

Sirona – The Dental Company

First Quarter 2014 Earnings Presentation
February 7, 2014



First Quarter 2014 Earnings Presentation Safe Harbor Statement / Additional Information



This conference call contains forward-looking information about Sirona Dental Systems, Inc.'s financial results, guidance and estimates, business prospects, and products and services that involve substantial risks and uncertainties or other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. You can identify these statements by the use of words such as "may," "could," "estimate," "will," "believe," "anticipate," "think," "intend," "expect," "project," "plan," "target," "forecast", and similar words and expressions which identify forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are not guarantees of future performance and involve known and unknown risks and uncertainties, and other factors. Readers are cautioned not to place undue reliance on such statements, which speak only as of the date hereof. For a discussion of such risks, uncertainties and other matters that could cause actual results to differ materially, including risks relating to, among other factors, the market for dental product and services, pricing, future sales volume of the Company's products, the possibility of changing economic, market and competitive conditions, dependence on products, dependence on key personnel, technological developments, intense competition, market uncertainties, dependence on distributors, ability to manage growth, dependence on key suppliers, dependence on key members of management, government regulation, acquisitions and affiliations, readers are urged to carefully review and consider various disclosures made by the Company in its Annual Report on Form 10-K and in its reports on Forms 10-Q and 8-K filed with the U.S. Securities and Exchange Commission, which can be accessed through the SEC's website, www.sec.gov. This presentation contains non GAAP financial measures, which should not be viewed in isolation and do not purport to be an alternative to net income (loss) as an indicator of operating performance or an alternative to cash flows from operating activities as a measure of liquidity. The Company assumes no obligation to and expressly disclaims any obligation to update or revise any forward-looking statements contained in this document to reflect new information or future events or developments after the date any such statement is made.



- 1Q14 constant currency revenue growth of 6.3%, with:
 - Instruments up 18.1%, cc
 - CAD/CAM up 7.6%, cc
 - Imaging up 7.0%, cc
 - Treatment Centers down 3.0%, cc
- Revenue growth was driven by the U.S. and international markets, despite a decline in Germany.
 - U.S. revenues grew 12.2%
 - Total International revenues grew 3.4% cc
 - International revenues, excluding Germany, grew 8.3% cc
 - Germany was down against a difficult comparable. In fiscal 2013, Germany grew 23.4% cc.

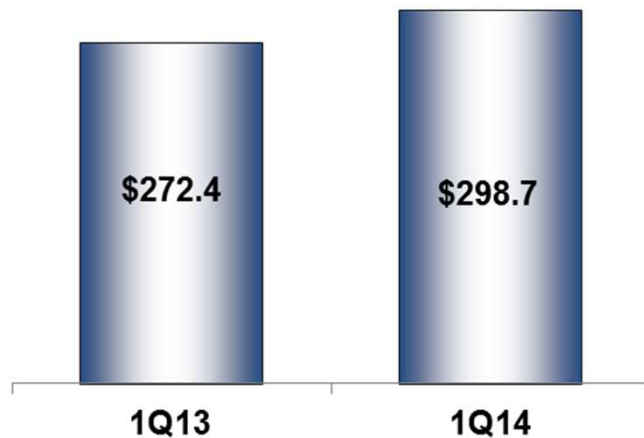
First Quarter 2014 Earnings Presentation Overview



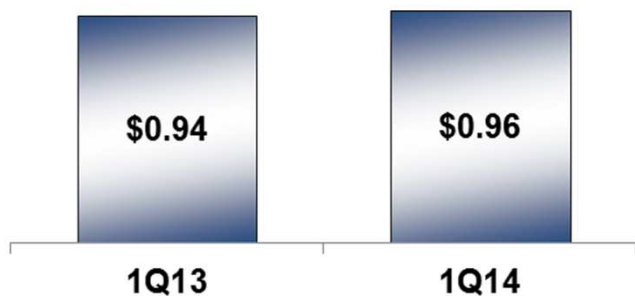
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Revenue

(US\$ in millions)



Non-GAAP adjusted EPS* (US\$)



- Record revenues of \$298.7 million, up 9.7% compared to prior year, or up 6.3% constant currency, with a record quarter in Imaging and Instruments.
- United States revenues increased 12.2%. Growth in the U.S. was driven by strength in both CAD/CAM and Imaging.
- International revenues were up 8.4%, or up 3.4% cc. International markets, excluding Germany, drove growth, up 13.4% or 8.3% cc.
- Non-GAAP adjusted EPS increased 2% to \$0.96. Non-GAAP adjusted EPS growth was impacted by negative headwinds from unfavorable developments in foreign currencies as well as a difficult comparable resulting from a \$4.4 million patent infringement settlement in last year's first quarter.

