

SIRONA DENTAL SYSTEMS, INC.  
Form 10-Q  
August 02, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**  
**FORM 10-Q**

(Mark One)

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
**For the quarterly period ended June 30, 2013**

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 000-22673

**Sirona Dental Systems, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of

incorporation or organization)

**30-30 47<sup>th</sup> Avenue, Suite 500, Long Island City,**

**New York**  
(Address of principal executive offices)

**Registrant's telephone number, including area code: (718) 482-2011**

**11-3374812**  
(I.R.S. Employer

Identification No.)

**11101**  
(Zip Code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of July 29, 2013, the number of shares outstanding of the Registrant's Common Stock, par value \$.01 per share, was 55,031,581.

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**SIRONA DENTAL SYSTEMS, INC.**

**FORM 10-Q**

**FOR THE THREE MONTHS ENDED JUNE 30, 2013**

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**Table of Contents****PART I FINANCIAL INFORMATION (UNAUDITED)****ITEM 1. FINANCIAL STATEMENTS****SIRONA DENTAL SYSTEMS, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

(UNAUDITED)

	Financial Statement Notes	June 30, 2013 (unaudited) \$ 000s (except per share amounts)	September 30, 2012
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 205,704	\$ 151,088
Restricted cash		157	
Accounts receivable, net of allowance for doubtful accounts of \$1,465 and \$1,408, respectively		107,928	132,569
Inventories, net	6	108,925	81,007
Deferred tax assets	10	28,357	24,781
Prepaid expenses and other current assets		28,446	17,622
Income tax receivable	10	2,031	2,213
<b>Total current assets</b>		<b>481,548</b>	<b>409,280</b>
Property, plant and equipment, net of accumulated depreciation and amortization of \$146,573 and \$125,706, respectively		152,783	143,351
Goodwill	7	654,425	631,077
Intangible assets, net of accumulated amortization of \$480,542 and \$446,447, respectively	7	303,980	288,556
Other non-current assets		4,111	9,382
Deferred tax assets	10	12,706	12,888
<b>Total assets</b>		<b>\$ 1,609,553</b>	<b>\$ 1,494,534</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>			
<b>Current liabilities</b>			
Trade accounts payable		\$ 57,375	\$ 51,961
Short-term debt and current portion of long-term debt	8	381	478
Income taxes payable	10	6,579	14,906
Deferred tax liabilities	10	674	817
Accrued liabilities and deferred income		126,364	118,075
<b>Total current liabilities</b>		<b>191,373</b>	<b>186,237</b>
Long-term debt	9	75,000	75,000
Deferred tax liabilities	10	129,583	122,441
Other non-current liabilities		24,465	16,852
Pension related provisions	13	62,633	61,629
Deferred income		32,500	40,000

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<b>Total liabilities</b>	<b>515,554</b>	<b>502,159</b>
<b>Shareholders equity</b>		
Preferred stock (\$0.01 par value; 5,000,000 shares authorized; none issued and outstanding)	0	0
Common stock (\$0.01 par value; 95,000,000 shares authorized; 57,081,680 shares issued and 54,970,276 shares outstanding at Jun. 30, 2013;		
56,598,045 shares issued and 55,051,673 shares outstanding at Sept. 30, 2012	570	566
Additional paid-in capital	717,462	699,279
Treasury stock (at cost) 2,111,404 shares held at cost at Jun. 30, 2013;		
1,546,372 shares held at cost at Sept. 30, 2012	(105,091)	(69,058)
Excess of purchase price over predecessor basis	(49,103)	(49,103)
Retained earnings	547,981	437,471
Accumulated other comprehensive income/(loss)	5	(29,797)
<b>Total Sirona Dental Systems, Inc. shareholders equity</b>	<b>1,091,895</b>	<b>989,358</b>
Noncontrolling interests	2,104	3,017
<b>Total shareholders equity</b>	<b>1,093,999</b>	<b>992,375</b>
<b>Total liabilities and shareholders equity</b>	<b>\$ 1,609,553</b>	<b>\$ 1,494,534</b>

The accompanying notes are an integral part of these financial statements.

