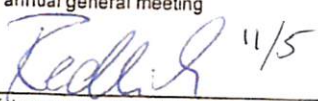


Sirona Dental A/S

Rho 10
DK-8382 Hinnerup

CVR no. 21 26 46 87

Annual report 2015/16
for the period 1 October 2015 – 31 December 2016

The annual report was presented and approved at the
Company's annual general meeting
on 11/5

chairman of the annual general meeting

Tom Redlich

287322_1

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Sirona Dental A/S for the period 1 October 2015 – 31 December 2016.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

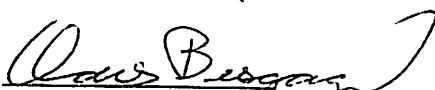
In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Company's operations for the period 1 October 2015 – 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's activities and financial matters, of the results for the year and of the Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Aarhus, 24 April 2017

Executive Board:


Claus Bisgaard

Board of Directors:

Jan Siefert
Chairman

Walther Petersohn

Rainer Berthan



Independent auditor's report

To the shareholders of Sirona Dental A/S

Opinion

We have audited the financial statements of Sirona Dental A/S for the period 1 October 2015 – 31 December 2016 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Company's operations for the period 1 October 2015 – 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.



Independent auditor's report

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.


Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Aarhus, 24 April 2017

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98


Michael Stenskrog
State Authorised
Public Accountant


Elife Savas
State Authorised
Public Accountant

Management's review

Financial highlights

DKKm	2015/16*	2014/15	2013/14	2012/13	2011/12
Gross profit	60.4	48.3	35.7	27.9	32.4
Operating profit	42.8	34.7	20.4	3.5	9.2
Profit for the year	33.3	26.5	15.5	2.7	6.8
Total assets	59.8	61.2	48.7	33.3	49.1
Equity	46.3	41.4	32.0	16.5	32.5
Solvency ratio	77.4%	67.2%	65.6%	49.5%	66.3%
Return on equity	57.4%	72.2%	63.9%	11.0%	23.2%
Average number of full-time employees	57	54	58	60	54

* The figures for 2015/16 cover 15 months and are not comparable with the previous years.

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015". The financial ratios have been calculated as follows:

Return on equity
$$\frac{\text{Profit from ordinary activities after tax} \times 100}{\text{Average equity}}$$

Solvency ratio
$$\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$$

Management's review

Operating review

Principal activities

The Company is primarily engaged in the development, production, sale and service of combination autoclaves for dental clinics. A combination autoclave cleans, lubricates and sterilises rotating dental instruments in one process. Sirona Dental A/S is the hygiene competence centre in the Dentsply Sirona Group.

Development in activities and financial position

On February 29, 2016 the Sirona Group merged with the Dentsply Group, now forming the Dentsply Sirona Group. The Dentsply Sirona Group have calendar year as its financial year. Following the merger Sirona Dental A/S has changed the financial year to the calendar year with a transition period from 1 October 2015 – 31. December 2016.

The financial period of the transition period covers 15 months and are not comparable to the comparative figures for 2014/15.

When adjusted for the change of financial year, Gross Profit and EBIT are in line with last year's result.

Capital resources

Dividends of DKK 28,402 thousand were distributed during 2015/16. As a result of the dividend distribution and profit for the year, equity increased from DKK 41,403 thousand at the end of 2014/15 to DKK 46,284 thousand at the end of 2015/16.

Outlook

Sirona Dental A/S expects to enjoy contribution margin and operating profit for 2017 in line with the results for 2015/16 adjusted for the change of financial year.

Events after the balance sheet date

No significant events have taken place which impact the assessment of the Company's financial position

Financial statements 1 October 2015 – 31 December 2016

Income statement

DKK'000	Note	2015/16 (15 mos)	2014/15 (12 mos)
Gross profit		60,439	48,314
Distribution costs	2.3	-6,601	-5,117
Administrative expenses	2.3	-11,033	-8,515
Operating profit		42,805	34,682
Other financial income		449	198
Other financial expenses		-498	-253
Profit before tax		42,756	34,627
Tax on profit for the year	4	-9,473	-8,175
Profit for the year	5	33,283	26,452

