	39.7%		
SG&A as a percentage of net sales, excluding precious metal content	43.1%	40.4%		

NM - Not meaningful

### SG&A Expenses

SG&A expenses, including research and developing expenses, as a percentage of net sales, excluding precious metal content, for the quarter ended September 30, 2017 increased 270 basis points compared to the quarter ended September 30, 2016. The comparison was negatively impacted by 240 basis points for employment agreement costs recorded related to the resignation of senior management. The reduction in other business combination related costs partially offset by the increase in amortization of purchased intangible assets resulted in a net favorable impact of 50 basis points. Additionally, higher professional service expenses in the current three month period as compared to the quarter ended September 30, 2016 unfavorably impacted the rate by 80 basis points.

### Restructuring and other cost

The Company recorded net restructuring and other costs of \$20.6 million for the three months ended September 30, 2017 compared to \$7.9 million for the three months ended September 30, 2016. The Company recorded \$7.5 million in other costs related to legal settlements during the three months ended September 30, 2017.

## Other Income and Expense

(in millions)	Three Months Ended September 30,		Change
	2017	2016	
Net interest expense	\$ 9.4	\$ 7.9	\$ 1.5
Other expense (income), net	0.9	1.6	(0.7)
Net interest and other expense	\$ 10.3	\$ 9.5	\$ 0.8

### Net Interest Expense

Net interest expense for the three months ended September 30, 2017 increased \$1.5 million compared to the three months ended September 30, 2016. Increased debt levels in 2017 partially offset by lower average interest rates when compared to the prior year period resulted in an increase in net interest expense.

### Other Expense (Income), Net

Other expense (income), net for the three months ended September 30, 2017 was expense of \$0.9 million, comprised of \$1.3 million of currency transaction losses and \$0.4 million of non-operating income. Other expense (income), net for the three months ended September 30, 2016 was expense of \$1.6 million, comprised primarily of \$1.1 million of income on net investment hedges offset by \$2.7 million of currency transaction loss.

## Income Taxes and Net Income

(in millions, except per share data)	Three Months Ended September 30,		\$ Change
	2017	2016	
Provision (benefit) for income taxes	\$ 7.1	\$ 24.8	\$ (17.7)
Effective income tax rate	7.3%	21.2%	
Net (loss) income attributable to Dentsply Sirona	\$ 90.6	\$ 92.5	\$ (1.9)
Net (loss) income per common share - diluted	\$ 0.39	\$ 0.39	

NM - Not meaningful

### Provision for Income Taxes

For the three months ended September 30, 2017, income taxes were a net benefit of \$7.1 million as compared to a net expense of \$24.8 million in the quarter ended September 30, 2016.

During the third quarter of 2017, the Company recorded the following discrete tax items, \$1.5 million of excess tax benefit related to employee share-based compensation, \$0.3 million of tax expense related to enacted statutory rate changes and \$2.0 million of tax expense for other discrete tax matters. Excluding these discrete tax items, the Company's effective tax rate was 6.5%. The effective tax rate was favorably impacted by the Company's change in the mix of consolidated earnings.

For the three months ended September 30, 2016, income taxes were a net expense of \$24.8 million. During the third quarter of 2016, the Company recorded \$5.1 million of tax expense related to discrete tax matters and \$1.5 million of tax expense change related to the March 31, 2016 quarter valuation allowance release. Excluding these tax matters, the Company's effective tax rate was 15.6%. 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 third quarter of 2017 included the net impact of amortization of purchased intangible assets, restructuring program related costs and other costs, business combination related costs, fair value adjustments, credit risk and fair value adjustments and income tax related adjustments which impacted income before income taxes and the provision for income taxes by \$103.6 million and \$29.9 million, respectively. For the full year ended December 31, 2017, the Company estimates the non-US GAAP tax rate to be 17.9%.

The Company's effective income tax rate for the third quarter of 2016 included the net impact of amortization of purchased intangible assets, business combination related costs and fair value adjustments, income tax related adjustments, restructuring program related costs and other costs and credit risk and fair value adjustments which impacted income before income taxes and the provision for income taxes by \$69.6 million and \$6.5 million, respectively.

### Net income (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) *Certain fair value adjustments related to an unconsolidated affiliated company.* This adjustment represents the fair value adjustment of the unconsolidated affiliated company's convertible debt instrument held by the Company. The affiliate is accounted for under the equity method of accounting. The fair value adjustment is driven by open market pricing of the affiliate's equity instruments, which has a high degree of variability and may not be indicative of the operating performance of the affiliate or the Company.

(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. 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.

Three Months Ended  
September 30, 2017

(in millions, except per share amounts)	Net Income	Per Diluted Common Share
Net income attributable to Dentsply Sirona	\$ 90.6	\$ 0.39
Pre-tax non-US GAAP adjustments:		
Amortization of purchased intangible assets	48.7	
Restructuring program related costs and other costs	46.3	
Business combination related costs and fair value adjustments	6.8	
Credit risk and fair value adjustments	1.8	
Tax impact of the pre-tax non-US GAAP adjustments	(33.9)	
Subtotal non-US GAAP adjustments	69.7	0.29
Income tax related adjustments	4.0	0.02
Adjusted non-US GAAP net income	\$ 164.3	\$ 0.70

Three Months Ended  
September 30, 2016

(in millions, except per share amounts)	Net Income	Per Diluted Common Share
Net income attributable to Dentsply Sirona	\$ 92.5	\$ 0.39
Pre-tax non-US GAAP adjustments:		
Amortization of purchased intangible assets	44.3	
Business combination related costs and fair value adjustments	14.6	
Restructuring program related costs and other costs	8.9	
Credit risk and fair value adjustments	1.8	
Tax impact of the pre-tax non-US GAAP adjustments (a)	(19.0)	
Subtotal non-US GAAP adjustments	50.6	0.22
Income tax related adjustments	12.5	0.05
Adjusted non-US GAAP net income	\$ 155.6	\$ 0.66

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

#### Adjusted Operating Income and Margin

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

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

(in millions)	Three Months Ended September 30, 2017	
	Operating Income	Percentage of Net Sales, Excluding Precious Metal Content
Operating income attributable to Dentsply Sirona	\$ 107.9	10.8%
Amortization of purchased intangible assets	48.7	4.9%
Restructuring program related costs and other costs	46.7	4.7%
Business combination related costs and fair value adjustments	6.6	0.6%
Credit risk and fair value adjustments	1.8	0.2%
Adjusted non-US GAAP Operating Income	<u>\$ 211.7</u>	<u>21.2%</u>

(in millions)	Three Months Ended September 30, 2016	
	Operating Income	Percentage of Net Sales, Excluding Precious Metal Content
Operating income attributable to Dentsply Sirona	\$ 126.6	13.5%
Amortization of purchased intangible assets	44.3	4.7%
Business combination related costs and fair value adjustments	14.6	1.6%
Restructuring program related costs and other costs	8.9	0.9%
Credit risk and fair value adjustments	1.4	0.1%
Adjusted non-US GAAP Operating Income	<u>\$ 195.8</u>	<u>20.8%</u>

### Operating Segment Results

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

(in millions)	Three Months Ended September 30,			
	2017	2016	\$ Change	% Change
Implants, CAD/CAM, Prosthetics & Healthcare	\$ 385.4	\$ 367.8	\$ 17.6	4.8%
Chairside Consumables & Endodontics	412.6	383.5	29.1	7.6%
Imaging, Treatment Centers & Orthodontics	201.8	187.9	13.9	7.4%

#### Segment Operating Income

(in millions)	Three Months Ended September 30,			
	2017	2016	\$ Change	% Change
Implants, CAD/CAM, Prosthetics & Healthcare	\$ 85.2	\$ 84.2	\$ 1.0	1.2%
Chairside Consumables & Endodontics	126.9	110.8	16.1	14.5%
Imaging, Treatment Centers & Orthodontics	40.0	23.0	17.0	73.9%

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 September 30, 2017				Total
	Implants, CAD/CAM, Prosthetics & Healthcare	Chairside Consumables & Endodontics	Imaging, Treatment Centers & Orthodontics		
Net sales	\$ 394.8	\$ 412.6	\$ 201.8	\$	1,009.2
Less: precious metal content of sales	9.4	—	—		9.4
Net sales, excluding precious metal content	385.4	412.6	201.8		999.8
Merger related adjustments (a)	0.7	—	0.3		1.0
Non-US GAAP net sales, excluding precious metal content	\$ 386.1	\$ 412.6	\$ 202.1	\$	1,000.8

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

(in millions)	Three Months Ended September 30, 2016				Total
	Implants, CAD/CAM, Prosthetics & Healthcare	Chairside Consumables & Endodontics	Imaging, Treatment Centers & Orthodontics		
Net sales	\$ 382.8	\$ 383.5	\$ 187.9	\$	954.2
Less: precious metal content of sales	15.0	—	—		15.0
Net sales, excluding precious metal content	367.8	383.5	187.9		939.2
Merger related adjustments (a)	1.1	—	0.5		1.6
Non-US GAAP net sales, excluding precious metal content	\$ 368.9	\$ 383.5	\$ 188.4	\$	940.8

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

#### Implants, CAD/CAM, Prosthetics & Healthcare

Reported net sales, excluding precious metal content, increased by 4.8% in the third quarter of 2017 as compared to the third quarter of 2016. Net sales, excluding precious metal content, were favorably impacted by approximately 1.8% due to the weakening of the U.S. dollar over the prior year period.

For the three month period ended September 30, 2017, sales grew 2.8% on a constant currency basis. This includes a benefit of approximately 3.9% from acquisitions, which results in a negative internal sales growth rate of 1.1%. The decline in internal sales growth was driven by Europe and Rest of World partially offset by the U.S. The negative internal sales growth rate, based on the Company's estimate, was unfavorably impacted by changes in equipment inventory levels in the current quarter as compared to the prior year quarter at certain distributors related to the transition in distribution strategy.

The operating income increased \$1.0 million or 1.2% for the three months ended September 30, 2017 as compared to the same three month period in 2016. This increase is primarily driven by increased sales, which was partially offset by unfavorable product mix and the impact of foreign currency. Based on the the Company's assessment, operating income was unfavorably impacted by the change in net equipment inventory as discussed above.

#### Chairside Consumables & Endodontics

Reported net sales, excluding precious metal content, increased 7.6% for the three months ended September 30, 2017 as compared to the three months ended September 30, 2016. Net sales, excluding precious metal content, were favorably impacted by approximately 2.4% due to the weakening of the U.S. dollar over the prior year period.