**Table of Contents****SIRONA DENTAL SYSTEMS, INC.****AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(UNAUDITED)

	Financial Statement Notes	Three months ended		Nine months ended	
		June 30,		June 30,	
		2013	2012	2013	2012
		\$ 000s (except per share amounts)		\$ 000s (except per share amounts)	
<b>Revenue</b>		<b>\$ 283,157</b>	<b>\$ 242,007</b>	<b>\$ 822,887</b>	<b>\$ 731,987</b>
Cost of sales		131,670	113,567	374,823	340,115
<b>Gross profit</b>		<b>151,487</b>	<b>128,440</b>	<b>448,064</b>	<b>391,872</b>
Selling, general and administrative expense		79,702	72,434	249,477	218,747
Research and development		15,729	13,092	44,926	40,016
Provision for doubtful accounts and notes receivable		148	(504)	765	263
Net other operating income		(2,500)	(2,500)	(11,914)	(7,500)
<b>Operating income</b>		<b>58,408</b>	<b>45,918</b>	<b>164,810</b>	<b>140,346</b>
(Gain)/loss on foreign currency transactions, net		4,510	2,675	10,507	6,255
(Gain)/loss on derivative instruments	<b>15</b>	(901)	2,686	317	186
Interest expense, net		788	866	2,588	2,783
Other expense/(income)		362	(218)	1,044	272
<b>Income before taxes</b>		<b>53,649</b>	<b>39,909</b>	<b>150,354</b>	<b>130,850</b>
Income tax provision	<b>10</b>	12,876	9,180	38,281	30,096
Net income		40,773	30,729	112,073	100,754
Less: Net income attributable to noncontrolling interests		223	431	1,563	1,658
<b>Net income attributable to Sirona Dental Systems, Inc.</b>		<b>\$ 40,550</b>	<b>\$ 30,298</b>	<b>\$ 110,510</b>	<b>\$ 99,096</b>
<b>Income per share (attributable to Sirona Dental Systems, Inc. common shareholders):</b>	<b>11</b>				
- Basic		\$ 0.74	\$ 0.55	\$ 2.01	\$ 1.78
- Diluted		\$ 0.72	\$ 0.53	\$ 1.96	\$ 1.74
Weighted average shares - basic		55,002,236	55,507,312	55,053,713	55,721,869
Weighted average shares - diluted		56,220,901	56,717,943	56,330,052	56,939,621

The accompanying notes are an integral part of these financial statements.

Table of Contents**SIRONA DENTAL SYSTEMS, INC.****AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(UNAUDITED)

	Financial Statement Notes	Three months ended June 30,		Nine months ended June 30,	
		2013	2012	2013	2012
		\$ 000s		\$ 000s	
<b>Net income</b>		\$ 40,773	30,729	\$ 112,073	100,754
<b>Other comprehensive income/(loss), net of tax:</b>	<b>5</b>				
Cumulative translation adjustment		15,983	(44,121)	8,996	(51,526)
Net gain/(loss) on derivative financial instruments (hedging)		181	(195)	699	(865)
Unrecognized elements of pension cost, net of tax		85	310	(61)	481
<b>Total other comprehensive income/(loss)</b>		16,249	(44,006)	9,634	(51,910)
<b>Total comprehensive income/(loss)</b>		57,022	(13,277)	121,707	48,844
Less: Comprehensive income/(loss) attributable to noncontrolling interests		263	198	1,324	1,619
<b>Comprehensive income/(loss) attributable to Sirona Dental Systems, Inc. shareholders</b>		<b>\$ 56,759</b>	<b>\$ (13,475)</b>	<b>\$ 120,383</b>	<b>\$ 47,225</b>

The accompanying notes are an integral part of these financial statements.

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## SIRONA DENTAL SYSTEMS, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

(UNAUDITED)

	Sirona Dental Systems, Inc. Shareholders									
	Common share capital	Number of shares issued and outstanding	Additional paid-in capital	Treasury Stock \$ 000s (except for amount of common shares issued)	Excess of purchase price over predecessor basis	Retained earnings	Accumulated other comprehensive income/(loss)	Total Sirona Dental Systems, Inc. Shareholders	Noncontrolling Interests	Total
<b>Balances as of September 30, 2011</b>	\$ 563	55,815,323	\$ 685,617	\$ (19,749)	(49,103)	\$ 303,639	\$ 11,309	\$ 932,276	\$ 3,644	\$ 935,920
Issuance of common stock upon exercise of options	2	185,664	1,744					1,746		1,746
Purchase of treasury stock (at cost)		(730,149)		(32,732)				(32,732)		(32,732)
Stock compensation			6,375					6,375		6,375
Tax effect of stock options exercised and net effect of vesting of RSUs/PSUs			(751)					(751)		(751)
Purchase of shares from noncontrolling interest			740					740	(740)	
Dividend distribution to noncontrolling interest									(1,689)	(1,689)
Comprehensive income						99,096	(51,871)	47,225	1,619	48,844
<b>Balances as of June 30, 2012</b>	\$ 565	55,270,838	\$ 693,725	\$ (52,481)	(49,103)	\$ 402,735	\$ (40,562)	\$ 954,879	\$ 2,834	\$ 957,713
<b>Balances as of September 30, 2012</b>	\$ 566	55,051,673	\$ 699,279	\$ (69,058)	(49,103)	\$ 437,471	\$ (29,797)	\$ 989,358	\$ 3,017	\$ 992,375
Issuance of common stock upon exercise of options and net effect of vesting of	4	483,635	5,844					5,848		5,848