Financial statements 1 October 2015 – 31 December 2016

Balance sheet

DKK'000	Note	2015/16 31/12	2014/15 30/9
ASSETS			
Fixed assets			
Intangible assets			
Software	2	48	30
		<u>48</u>	<u>30</u>
Property, plant and equipment			
Leasehold improvements	2	2,296	247
Plant and machinery		5,200	3,246
Fixtures and fittings, tools and equipment		185	195
Property, plant and equipment under construction		0	2,787
		<u>7,681</u>	<u>6,475</u>
Investments			
Deposits		1,075	1,273
		<u>1,075</u>	<u>1,273</u>
Total fixed assets		<u>8,804</u>	<u>7,778</u>
Current assets			
Inventories			
Raw materials and consumables		9,909	9,259
Work in progress		2,341	1,924
Finished goods and goods for resale		1,890	2,266
		<u>14,140</u>	<u>13,449</u>
Receivables			
Trade receivables		5,869	4,147
Receivables from group entities		8,871	12,777
Other receivables		512	700
Prepayments		340	641
Deferred tax	6	596	902
		<u>16,188</u>	<u>19,167</u>
Cash at bank and in hand		<u>20,623</u>	<u>20,763</u>
Total current assets		<u>50,951</u>	<u>53,379</u>
TOTAL ASSETS		<u>59,755</u>	<u>61,157</u>

Financial statements 1 October 2015 – 31 December 2016

Balance sheet

DKK'000	Note	2015/16 31/12	2014/15 30/9
EQUITY AND LIABILITIES			
Equity			
Share capital		13,001	13,001
Retained earnings		0	28,402
Proposed dividend		33,283	0
Total equity		46,284	41,403
Provisions			
Warranty provisions	7	463	470
Total provisions		463	470
Liabilities other than provisions			
Current liabilities other than provisions			
Trade payables		7,737	9,270
Other payables, including taxes payable		5,271	10,014
Total liabilities other than provisions		13,008	19,284
TOTAL EQUITY AND LIABILITIES		59,755	61,157
Contractual obligations, contingent items, etc.	8		
Related party disclosures	9		

Financial statements 1 October 2015 – 31 December 2016

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Proposed dividends	Total equity
Equity at 1 October 2014	13,001	18,950	0	31,951
Distributed dividends	0	-17,000	0	-17,000
Transferred over the profit appropriation	0	26,452	0	26,452
Equity at 1 October 2015	13,001	28,402	0	41,403
Distributed dividends	0	-28,402	0	-28,402
Transferred over the profit appropriation	0	0	33,283	33,283
Equity at 31 December 2016	13,001	0,0	33,283	46,284

The share capital is divided into shares of DKK 1,000 or multiples thereof.

No shares carry special rights.

No changes have been recorded in share capital during the past five years.

Financial statements 1 October 2015 – 31 December 2016

Notes

1 Accounting policies

The annual report of Sirona Dental A/S for 2015/16 has been presented in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act.

The financial year of the Company has been changed to the calendar year with a transition period of 15 months from 1 October 2015 to 31 December 2016. The reason for the change of financial year is that Sirona Dental A/S, which is part of the Sirona-Group, has merged with the Dentsply-Group, which has the calendar year as its financial year.

The comparative figures and financial ratios have not been restated.

As from 1 January 2016, the Company has implemented Act no. 738 of 1 June 2015. This has entailed the following changes to recognition and measurement:

Going forward, the residual value of intangible assets and property, plant and equipment must be reassessed on an ongoing basis. Pursuant to the transition provisions of the Act, any adjustments to residual values must be made prospectively as an accounting estimate without restatement of comparative figures and without effect on equity. The reassessment has not resulted in any changes to the financial statements.

Apart from the above, the accounting policies used in the preparation of the financial statements are consistent with those of last year.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

Income from the sale of goods, comprising the sale of DAC Universal, adapters, oil and accessories is recognised in revenue provided that delivery and transfer of risk to the buyer have taken place and the income may be reliably measured and is expected to be received.

Financial statements 1 October 2015 – 31 December 2016

Notes

1 Accounting policies (continued)

Revenue is measured at fair value of the agreed remuneration excluding VAT and taxes charged on behalf of third parties. All forms of discounts granted are included in revenue.