For the three month period ended September 30, 2017, sales increased 5.2% on a constant currency basis. This includes a benefit of 90 basis points from acquisitions, which results in internal sales growth rate of 4.3%. The internal sales growth was driven by increased sales in all regions led by Europe.

The operating income increased \$16.1 million or 14.5% for the three months ended September 30, 2017 as compared to the same three month period in 2016. This increase was primarily driven by the increase in sales, favorable product mix and the favorable impact of foreign currency.

#### Imaging, Treatment Centers & Orthodontics

Reported net sales, excluding precious metal content, increased by 7.4% in the third quarter of 2017 as compared to the third quarter of 2016. Net sales, excluding precious metal content, were favorably impacted by approximately 2.0% due to the weakening of the U.S. dollar over the prior year period.

For the three month period ended September 30, 2017, sales grew 5.3% on both a constant currency and internal sales growth basis, driven by increased sales in the U.S. and Europe, partially offset by a decline in the Rest of World region. The internal sales growth, based on the Company's estimate, was favorably impacted by changes in equipment inventory levels in the current quarter as compared to the prior year quarter at certain distributors related to the transition in distribution strategy.

The operating income increased \$17.0 million or 73.9% for the three months ended September 30, 2017 as compared to the same three month period in 2016. This increase was primarily driven by the increase in sales and favorable product mix. Based on the the Company's assessment, the increase reflects the favorable impact related to the change in net equipment inventory as discussed above.

### **RESULTS OF OPERATIONS, NINE MONTHS ENDED SEPTEMBER 30, 2017 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2016**

#### **Net Sales**

(in millions)	Nine Months Ended September 30,		\$ Change	% Change
	2017	2016		
Net sales	\$ 2,902.4	\$ 2,748.8	\$ 153.6	5.6%
Less: precious metal content of sales	30.2	50.4	(20.2)	(40.1%)
Net sales, excluding precious metal content	\$ 2,872.2	\$ 2,698.4	\$ 173.8	6.4%

Net sales, excluding precious metal content, for the nine months ended September 30, 2017 were \$2,872.2 million, an increase of \$173.8 million from the nine months ended September 30, 2016. The increase in net sales, excluding precious metal content, reflects sales of \$112.7 million as a result of the consolidation of two additional months of Sirona for the nine months ended September 30, 2017 as compared to the same period in 2016, and was unfavorably impacted, based on the Company's estimate, by approximately \$37 million as a result of net changes in equipment inventory levels in the current nine month period as compared to the prior year nine month period 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 \$1 million during the current nine month period compared to an increase of approximately \$36 million in the same nine month period in 2016. Additionally, based on the Company's assessment, net sales, excluding precious metal content, were negatively impacted by lower equipment sales to end-users, primarily in the United States, as result of transition challenges at our exclusive distributor. At this time, the Company believes that net changes in distributor inventories will decrease the Company's sales by approximately \$30 million for the balance of 2017, which is approximately the same impact as the last three months in 2016.

Sales related to precious metal content declined 40.1% as compared to the same period in 2016, which was primarily due to the continuing reduction in the use of precious metal alloys in dentistry.

For the nine months ended September 30, 2017, sales of our Combined Businesses increased 30 basis points on a constant currency basis. This includes a benefit of 2.3% from acquisitions, which results in negative internal sales growth of 2.0%. Net sales, excluding precious metal content, were negatively impacted by approximately 10 basis points due to the strengthening of the U.S. dollar over the prior year period. Based on the Company's assessment, the negative internal sales growth was largely a result of changes in inventory levels at certain distributors in North America and Europe as well as the impact of lower equipment sales to end-users as discussed above. A reconciliation of reported net sales to net sales, excluding precious metal content, of the combined business is as follows:



(in millions)	Nine Months Ended September 30,			
	2017	2016	\$ Change	% Change
Net sales	\$ 2,902.4	\$ 2,748.8	\$ 153.6	5.6%
Less: precious metal content of sales	30.2	50.4	(20.2)	(40.1%)
Net sales, excluding precious metal content	2,872.2	2,698.4	173.8	6.4%
Sirona net sales (a)	—	160.7	(160.7)	NM
Merger related adjustments (b)	4.0	12.0	(8.0)	NM
Elimination of intercompany net sales	—	(0.4)	0.4	NM
Non-US GAAP Combined Business, net sales, excluding precious metal content	\$ 2,876.2	\$ 2,870.7	\$ 5.5	0.2%

(a) Represents Sirona sales for January and February 2016.

(b) Represents an adjustment to reflect deferred subscription and warranty revenue that was eliminated under business combination accounting standards to make the 2017 and 2016 non-U.S. GAAP combined business results comparable.

NM - Not meaningful

### Sales Growth by Region

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

(in millions)	Nine Months Ended September 30,			
	2017	2016	\$ Change	% Change
United States	\$ 1,004.7	\$ 978.6	\$ 26.1	2.7%
Europe	1,138.6	1,030.3	108.3	10.5%
Rest of World	728.9	689.5	39.4	5.7%

A reconciliation of reported net sales to net sales, excluding precious metal content, of the Combined Business by geographic region is as follows:

(in millions)	Nine Months Ended September 30, 2017			
	United States	Europe	Rest of World	Total
Net sales	\$ 1,009.0	\$ 1,161.5	\$ 731.9	\$ 2,902.4
Less: precious metal content of sales	4.3	22.9	3.0	30.2
Net sales, excluding precious metal content	1,004.7	1,138.6	728.9	2,872.2
Merger related adjustments (a)	4.0	—	—	4.0
Non-US GAAP net sales, excluding precious metal content	\$ 1,008.7	\$ 1,138.6	\$ 728.9	\$ 2,876.2

(a) Represents an adjustment to reflect deferred subscription and warranty revenue that was eliminated under business combination accounting standards to make the 2017 and 2016 non-U.S. GAAP combined business results comparable.

(in millions)	Nine Months Ended September 30, 2016			
	United States	Europe	Rest of World	Total
Net sales	\$ 982.6	\$ 1,060.8	\$ 705.4	\$ 2,748.8
Less: precious metal content of sales	4.0	30.5	15.9	50.4
Net sales, excluding precious metal content	978.6	1,030.3	689.5	2,698.4
Sirona net sales (a)	60.5	59.4	40.8	160.7
Merger related adjustments (b)	11.0	1.0	—	12.0
Elimination of intercompany net sales	(0.1)	(0.3)	—	(0.4)
Non-US GAAP Combined Business, net sales, excluding precious metal content	\$ 1,050.0	\$ 1,090.4	\$ 730.3	\$ 2,870.7

(a) Represents Sirona sales for January and February 2016.

(b) Represents an adjustment to reflect deferred subscription and warranty revenue that was eliminated under business combination accounting standards to make the 2017 and 2016 non-U.S. GAAP combined business results comparable.

#### United States

Reported net sales, excluding precious metal content, increased 2.7% for the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016. Net sales, excluding precious metal content, was unfavorably impacted, based on the Company's estimate, by approximately \$16 million as a result of net changes in equipment inventory levels in the current nine month period as compared to the prior year nine month period at two distributors in the United States, that the Company believes is related to the transition in distribution strategy in North America for the nine months ended September 30, 2016 as compared to the nine months ended September 30, 2017 (see "Business Drivers" under this section for further detail). The increase in net sales, excluding precious metal content, includes sales of \$27.0 million as a result of the inclusion of two additional months of Sirona for the nine months ended September 30, 2017 as compared to the same period in 2016. Additionally, based on the Company's assessment, net sales, excluding precious metal content, were negatively impacted by lower equipment sales to end-users, as result of transition challenges at our previously exclusive distributor.

For the nine months ended September 30, 2017, sales of our Combined Businesses declined 3.9% on a constant currency basis. This includes a benefit of 1.3% from acquisitions, which results in a negative internal sales growth rate of 5.2%. The negative internal sales growth was driven by the Imaging, Treatment Centers & Orthodontics and Implants, CAD/CAM, Prosthetics & Healthcare segments. In the Company's assessment the internal sale growth of these two segments was negatively impacted by the current nine month period over the prior year nine month period net changes in equipment inventory levels at two distributors as well as the impact of lower equipment sales to end-users discussed above.

#### Europe

Reported net sales, excluding precious metal content, increased by 10.5% for the nine months ended September 30, 2017, as compared to the the nine months ended September 30, 2016, which was negatively impacted by approximately 50 basis points due to the strengthening of the U.S. dollar over the prior year period. The increase in net sales, excluding precious metal content, reflects sales of \$53.8 million as a result of the inclusion of two additional months of Sirona for the nine months ended September 30, 2017, as compared to the same period in 2016. The increase in net sales, excluding precious metal content, was unfavorably impacted, based on the Company's estimate, by approximately \$12 million as a result of net changes in equipment inventory levels in the current nine month period as compared to the prior year nine month period at a certain distributor in Europe that the Company believes is related to the transition in distribution strategy (see "Business Drivers" under this section for further detail).

For the nine months ended September 30, 2017, sales of our Combined Businesses grew 4.9% on a constant currency basis. This includes a benefit of 2.9% from acquisitions, which results in internal growth of 2.0%. Internal sales growth in this region was primarily driven by higher demand in the Chairside Consumable & Endodontics and Imaging, Treatment Centers & Orthodontics segments, partially offset by the Implant, CAD/CAM, Prosthetics & Healthcare segment. Internal sales growth was negatively impacted by net changes in equipment inventory levels discussed above.

#### Rest of World

Reported net sales, excluding precious metal content, for the nine months ended September 30, 2017 increased by 5.7% as compared to the nine months ended September 30, 2016, which was favorably impacted by approximately 30 basis points due to the weakening of the U.S. dollar over the prior year period. Net sales, excluding precious metal content, reflects sales of \$31.9

million as a result of the inclusion of two additional months of Sirona for the nine months ended September 30, 2017 as compared to the same period in 2016. 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 nine month period as compared to the prior year nine month period at a certain distributor in Canada that the Company believes is related to the transition in distribution strategy (see "Business Drivers" under this section for further detail).

For the nine month period ended September 30, 2017, sales of our Combined Businesses decreased 40 basis points on a constant currency basis. This includes a benefit of 2.8% from acquisitions, which results in a negative internal sales growth rate of 3.2%. The negative growth was driven by lower demand as well as the impact of net changes in equipment inventory levels in both the Imaging, Treatment Centers & Orthodontics and the Implant, CAD/CAM, Prosthetics & Healthcare segments.