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RSUs/PSUs										
Purchase of treasury stock (at cost)		(565,032)		(36,033)			(36,033)			(36,033)
Stock compensation		10,651					10,651			10,651
Tax effect of stock options exercised and net effect of vesting of RSUs/PSUs			2,272				2,272			2,272
Purchase of shares from noncontrolling interest			(584)				(584)	(802)		(1,386)
Dividend distribution to noncontrolling interest								(1,435)		(1,435)
Comprehensive income					110,510	9,873	120,383	1,324		121,707
<b>Balances as of June 30, 2013</b>	<b>\$ 570</b>	<b>54,970,276</b>	<b>\$ 717,462</b>	<b>\$ (105,091)</b>	<b>(49,103)</b>	<b>\$ 547,981</b>	<b>\$ (19,924)</b>	<b>\$ 1,091,895</b>	<b>\$ 2,104</b>	<b>\$ 1,093,999</b>

The accompanying notes are an integral part of these financial statements.

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**SIRONA DENTAL SYSTEMS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(UNAUDITED)

	Nine months ended June 30, 2013                      2012 \$ 000s	
<b>Cash flows from operating activities</b>		
Net income	\$ 112,073	\$ 100,754
<b>Adjustments to reconcile net income to net cash provided by operating activities</b>		
Depreciation and amortization	55,523	58,107
(Gain)/loss on disposal of property, plant and equipment	93	
(Gain)/loss on derivative instruments	317	186
(Gain)/loss on foreign currency transactions	10,507	6,255
Deferred income taxes	1,939	(11,079)
Amortization of debt issuance cost	415	491
Share-based compensation expense	10,651	6,375
<b>Changes in assets and liabilities</b>		
Accounts receivable	21,253	(25,939)
Inventories	(31,821)	(1,503)
Prepaid expenses and other current assets	(10,907)	3,528
Restricted cash	(172)	646
Other non-current assets	(226)	(252)
Trade accounts payable	5,334	(6,239)
Accrued liabilities and deferred income	(9,380)	(14,928)
Other non-current liabilities	2,832	818
Income taxes receivable	205	1,167
Income taxes payable	(8,616)	5,631
<b>Net cash provided by operating activities</b>	<b>160,020</b>	<b>124,018</b>
<b>Cash flows from investing activities</b>		
Investment in property, plant and equipment	(35,634)	(29,675)
Proceeds from sale of property, plant and equipment	83	
Prepayments for other assets		(4,612)
Purchase of intangible assets	(42)	(82)
Purchase of long-term investments		(48)
Acquisition of business, net of cash acquired	(35,019)	
<b>Net cash used in investing activities</b>	<b>(70,612)</b>	<b>(34,417)</b>

The accompanying notes are an integral part of these financial statements.

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**SIRONA DENTAL SYSTEMS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(UNAUDITED)

	Nine months ended June 30,	
	2013	2012
	\$ 000s	
<b>Cash flows from financing activities</b>		
Repayments of short-term and long-term debt	(98)	(433,093)
Proceeds from borrowings		141,297
Purchase of treasury stock	(36,033)	(32,732)
Debt issuance cost		(2,765)
Purchase of shares from noncontrolling interest	(1,386)	
Dividend distributions to noncontrolling interest	(1,435)	(1,698)
Common shares issued under share based compensation plans	5,844	1,744
Tax effect of common shares issued under share based compensation plans	(1,123)	(1,067)
<b>Net cash used in financing activities</b>	<b>(34,231)</b>	<b>(328,314)</b>
Change in cash and cash equivalents	55,177	(238,713)
Effect of exchange rate change on cash and cash equivalents	(561)	(2,546)
Cash and cash equivalents at beginning of period	151,088	345,859
<b>Cash and cash equivalents at end of period</b>	<b>\$ 205,704</b>	<b>\$ 104,600</b>
<b>Supplemental information</b>		
Interest paid	\$ 2,283	\$ 2,005
Interest capitalized	135	203
Income taxes paid	49,648	32,460
<b>Acquisition of business</b>		
Current assets	\$ 5,185	\$
Non-current assets	61,237	
Current liabilities	(7,835)	
Non-current liabilities	(11,951)	
	<b>46,636</b>	
Cash paid	<b>(36,673)</b>	
Settlement of balances	<b>(4,544)</b>	
<b>Fair value of liabilities incurred</b>	<b>\$ 5,419</b>	<b>\$</b>

