

Registered number: 10704647

CARESTREAM DENTAL TECHNOLOGY HOLDINGS 1 LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019



CARESTREAM DENTAL TECHNOLOGY HOLDINGS 1 LIMITED

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CARESTREAM DENTAL TECHNOLOGY HOLDINGS 1 LIMITED

COMPANY INFORMATION

Directors	J L Guinn A Kinson D L Strum
Company secretary	D L Strum Corporation Service Company (UK) Limited
Registered number	10704647
Registered office	25 Canada Square Level 37 London E14 5LQ
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place Charing Cross London WC2N 6RH

CARESTREAM DENTAL TECHNOLOGY HOLDINGS 1 LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the Strategic Report of Carestream Dental Technology Holdings 1 Limited (the "Company") for the year ended 31 December 2019.

Business review

The profit for the financial year amounted to \$4,526,000 (2018: \$4,520,000). The Company had net assets of \$328,299,000 as at 31 December 2019 (2018: \$323,233,000).

The profit is attributable to interest income on intercompany loans.

Principal risks and uncertainties

The Company is an intermediate holding company. The underlying business that the Company has investments in relate to the management of the business and the execution of the Company's strategy. The key business risks affecting the Company are considered to relate to the dental industry environment and competition. As the Company's subsidiary undertakings sell in a variety of markets, the risk associated with industry environment would be mitigated. To manage the risk associated with the competition, the Company and its subsidiary undertakings continue to invest intensively in research and development.

The dental industry as whole is growing globally with some more mature markets like the U.S and some developing markets like Asia.

Financial key performance indicators

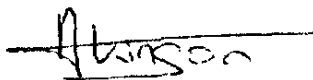
Given the fact that the Company is an intermediate holding company there are no direct financial key performance indicators that are being monitored. However, given the nature of the business that the Company has investments in, the Company's directors are of the opinion that the analysis of the key performance indicators ("KPIs") of turnover and operating profit in these businesses is adequate to understand the performance and development of the business.

The global pandemic has had an impact on the Company's subsidiary undertakings as explained in note 16 to the financial statements.

Section 172 statement

As an intermediary holding company the impact of any decisions made by the directors is considered minimal on the environment and on the wider stakeholders.

This report was approved by the board and signed on its behalf by:



A Kinson
Director

Date: 3 July 2020

CARESTREAM DENTAL TECHNOLOGY HOLDINGS 1 LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and the audited financial statements of Carestream Dental Technology Holdings 1 Limited (the "Company") for the year ended 31 December 2019.

Principal activities

The principal activity of the Company is that of an intermediate holding company.

The principal activities of the underlying business that the Company has investments in are in the development, manufacturing, sale and support of dental imaging equipment products. Their strategy is to grow market share of imaging products by offering a full range of products and services and excellent customer service.

Results and dividends

The profit for the financial year amounted to \$4,526,000 (2018: \$4,520,000).

The directors do not recommend the payment of a dividend (2018: \$Nil).

Directors

The directors who served during the year and up to the date of signing the financial statements were:

J L Guinn
A Kinson
D L Strum

Qualifying third party indemnity provisions

The Company has granted an indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in force throughout the year and remains in force as at the date of approving the Directors' report.

Future developments

The Company will continue to maintain its investments in a business that is focused on growth and innovation. There is no additional significant investment planned for the Company in the near future.

Covid-19 has not affected the Company itself, however the effect on the Company's subsidiary undertakings is detailed in note 16 of the financial statements.

CARESTREAM DENTAL TECHNOLOGY HOLDINGS 1 LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Financial risk management

The Company's activities expose it to a variety of financial risks: liquidity risk, market and capital risk.

Risk management is carried out by the Company under policies approved by the Board of Directors. The Company identifies and evaluates financial risks in close co-operation with the operations teams. The Board provides principles for overall risk management such as interest rate risk, credit risk and investment of excess liquidity.

Liquidity risk

Cash flow forecasting is performed in the operating subsidiaries of the Company. The Company monitors rolling forecasts of the liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Company's debt financing plans and compliance with internal Statement of Financial Position ratio targets.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign exchange risk and other price risk. The Company is not exposed to other price risk such as commodity price risk or to cash flow interest rate risk as all its borrowings are fixed rate borrowings. The Company is also not exposed to foreign exchange risk as all the borrowings are denominated in USD.

Capital risk

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

CARESTREAM DENTAL TECHNOLOGY HOLDINGS 1 LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law. Under company law the directors must note approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Subsequent events

Refer to note 16 of the financial statements for details of subsequent events.

