

SIRONA DENTAL SYSTEMS, INC.
Form 10-Q
May 04, 2012
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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 March 31, 2012

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 charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

11-3374812
(I.R.S. Employer
Identification No.)

30-30 47th Avenue, Suite 500, Long Island City,

New York
(Address of principal executive offices)

11101
(Zip Code)

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

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

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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, 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 Act). Yes No

As of April 30, 2012, the number of shares outstanding of the Registrant's Common Stock, par value \$.01 per share, was 55,606,228.

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SIRONA DENTAL SYSTEMS, INC.

FORM 10-Q

FOR THE THREE MONTHS ENDED MARCH 31, 2012

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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	March 31, 2012 (unaudited) \$ 000s (except per share amounts)	September 30, 2011
ASSETS			
Current assets			
Cash and cash equivalents		\$ 77,790	\$ 345,859
Accounts receivable, net of allowance for doubtful accounts of \$2,044 and \$1,868, respectively		113,992	97,853
Inventories, net	5	100,568	93,028
Deferred tax assets	9	26,581	25,014
Prepaid expenses and other current assets		16,205	15,477
Income tax receivable	9	2,981	4,193
Total current assets		338,117	581,424
Property, plant and equipment, net of accumulated depreciation and amortization of \$120,907 and \$111,832, respectively		133,696	131,044
Goodwill	6	647,456	653,799
Investments		2,450	2,453
Restricted cash			655
Intangible assets, net of accumulated amortization of \$432,899 and \$412,428, respectively	6	319,236	346,442
Other non-current assets		9,550	2,884
Deferred tax assets	9	7,359	7,427
Total assets		\$ 1,457,864	\$ 1,726,128
LIABILITIES AND SHAREHOLDERS EQUITY			
Current liabilities			
Trade accounts payable		\$ 42,985	\$ 48,697
Short-term debt and current portion of long-term debt	7	2,562	368,403
Income taxes payable	9	13,006	6,811
Deferred tax liabilities	9	766	1,108
Accrued liabilities and deferred income		95,713	110,207
Total current liabilities		155,032	535,226
Long-term debt	8	75,000	
Deferred tax liabilities	9	130,868	138,327
Other non-current liabilities		18,062	16,978

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

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Pension related provisions	12	49,126	49,677
Deferred income		45,000	50,000
Total liabilities		473,088	790,208
Shareholders equity			
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; 56,454,256 shares issued and 55,606,089 shares outstanding at Mar. 31, 2012;			
56,292,420 shares issued and 55,815,323 shares outstanding at Sept. 30, 2011		565	563
Additional paid-in capital		690,818	685,617
Treasury stock (at cost)			
848,167 shares held at cost at Mar. 31, 2012;			
477,097 shares held at cost at Sept. 30, 2011		(36,528)	(19,749)
Excess of purchase price over predecessor basis		(49,103)	(49,103)
Retained earnings		372,437	303,639
Accumulated other comprehensive income	4	3,211	11,309
Total Sirona Dental Systems, Inc. shareholders equity		981,400	932,276
Noncontrolling interests		3,376	3,644
Total shareholders equity		984,776	935,920
Total liabilities and shareholders equity		\$ 1,457,864	\$ 1,726,128

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 March 31,		Six months ended March 31,	
		2012 \$ 000s (except per share amounts)	2011 \$ 000s (except per share amounts)	2012 \$ 000s (except per share amounts)	2011 \$ 000s (except per share amounts)
Revenue		\$ 231,864	\$ 214,737	\$ 489,980	\$ 450,383
Cost of sales		107,215	99,048	226,548	204,280
Gross profit		124,649	115,689	263,432	246,103
Selling, general and administrative expense		72,667	70,581	146,313	133,904
Research and development		13,638	14,145	26,924	27,655
Provision for doubtful accounts and notes receivable		728	(47)	767	21
Net other operating income		(2,500)	(2,500)	(5,000)	(5,000)
Operating income		40,116	33,510	94,428	89,523
Loss/(gain) on foreign currency transactions, net		1,350	(4,336)	3,580	(5,097)
(Gain)/loss on derivative instruments	13	(2,936)	(1,554)	(2,500)	81
Interest expense, net		1,014	929	1,917	1,879
Other expense/(income)		228	343	490	(523)
Income before taxes		40,460	38,128	90,941	93,183
Income tax provision	9	9,305	8,388	20,916	20,500
Net income		31,155	29,740	70,025	72,683
Less: Net income attributable to noncontrolling interests		634	428	1,227	979
Net income attributable to Sirona Dental Systems, Inc.		\$ 30,521	\$ 29,312	\$ 68,798	\$ 71,704
Income per share (attributable to Sirona Dental Systems, Inc. common shareholders):	10				
- Basic		\$ 0.55	\$ 0.53	\$ 1.23	\$ 1.29
- Diluted		\$ 0.54	\$ 0.51	\$ 1.21	\$ 1.26
Weighted average shares - basic		55,683,043	55,529,619	55,804,656	55,432,272
Weighted average shares - diluted		56,916,390	57,221,163	57,025,942	57,056,605