### Gross Profit

(in millions)	Nine Months Ended September 30,		\$ Change	% Change
	2017	2016		
Gross profit	\$ 1,595.2	\$ 1,459.4	\$ 135.8	9.3%
Gross profit as a percentage of net sales, including precious metal content	55.0%	53.1%		
Gross profit as a percentage of net sales, excluding precious metal content	55.5%	54.1%		

Gross profit as a percentage of net sales, excluding precious metal content, increased by 140 basis points for the nine month period ended September 30, 2017 as compared to the same nine month period ended September 30, 2016.

For the nine months ended September 30, 2017, the improvement in the gross profit rate was primarily driven by net reductions in the roll-off of merger-related fair value adjustments and expenses of approximately 220 basis points. This increase was partially offset by approximately 80 basis points associated with the equipment businesses primarily as a result of lower sales related to the transition in distribution strategy as compared to the nine months ended September 30, 2016.

### Operating Expenses

(in millions)	Nine Months Ended September 30,		\$ Change	% Change
	2017	2016		
Selling, general and administrative expenses ("SG&A")	\$ 1,252.8	\$ 1,123.3	\$ 129.5	11.5%
Goodwill impairment	1,092.9	—	1,092.9	NM
Restructuring and other costs	105.4	15.6	89.8	NM
SG&A as a percentage of net sales, including precious metal content	43.2%	40.9%		
SG&A as a percentage of net sales, excluding precious metal content	43.6%	41.6%		

NM - Not meaningful

### SG&A Expenses

SG&A expenses, including research and developing expenses, as a percentage of net sales, excluding precious metal content, for the nine months ended September 30, 2017 increased 200 basis points compared to the nine months ended September 30, 2016. The higher rate was primarily driven by increased professional service costs, biennial trade show, other selling events and increased amortization and depreciation which unfavorably impacted the rate by approximately 220 basis points compared to the nine months ended September 30, 2016. In addition, the rate was also unfavorably impact by 80 basis points due to employment agreement costs related to the resignation of senior management compared to the nine months ended September 30, 2016. Partially offsetting these increases was a reduction in business combination related costs which favorably impacted the rate by 125 basis points as compared to the nine months ended September 30, 2016.

### Goodwill impairment

For the nine months ended September 30, 2017, the Company recorded a goodwill impairment charge of \$1,092.9 million. The charge is related to three reporting units in the Implants, CAD/CAM, Prosthetics & Healthcare and the Imaging, Treatment Centers & Orthodontics segments. 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.

### Restructuring and other cost

The Company recorded net restructuring and other costs of \$105.4 million for the nine months ended September 30, 2017 compared to \$15.6 million for the nine months ended September 30, 2016. During the nine months ended September 30, 2017, the Company recorded an impairment charge of \$79.8 million related to certain tradenames within the reporting units that were impaired during the Company's annual impairment testing. 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.

### **Other Income and Expense**

(in millions)	Nine Months Ended September 30,		Change
	2017	2016	
Net interest expense	\$ 27.0	\$ 25.5	\$ 1.5
Other expense (income), net	7.7	(13.3)	21.0
Net interest and other expense	<u>\$ 34.7</u>	<u>\$ 12.2</u>	<u>\$ 22.5</u>

### Net Interest Expense

Net interest expense for the nine months ended September 30, 2017 increased \$1.5 million compared to the nine months ended September 30, 2016. Increased debt levels in 2017 were offset by lower average interest rates when compared to the prior year period.

### Other Expense (Income), Net

Other expense (income), net for the nine months ended September 30, 2017 was expense of \$7.7 million, comprised primarily of \$4.7 million of currency transaction losses and non-operating expense of \$3.0 million. Other expense (income), net for the nine months ended September 30, 2016 was income of \$13.3 million, comprised primarily of \$5.9 million of income on net investment hedges and currency transaction gains of \$3.4 million principally due to the United Kingdom Brexit referendum impacts on foreign currency denominated intercompany balances through September 30, 2016, and non-operating income of \$4.0 million including a \$5.7 million gain on the sale of a business in the March 2016 quarter.

### **Income Taxes and Net Income**

(in millions, except per share data)	Nine Months Ended September 30,		\$ Change
	2017	2016	
Provision (benefit) for income taxes	<u>\$ 9.5</u>	<u>\$ (15.2)</u>	<u>\$ 24.7</u>
Effective income tax rate	<u>NM</u>	<u>NM</u>	
Net (loss) income attributable to Dentsply Sirona	<u>\$ (899.6)</u>	<u>\$ 322.9</u>	<u>\$ (1,222.5)</u>
Net (loss) income per common share - diluted	<u>\$ (3.92)</u>	<u>\$ 1.48</u>	

NM - Not meaningful

### Provision for Income Taxes

For the nine months ended September 30, 2017, income taxes were a net expense of \$9.5 million as compared to a net benefit of \$15.2 million in the nine months ended September 30, 2016.

In the first nine months of 2017, the Company recorded the following discrete tax items, \$12.0 million of excess tax benefit related to employee share-based compensation, \$13.0 million of tax expense related to enacted statutory rate changes and \$2.0 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 nine months ended September 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 10.6%. The effective tax rate was favorably impacted by the Company's change in the mix of consolidated earnings.

For the nine months ended September 30, 2016, income taxes were a net benefit of \$15.2 million. During the first nine months of 2016, the Company recorded a tax benefit from the release of a valuation allowance on previously unrecognized tax assets related to foreign interest deduction carryforwards of a non-U.S. legacy DENTSPLY subsidiary of approximately \$77.1 million, resulting from the Merger. The Company also recorded \$9.6 million of tax expense related to other discrete tax matters. Excluding the impact of these tax matters, the Company's effective tax rate was 17.0%. In addition, 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 nine 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 \$318.8 million and \$83.4 million, respectively. For the full year ended December 31, 2017, the Company estimates the non-US GAAP tax rate to be 17.9%.

The Company's effective income tax rate for the first nine months of 2016 included the net impact of business combination related costs and fair value adjustments, amortization of purchased intangible assets, restructuring program related costs and other costs, credit risk and fair value adjustments and income tax related adjustments which impacted income before income taxes and the benefit for income taxes by \$273.5 million and \$137.4 million, respectively.

### Net income (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.

Nine Months Ended  
September 30, 2017

(in millions, except per share amounts)	Net Income	Per Diluted Common Share
Net loss attributable to Dentsply Sirona	\$ (899.6)	\$ (3.92)
Pre-tax non-US GAAP adjustments:		
Restructuring program related costs and other costs	1,229.2	
Amortization of purchased intangible assets	140.4	
Business combination related costs and fair value adjustments	36.9	
Credit risk and fair value adjustments	5.2	
Tax impact of the pre-tax non-US GAAP adjustments (a)	(91.0)	
Subtotal non-US GAAP adjustments	1,320.7	5.66
Adjustment for calculating non-US GAAP net income per diluted common share (b)		0.07
Income tax related adjustments	7.6	0.03
Adjusted non-US GAAP net income	\$ 428.7	\$ 1.84

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

(b) The Company had a net loss for the nine months ended September 30, 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	229.6
Shares used in calculating diluted non-US GAAP net income per share	233.4

Nine Months Ended  
September 30, 2016

(in millions, except per share amounts)	Net Income	Per Diluted Common Share
Net income attributable to Dentsply Sirona	\$ 322.9	\$ 1.48
Pre-tax non-US GAAP adjustments:		
Business combination related costs and fair value adjustments	145.9	
Amortization of purchased intangible assets	109.7	
Restructuring program related costs and other costs	13.2	
Credit risk and fair value adjustments	4.7	
Tax impact of the pre-tax non-US GAAP adjustments (a)	(72.0)	
Subtotal non-US GAAP adjustments	201.5	0.93
Income tax related adjustments	(65.4)	(0.30)
Adjusted non-US GAAP net income	\$ 459.0	\$ 2.11

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

#### Adjusted Operating Income and Margin

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

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

(in millions)	Nine Months Ended September 30, 2017	
	Operating Income	Percentage of Net Sales, Excluding Precious Metal Content
Operating loss attributable to Dentsply Sirona	\$ (855.9)	(29.8)%
Restructuring program related costs and other costs	1,228.5	42.8 %
Amortization of purchased intangible assets	140.4	4.9 %
Business combination related costs and fair value adjustments	36.3	1.2 %
Credit risk and fair value adjustments	5.2	0.2 %
Adjusted non-US GAAP Operating Income	\$ 554.5	19.3 %

(in millions)	Nine Months Ended September 30, 2016	
	Operating Income	Percentage of Net Sales, Excluding Precious Metal Content
Operating income attributable to Dentsply Sirona	\$ 320.5	11.9%
Business combination related costs and fair value adjustments	145.5	5.4%
Amortization of purchased intangible assets	109.7	4.0%
Restructuring program related costs and other costs	18.1	0.7%
Credit risk and fair value adjustments	4.0	0.1%
Adjusted non-US GAAP Operating Income	\$ 597.8	22.1%

### Operating Segment Results

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

(in millions)	Nine Months Ended September 30,			
	2017	2016	\$ Change	% Change
Implants, CAD/CAM, Prosthetics & Healthcare	\$ 1,126.0	\$ 1,061.7	\$ 64.3	6.1%
Chairside Consumables & Endodontics	1,213.4	1,151.1	62.3	5.4%
Imaging, Treatment Centers & Orthodontics	532.8	485.6	47.2	9.7%

#### Segment Operating Income

(in millions)	Nine Months Ended September 30,			
	2017	2016	\$ Change	% Change
Implants, CAD/CAM, Prosthetics & Healthcare	\$ 222.1	\$ 221.8	\$ 0.3	0.1%
Chairside Consumables & Endodontics	367.7	302.6	65.1	21.5%
Imaging, Treatment Centers & Orthodontics	48.9	47.3	1.6	3.4%

A reconciliation of reported net sales to net sales, excluding precious metal content, of the combined business by segment is as follows:

(in millions)	Nine Months Ended September 30, 2017				Total
	Implants, CAD/CAM, Prosthetics & Healthcare	Chairside Consumables & Endodontics	Imaging, Treatment Centers & Orthodontics		
Net sales	\$ 1,156.2	\$ 1,213.4	\$ 532.8	\$	2,902.4
Less: precious metal content of sales	30.2	—	—		30.2
Net sales, excluding precious metal content	1,126.0	1,213.4	532.8		2,872.2
Merger related adjustments (a)	2.8	—	1.2		4.0
Non-US GAAP net sales, excluding precious metal content	\$ 1,128.8	\$ 1,213.4	\$ 534.0	\$	2,876.2

(a) ) Represents an adjustment to reflect deferred subscription and warranty revenue that was eliminated under business combination accounting standards to make the 2017 and 2016 non-U.S. GAAP combined business results comparable.