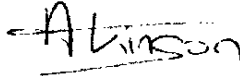
Independent auditors

Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

CARESTREAM DENTAL TECHNOLOGY HOLDINGS 1 LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

This report was approved by the board and signed on its behalf by:

A handwritten signature in black ink that reads "A Kinson". The signature is written in a cursive style with a horizontal line underneath the name.

A Kinson
Director

Date: 3 July 2020

CARESTREAM DENTAL TECHNOLOGY HOLDINGS 1 LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CARESTREAM DENTAL TECHNOLOGY HOLDINGS 1 LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Carestream Dental Technology Holdings 1 Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements, which comprise: the Statement of Financial Position as at 31 December 2019; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

CARESTREAM DENTAL TECHNOLOGY HOLDINGS 1 LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CARESTREAM DENTAL TECHNOLOGY HOLDINGS 1 LIMITED (CONTINUED)

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine 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, the directors are 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 unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 (UK) will always detect a material misstatement when it exists. Misstatements can 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 taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

CARESTREAM DENTAL TECHNOLOGY HOLDINGS 1 LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CARESTREAM DENTAL TECHNOLOGY HOLDINGS 1 LIMITED (CONTINUED)

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Fong Johnson

Fong Choo Johnson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
3 July 2020

CARESTREAM DENTAL TECHNOLOGY HOLDINGS 1 LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 \$000	2018 \$000
Interest receivable and similar income	6	4,526	4,520
Profit before taxation		<u>4,526</u>	<u>4,520</u>
Tax on profit	7	-	-
Profit for the financial year		<u>4,526</u>	<u>4,520</u>
 Total comprehensive income for the financial year		<u>4,526</u>	<u>4,520</u>

The notes on pages 13 to 25 form part of these financial statements.

CARESTREAM DENTAL TECHNOLOGY HOLDINGS 1 LIMITED
REGISTERED NUMBER: 10704647

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 \$000	2018 \$000
Fixed assets			
Investments	8	182,246	181,706
Current assets			
Debtors: amounts falling due after more than one year	9	137,374	136,554
Debtors: amounts falling due within one year	9	13,974	9,828
Creditors: amounts falling due within one year	10	(5,295)	(4,855)
Net current assets		146,053	141,527
Total assets less current liabilities		328,299	323,233
Capital and reserves			
Called up share capital	12	-	-
Capital contribution reserve	13	317,742	317,202
Profit and loss account	13	10,557	6,031
Total shareholders' funds		328,299	323,233

The financial statements on pages 10 to 25 were approved and authorised for issue by the board and were signed on its behalf by:



A Kinson
Director

Date: 3 July 2020

The notes on pages 13 to 25 form part of these financial statements.

CARESTREAM DENTAL TECHNOLOGY HOLDINGS 1 LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital \$000	Capital contribution reserve \$000	Profit and loss account \$000	Total shareholders' funds \$000
At 1 January 2018	-	312,447	1,511	313,958
Comprehensive income for the financial year				
Profit for the financial year	-	-	4,520	4,520
Total comprehensive income for the financial year	-	-	4,520	4,520
Contributions by and distributions to owners				
Capital contributions from parent company	-	4,755	-	4,755
Total transactions with owners	-	4,755	-	4,755
At 31 December 2018 and 1 January 2019	-	317,202	6,031	323,233
Comprehensive income for the financial year				
Profit for the financial year	-	-	4,526	4,526
Total comprehensive income for the financial year	-	-	4,526	4,526
Contributions by and distributions to owners				
Capital contributions from parent company	-	540	-	540
Total transactions with owners	-	540	-	540
At 31 December 2019	-	317,742	10,557	328,299

The notes on pages 13 to 25 form part of these financial statements.

CARESTREAM DENTAL TECHNOLOGY HOLDINGS 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. General information

Carestream Dental Technology Holdings 1 Limited (the "Company") is a private company limited by shares and is incorporated and domiciled in England. The Company's registered office is 25 Canada Square Level 37, London, E14 5LQ.

The principal activity of the Company is that of an intermediate holding company.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared on going concern basis, under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006 as applicable to companies using FRS 101.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

IFRS 16, Leases, became effective from 1 January 2019 and the adoption of the standard did not have an impact on the results or position of the Company for either the current or prior year.

The following principal accounting policies have been applied consistently throughout the year:

2.2 Going concern

The Company meets its day-to-day working capital requirements through its cash reserves and borrowings. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

2.3 Financial reporting standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

CARESTREAM DENTAL TECHNOLOGY HOLDINGS 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.4 Consolidation

The Company is a wholly-owned subsidiary of Carestream Dental Alpha Limited and is included in the consolidated financial statements of Carestream Dental Alpha Limited which can be obtained from 25 Canada Square Level 37, London, United Kingdom, E14 5LQ. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of Section 400 of the Companies Act 2006.