*Non-GAAP adjusted EPS is a non-GAAP financial measure that excludes certain items. Please refer to "Reconciliation of GAAP EPS to Non-GAAP adjusted EPS" and "Non-GAAP Measures Disclosure" at the end of the presentation.

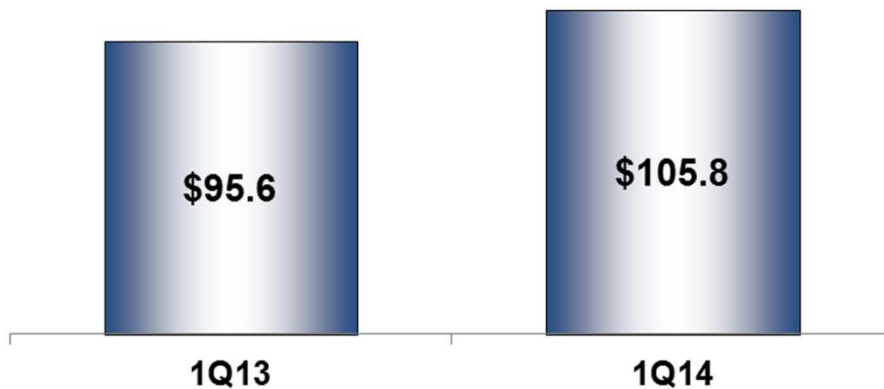
First Quarter 2014 Earnings Presentation

CAD/CAM Segment



CAD/CAM Revenue

(US\$ in millions)

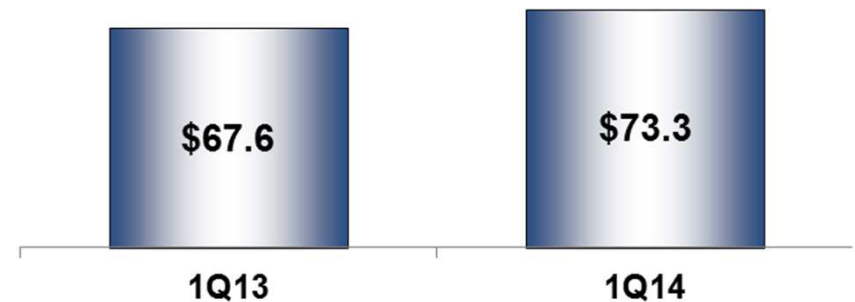


Revenue Growth

Reported	+10.7%
<u>Currency (Euro/\$)</u>	<u>- 2.9%</u>
Constant Currency	+7.6%

Segment Gross Profit

(US\$ in millions)



Segment Gross Profit Margin

1Q13	70.7%
<u>1Q14</u>	<u>69.3%</u>
Change	-140 bps

First Quarter 2014 Earnings Presentation CAD/CAM Segment



- Revenues of \$105.8 million, up 10.7%, or up 7.6% cc.
- CAD/CAM segment revenues benefited from strength across the entire portfolio. In chair side, growth was driven by both upgrades and new user sales.
- CAD/CAM segment gross profit margin decreased 140 bps to 69.3%. The gross profit margin development was impacted by product and regional mix relative to last year as well as unfavorable foreign exchange.