(in millions)	Nine Months Ended September 30, 2016				Total
	Implants, CAD/CAM, Prosthetics & Healthcare	Chairside Consumables & Endodontics	Imaging, Treatment Centers & Orthodontics		
Net sales	\$ 1,112.1	\$ 1,151.1	\$ 485.6	\$	2,748.8
Less: precious metal content of sales	50.4	—	—		50.4
Net sales, excluding precious metal content	1,061.7	1,151.1	485.6		2,698.4
Sirona net sales (a)	70.5	15.7	74.5		160.7
Merger related adjustments (b)	8.2	0.1	3.7		12.0
Elimination of intercompany net sales	(0.4)	—	—		(0.4)
Non-US GAAP Combined Business, net sales, excluding precious metal content	\$ 1,140.0	\$ 1,166.9	\$ 563.8	\$	2,870.7

(a) Represents Sirona sales for January and February 2016.

(b) Represents an adjustment to reflect deferred subscription and warranty revenue that was eliminated under business combination accounting standards to make the 2017 and 2016 non-U.S. GAAP combined business results comparable.

#### Implants, CAD/CAM, Prosthetics & Healthcare

Reported net sales, excluding precious metal content, increased by 6.1% for the nine months ended September 30, 2017, as compared to the nine months ended September 30, 2016, which was negatively impacted by approximately 40 basis points due to the strengthening of the U.S. dollar over the prior year period. The increase in net sales, excluding precious metal content, reflects sales of \$45.4 million as a result of the inclusion of two additional months of Sirona for the nine months ended September 30, 2017, as compared to the same period in 2016.

For the nine month period ended September 30, 2017, sales of the Combined Businesses decreased 60 basis points on a constant currency basis. This includes a benefit of approximately 5.2% from acquisitions, which results in a negative internal growth rate of 5.8%. The negative internal sales growth in this segment reflects a decline in sales in all regions. The most significant decline was in the U.S. which reflects lower end-user demand, as well as, based on the Company's estimate, the unfavorable impact of the changes in net equipment inventory levels in the current quarter as compared to the prior year quarter at certain distributors related to the transition in distribution strategy.

The operating income for the nine months ended September 30, 2017 was essentially flat as compared to 2016. The operating income reflects the result of the inclusion of two additional months of Sirona as well as, based on the the Company's assessment, the unfavorable impact related to the change in net equipment inventory and lower equipment sales to end-users as noted above.



### Chairside Consumables & Endodontics

Reported net sales, excluding precious metal content, increased 5.4% for the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016, which was positively impacted by approximately 20 basis points due to the weakening of the U.S. dollar over the prior year period. The increase in net sales, excluding precious metal content, reflects sales of \$14.1 million as a result of the inclusion of two additional months of Sirona for the nine months ended September 30, 2017 as compared to the same period in 2016.

For the nine month period ended September 30, 2017, sales of our Combined Businesses increased 3.8% on a constant currency basis. This includes a benefit of 60 basis points from acquisitions, which results in internal sales growth of 3.2%. The internal sales growth of the Combined Businesses was positive in all regions, led by Europe.

The operating income increased \$65.1 million or 21.5% for the nine months ended September 30, 2017 as compared to the same period in 2016, primarily as the result of increased sales, favorable product mix, a lower expense rate and the inclusion of two additional months of Sirona.

### Imaging, Treatment Centers & Orthodontics

Reported net sales, excluding precious metal content, increased by 9.7% for the nine months ended September 30, 2017, as compared to the nine months ended September 30, 2016, which was negatively impacted by approximately 20 basis points due to the strengthening of the U.S. dollar over the prior year period. The increase in net sales, excluding precious metal content, reflects sales of \$53.2 million as a result of the inclusion of two additional months of Sirona for the nine months ended September 30, 2017, as compared to the same period in 2016.

For the nine month period ended September 30, 2017, sales of the Combined Businesses decreased 5.0% on both a constant currency and internal growth basis. Internal sales growth decline in this segment reflects decreased demand primarily in the U.S. and Rest of World regions partially offset by growth in Europe. In addition, the negative internal sales growth rate, based on the Company's estimate, was unfavorably impacted by changes in equipment inventory levels in the current quarter as compared to the prior year quarter at certain distributors related to the transition in distribution strategy.

The operating income increased \$1.6 million or 3.4% for the nine months ended September 30, 2017 as compared to 2016. The increase was primarily driven by the inclusion of two additional months of Sirona and was partially offset by decreased demand as well as, based on the the Company's assessment, the impact related to the change in net equipment inventory as previously discussed.

### **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, 2016.

#### **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, 2017, the Company recorded a goodwill impairment charge of \$1,092.9 million related to the CAD/CAM, Imaging and Treatment Center equipment reporting units. The CAD/CAM reporting unit is within the Implants, CAD/CAM, Prosthetics & Healthcare segment and the Imaging and Treatment Center reporting units are within the Imaging, Treatment Centers & Orthodontics 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 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. At September 30, 2017, the Company did not identify any impairment triggers related to these reporting units.

For the Company's reporting units that were not impaired, the Company applied a hypothetical sensitivity analysis. Had the WACC rate of each of these reporting units been hypothetically increased by 100 basis points at April 30, 2017, the fair value of

those reporting units would still exceed net book value. If the fair value of each of these reporting units had been hypothetically reduced by 5% at April 30, 2016, the fair value of those reporting units would still exceed net book value. If the fair value of each of these reporting units had been hypothetically reduced by 10% at April 30, 2017, one reporting unit, within the Company's Imaging, Treatment Centers & Orthodontics segment, would have a fair value that would approximate net book value. Goodwill for that reporting unit totals \$53.9 million at September 30, 2017.

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, 2017, 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 \$79.8 million for the three months ended June 30, 2017 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. 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. At September 30, 2017, the Company did not identify any impairment triggers for the indefinite-lived intangibles assets related to the reporting units noted above.

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, 2017, 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.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Nine months ended September 30, 2017**

The Company's cash and cash equivalents decreased by \$ 13.9 million to \$370.0 million during the nine months ended September 30, 2017 as a result of the items noted below.

The goodwill and indefinite-lived intangible asset impairment charges recorded during the nine months ended September 30, 2017 resulted in a net loss of \$900.1 million which is \$1,223.6 million lower compared to net income of \$323.5 million for the nine months ended September 30, 2016. These impairment charges are non-cash and are added back to arrive at cash from operations. Cash flow from operating activities during the nine months ended September 30, 2017 was \$373.0 million compared to \$341.0 million during the nine months ended September 30, 2016. Cash from operations increased \$32.0 million for the first nine months of 2017 as compared to the same period in 2016 and was primarily related to two additional months of consolidated Sirona results, decreases in merger transaction related fees and integrations costs, a decrease in accounts receivables and lower tax payments. These increases in cash from operations were partially offset by the unfavorable impact of the transition in distribution strategy as well as increased inventory levels in the nine months ended September 30, 2017 as compared to the same period in 2016. During the nine month period in 2016, the Company paid approximately \$46 million of merger transaction related fees and integration costs.

For the nine months ended September 30, 2017, the number of days of sales outstanding in accounts receivable increased by 7 days to 65 days as compared to 58 days at December 31, 2016. On a constant currency basis, the number of days of sales in inventory increased by 20 days to 133 days at September 30, 2017 as compared to 113 days at December 31, 2016.

Cash used in investing activities during the first nine months of 2017 included capital expenditures of \$98.6 million as well as capital deployment of \$142.6 million related to an acquisition and the purchase of intellectual property. The Company expects capital expenditures to be in the range of approximately \$130 million to \$150 million for the full year 2017.

Cash used in financing activities for the nine months ended September 30, 2017 was primarily related to share repurchase activity and dividend payments, partially offset by proceeds from stock option exercises.

At September 30, 2017, the Company had authorization to maintain up to 39.0 million shares of treasury stock under its stock repurchase program as approved by the Board of Directors. Under this program, the Company repurchased 2.4 million shares during the first nine months of 2017 for \$151.4 million. As of September 30, 2017, the Company held 34.9 million shares of treasury stock. The Company received proceeds of \$52.9 million as a result of the exercise of 1.5 million of stock options during the nine months ended September 30, 2017.

The Company's total borrowings increased by a net \$89.9 million during the nine months ended September 30, 2017, which includes an increase of \$73.0 million due to exchange rate fluctuations on debt denominated in foreign currencies. At September 30, 2017, the Company's ratio of total net debt to total capitalization was 14.3% compared to 12.4% at December 31, 2016. 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 fourth annual installment in the amount of \$8.8 million will be due in August 2017 and has been classified as current on the Consolidated Balance Sheet.

Under its five-year multi-currency revolving credit agreement, the Company is able to borrow up to \$500.0 million through July 23, 2021. The facility is unsecured and contains certain affirmative and negative covenants relating to the operations and financial condition of the Company. The most restrictive of these covenants pertain to asset dispositions and prescribed ratios of indebtedness to total capital and operating income plus depreciation and amortization to interest expense. At September 30, 2017, 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 \$500.0 million. At September 30, 2017, there were no outstanding borrowings under the current \$500.0 million multi-currency revolving credit facility.

The Company also has access to \$53.6 million in uncommitted short-term financing under lines of credit from various financial institutions. The lines of credit have no major restrictions and are provided under demand notes between the Company and the lending institutions. At September 30, 2017, the Company had \$11.9 million outstanding under these short-term lines of credit. At September 30, 2017, the Company had total unused lines of credit related to the revolving credit agreement and the uncommitted short-term lines of credit of \$541.7 million.

At September 30, 2017, the Company held \$41.9 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.

At September 30, 2017, approximately \$220.2 million of the Company's cash and cash equivalents were held outside of the United States. Most of these balances could be repatriated to the United States, however, under current law, would potentially be subject to U.S. federal income tax, less applicable foreign tax credits. Historically, the Company has generated more than sufficient operating cash flows in the United States to fund domestic operations. Further, the Company expects on an ongoing basis, to be able to finance domestic and international cash requirements, including capital expenditures, stock repurchases, debt service, operating leases and potential future acquisitions, from the funds generated from operations and amounts available under its existing credit facilities. The Company intends to finance the current portion of long-term debt due within the next twelve months utilizing the available commercial paper and the revolving credit facilities as well as other sources of credit.