2.5 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is USD.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each year end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

2.6 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.7 Current tax

Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

2.8 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

CARESTREAM DENTAL TECHNOLOGY HOLDINGS 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.9 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.10 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.11 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The Company classifies all of its financial assets as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

Financial liabilities

The Company classifies its financial liabilities into one of the categories discussed below, depending on the purpose for which the liability was acquired.

At amortised cost

Financial liabilities at amortised cost including borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Statement of Financial Position.

CARESTREAM DENTAL TECHNOLOGY HOLDINGS 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting year:

(a) Fair value of intercompany balance

The intercompany balance detailed in note 9 has been recognised at fair value and are then held at amortised cost until maturity. The cash paid has been discounted at an estimated market rate to reflect the likely return had these monies been provided on an open market.

(b) Recoverability of an asset

The investments detailed in note 8 are recorded at cost and are reviewed annually for any impairment triggers which does require judgement about the recoverability of such asset.

4. Auditors' remuneration

	2019 \$000	2018 \$000
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	17	15
Fees payable to the Company's auditors in respect of:		
All other services	3	3

5. Employees and directors

The average monthly number of employees, including the directors, during the year was as follows:

	2019 Number	2018 Number
Directors	3	2

The directors are not employed by the Company and because the value of their services cannot be accurately estimated there are no costs recognised within this entity.

Disclosure of the emoluments of the directors of the Company (paid by other companies in the Group) is set out on the following page.

CARESTREAM DENTAL TECHNOLOGY HOLDINGS 1 LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****5. Employees and directors (continued)**

	2019	2018
	\$000	\$000
Directors' emoluments	385	102
Defined pension contributions	12	8
	377	110

The remuneration of J L Guinn is paid by Carestream Dental Technology Topco Limited, a subsidiary incorporated in the U.K, and recharged to Carestream Dental LLC, a subsidiary incorporated in Georgia USA. J L Guinn provides services to the Company and to a number of subsidiaries in the group. Her remuneration is deemed to be attributable to her services provided to the Company and its subsidiaries and accordingly, the above details include her remuneration.

The remuneration of A Kinson is paid by Carestream Dental Technology Topco Limited, a subsidiary incorporated in the UK. A Kinson provides services to the Company and to a number of subsidiaries in the group and accordingly, the above details include her remuneration.

The remuneration of D L Strum is paid by CD&R Cobra Holdings, L.P., a parent entity incorporated in the Cayman Islands. Costs have not been recharged to the Company and the value of his services are deemed to be \$Nil (2018: \$Nil). Accordingly, the above details do not include his remuneration.

Highest paid director

	2019	2018
	\$000	\$000
The highest paid director's emoluments were as follows:		
Directors' remuneration	255	74
Defined pension contribution	3	6
	258	80

6. Interest receivable and similar income

	2019	2018
	\$000	\$000
Interest receivable from group companies	4,526	4,520

CARESTREAM DENTAL TECHNOLOGY HOLDINGS 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

7. Tax on profit

	2019 \$000	2018 \$000
Corporation tax		
Current tax on profits for the financial year	-	-
Total tax charge for the financial year	<u>-</u>	<u>-</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018: lower than) the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%). The differences are explained below:

	2019 \$000	2018 \$000
Profit before taxation	<u>4,526</u>	<u>4,520</u>
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	860	859
Effects of:		
Group relief for nil consideration	(860)	(859)
Total tax charge for the financial year	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

Changes to the UK Corporation tax rates were substantively enacted on 7 September 2016 to reduce the main rate of Corporation tax to 17% from 1 April 2020. Subsequent to the Balance Sheet date, a further change was substantively enacted on 17 March 2020 to maintain the rate at 19%.