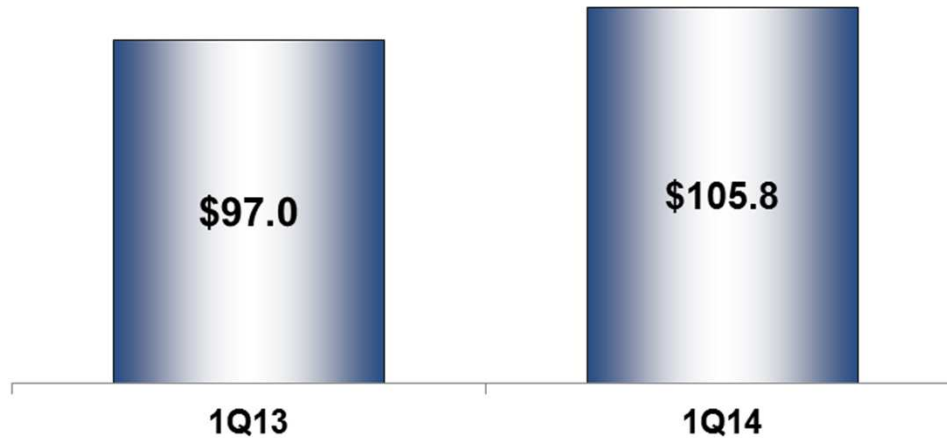


First Quarter 2014 Earnings Presentation Imaging Segment



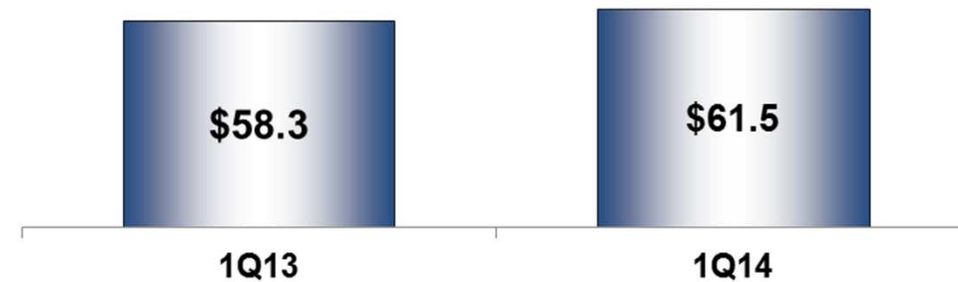
Imaging Revenue

(US\$ in millions)



Segment Gross Profit

(US\$ in millions)



Revenue Growth

Reported	+9.2%
<u>Currency (Euro/\$)</u>	<u>- 2.2%</u>
Constant Currency	+7.0%

Segment Gross Profit Margin

1Q13	60.2%
<u>1Q14</u>	<u>58.1%</u>
Change	-210 bps

First Quarter 2014 Earnings Presentation Imaging Segment

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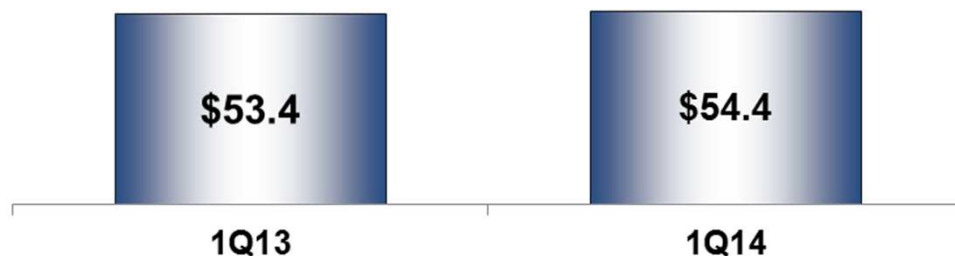
- Record segment revenues of \$105.8 million, up 9.2%, or up 7.0% cc.
- Sales growth was driven by strength in intra-oral and the Orthophos XG product line.
- Gross profit margin decreased 210 bps mostly impacted by the extra oral product mix and targeted promotions.

First Quarter 2014 Earnings Presentation Treatment Centers



Treatment Center Revenue

(US\$ in millions)



Segment Gross Profit

(US\$ in millions)



Revenue Growth

Reported	1.7%
<u>Currency (Euro/\$)</u>	<u>- 4.7%</u>
Constant currency	- 3.0%

Segment Gross Profit Margin

1Q13	39.6%
<u>1Q14</u>	<u>39.0%</u>
Change	-60 bps

First Quarter 2014 Earnings Presentation Treatment Centers



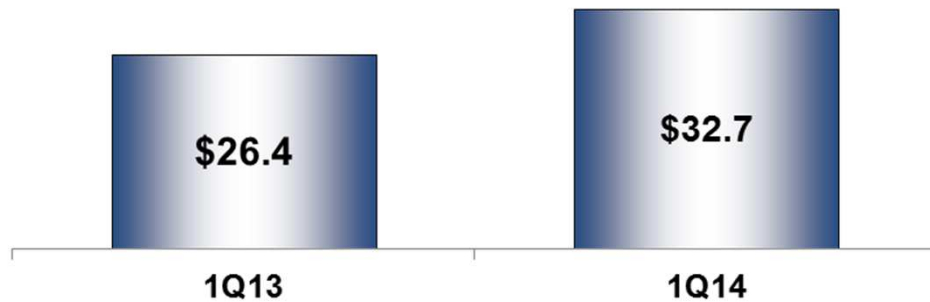
- Revenues of \$54.4 million, up 1.7%, but down 3.0% cc, due to a challenging comparable. Last year's Q1 Treatment Centers grew 8.4% cc and benefited from the start of the M1+ anniversary sale.
- International non-European markets led growth.
- Gross profit margin decreased 60 bps. The quarterly development was mostly driven by product mix and unfavorable foreign exchange.