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, 2016.

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 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, 2016.

### **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 September 30, 2017, 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 I, Item 1A, “Risk Factors” in the Company’s Form 10-K for the year ended December 31, 2016.

#### **The Company recognized a substantial goodwill impairment charge in the current period and may be required to recognize additional goodwill and intangible asset impairment charges in the future.**

Under US GAAP, the Company reviews its goodwill and intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Additionally, goodwill and indefinite-lived intangible assets are required to be tested for impairment at least annually. The valuation models used to determine the fair value of goodwill or intangible assets are dependent upon various assumptions and reflect management’s best estimates. Significant management assumptions, which are critical in this fair value determination, include, without limitation, revenue growth rates, operating margins, weighted average cost of capital, future economic and market conditions (including with respect to the dental and medical device industries), net sales growth, gross profit rates, discount rates, earnings multiples and future cash flow projections. The Company has previously made disclosures about the fair values of certain reporting units and indefinite-lived intangible assets approximating the book values within Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under “Critical Accounting Judgments and Policies” of the Company’s most recently filed Form 10-K. Specifically included in the disclosures is one reporting unit within the Imaging, Treatment Centers & Orthodontics segment as well as the four reporting units created in connection with the Merger (two within the Imaging, Treatment Centers & Orthodontics segment and one each within the Chairside Consumables & Endodontics and Implants, CAD/CAM, Prosthetics & Healthcare segments). 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 these five reporting units may not be recoverable.

In connection with the Company’s annual goodwill impairment test and the preparation of the financial statements for the quarter ended June 30, 2017, the Company determined it was necessary to record a \$1,092.9 million non-cash impairment charge related to goodwill associated with the CAD/CAM, Imaging and Treatment Center equipment reporting units. The impairment takes into consideration the Company’s updated business outlook for the remainder of fiscal year 2017, pursuant to which the Company updated future assumptions and projections related to these reporting units. After updating the assumptions and projections, the Company then calculated an estimate of the fair value for these reporting units. As of June 30, 2017, the Company determined that three reporting units had an indication of impairment. In determining the impairment loss, the Company recorded an amount equal to the excess of the assets’ carrying amount over its fair value as determined by an analysis of discounted future cash flows. See Note 14, Goodwill and Intangible Assets, in the Notes to Unaudited Interim Consolidated Financial Statements in Part I, Item 1 of this Form 10-Q.

The goodwill impairment analysis is sensitive to changes in key assumptions used, such as future cash flows, discount rates and growth rates as well as current market conditions in both the U.S. and globally. If the assumptions and projections used in the analysis are not realized, it is possible that an additional impairment charge may need to be recorded in the future. The Company cannot accurately predict the amount and timing of any impairment of goodwill or other intangible assets. Further, as the year progresses, Company will need to continue to evaluate the carrying value of goodwill for these reporting units. Any additional impairment charges that the Company may take in the future could be material to Company’s results of operations and financial position.

#### **The loss of members of our senior management and the resulting management transition might harm our future operating results.**

On October 2, 2017, the Company announced that its Executive Chairman; Chief Executive Officer and Director, and President and Chief Operating Officer, had resigned from all positions with the Company. Additionally, on October 16, 2017, the Company announced that its Senior Vice President, Secretary and General Counsel, had resigned from all positions with the Company. The Board of Directors appointed an Interim Chief Executive Officer, Interim President and Chief Operating Officer, and a Chief Administrative Officer, General Counsel and Secretary, both of whom are Executive Vice Presidents. The Board of Directors is conducting a search for a permanent Chief Executive Officer and Chief Operating Officer. Leadership transitions can be inherently

difficult to manage and may cause operational and administrative inefficiencies, added costs, decreased employee morale, uncertainty and decreased productivity among our employees, increased likelihood of turnover, and the loss of personnel with deep institutional knowledge, which could result in significant disruptions to our operations. In addition, we must successfully integrate the new management team members within our organization in order to achieve our operating objectives, and changes in key management positions may temporarily affect our financial performance and results of operations as new management becomes familiar with our business. These changes could also increase the volatility of our stock price. If we are unable to mitigate these or other similar risks, our business, results of operations and financial condition may be adversely affected.

**Our search for a permanent Chief Executive Officer and Chief Operating Officer could prove disruptive to our operations with adverse consequences for our business and operating results.**

We are currently conducting a search for a permanent Chief Executive Officer and Chief Operating Officer. The search for and transition to a permanent Chief Executive Officer and Chief Operating Officer may result in disruptions to our business and uncertainty among our customers, employees and investors concerning our future direction and performance. Senior management focus may be diverted by the pending search and it may also be more difficult for us to recruit and retain other managerial employees until a permanent Chief Executive Officer and Chief Operating Officer are identified and the transition is completed. Such disruptions and uncertainty, as well as any unexpected delays in the process of identifying and qualifying a permanent Chief Executive Officer and Chief Operating Officer, could have a material adverse effect on our business, prospects, financial condition and operating results. Our business, operating results and reputation could be adversely affected in the event we are unable to identify and employ a suitable individual in a timely manner.

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

Issuer Purchases of Equity Securities

At September 30, 2017, the Company had authorization to maintain up to 39.0 million shares of treasury stock under the stock repurchase program as approved by the Board of Directors on September 21, 2016. During the quarter ended September 30, 2017, the Company had no repurchases of shares under the stock repurchase program. At September 30, 2017, the Company had 4.1 million shares that may yet be repurchased under this program.

**Item 6 – Exhibits**

<u>Exhibit Number</u>	<u>Description</u>
<a href="#">10.1</a>	Employment Agreement by and between DENTSPLY SIRONA Inc. and Mark Thierer, dated September 27, 2017 (1)
<a href="#">10.2</a>	Employment Agreement by and between DENTSPLY SIRONA Inc. and Robert Size, dated September 27, 2017 (Filed herewith)
<a href="#">10.3</a>	Employment Agreement by and between DENTSPLY SIRONA Inc. and Nicholas W. Alexos, dated October 10, 2017 (2)
<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 October 2, 2017, File No. 0-16211.

(2) Incorporated by reference to Exhibit 10.1 in the Company's Form 8-K dated November 3, 2017, 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.**

/s/ <u>Mark A. Thierer</u>	<u>November 9, 2017</u>
Mark A. Thierer	Date
Interim Chief Executive Officer	

/s/ <u>Ulrich Michel</u>	<u>November 9, 2017</u>
Ulrich Michel	Date
Executive Vice President and Chief Financial Officer	

## EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (this "Agreement") is hereby entered into as of September 27, 2017 by and between DENTSPLY SIRONA Inc. (the "Company") and Robert Size, an individual (the "Executive" and, together with the Company, the "Parties" and each a "Party").

### RECITALS

WHEREAS, the Parties intend that, effective September 28, 2017 (the "Effective Date"), Executive shall commence employment as the Company's Interim President and Chief Operating Officer pursuant to and for such period as is specified in this Agreement;

WHEREAS, the Company intends to hire a chief operating officer on a permanent basis (such individual, as and when he or she assumes office as such, the "Permanent COO"); and

WHEREAS, Executive currently serves as an advisor to the Executive Chairman of the Company pursuant to the letter agreement by and between the Company and Executive dated June 28, 2017, was previously employed as a Senior Vice President of the Company pursuant to the Amended and Restated Employment by and between the Company and Executive dated February 19, 2008, as supplemented in relevant part by the letter agreement by and between the Company and Executive dated February 24, 2017 (such agreements, the "Prior Agreements").

NOW, THEREFORE, in consideration of the respective agreements of the Parties contained herein, it is agreed as follows:

1. Term. The term of Executive's employment under this Agreement (the "Employment Term") shall be for the period commencing upon the Effective Date and, except to the extent it shall terminate earlier as provided herein, shall continue through December 31, 2018, provided that, in any event, the Employment Term shall expire on the date the Permanent COO assumes office as such.
  2. Employment. During the Employment Term:
    - (a) Position, Duties and Reporting. Executive shall be employed by the Company and shall serve as Interim President and Chief Operating Officer of the Company. Executive shall report directly to the Interim Chief Executive Officer or, on and following the date a permanent Chief Executive Officer assumes office, the Chief Executive Officer, in his capacity as Interim President and Chief Operating Officer of the Company. Executive shall perform the duties, undertake the responsibilities and exercise the authority customarily performed, undertaken and exercised by persons situated in similar executive capacities.
    - (b) Other Positions; Resignation. At the time of his termination of employment with the Company for any reason, Executive shall resign and shall be deemed to have resigned from each position he holds with the Company or its affiliates within the meaning of Rule 12b-2 promulgated under Section 12 of the Securities Exchange Act of 1934, as amended (each, an "Affiliate"). The preceding sentence shall survive any termination of the Employment Term.
    - (c) Other Activities. Excluding periods of vacation and sick leave to which Executive is entitled, Executive shall devote his full professional time and attention to the business and affairs of the Company to discharge the responsibilities of Executive hereunder. Executive may manage personal and family investments, participate in industry organizations and deliver lectures at educational institutions, so long as such activities do not interfere with the performance of Executive's responsibilities hereunder.
    - (d) Employment Location. Executive's principal place of employment shall be located at the headquarters of the Company in York, Pennsylvania, provided that Executive shall travel and shall temporarily render services at other locations as may reasonably be required by his duties hereunder. The Company shall provide business travel accommodation to Executive in accordance with its policies applicable to senior executives of the Company generally.
    - (e) Company Policies. Executive shall be subject to and shall abide by each of the personnel policies applicable to senior executives of the Company, including without limitation any policy restricting pledging and hedging
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investments in Company equity by Company executives and any policy the Company adopts regarding the recovery of incentive compensation (sometimes referred to as "clawback") and any additional clawback provisions as required by law and applicable stock exchange listing rules. This Section 2(e) shall survive the termination of the Employment Term.

3. Base Compensation.

(a) Base Salary. During the Employment Term, Executive shall be paid a base salary at an annualized rate of \$709,650 ("Base Salary") in accordance with the Company's regular payroll practices as in effect from time to time.