CARESTREAM DENTAL TECHNOLOGY HOLDINGS 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

8. Investments

	Investments in subsidiary companies \$000
Cost and net book value	
At 1 January 2019	181,706
Additions	540
At 31 December 2019	<u>182,246</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Carestream Dental Technology Holdings 2 Limited*	25 Canada Square Level 37, London, United Kingdom, E14 5LQ	Holding company	Ordinary	100%
Carestream Dental Technology Parent Limited**	25 Canada Square Level 37, London, United Kingdom, E14 5LQ	Holding company	Ordinary	100%
Carestream Dental Technology Topco Limited**	25 Canada Square Level 37, London, United Kingdom, E14 5LQ	Distribute dental imaging equipment	Ordinary	100%
Carestream Dental Limited**	25 Canada Square Level 37, London, United Kingdom, E14 5LQ	Development and sale of practice management software and dental imaging equipment	Ordinary	100%
Carestream Dental Equipment Holdings, Inc.**	Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware, 19801	Holding company	Ordinary	100%
Carestream Dental Equipment, Inc.**	Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware, 19801	Holding company	Ordinary	100%
Carestream Dental Equipment, LLC**	Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware, 19801	Holding company	Ordinary	100%

CARESTREAM DENTAL TECHNOLOGY HOLDINGS 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

8. Investments (continued)

Subsidiary undertakings (continued)

Name	Registered office	Principal activity	Class of shares	Holding
Carestream Dental DPMS Holdings, Inc.**	Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware, 19801	Holding company	Ordinary	100%
PracticeWorks, Inc.**	9 E. Loockerman Street Suite 311, Dover, DE 19901	Holding company	Ordinary	100%
SoftDent LLC**	9 E. Loockerman Street Suite 311, Dover, DE 19901	Holding company	Ordinary	100%
CADI Acquisition Corporation**	36 South 18th Avenue, Suite D, Brighton, CO 80601	Holding company	Ordinary	100%
Carestream Dental LLC**	900 Old Roswell Lakes Pkwy Suite 310, Roswell GA 30076	Development and sale of practice management software and dental imaging equipment	Ordinary	100%
PracticeWorks Canada Ltd**	Blake, Cassells & Graddon LLP, 595 Burrard St. Suite 2800 PO Box 49314, Vancouver, BC V7X1L3 Canada	Holding company	Ordinary	100%
PracticeWorks Australia Pty Limited**	Thomson Geer, Level 25, 1 O'Connell St, Sydney NSW 2000	Holding company	Ordinary	100%
Carestream Dental Pty Limited**	Suite 403, Level 4, 18-20 Orion Road Lane Cove NSW 2066 - Sydney (TSA)	Development and sale of practice management software	Ordinary	100%
Carestream Dental Italy S.r.l.**	Via Mario Idiojmi 3/3, Assago 20090 (MI)	Distribute dental imaging equipment	Ordinary	100%
Carestream Dental Brasil Participacoes Ltda**	Rua Pequetita, 215, 3rd floor, suite 31, room RIS, Edificio Atrium VII, Vila Olimpia, Zip Code 04552060. Sao Paulo. Brazil	Holding company	Ordinary	99%

CARESTREAM DENTAL TECHNOLOGY HOLDINGS 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

8. Investments (continued)

Subsidiary undertakings (continued)

Name	Registered office	Principal activity	Class of shares	Holding
Carestream Dental de Mexico Servicios, S. de R.L. de C.V.**	Privada de Constituyentes # 1056, Letra B. Colonia Lomas Altas, Delegacion Miguel Hidalgo C.P. 11950, Ciudad de Mexico	Distribute dental imaging equipment	Ordinary	90%
Carestream Dental Canada, Inc.**	79 Wellington Street West, 30th Floor, TD South Tower, Toronto, Ontario, M5K 1N2	Distribute dental imaging equipment	Ordinary	100%
Carestream Dental Australia Pty Limited**	Suite 403, Level 4, 18-20 Orion Road Lane Cove NSW 2066 - Sydney (TSA)	Distribute dental imaging equipment	Ordinary	100%
Carestream Dental Korea YCH**	#511, 139, Yeoksam-ro, Gangnam-gu, Seoul, Republic of Korea 06244	Distribute dental imaging equipment	Ordinary	100%
Carestream Dental SRL**	Splaiul Unirii no. 223, 3rd floor, 3rd district, postal code 030136, Romania, Bucharest	Group services	Ordinary	95%
Carestream Dental Germany GmbH**	Carestream Dental Germany GmbH, Hedelfinger Str. 60 70327 Stuttgart, Germany	Distribute dental imaging equipment	Ordinary	100%
Carestream Dental de Mexico Comercio, S. de R.L. de C.V.**	Privada de Constituyentes # 1056, Letra B. Colonia Lomas Altas, Delegacion Miguel Hidalgo C.P. 11950, Ciudad de Mexico	Holding company	Ordinary	90%
Carestream Dental India Private Limited**	Unit No. F-1601 & F-1602, Lotus Corporate Park, Off Western Express Highway, Goregaon (East), Mumbai-400063, Maharashtra, India.	Distribute dental imaging equipment	Ordinary	99.7%