First Quarter 2014 Earnings Presentation Instruments



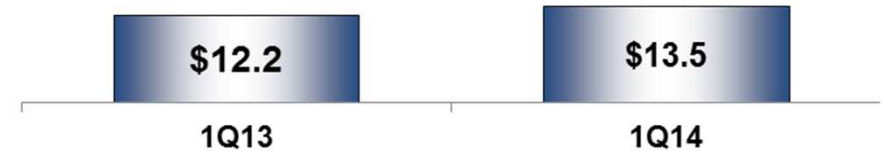
Instruments Revenue

(US\$ in millions)



Segment Gross Profit

(US\$ in millions)



Revenue Growth

Reported	+23.9%
<u>Currency (Euro/\$)</u>	<u>- 5.8%</u>
Constant Currency	+18.1%

Segment Gross Profit Margin

1Q13	46.2%
<u>1Q14</u>	<u>41.3%</u>
Change	-490 bps

First Quarter 2014 Earnings Presentation Instruments



- Record revenues of \$32.7 million, up 23.9%, or up 18.1% cc. Revenue growth was driven primarily by non-European international markets.
- Gross profit margin decrease was primarily due to the strong growth in project business and continued costs associated with the ramp up of the new manufacturing plant. Instrument margins improved sequentially as expected.



Guidance

- Constant currency revenue growth of 4% to 6%
- Non-GAAP Adjusted EPS in the range of \$3.60 to \$3.70

Key Inputs

- Overall segment gross margin to be similar to prior year's level
- SG&A to be between 29% to 30% of sales
- R&D to be between 5% to 6% of sales
- Tax rate to be between 23% to 24%

First Quarter 2014 Earnings Presentation Conclusion



- Solid business momentum continues.
 - Commitment to innovation
 - Comprehensive, market leading product portfolio
 - Global sales and service infrastructure
 - Geographic diversification
 - Best-in-class distribution network
 - Strong financial position
 - Completed leadership transition
- Sirona well positioned to grow profitably in 2014 and beyond.

First Quarter 2014 Earnings Presentation

Operating Performance



The Dental Company

	<u>1Q14</u>	<u>1Q13</u>	<i>% chg.</i>
Revenue	\$ 298,726	\$ 272,404	9.7%
Cost of sales	135,995	120,533	12.8%
Gross profit	162,731	151,871	7.2%
Selling, general and administrative expense	88,057	85,853	2.6%
Research and development	15,118	14,095	7.3%
Other operating income items (net)	(2,500)	(6,914)	
Operating income	62,056	58,837	5.5%
(Gain)/loss on foreign currency transactions, net	2,604	4,580	
(Gain)/loss on derivative instruments	(567)	(1,346)	
Interest expense, net	782	970	(19.4)%
Other expense/(income)	464	340	
Income before taxes	58,773	54,293	8.3%
Income tax provision	13,812	15,226	
Net income	44,961	39,067	15.1%
Less: Net income attrib. to noncontrolling interests	790	765	
Net income attributable to Sirona Dental Systems, Inc.	\$ 44,171	\$ 38,302	15.3%

Reconciliation of GAAP EPS to Non-GAAP Adjusted EPS

Three months ended December 31, 2013				
	Pre Tax	Tax Impact*	After Tax	Per Diluted Share
\$'000s, except per share amount				
GAAP net income attributable to Sirona Dental Systems, Inc. shareholders			\$ 44,171	\$ 0.79
Adjustments				
Amortization and depreciation expense resulting from the step-up to fair values of intangible assets related to past business combinations	\$ 9,431	\$ 2,216	7,215	
(Gain)/loss on foreign currency transactions, net	2,604	612	1,992	
(Gain)/loss on derivative instruments	(567)	(133)	(434)	
Other items:				
Compensation charge for expenses in connection with the CFO Transition	1,286	302	984	
Non-GAAP adjusted net income attributable to Sirona Dental Systems, Inc. shareholders			\$ 53,928	\$ 0.96