(b) Annual Bonus. During the Employment Term, Executive shall be eligible to receive, in respect of calendar year 2017 and 2018, as the case may be, a target annual cash bonus of 90% of Base Salary (the "Target Bonus") based on the achievement of such performance criteria as may be established by the Human Resources Committee (the "Committee") of the Board of Directors of the Company (the "Board"), provided, that for the portion of the Employment Term in the calendar year 2017, the Target Bonus shall be prorated to reflect the portion of the year on and following the Effective Date.

4. Long-Term Incentive Award. The Company hereby grants to Executive long-term incentive compensation awards with a grant date fair value for financial accounting purposes of \$1,995,000 (based on target performance as applicable), 30% of which will be in the form of nonqualified stock options (the "Option Grant"), 30% in the form of restricted stock units (the "RSU Grant") and 40% in the form of performance-based stock units (the "PRSU Grant"), in each case subject to forms of award attached hereto as Exhibit A, Exhibit B and Exhibit C, respectively.

5. Other Benefits. During the Employment Term:

(a) Employee Benefits. Executive shall be entitled to participate in all employee benefit plans, practices and programs maintained by the Company and its Affiliates on the same basis and terms as are applicable to senior executives of the Company generally.

(b) Business Expenses. Upon submission of proper invoices in accordance with, and subject to, the normal policies and procedures of the Company and its Affiliates, Executive shall be entitled to receive prompt reimbursement of all reasonable out-of-pocket business, entertainment and travel expenses incurred by him in connection with the performance of his duties hereunder.

(c) Paid Time Off. Executive shall be eligible for paid time off in accordance with the policies as periodically established for senior executives of the Company.

6. Termination Events. Executive's employment with the Company and its Affiliates hereunder may be terminated under the circumstances set forth below in this Section 6:

(a) Death. Executive's employment shall be terminated as of the date of Executive's death.

(b) Disability. The Company may terminate Executive's employment upon and at any time during the continuance of his disability within the meaning of the long-term disability plan maintained by the Company or its Affiliates in respect of senior executives of the Company as in effect from time to time ("Disability").

(c) By the Company. The Company may terminate Executive's employment (either for Cause or without Cause) effective as of the date specified in the applicable Notice of Termination (as defined below). For purposes of this Agreement, "Cause" shall mean (i) that a majority, plus at least one, of the members of the Board has determined that (A) Executive has committed an act of fraud against the Company, or (b) Executive has committed an act of malfeasance, recklessness or gross negligence against the Company that is materially injurious to the Company or its customers; or (ii) Executive has materially breached the terms of this Agreement; or (iii) Executive's indictment for, or conviction of, or pleading no contest to, a felony or a crime involving Executive's moral turpitude. Notwithstanding the foregoing, clauses (i) - (iii) shall not constitute "Cause" unless and until the Company has: (x) provided Executive, within 60 days of any Company director's knowledge of the occurrence of the facts and circumstances underlying such Cause event, written notice stating with specificity the applicable facts and circumstances underlying such finding of Cause; and (y) provided Executive with an opportunity to cure the same (if curable) within 30 days after the receipt of such notice.

(d) By Executive. Executive may terminate his employment effective as of the date specified in the applicable Notice of Termination.

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Notwithstanding anything in this Agreement to the contrary, to the extent required to avoid the imposition of a tax under Section 409A (“Section 409A”) of the Internal Revenue Code of 1986, as amended (the “Code”), Executive shall not be considered to have terminated employment with the Company and its Affiliates for purposes of this Agreement until he would be considered to have incurred a “separation from service” from the Company and its Affiliates within the meaning of Section 409A.

7. Termination Procedures.

(a) Notice of Termination. Any purported termination of Executive's employment (other than by reason of death) shall be communicated by written Notice of Termination provided in accordance with Section 10(c) hereof. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall (i) indicate the specific termination provision in this Agreement relied upon, (ii) specify the Date of Termination (as defined below) and (iii) set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated.

(b) Date of Termination. For purposes of this Agreement, “Date of Termination” shall mean (i) if Executive's employment is terminated for Disability, thirty (30) days after Notice of Termination is given (provided that Executive shall not have returned to the full-time performance of Executive's duties during such thirty (30) day period), and (ii) if Executive's employment is terminated for any other reason, the date specified in the Notice of Termination (which, in the case of a termination by the Company, shall not be less than thirty (30) days (except in the case of a termination for Cause) and, in the case of a termination by Executive, shall not be less than fifteen (15) days nor more than sixty (60) days, respectively, from the date such Notice of Termination is given).

8. Compensation Upon Termination. Upon termination of Executive’s employment during the Employment Term or as otherwise provided in subsection (d) below, Executive (or his estate, as the case may be) shall be entitled to compensation and benefits as follows:

(a) the Company shall pay or cause to be paid (i) any unpaid Base Salary earned by Executive, and any unused paid time off accrued by Executive, through the Date of Termination, (ii) any expenses incurred but not yet reimbursed in accordance with Section 5(b) hereof and (iii) any vested employee benefits to which Executive is entitled as of the Date of Termination under the employee benefit plans of the Company or an Affiliate;

(b) subject to the Executive’s execution and nonrevocation of a release of claims in a customary and equitable form not more than fifty (50) days following his termination of employment (the “Release Requirement”), Executive shall receive from the Company (i) continued payment of Base Salary for fifteen (15) months and (ii) for fifteen (15) months, the monetary value of continued participation in the employee benefit plans as otherwise provided in the letter agreement by and between the Company and Executive dated February 24, 2017;

(c) upon a termination of employment without Cause, the Option Grant shall vest and become exercisable, and the RSU Grant and the PRSU Grant shall remain outstanding and shall vest or be forfeited in accordance with the terms of the applicable award agreement based on the actual level of performance (but without regard to any otherwise applicable obligation to provide services); and

(d) upon a termination by the Company without Cause or if the Employment Term expires because a Permanent COO (other than Executive) assumes office as such and Executive terminates his employment within five (5) days thereafter, then, subject to the Release Requirement, the Company shall pay to Executive, in a cash lump sum, the amount of Base Salary that he would have been paid had the Employment Term extended through December 31, 2018, and Executive shall be entitled to the annual cash bonus(es) (if and as and when otherwise payable) he would have received pursuant to Section 3(b) had his employment not terminated.

9. Restrictive Covenants.

(a) Confidential Information. Executive acknowledges that Executive has been provided with Confidential Information (as defined below) and, during the Employment Term, the Company from time to time will provide Executive with access to Confidential Information and he will develop goodwill for the Company. Ancillary to the rights provided to Executive as set forth in this Agreement and the Company’s provision of Confidential Information, and Executive’s agreements regarding the use of same, in order to protect the value of any Confidential Information, the Company and Executive agree to the following provisions, for which Executive agrees he received adequate consideration and which

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Executive acknowledges are reasonable and necessary to protect the legitimate interests of the Company and represent a fair balance of the Company's rights to protect its business and Executive's right to pursue employment:

(i) Executive shall not, at any time during the Restriction Period (as defined below), directly or indirectly engage in, have any equity interest in, interview for a potential employment or consulting relationship with, or manage, provide services to or operate any person, firm, corporation, partnership or business (whether as director, officer, employee, agent, representative, partner, security holder, consultant or otherwise) that engages in any business which competes with any portion of the Business (as defined below) of the Company anywhere in the world. Nothing herein shall prohibit Executive from being a passive owner of not more than 5% of the outstanding equity interest in any entity that is publicly traded, so long as Executive has no active participation in the business of such entity.

(ii) Executive shall not, at any time during the Restriction Period, directly or indirectly, engage or prepare to engage in any of the following activities: (A) solicit, divert or take away any customers, clients, or business acquisition or other business opportunity of the Company, (B) contact or solicit, with respect to hiring, or knowingly hire any employee of the Company or any person employed by the Company at any time during the 12-month period immediately preceding the Date of Termination, (C) induce or otherwise counsel, advise or encourage any employee of the Company to leave the employment of the Company, or (D) induce any distributor, representative or agent of the Company to terminate or modify its relationship with the Company.

(iii) In the event the terms of this Section 9(a) shall be determined by any court of competent jurisdiction to be unenforceable by reason of its extending for too great a period of time or over too great a geographical area or by reason of its being too extensive in any other respect, it will be interpreted to extend only over the maximum period of time for which it may be enforceable, over the maximum geographical area as to which it may be enforceable, or to the maximum extent in all other respects as to which it may be enforceable, all as determined by such court in such action.

(iv) As used in this Section 9(a), (A) the term "Company" shall include the Company and its direct and indirect parents and subsidiaries; (B) the term "Business" shall mean the business of the Company and shall include (x) designing, developing, distributing, marketing or manufacturing dental products or (y) any other process, system, product or service marketed, sold or under development by the Company at any time during Executive's employment with the Company; and (C) the term "Restriction Period" shall mean the period beginning on the Effective Date and ending twenty-four (24) months following the Date of Termination for any reason.

(v) Executive agrees, during the Employment Term and following the Date of Termination, to refrain from Disparaging (as defined below) the Company and its Affiliates, including any of its services, technologies, products, processes or practices, or any of its directors, officers, agents, representatives or stockholders, either orally or in writing. Nothing in this paragraph shall preclude Executive from making truthful statements that are reasonably necessary to comply with applicable law, regulation or legal process, or to defend or enforce Executive's rights under this Agreement. For purposes of this Agreement, "Disparaging" means making remarks, comments or statements, whether written or oral, that impugn or are reasonably likely to impugn the character, integrity, reputation or abilities of the entities, persons, services, products, technologies, processes or practices listed in this Section 9(a)(v).

(vi) Executive agrees that during the Restriction Period, Executive will cooperate fully with the Company in its defense of or other participation in any administrative, judicial or other proceeding arising from any charge, complaint or other action which has been or may be filed.

(b) Nondisclosure of Proprietary Information.