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

AND COMPREHENSIVE INCOME

(UNAUDITED)

	Common share capital	Number of common shares issued and outstanding	Sirona Dental Systems, Inc. Shareholders				Accumulated other comprehensive income/(loss)	Total Sirona Dental Systems, Inc. Shareholders	Noncontrolling Interests	Total
			Additional paid-in capital	Treasury Stock	Excess of purchase price over predecessor basis	Retained earnings				
Balances as of September 30, 2010	\$ 553	55,305,581	\$ 652,698	\$ (284)	(49,103)	\$ 181,846	\$ 19,701	\$ 805,411	\$ 2,222	\$ 807,633
Issuance of common stock upon exercise of options	5	435,500	4,709					4,714		4,714
Stock compensation			4,479					4,479		4,479
Tax benefit of stock options exercised			3,419					3,419		3,419
Purchase of shares from noncontrolling interest									(487)	(487)
Comprehensive income:										
Net income						71,704		71,704	979	72,683
Cumulative translation adjustment							28,150	28,150	142	28,292
Unrecognized elements of pension cost, net of tax							(201)	(201)		(201)
Total comprehensive income						71,704	27,949	99,653	1,121	100,774
Balances as of March 31, 2011	\$ 558	55,741,081	\$ 665,305	\$ (284)	(49,103)	\$ 253,550	\$ 47,650	\$ 917,676	\$ 2,856	\$ 920,532
Balances as of September 30, 2011	\$ 563	55,815,323	\$ 685,617	\$ (19,749)	(49,103)	\$ 303,639	\$ 11,309	\$ 932,276	\$ 3,644	\$ 935,920
	2	161,836	1,664					1,666		1,666

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Issuance of common stock upon exercise of options and net effect of vesting of RSUs/PSUs										
Purchase of treasury stock (at cost)	(371,070)		(16,779)			(16,779)				(16,779)
Stock compensation		4,290				4,290				4,290
Tax benefit of stock options exercised		(753)				(753)				(753)
Dividend distribution to noncontrolling interest									(1,689)	(1,689)
Comprehensive income:										
Net income				68,798		68,798		1,227		70,025
Cumulative translation adjustment					(7,599)	(7,599)		194		(7,405)
Unrecognized elements of pension cost, net of tax					171	171				171
Net loss on derivative financial instruments (hedging)					(670)	(670)				(670)
Total comprehensive income				68,798	(8,098)	60,700		1,421		62,121
Balances as of March 31, 2012	\$ 565	55,606,089	\$ 690,818	\$ (36,528)	(49,103)	\$ 372,437	\$ 3,211	\$ 981,400	\$ 3,376	\$ 984,776

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)

	Six months ended March 31,	
	2012	2011
	\$ 000s	
Cash flows from operating activities		
Net income	\$ 70,025	\$ 72,683
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	38,460	38,957
(Gain)/loss on derivative instruments	(2,500)	81
Loss/(gain) on foreign currency transactions	3,580	(5,097)
Deferred income taxes	(8,147)	(7,250)
Amortization of debt issuance cost	351	597
Share-based compensation expense	4,290	4,479
Changes in assets and liabilities		
Accounts receivable	(18,606)	(27,467)
Inventories	(8,262)	(13,280)
Prepaid expenses and other current assets	(6)	9,803
Restricted cash	646	20
Other non-current assets	(234)	(735)
Trade accounts payable	(5,431)	3,957
Accrued liabilities and deferred income	(16,932)	(20,663)
Other non-current liabilities	522	234
Income taxes receivable	1,208	(1,410)
Income taxes payable	6,140	(292)
Net cash provided by operating activities	65,104	54,617
Cash flows from investing activities		
Investment in property, plant and equipment	(18,208)	(23,618)
Proceeds from sale of property, plant and equipment		1
Prepayments for other assets	(4,612)	
Purchase of intangible assets	(72)	(163)
Purchase of long-term investments		(44)
Net cash used in investing activities	(22,892)	(23,824)