Production costs

Production costs comprise costs including depreciation and amortisation and salaries incurred in generating revenue for the year. Such costs include direct and indirect costs of raw materials and consumables, wages and salaries, rent and leases and depreciation of productive equipment.

Production costs also comprise research and development costs that do not qualify for capitalisation and amortisation of capitalised development costs.

Distribution costs

Costs incurred in distributing goods sold during the year and in conducting sales campaigns, etc. are recognised as distribution costs. Also, costs relating to sales staff and depreciation are recognised.

Administrative expenses

Administrative expenses comprise expenses incurred during the year for management and administration of the Company, including expenses of administrative staff, management, office premises and office expenses and depreciation.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Financial income and expenses comprise interest income, expenses on financial leasing and expense, gains and losses on payables and transactions in foreign currencies and amortisation of financial assets and liabilities.

Tax on profit/loss for the year

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Financial statements 1 October 2015 – 31 December 2016

Notes

1 Accounting policies (continued)

Balance sheet

Intangible assets

Software is measured at cost price deducted accumulated amortisation. Software is amortised over its useful life at a maximum of three years.

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised as operating income and operating costs, respectively in the income statement.

Property, plant and equipment

Leasehold improvements, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The basis of depreciation, which is calculated as cost less any projected residual values after the end of the useful life, is depreciated on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Leasehold improvements	3-5 years
Plant and machinery	3-5 years
Fixtures and fittings, tools and equipment	2-5 years

Depreciation is recognised as production costs, distribution costs and administrative expenses in the income statement.

Fixed assets under construction are recognised and measured at cost at the balance sheet date. Upon entry into service, the cost is transferred to the relevant group of property, plant and equipment.

Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses, respectively.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Financial statements 1 October 2015 – 31 December 2016

Notes

1 Accounting policies (continued)

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

Leases

Leases for fixed assets that transfer substantially all risks and rewards incident to ownership to the Company (finance leases) are initially recognised on the balance sheet at the lower of fair value and the net present value of future lease payments. When the net present value is calculated, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the Company's other fixed assets.

All other leases are operating leases. Payments relating to operating leases and other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed as contractual obligations, etc.

Investments

Investments comprise deposits which are measured at cost.

Inventories

Inventories are measured at cost in accordance with the weighted average method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses upon an assessment of the individual receivables.

Financial statements 1 October 2015 – 31 December 2016

Notes

1 Accounting policies (continued)

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Equity

Dividends

Proposed dividends are recognised as a liability at the date on which they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

Current tax payable and receivable is recognised on the balance sheet as tax computed on the taxable income for the year adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability.

Deferred tax assets, including the tax value of tax loss carry forwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax. The change in deferred tax as a result of changes in tax rates is recognised in the income statement.

Provisions

Provisions for ordinary warranty and service obligations on sold products are measured at net realisable value and recognised on the basis of the Company's past record with warranties.

Financial statements 1 October 2015 – 31 December 2016

Notes

1 Accounting policies (continued)

Liabilities other than provisions

Finance lease obligations are recognised as financial liabilities at amortised cost.

Other liabilities are measured at net realisable value.

Applied exemption in the Danish Financial Statements Act

In accordance with section 86 (4) of the Danish Financial Statements Act, the Company has not prepared a cash flow statement, as such a statement is included in the consolidated cash flow statement of the parent company, Sirona Dental Systems GmbH.

Pursuant to section 98b (3) of the Danish Financial Statements Act, the Company has not disclosed any executive remuneration.

Pursuant to section 32 of the Danish Financial Statements Act, the Company has not disclosed its revenue.

Financial statements 1 October 2015 – 31 December 2016

Notes

2 Intangible assets and property, plant and equipment

DKK'000	Patents, licences and trade- marks
Cost at 1 October 2015	1,701
Additions	34
Disposals	-185
Cost at 31 December 2016	1,550
Amortisation and impairment losses at 1 October 2015	-1,671
Amortisation	-16
Amortisation of disposals	185
Amortisation and impairment losses at 31 December 2016	-1,502
Carrying amount at 31 December 2016	48