(i) Except in connection with the faithful performance of Executive's duties hereunder or pursuant to Section 9(b)(i) and (v), Executive shall, in perpetuity, maintain in confidence and shall not directly, indirectly or otherwise, use, disseminate, disclose or publish, or use for Executive's benefit or the benefit of any person, firm, corporation or other entity (other than the Company) any confidential or proprietary information or trade secrets of or relating to the Company (including, without limitation, business plans, business strategies and methods, acquisition targets, intellectual property in the form of patents, trademarks and copyrights and applications therefor, ideas, inventions, works, discoveries, improvements, information, documents, formulae, practices, processes, methods, developments, source code, modifications, technology, techniques, data, programs, other know-how or materials, owned, developed or possessed by the Company, whether in tangible, intangible or electronic form, information with respect to the Company's operations, processes, products, inventions, business practices, finances, principals, vendors, suppliers, customers, potential customers, marketing methods, costs, prices, contractual relationships, regulatory

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status, prospects and compensation paid to employees or other terms of employment) (collectively, the “Confidential Information”), or deliver to any person, firm, corporation or other entity any document, record, notebook, computer program or similar repository of or containing any such Confidential Information. The Parties hereby stipulate and agree that, as between them, any item of Confidential Information is important, material and confidential and affects the successful conduct of the businesses of the Company (and any successor or assignee of the Company). Notwithstanding the foregoing, Confidential Information shall not include any information that has been published in a form generally available to the public or is publicly available or has become public or general industry knowledge prior to the date Executive proposes to disclose or use such information, *provided, that* such publishing or public availability or knowledge of the Confidential Information shall not have resulted from Executive directly or indirectly breaching Executive’s obligations under this Section 9(b)(i) or any other similar provision by which Executive is bound, or from any third-party breaching a provision similar to that found under this Section 9(b)(i). For the purposes of the previous sentence, Confidential Information will not be deemed to have been published or otherwise disclosed merely because individual portions of the information have been separately published, but only if material features comprising such information have been published or become publicly available.

(ii) Upon termination of Executive’s employment with the Company for any reason, Executive will promptly deliver to the Company all correspondence, drawings, manuals, letters, notes, notebooks, reports, programs, plans, proposals, financial documents, or any other documents or property (in whatever form) concerning the Company’s customers, business plans, marketing strategies, products, property, processes or Confidential Information.

(iii) Executive may respond to a lawful and valid subpoena or other legal process but shall give the Company the earliest possible notice thereof, shall, as much in advance of the return date as possible, make available to the Company and its counsel the documents and other information sought and shall assist such counsel at Company’s expense in resisting or otherwise responding to such process, in each case to the extent permitted by applicable laws or rules.

(iv) As used in this Section 9(b) and Section 9(c), the term “Company” shall include the Company and its direct and indirect parents and subsidiaries.

(v) Nothing in this Agreement shall prohibit Executive from (A) disclosing information and documents when required by law, subpoena or court order (subject to the requirements of Section 9(b)(iii) hereof), (B) disclosing information and documents to Executive’s attorney, financial or tax adviser for the purpose of securing legal, financial or tax advice, (C) disclosing Executive’s post-employment restrictions in this Agreement in confidence to any potential new employer of Executive, or (D) retaining, at any time, Executive’s personal correspondence, Executive’s personal contacts and documents related to Executive’s own personal benefits, entitlements and obligations, except where such correspondence, contracts and documents contain Confidential Information.

(vi) Pursuant to 18 U.S.C. § 1833(b), Executive understands that Executive will not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret of the Company Group that (i) is made (A) in confidence to a Federal, State, or local government official, either directly or indirectly, or to Executive’s attorney and (B) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. Executive understands that if Executive files a lawsuit for retaliation by the Company Group for reporting a suspected violation of law, Executive may disclose the trade secret to Executive’s attorney and use the trade secret information in the court proceeding if Executive (x) files any document containing the trade secret under seal, and (y) does not disclose the trade secret, except pursuant to court order. Nothing in this Agreement, or any other agreement that Executive has with the Company Group, is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by such section. Further, nothing in this Agreement or any other agreement that Executive has with the Company Group shall prohibit or restrict Executive from making any voluntary disclosure of information or documents concerning possible violations of law to any governmental agency or legislative body, or any self-regulatory organization, in each case, without advance notice to the Company.

(c) Inventions. All rights to discoveries, inventions, improvements and innovations (including all data and records pertaining thereto) related to the Business (as defined in Section 9(a)), whether or not patentable, copyrightable, registrable as a trademark, or reduced to writing, that Executive may discover, invent or originate during the Employment Term, either alone or with others and whether or not during working hours or by the use of the facilities of the Company (“Inventions”), shall be the exclusive property of the Company. Executive shall promptly disclose all Inventions to the Company, shall execute at the request of the Company any assignments or other documents the Company may deem reasonably necessary to protect or perfect its rights therein, and shall assist the Company, upon reasonable request and at the Company’s

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expense, in obtaining, defending and enforcing the Company's rights therein. Executive hereby appoints the Company as Executive's attorney-in-fact to execute on Executive's behalf any assignments or other documents reasonably deemed necessary by the Company to protect or perfect its rights to any Inventions. During the Restriction Period, Executive shall assist Company and its nominee, at any time, in the protection of Company's (or its Affiliates') worldwide right, title and interest in and to Inventions and the execution of all formal assignment documents requested by Company or its nominee and the execution of all lawful oaths and applications for patents and registration of copyright in the United States and foreign countries.

(d) Injunctive Relief. It is recognized and acknowledged by Executive that a breach of the covenants contained in this Section 9 will cause irreparable damage to Company and its goodwill, the exact amount of which will be difficult or impossible to ascertain, and that the remedies at law for any such breach will be inadequate. Accordingly, Executive agrees that in the event of a breach of any of the covenants contained in this Section 9, in addition to any other remedy which may be available at law or in equity, the Company will be entitled to specific performance and injunctive relief without the requirement to post bond.

11. Miscellaneous.

(a) Identity of Company. For purposes of this Agreement, references to the Company include reference to its Affiliates as applicable.

(b) Successors and Assigns.

(i) This Agreement shall be binding upon and shall inure to the benefit of the Company, its successors and permitted assigns and the Company shall require any successor or assign to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession or assignment had taken place. The Company may not assign or delegate any rights or obligations hereunder except to a successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company.

(ii) Neither this Agreement nor any right or interest hereunder shall be assignable or transferable by Executive, his beneficiaries or legal representatives, except by will or by the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by Executive's legal personal representatives.

(c) Notice. For the purposes of this Agreement, notices and all other communications provided for in the Agreement (including any Notice of Termination) shall be in writing and shall be deemed to have been duly given when personally delivered or sent by Certified mail, return receipt requested, postage prepaid, addressed to the respective addresses last given by one Party to another Party or, if none, in the case of the Company or the Company, to the Company's headquarters directed to the attention of the Company's General Counsel and, in the case of Executive, to the most recent address shown in the personnel records of the Company or its Affiliates. All notices and communications shall be deemed to have been received on the date of personal delivery thereof or on the third business day after the mailing thereof, except that notice of change of address shall be effective only upon receipt.

(d) Withholding. The Company shall be entitled to withhold (or to cause the withholding of) the amount, if any, of all taxes of any applicable jurisdiction required to be withheld by an employer with respect to any amount paid to Executive hereunder. The Company or the Company, in its sole and absolute discretion, shall make all determinations as to whether it is obligated to withhold any taxes hereunder and the amount thereof.

(e) Modification. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by Executive and the Company. No waiver by either Party at any time of any breach by the other Party of, or compliance with, any condition or provision of this Agreement to be performed by the other Party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

(f) Effect of Other Law. Anything herein to the contrary notwithstanding, the terms of this Agreement shall be modified to the extent required to meet the provisions of the Sarbanes-Oxley Act of 2002, Section 409A, the Dodd-Frank Wall Street Reform and Consumer Protection Act or other federal law applicable to the employment arrangements between Executive and the Company. Any delay in providing benefits or payments, any failure to provide a benefit or payment, or any repayment of compensation that is required under the preceding sentence shall not in and of itself constitute a breach of

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this Agreement, provided, however, that the Company shall provide (or cause to be provided) economically equivalent payments or benefits to Executive to the extent permitted by law.

(g) Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the state of Pennsylvania applicable to contracts executed in and to be performed entirely within such State, without giving effect to the conflict of law principles thereof.

(h) Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

(i) Headings. The headings and captions in this Agreement are provided for reference and convenience only, shall not be considered part of this Agreement, and shall not be employed in the construction of this Agreement.

(j) Construction. This Agreement shall be deemed drafted equally by both the Parties, and any presumption or principle that the language is to be construed against either Party shall not apply.

(k) Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same Agreement. Signatures delivered by facsimile or in .pdf format shall be deemed effective for all purposes.

(l) Section 409A. The Parties intend for the payments and benefits under this Agreement to be exempt from Section 409A or, if not so exempt, to be paid or provided in a manner which complies with the requirements of such section, and intend that this Agreement shall be construed and administered in accordance with such intention. If any payments or benefits due to Executive hereunder would cause the application of an accelerated or additional tax under Section 409A, such payments or benefits shall be restructured in a manner which does not cause such an accelerated or additional tax. For purposes of the limitations on nonqualified deferred compensation under Section 409A, each payment of compensation under this Agreement shall be treated as a separate payment of compensation. Without limiting the foregoing and notwithstanding anything contained herein to the contrary, to the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to this Agreement during the six-month period immediately following Executive's separation from service shall instead be paid on the first business day after the date that is six months following Executive's termination date (or death, if earlier). Notwithstanding anything to the contrary in this Agreement, all (A) reimbursements and (B) in-kind benefits provided under this Agreement shall be made or provided in accordance with the requirements of Section 409A, including, where applicable, the requirement that (x) the amount of expenses eligible for reimbursement, or in kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in kind benefits to be provided, in any other calendar year; (y) the reimbursement of an eligible expense will be made no later than the last day of the calendar year following the year in which the expense is incurred; and (z) the right to reimbursement or in kind benefits is not subject to liquidation or exchange for another benefit.

(m) Entire Agreement. This Agreement constitutes the entire agreement between Executive and the Company and supersedes all prior agreements, if any, understandings and arrangements, oral or written, between Executive and the Company with respect to the subject matter hereof, including without limitation any term sheets or other similar presentations. In the event of any inconsistency between this Agreement and any other plan, program, practice or agreement in which Executive is a participant, including, for the avoidance of doubt and to the extent expressly provided in Section 8(b), the Prior Agreements ("Other Agreement"), this Agreement shall control unless such Other Agreement specifically refers to this Agreement as not so controlling.

(n) Certain Executive Acknowledgments. Executive acknowledges that Executive has read and understands this Agreement, is fully aware of its legal effect, has not acted in reliance upon any representations or promises made by the Company other than those contained in writing herein, and has entered into this Agreement freely based on Executive's own judgment. Executive acknowledges that he has had the opportunity to consult with legal counsel of his choice in connection with the drafting, negotiation and execution of this Agreement. Executive acknowledges and agrees that this Agreement supersedes the Prior Agreements except as expressly provided in Section 8(b).