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)

	Six months ended March 31,	
	2012	2011
	\$ 000s	
Cash flows from financing activities		
Repayments of short-term and long-term debt	(433,093)	
Proceeds from borrowings	141,783	
Purchase of treasury stock	(16,779)	
Debt issuance cost	(2,765)	
Dividend distributions to noncontrolling interest	(1,689)	(487)
Common shares issued under share based compensation plans	1,664	4,709
Tax effect of common shares issued under share based compensation plans	(1,067)	4,135
Net cash (used in)/provided by financing activities	(311,946)	8,357
Change in cash and cash equivalents	(269,734)	39,150
Effect of exchange rate change on cash and cash equivalents	1,665	9,219
Cash and cash equivalents at beginning of period	345,859	251,767
Cash and cash equivalents at end of period	\$ 77,790	\$ 300,136
Supplemental information		
Interest paid	\$ 1,215	\$ 2,050
Interest capitalized	192	277
Income taxes paid	22,794	24,798

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. 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, 2011.

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 March 31, 2012, and the results of operations and cash flows for the six months ended March 31, 2012 and 2011, respectively, as applicable to interim periods have been made. The results of operations for the six months ended March 31, 2012 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
Not Yet Adopted**

In June 2011, the FASB issued ASU 2011-05, *Presentation of Comprehensive Income*, which 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. ASU 2011-05 is effective for public entities for fiscal years, and interim periods within those years, beginning after December 15, 2011, which corresponds to the Company's fiscal year beginning October 1, 2012, with early adoption permitted. The Company will be required to change its presentation of comprehensive income but has not yet decided which method it will apply.

In September 2011, the FASB issued ASU 2011-08, *Intangibles - Goodwill and Other (Topic 350): Testing Goodwill for Impairment*, which simplifies how entities test goodwill for impairment. An entity is now granted the option to first assess qualitative factors to determine whether events or circumstances exist leading to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount without having to immediately perform a two-step impairment test. If an entity determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying value, the two-step impairment test becomes unnecessary. Otherwise, the two-step impairment test would apply. The option is also granted to skip the qualitative assessment and proceed directly with the regular two-step test. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, which corresponds to the Company's fiscal year beginning October 1, 2012, with early adoption permitted. Early adoption is also permitted for annual and interim impairment tests performed as of a date before September 15, 2011, if any entity's financial statements for the most recent annual or interim period have not yet been issued. The Company decided against early adoption for the fiscal year ending September 30, 2011, since the goodwill impairment testing was substantially completed prior to this date. The Company is evaluating the potential impact of future adoption.

3. 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, RSU, and PSU. 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 and PSU, the Company generally issues new shares from its authorized but unissued share pool. As of March 31, 2012, 1,047,482 shares were available for future grant under the 2006 Plan.

Restricted and Performance-Based Stock Units

In the six months ended March 31, 2012, the Company granted 184,200 RSU on November 22, 2011, with a value of \$40.03, the closing price at the date of the grant.

RSU and PSU generally vest in annual tranches over a period of three to four years. The PSU 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 and PSU 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.

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

(UNAUDITED)

Stock Options

In the six months ended March 31, 2012, the Company granted 209,375 stock options on November 22, 2011, under the 2006 Plan with a weighted average exercise price of \$40.03 and weighted average fair value of \$14.15 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.

	Six months ended March 31, 2012
Expected Volatility	39.17%
Risk-free rate	0.91%
Expected term	5 years
Expected dividends	

Compensation Costs

The following table summarizes compensation expense charged to income for stock-based compensation and additional information for the three and six months ended March 31, 2012:

Compensation Expense	Three months ended March 31,		Six months ended March 31,	
	2012	2011	2012	2011
	\$ 000s		\$ 000s	
Cost of sales	\$ 26	\$ 37	\$ 58	\$ 73
Selling, general and administrative	2,143	2,492	4,163	4,314
Research and development	28	39	69	92
	\$ 2,197	\$ 2,568	\$ 4,290	\$ 4,479

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(UNAUDITED)