The accompanying notes are an integral part of these financial statements.

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**SIRONA DENTAL SYSTEMS, INC. AND SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(UNAUDITED)

**1. General**

**The Company and its Operations**

Sirona Dental Systems, Inc. ( Sirona, the Company, we, us, and our refer to Sirona Dental Systems, Inc. and its consolidated subsidiaries) is a leading manufacturer of high-quality, technologically advanced dental equipment, and is focused on developing, manufacturing and marketing innovative systems and solutions for dentists around the world. We offer a broad range of products across all major segments of the dental technology market including CEREC and our other CAD/CAM systems, digital intra oral and 2D and 3D panoramic imaging systems, treatment centers and instruments. The Company acquired Schick Technologies, Inc. ( Schick ) in 2006, in a transaction accounted for as a reverse acquisition (the Exchange ), further expanding our global presence and product offerings and strengthening our research and development capabilities. On October 1, 2012, Schick was merged with and into a new Sirona subsidiary named Sirona Dental, Inc. ( Sirona Dental ), a Delaware corporation. Sirona has served equipment dealers and dentists worldwide for more than 130 years. The Company's headquarters are located in Long Island City, New York with its primary facility located in Bensheim, Germany, as well as other support, manufacturing, assembling, and sales and service facilities located around the globe.

**Basis of Presentation**

These unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ( U.S. GAAP ). Preparation of the interim financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions related to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the reporting date and the reported amounts of revenues and expenses for the interim period. Actual results could differ from those estimates. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. However, the Company believes that the disclosures are adequate to make the information not misleading. The year-end condensed consolidated balance sheet data was derived from the audited consolidated financial statements, but does not include all disclosures required by U.S. GAAP. These consolidated financial statements should be read in conjunction with the Consolidated Financial Statements and the Notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2012.

In the opinion of management, all adjustments (consisting of those of a normal recurring nature) considered necessary to present fairly the Company's financial position as of June 30, 2013, and the results of operations and cash flows for the nine months ended June 30, 2013 and 2012, respectively, as applicable to interim periods have been made. The results of operations for the nine months ended June 30, 2013 are not necessarily indicative of the operating results for the full fiscal year or future periods.

All amounts are reported in thousands of U.S. Dollars (\$), except per share amounts or as otherwise disclosed.

**Fiscal year**

The Company's fiscal year is October 1 to September 30.

**Principles of consolidation**

The consolidated financial statements include, after eliminating inter-company transactions and balances, the accounts of Sirona Dental Systems, Inc. and its subsidiaries. The Company applies the equity method of accounting for investments in associated companies over which the Company has significant influence but does not have effective control.

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**SIRONA DENTAL SYSTEMS, INC. AND SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(UNAUDITED)

**2. Recently Issued Accounting Pronouncements Adopted**

*Comprehensive Income*

On October 1, 2012, the Company adopted the new accounting guidance for reporting comprehensive income ( CI ) (ASU 2011-05, *Presentation of Comprehensive Income*). This new guidance requires that all non-owner changes in shareholders' equity be presented either (1) in a single continuous statement of comprehensive income or (2) in two separate but consecutive statements. As a result, the Company reported all such changes in two separate, consecutive statements: Condensed Consolidated Statements of Income and Condensed Consolidated Statement of Comprehensive Income ( CI Statement ). The Company previously reported these items in its Consolidated Statement of Changes in Equity ( Equity Statement ). As a result of adoption, this detailed information was moved from the Equity Statement to the new and separate CI Statement. The details for these items (category and type of change, current period movements, and related tax effects) are reported separately in Note 5 to the consolidated financial statements. All related disclosures have been adjusted accordingly. Prior year amounts and presentation associated with non-owner changes in shareholders' equity have been adjusted accordingly to conform to the adoption.