* tax impact calculated using estimated effective tax rate of 23.5%

Reconciliation of GAAP to Non-GAAP Adjusted EPS Guidance



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	Low End of Guidance			Per Diluted Share
	Pre-Tax	Tax Impact	After Tax	
	\$ millions, except per share amount			
GAAP net income attributable to Sirona Dental Systems, Inc. shareholders			\$ 174	\$ 3.10
Adjustments				
Amortization and depreciation expense resulting from the step-up to fair values of intangible assets related to past business combinations	\$ 36	\$ 9	\$ 27	
Other items: Compensation charge for expenses in connection with the CFO Transition	1	-	1	
Non-GAAP adjusted net income attributable to Sirona Dental Systems, Inc. shareholders			<u>\$ 202</u>	<u>\$ 3.60</u>
	High End of Guidance			
	Pre-Tax	Tax Impact	After Tax	Per Diluted Share
	\$ millions, except per share amount			
GAAP net income attributable to Sirona Dental Systems, Inc. shareholders			\$ 179	\$ 3.20
Adjustments				
Amortization and depreciation expense resulting from the step-up to fair values of intangible assets related to past business combinations	36	9	27	
Other items: Compensation charge for expenses in connection with the CFO Transition	1	-	1	
Non-GAAP adjusted net income attributable to Sirona Dental Systems, Inc. shareholders			<u>\$ 207</u>	<u>\$ 3.70</u>

Non-GAAP Measures Disclosure



To supplement our consolidated financial statements and our business outlook, we use the following non-GAAP financial measures: (i) non-GAAP adjusted net income, and (ii) non-GAAP adjusted earnings per diluted share, which exclude, as applicable, amortization and depreciation expense resulting from the step-up to fair values of intangible and tangible assets related to past business combinations, gain/loss on foreign currency transactions, gain/loss on derivative instruments and any related tax effects. Also set forth above under the heading "FORWARD-LOOKING" are reconciliations of forward-looking non-GAAP financial measures to the most directly comparable GAAP financial measures.

Management recognizes that the use of these non-GAAP measures has limitations, including the fact that they might not be comparable with similar non-GAAP measures used by other companies and that management must exercise judgment in determining which types of charges and other items should be excluded from its non-GAAP financial measures. Management currently compensates for these limitations by providing full disclosure of each non-GAAP financial measure and a reconciliation to the most directly comparable GAAP measure. The presentation of this financial information is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.

We use these non-GAAP financial measures for financial and operational decision making and as a means to evaluate period-to-period comparisons. Our management believes that these non-GAAP financial measures provide meaningful supplemental information regarding our "core operating performance". Management believes that "core operating performance" represents Sirona's operating performance in the ordinary, ongoing and customary course of its operations. Accordingly, management excludes from "core operating performance" the impact of acquisition-related intangible depreciation and amortization in order to compare our underlying financial performance to prior periods, certain charges related to currency revaluation of assets and liabilities that do not reflect our period-to-period core operating performance, and to the extent relevant in a particular period, any other cash or non-cash items that management does not view as indicative of its on-going operating performance. We believe that both management and investors benefit from referring to these non-GAAP financial measures in assessing our performance and when planning, forecasting and analyzing future periods. These non-GAAP financial measures also facilitate management's internal evaluation of period-to-period comparisons. We believe these non-GAAP financial measures are useful to investors both because (1) they allow for greater transparency with respect to key metrics used by management in its financial and operational decision making and (2) they are provided to and used by our institutional investors and the analyst community to facilitate comparisons with prior and subsequent reporting periods.

Constant Currency: We have included certain revenue information on a constant currency basis. This information is a non-GAAP financial measure. We additionally present revenue on a constant currency basis because we believe it facilitates a comparison of our operating results from period to period without regard to many changes resulting solely from fluctuations in currency rates.

Sirona calculates constant currency revenue growth by comparing current period revenues to prior period revenues with both periods converted at the U.S. Dollar/Euro average foreign exchange rate for each month of the current period. The average exchange rate for the three months ended December 31, 2013, was \$ 1.36115 and varied from \$ 1.34970 to \$ 1.36970. For the three months ended December 31, 2012, an average exchange rate converting Euro denominated revenues into U.S. Dollars of \$ 1.29708 was applied. Currently, our constant currency calculation does not adjust for fluctuations in any other currency.