	Three months ended March 31, 2012	Six months ended March 31, 2012
	\$ 000s (except where noted)	\$ 000s (except where noted)
Additional Information		
Tax Information		
Income tax benefit recognized for share-based compensation	\$ (631)	\$ (1,233)
Tax benefit realized from option exercises	\$ (1,188)	\$ (1,963)
Future Costs		
Total compensation cost to be recognized in future periods related to outstanding non-vested share-based compensation awards		\$ 20,319
Weighted-average period expected for recognition of cost (<i>in years</i>)		2.9

Restricted and Performance-Based Stock Unit Activity

The following is a summary of Sirona's RSU and PSU activity for the six months ended March 31, 2012:

	Six months ended March 31, 2012			
	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	462,465	\$ 36.99	12,800	\$ 36.78
Reclass	(200)	36.78	200	36.78
Granted	184,200	40.04		
Vested	(61,148)	34.45		
Forfeited	(14,933)	43.21		
Outstanding at end of period	570,384	38.06	13,000	36.78

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(UNAUDITED)

Stock Option Activity

The following is a summary of Sirona's stock option activity for the six months ended March 31, 2012:

	Six months ended March 31, 2012	
	Number of options	Weighted average exercise price
Outstanding at beginning of period	2,207,312	\$ 15.05
Granted	209,375	40.03
Exercised	(125,401)	13.28
Forfeited	(17,314)	21.36
 Outstanding at end of period	 2,273,972	 17.39
 <i>thereof vested and exercisable</i>	 <i>1,717,428</i>	
		\$ 000s
Intrinsic value of options exercised		\$ 4,240
Total fair value of options vested		\$ 1,383
Aggregate intrinsic value of exercisable stock options		\$ 61,610
Weighted average remaining contractual life (<i>in years</i>)		4.7

4. Accumulated Other Comprehensive Income

	For the three months ended March 31, 2012			
	Cumulative translation adjustments	Unrecognized elements of pension cost	Net (loss)/gain from hedging instruments	Total
			\$ 000s	
Balance at beginning of period	\$ (14,234)	\$ (4,448)	\$ (439)	\$ (19,121)
Current increase / (decrease)	22,642	(109)		22,533
Income tax (expense) / benefit		30		30
Changes in fair value of derivatives			(231)	(231)
 Balance at end of period	 \$ 8,408	 \$ (4,527)	 \$ (670)	 \$ 3,211

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

(UNAUDITED)

	For the three months ended March 31, 2011			Total
	Cumulative translation adjustments	Unrecognized elements of pension cost	Net (loss)/gain from hedging instruments	
	\$ 000s			
Balance at beginning of period	\$ 9,962	\$ (2,192)	\$	\$ 7,770
Current increase / (decrease)	39,984	(143)		39,841
Income tax (expense) / benefit		39		39
Balance at end of period	\$ 49,946	\$ (2,296)	\$	\$ 47,650

	For the six months ended March 31, 2012			Total
	Cumulative translation adjustments	Unrecognized elements of pension cost	Net (loss)/gain from hedging instruments	
	\$ 000s			
Balance at beginning of period	\$ 16,007	\$ (4,698)	\$	\$ 11,309
Current increase / (decrease)	(7,599)	236		(7,363)
Income tax (expense) / benefit		(65)		(65)
Changes in fair value of derivatives			(670)	(670)
Balance at end of period	\$ 8,408	\$ (4,527)	\$ (670)	\$ 3,211

	For the six months ended March 31, 2011			Total
	Cumulative translation adjustments	Unrecognized elements of pension cost	Net (loss)/gain from hedging instruments	
	\$ 000s			
Balance at beginning of period	\$ 21,965	\$ (2,264)	\$	\$ 19,701
Current increase / (decrease)	27,981	(44)		27,937
Income tax (expense) / benefit		12		12
Balance at end of period	\$ 49,946	\$ (2,296)	\$	\$ 47,650

5. Inventories, net

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	March 31, 2012	September 30, 2011
	\$ 000s	
Finished goods	\$ 64,212	\$ 59,929
Work in progress	15,551	15,761
Raw materials	36,349	32,918
	116,112	108,608
Inventory reserve	(15,544)	(15,580)
	\$ 100,568	\$ 93,028

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SIRONA DENTAL SYSTEMS, INC AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

6. Intangible Assets and Goodwill

	Gross	Accumulated amortization \$ 000s	Net
As of March 31, 2012			
Patents & Licenses	\$ 138,530	\$ 79,749	\$ 58,781
Trademarks	129,433	578	128,855
Technologies and dealer relationships	443,831	352,572	91,259
In-process research & development	40,341		40,341
	752,135		