**3. Business Acquisitions**

On October 8, 2012, the Company acquired 100% of the outstanding shares of capital stock of a technology company that develops and manufactures dental products. The results of its operations have been included in the consolidated financial statements since this date. The results were not material to the consolidated financial statements.

The fair value of total consideration transferred for this acquisition totaled \$46.6 million, consisting of cash of \$36.7 million, settlements of prior balances, and contingent consideration arrangements. The contingent consideration arrangements require the Company to pay the former owners additional amounts contingent upon revenue milestones. These contingent arrangements provide for payments ranging from \$0 up to a total of \$13.0 million over the expected life cycle of the company's major product. The fair value of the contingent arrangements at acquisition date was \$5.4 million and will be remeasured through settlement, with changes in fair value recorded in income (amounts included in Note 16). The fair value of the contingent arrangements as of June 30, 2013, was \$5.9 million, with the change in fair value of \$0.5 million recorded in other (income)/expense in the income statement for the nine months ended June 30, 2013.

**4. Employee Share-Based Compensation**

ASC 718, *Compensation - Stock Compensation*, requires that all share based compensation arrangements, including grants of stock option awards to employees, be recognized based on the estimated fair value of the share-based payment award.

**Equity Incentive Plan**

Stock options, restricted stock shares, restricted stock units ( RSU ), and performance-based stock units ( PSU ) have been issued to employees, directors, and consultants under the Company's 2006 Equity Incentive Plan ( 2006 Plan ). The 2006 Plan provides for granting in total up to 4,550,000 stock options, incentive stock, restricted stock shares, RSU s, and PSU s. The 2006 Plan received stockholder approval at the Company's Annual Meeting of Stockholders held on February 27, 2007, and was amended on February 25, 2009. To cover the exercise of options and vesting of RSU s and PSU s, the Company generally issues new shares from its authorized but unissued share pool. As of June 30, 2013, 773,325 shares were available for future grant under the 2006 Plan.



**Table of Contents****SIRONA DENTAL SYSTEMS, INC. AND SUBSIDIARIES****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(UNAUDITED)

*Restricted and Performance-Based Stock Units*

In the nine months ended June 30, 2013, the Company granted 180,036 RSU s with an average value of \$ 63.19, representing the average of closing prices of the Company s common stock at grant dates.

RSU s and PSU s generally vest in annual tranches over a period of three to four years. The PSU s were granted to three executive officers of the Company and vest three years from the date of the grant provided the Company achieves earnings targets specified in the grant. All grants expire ten years after the date of the grant. RSU s and PSU s do not have voting rights or rights to dividends prior to vesting. The value of each RSU and PSU grant is determined by the closing price at the date of grant. Share-based compensation expense for the entire award is recognized straight-line over the service period of the last separately vesting tranche of the award.

*Stock Options*

In the nine months ended June 30, 2013, the Company granted 154,500 stock options with a weighted average exercise price of \$63.45 and weighted average fair value of \$21.74 at the grant date. Grants generally vest over four years. All grants expire ten years after the date of the grant.

The fair value of options granted under the 2006 Plan were estimated using the Black-Scholes option pricing model using assumptions in the following table. The exercise price is equal to the fair market value of Sirona s stock at the grant date. Expected volatility is based on the Company s history stock price volatility. The risk-free rate is based on the U.S. Treasury yield curve in effect at the day of grant and has a term equal to the expected life of the option. The expected life represents the period of time the options are expected to be outstanding based on anticipated grantee behavior. The expected dividend yield is based on the Company s history of not paying regular dividends in the past and the Company s current intention not to pay dividends in the foreseeable future.

	<b>Nine months ended</b>	<b>Year ended</b>
	<b>June 30, 2013</b>	<b>September 30, 2012</b>
Expected Volatility	38.23%	39.17%
Risk-free rate	0.70%	0.91%
Expected term	5 years	5 years
Expected dividends		

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(UNAUDITED)

**Compensation Costs**

The following table summarizes compensation expense charged to income for stock-based compensation and additional information for the three and nine months ended June 30, 2013:

<b>Compensation Expense</b>	<b>Three months ended June 30,</b>		<b>Nine months ended June 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>\$ 000s</b>		<b>\$ 000s</b>	
Cost of sales	\$ 35	\$ 27	\$ 102	\$ 85
Selling, general and administrative <sup>(1)</sup>	2,230	2,029	10,447	6,192
Research and development	34	29	102	98
	\$ 2,299	\$ 2,085	\$ 10,651	\$ 6,375

<sup>(1)</sup> For the nine months ended June 30, 2013, this includes the compensation charge from the first quarter of \$3,764 for the modification of share based awards in connection with the Transition Agreement for the departing CEO and Chairman.