Property, plant and equipment

DKK'000	Lease- hold im- prove- ments	Plant and machi- nery	Fixtures and fittings, tools and equip- ment	Pro- perty, plant and equip- ment under con- struc- tion	Total
Cost at 1 October 2015	2,565	7,546	1,123	2,787	14,021
Transferred	0	2,787	0	-2,787	0
Additions	2,734	1,469	169	0	4,372
Disposals	-2,565	0	-421	0	-2,986
Cost at 31 December 2016	2,734	11,802	871	0	15,407
Depreciation and impairment losses at 1 October 2015	-2,318	-4,301	-928	0	-7,547
Depreciation	-685	-2,301	-179	0	-3,165
Depreciation on disposals	2,565	0	421	0	2,986
Depreciation and impairment losses at 31 December 2016	-438	-6,602	-686	0	-7,726
Carrying amount at 31 December 2016	2,296	5,200	185	0	7,681

Financial statements 1 October 2015 – 31 December 2016

Notes

2	Intangible assets and property, plant and equipment (continued)		
	DKK'000	2015/16 (15 mos)	2014/15 (12 mos)
	Depreciation can be specified as follows:		
	Production costs	2,429	1,660
	Distribution costs	0	0
	Administrative expenses	752	1,037
		<u>3,181</u>	<u>2,697</u>
3	Staff costs and incentive schemes		
	Wages and salaries	32,199	24,755
	Pensions	558	463
	Other social security costs	2,342	1,748
		<u>35,099</u>	<u>26,966</u>
	Average number of full-time employees	<u>57</u>	<u>54</u>
	Staff costs are recognised in the financial statements as follows:		
	Production costs	22,684	17,002
	Distribution costs	5,655	4,715
	Administrative expenses	6,760	5,249
		<u>35,099</u>	<u>26,966</u>
4	Tax on profit/loss for the year		
	Current tax for the year	-9,167	-8,470
	Deferred tax adjustment for the year	-306	295
		<u>-9,473</u>	<u>-8,175</u>
5	Proposed profit appropriation		
	Proposed dividends for the financial year	33,283	0
	Retained earnings	0	26,452
		<u>33,283</u>	<u>26,452</u>

Financial statements 1 October 2015 – 31 December 2016

Notes

	2015/16 31/12	2014/15 30/9
DKK'000		
6 Deferred tax		
Deferred tax at 1 October	902	607
Deferred tax adjustment for the year in the income statement	-306	295
Deferred tax at 31 December 2016	<u>596</u>	<u>902</u>
7 Warranty provisions		
Warranty commitments at 1 October	470	1,341
Changes in provisions	-7	-871
Other provisions at 31 December 2016	<u>463</u>	<u>470</u>
8 Contractual obligations, contingencies, etc.		

Sirona Dental A/S has entered into contracts with rent and lease obligations totalling an amount of DKK 8,285 thousand (2014/15: DKK 9,240 thousand), of which DKK 2,016 thousand is due for payment next year.

The Company is jointly taxed with other Danish group companies. As the administration company, together with the other companies included in the joint taxation, the Company has joint and several unlimited liability for Danish corporation taxes payable and withholding taxes on dividends, interest etc. Any subsequent corrections to the taxable joint taxation income or withholding taxes may imply that the Company's liability will increase.

Financial statements 1 October 2015 – 31 December 2016

Notes

9 Related party disclosures

Sirona Dental A/S' related parties comprise the Group's enterprises as well as their Boards of Directors and Executive Boards.

Control

Sirona Dental Systems GmbH, Bensheim, Germany holds the majority of the share capital in the Company.

Sirona Dental A/S is part of the consolidated financial statements of Sirona Dental Systems GmbH, Fabrikstrasse 31, D-64625 Bensheim, which is the smallest group in which the Company is included as a subsidiary.

The consolidated financial statements of Sirona Dental Systems GmbH can be obtained by contacting the Company or at the following website: www.sirona.de.

Sirona Dental A/S is part of the consolidated financial statements of Dentsply Sirona Inc., registered office Dentsply Sirona, Susquehanna Commerce Center, 221 W. Philadelphia Street, Suite 60W, York, PA 17401, which is the largest group in which the Company is included as a subsidiary.

The consolidated financial statements of Dentsply Sirona Inc. can be obtained from the Company or at the following website: <http://investor.dentsplysirona.com>

Related party transactions

The Company has chosen only to disclose transactions that are not carried out on an arm's length basis in accordance with section 98c (7) of the Danish Financial Statements Act.