(o) Indemnification; D&O Insurance. Executive shall be indemnified and held harmless (including advances of attorneys fees and costs, subject to a customary undertaking to refund such amounts if finally determined not to be so indemnifiable), and covered under any contract of directors and officers liability insurance in respect of his actions and omissions to act as an officer of the Company to the maximum extent permitted under the Company's certificate of incorporation and by-laws and applicable law. This Section 10(o) shall survive the termination of Executive's employment and the expiration of the Employment Term.

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[Remainder of page left intentionally blank]

IN WITNESS WHEREOF, the Parties have executed this Employment Agreement as of the day and year first above written.

DENTSPLY SIRONA INC.

By:

Name: Thomas Jetter  
Title: Lead Independent Director

EXECUTIVE

Robert Size

**Exhibit A**

**FORM OF STOCK OPTION GRANT AGREEMENT**

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Dear Robert:

Pursuant to the terms and conditions of the Company's 2016 Omnibus Incentive Plan (the "Plan") and the Employment Agreement by and between you and the Company dated September 28, 2017 (the "Employment Agreement"), you have been granted a Non-Qualified Stock Option to purchase [\_\_\_\_] shares of Common Stock as outlined below (any capitalized terms used but not defined herein shall have the definitions given to such terms in the Plan).

Grant Date: September 28, 2017

Number of Shares Granted: [\_\_\_\_]

Exercise Price: [\_\_\_\_]

Expiration Date: September 28, 2027

Vesting Schedule: These stock options will vest on December 31, 2018, subject to your continuous employment by the Company through such date; provided, that these stock options will vest upon an earlier termination of employment by the Company without Cause (as defined in the Employment Agreement) or in the event of your death or Disability during the Employment Term (as defined in the Employment Agreement).

**ACKNOWLEDGMENT**

By my electronic signature, I hereby acknowledge receipt of this Award as of the date shown above, which has been issued to me under the terms and conditions of the Plan. I further acknowledge receipt of the copy of the Plan and agree to conform to all of the terms and conditions of the Award and the Plan **Exhibit B**.

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**FORM OF RESTRICTED STOCK UNIT AGREEMENT**

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Dear Robert:

Pursuant to the terms and conditions of the Company's 2016 Omnibus Incentive Plan (the "Plan") and the Employment Agreement by and between you and the Company dated September 28, 2017 (the "Employment Agreement"), you have been granted an award of restricted stock units ("RSUs") as outlined below ("Award") (any capitalized terms used but not defined herein shall have the definitions given to such terms in the Plan).

Granted To: Robert Size      Grant Date: September 28, 2017

Number of RSUs:

**Service Vesting Schedule:** The RSUs will vest on December 31, 2018, subject to your continuous employment with the Company through such date; provided, that the RSUs will remain outstanding and will vest or be forfeited based solely on achievement of the Performance Requirements upon an earlier termination of employment by the Company without Cause (as defined in the Employment Agreement); provided, further, that in the event of your death or Disability during the Employment Term (as defined in the Employment Agreement), the RSUs will vest, the restrictions with respect to the RSUs shall lapse and the Performance Requirements shall be deemed achieved.

**Performance Requirements:** Positive aggregate net income, excluding costs in the Restructuring, Impairment and Other Costs Line of the income statement of the Company from and following the period commencing on January 1, 2017 and ending on December 31, 2018 or, if earlier, the conclusion of the calendar quarter coincident or next following the date of any earlier vesting event (other than by reason of death or Disability).

This Award shall not entitle you to any rights of a stockholder except and to the extent that the Award is settled by the issuance of shares of Common Stock to you. The RSUs shall remain forfeitable at all times prior to the date on which they vest (the "Restricted Period").

Prior to the date on which the Award vests, the Company shall credit to you, on each date that the Company pays a cash dividend to holders of Common Stock generally, Dividend Equivalent Rights ("DERs") equal to the total number of whole RSUs and the associated DERs previously credited to you under this Award multiplied by the dollar amount of the cash dividend paid per share of Common Stock by the Company on such date, divided by the Fair Market Value of a share of Common Stock on such date. Any fractional amount resulting from such calculation shall be included in the DERs. The DERs so credited shall be subject to the same terms and conditions as the RSUs to which such DERs relate and the DERs shall be forfeited in the event that the RSUs with respect to which such DERs were credited are forfeited.

No shares of Common Stock shall be issued to you prior to the date on which the RSUs vest. As soon as administratively feasible after any RSUs and DERs have vested, the Company shall issue to you (which may be in book-entry form) one share of Common Stock in payment of each such vested whole RSU and DER (subject to tax withholding, as applicable, on such vested shares, and any deferral election authorized by the Committee).

You may not sell, pledge or otherwise transfer the RSUs or any rights under this Award during the Restricted Period.

The Plan is incorporated herein by this reference.

**ACKNOWLEDGMENT**

By my electronic signature, I hereby acknowledge receipt of this Award as of the date shown above, which has been issued to me under the terms and conditions of the Plan. I further acknowledge receipt of the copy of the Plan and agree to conform to all of the terms and conditions of the Award and the Plan.

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**FORM OF PERFORMANCE RESTRICTED STOCK UNIT AGREEMENT**

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Dear Robert:

Pursuant to the terms and conditions of the Company's 2016 Omnibus Incentive Plan (the "Plan") and the Employment Agreement by and between you and the Company dated September 28, 2017 (the "Employment Agreement"), you have been granted an award of performance-based restricted stock units ("PRsUs") as outlined below ("Award") (any capitalized terms used but not defined herein shall have the definitions given to such terms in the Plan).

Granted To: Robert Size      Grant Date: September 28, 2017

Number of PRsUs:

**Service Vesting Schedule:** The PRsUs will vest, if at all, on December 31, 2019 based on achievement of the Performance Requirements; provided, that the PRsUs will remain outstanding and will vest or be forfeited subject to your continuous employment with the Company through December 31, 2018 or upon an earlier termination of employment by the Company without Cause (as defined in the Employment Agreement); provided, further, that in the event of your death or Disability, the PRsUs will vest, the restrictions with respect to the PRsUs shall lapse and the Performance Requirements shall be deemed achieved at the target level of performance.

**Performance Requirements:** Subject to the foregoing, the PRsUs have a three-year performance period with annual measurements and will vest on December 31, 2019. The number of PRsUs that you earn will be dependent on performance against the following targets.

50%      The annual performance measure is based on the target of 10% non-GAAP EPS growth over the previous year's actual number. The chart below shows the annual performance measure for 2017, 2018 and 2019. The threshold attainment of 70% is achieved at 7.0% non-GAAP EPS growth and the maximum attainment of 200% is achieved at 15.0% non-GAAP EPS growth. The non-GAAP EPS growth will be calculated including currency impact and excluding 2017 annualization impacts on share count and EPS from the merger and purchase accounting.

Performance will be the better of (i) locked in payout attainment at the end of each year, ranging from 0% to 200% for each individual year or (ii) three year cumulative attainment reaching from 0% to 200% for the cumulative period.

Payout ranging from 0% to 200% at maximum.

50%      The annual performance measure is based on the target of 22% adjusted operating margin. The chart below shows the annual performance measure for 2017, 2018 and 2019. An attainment greater than 0% will be achieved with adjusted operating margin above 20%. The maximum attainment of 250% is achieved at 24.0% adjusted operating margin.

Target performance can be locked in at the end for 2017 and 2018 for at or above target performance. Operating margin is to be measured on a non-GAAP basis including currency impact.

Payout ranging from 0% to 250% at maximum.

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## 2017 PRSU Performance Charts

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Note: The non-GAAP EPS Growth will be calculated including currency impact and excluding 2017 annualization impacts on share count and EPS from the merger and purchase accounting. Performance will be interpolated between the percentages noted in the chart.

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Note: The adjusted operating margin will be calculated including currency impact. Performance will be interpolated between the percentages noted in the chart.

This Award shall not entitle you to any rights of a stockholder except and to the extent that the Award is settled by the issuance of shares of Common Stock to you. The PRSUs shall remain forfeitable at all times prior to the date on which they vest (the "Restricted Period").

Prior to the date on which the Award vests, the Company shall credit to you, on each date that the Company pays a cash dividend to holders of Common Stock generally, Dividend Equivalent Rights ("DERs") equal to the total number of whole PRSUs and the associated DERs previously credited to you under this Award multiplied by the dollar amount of the cash dividend paid per share of Common Stock by the Company on such date, divided by the Fair Market Value of a share of Common Stock on such date. Any fractional amount resulting from such calculation shall be included in the DERs. The DERs so credited shall be subject to the same terms and conditions as the PRSUs to which such DERs relate and the DERs shall be forfeited in the event that the PRSUs with respect to which such DERs were credited are forfeited.

No shares of Common Stock shall be issued to you prior to the date on which the PRSUs vest. As soon as administratively feasible after any PRSUs and DERs have vested, the Company shall issue to you (which may be in book-entry form) one share of Common Stock in payment of each such vested whole PRSU and DER (subject to tax withholding, as applicable, on such vested shares, and any deferral election authorized by the Committee).

You may not sell, pledge or otherwise transfer the PRSUs or any rights under this Award during the Restricted Period.

The Plan is incorporated herein by this reference.

### ACKNOWLEDGMENT

By my electronic signature, I hereby acknowledge receipt of this Award as of the date shown above, which has been issued to me under the terms and conditions of the Plan. I further acknowledge receipt of the copy of the Plan and agree to conform to all of the terms and conditions of the Award and the Plan.

Section 302 Certifications Statement

I, Mark A. Thierer, certify that:

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

Date: November 9, 2017

/s/ *Mark A. Thierer*  
Mark A. Thierer  
Interim Chief Executive Officer

Section 302 Certifications Statement

I, Ulrich Michel, certify that:

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

Date: November 9, 2017

/s/ Ulrich Michel  
Ulrich Michel  
Executive Vice President and  
Chief Financial Officer

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

In connection with the Quarterly Report of DENTSPLY SIRONA Inc. (the "Company") on Form 10-Q for the period ending September 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), We, Mark A. Thierer, Chief Executive Officer of the Company and Ulrich Michel, 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/ *Mark A. Thierer*  
Mark A. Thierer  
Interim Chief Executive Officer

/s/ *Ulrich Michel*  
Ulrich Michel  
Executive Vice President and  
Chief Financial Officer

November 9, 2017