	<b>Three months ended June 30, 2013 \$ 000s (except where noted)</b>	<b>Nine months ended June 30, 2013 \$ 000s (except where noted)</b>
<b>Additional Information</b>		
<b>Tax Information</b>		
Income tax benefit recognized for share-based compensation	\$ (762)	\$ (3,081)
Tax benefit realized from share-based compensation	\$ (3,383)	\$ (7,777)
<b>Future Costs</b>		
Total compensation cost to be recognized in future periods related to outstanding non-vested share-based compensation awards		\$ 22,000
Weighted-average period expected for recognition of cost (in years)		2.9



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**SIRONA DENTAL SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(UNAUDITED)

**Restricted and Performance-Based Stock Unit Activity**

The following is a summary of Sirona's RSU and PSU activity for the nine months ended June 30, 2013:

	Nine months ended June 30, 2013			
	Restricted stock units		Performance-based stock units	
	Number of shares	Weighted average market price at grant	Number of shares	Weighted average market price at grant
Outstanding at beginning of period	585,187	\$ 38.47	13,000	\$ 36.78
Granted	180,036	63.19		
Vested	(154,792)	37.11		
Forfeited	(34,506)	40.97		
Outstanding at end of period	575,925	46.41	13,000	36.78

**Stock Option Activity**

The following is a summary of Sirona's stock option activity for the nine months ended June 30, 2013:

	Nine months ended June 30, 2013	
	Number of options	Weighted average exercise price
Outstanding at beginning of period	2,157,113	\$ 17.63
Granted	154,500	63.45
Exercised	(381,476)	15.49
Forfeited	(21,290)	42.17
Outstanding at end of period	1,908,847	21.49
<i>thereof vested and exercisable</i>	<i>1,600,628</i>	
		\$ 000s
Intrinsic value of options exercised		\$ 20,340
Total fair value of options vested		\$ 2,033
Aggregate intrinsic value of exercisable stock options		\$ 80,291
Weighted average remaining contractual life ( <i>in years</i> )		3.6



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(UNAUDITED)

**5. Accumulated Other Comprehensive Income/(Loss)**

	Cumulative translation adjustments	For the three months ended June 30, 2013			Total
		Unrecognized elements of pension cost	Net gain/(loss) from hedging instruments		
			\$ 000s		
Balance at beginning of period	\$ (40,725)	\$ 5,332	\$ (1,027)	\$ (36,420)	
Current increase / (decrease)	15,983	118	778	16,879	
Income tax (expense) / benefit		(33)	(310)	(343)	
Balance at end of period	(24,742)	5,417	(559)	(19,884)	
Less: Other comprehensive income/(loss) attributable to noncontrolling interests, net of tax	40			40	
Balance at end of period attributable to Sirona Dental Systems, Inc. shareholders	\$ (24,782)	\$ 5,417	\$ (559)	\$ (19,924)	
		For the three months ended June 30, 2012			
	Cumulative translation adjustments	Unrecognized elements of pension cost	Net gain/(loss) from hedging instruments		Total
			\$ 000s		
Balance at beginning of period	\$ 8,408	\$ (4,527)	(670)	3,211	
Current increase / (decrease)	(44,121)	428	(195)	(43,888)	
Income tax (expense) / benefit		(118)		(118)	
Balance at end of period	(35,713)	\$ (4,217)	(865)	(40,795)	
Less: Other comprehensive income/(loss) attributable to noncontrolling interests, net of tax	(233)			(233)	
Balance at end of period attributable to Sirona Dental Systems, Inc. shareholders	\$ (35,480)	\$ (4,217)	\$ (865)	\$ (40,562)	

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**SIRONA DENTAL SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(UNAUDITED)

	Cumulative translation adjustments	Unrecognized elements of pension cost	For the nine months ended June 30, 2013		Total
			Net gain/(loss) from hedging instruments		
			\$ 000s		
Balance at beginning of period	\$ (34,017)	\$ 5,478	\$ (1,258)	\$ (29,797)	
Current increase / (decrease)	8,996	(11)	1,164	10,149	
Income tax (expense) / benefit		(50)	(465)	(515)	
Balance at end of period	(25,021)	5,417	(559)	(20,163)	
Less: Other comprehensive income/(loss) attributable to noncontrolling interests, net of tax	(239)				