CARESTREAM DENTAL TECHNOLOGY HOLDINGS 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

8. Investments (continued)

Subsidiary undertakings (continued)

Name	Registered office	Principal activity	Class of shares	Holding
Carestream Dental France SAS**	8 rue Francois Villon, 75015 Paris, France	Development and sale of practice management software and dental imaging equipment	Ordinary	100%
Carestream Dental Sweden AB**	Carestream Dental AB, Ostra Jamvagsgatan 27 plan 6 111 20 Stockholm Sweden	Holding company	Ordinary	100%
Carestream Dental Singapore Pte. Ltd**	One Marina Boulevard #28-00 Singapore 018989	Distribute dental imaging equipment	Ordinary	100%
Carestream Dental Spain, S.L.U.**	Lexington Center, Paseo de la Castellana, 79- Plantas 6 y 7 Madrid 28046	Distribute dental imaging equipment	Ordinary	100%
Carestream Dental Technology (Shanghai) Co.**	27 Xin Jin Qiao Road, Jin Qiao Research Park, Pudong, Bld 10	Distribute dental imaging equipment	Ordinary	100%
Carestream Dental Middle East Limited**	C/o Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands	Distribute dental imaging equipment	Ordinary	100%
Trophy SAS**	4, rue Fernand Pelloutier 77437 Croissy-Beaubourg 77435 Marne la Vallee Cedex 2, France	Development and manufacturing of dental imaging equipment	Ordinary	100%
Carestream Dental AB**	Carestream Dental AB, Ostra Jamvagsgatan 27 plan 6 111 20 Stockholm Sweden	Development and sale of practice management software	Ordinary	100%
Carestream Dental Equipment Trading Middle East LLC**	Business Bay, Aspect Tower, Floor # 13, Office Number 1302, Dubai UAE	Group services	Ordinary	49%
Trophy Radiologie Japan Inc.**	11-17 Fuyuki, Koto-ku, Tokyo 135-0041	Distribute dental imaging equipment	Ordinary	100%

CARESTREAM DENTAL TECHNOLOGY HOLDINGS 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

8. Investments (continued)

Subsidiary undertakings (continued)

Name	Registered office	Principal activity	Class of shares	Holding
Carestream Dental Brasil EIRELI**	Rua Pequeta, 215, 3rd floor, suite 31, room RIS, Edificio Atrium VII, Vila Olimpia, Zip Code 04552060. Sao Paulo. Brazil	Distributing dental imaging equipment	Ordinary	99%
Swissmeda AG**	Obermuhle 8, 6340 baar, Zug, Switzerland	Software provider	Ordinary	100%
Swissmeda LLC**	Registered Agent Solutions, Inc., 155 Office plaza Dr., Suite A, Tallahassee, FL 32301	Software provider	Ordinary	100%

* Directly held

** Indirectly held

9. Debtors

	2019 \$000	2018 \$000
Amounts falling due after more than one year		
Amounts owed by group undertakings	137,374	136,554
	2019 \$000	2018 \$000
Amounts falling due within one year		
Amounts owed by group undertakings	13,974	9,828

The amounts owed by group undertakings due after more than one year consist of an unsecured loan to Carestream Dental Technology Holdings 2 Limited. The loan accrues interest at 2.58% per annum and is fully repayable on 1 September 2027.

All other amounts owed by group undertakings are unsecured, interest free and repayable on demand.

Fair value measurement

The amounts owed by related party are initially recognised at fair value and subsequently held at amortised cost to maturity. The fair value of the items classified as loans and borrowings is shown above and is classified as Level 3 in the fair value hierarchy. The fair value for disclosure purposes has been determined using discounted cash flow pricing models. Significant inputs include the discount rate used to reflect the credit risk associated with the Company.

CARESTREAM DENTAL TECHNOLOGY HOLDINGS 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

10. Creditors: amounts falling due within one year

	2019 \$000	2018 \$000
Amounts owed to group undertakings	5,295	4,855

Amounts owed to group undertakings are unsecured, interest free, and repayable on demand with no date for repayment.

11. Financial instruments

	2019 \$000	2018 \$000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	151,348	146,382
Financial liabilities		
Financial liabilities measured at amortised cost	(5,295)	(4,855)

Financial assets that are debt instruments measured at amortised cost comprise amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise amounts owed to group undertakings.

12. Called up share capital

	2019 \$	2018 \$
Shares classified as equity		
Allotted, called up and fully paid		
1 (2018:1) ordinary share of £1 (2018: £1)	1	1

13. Reserves

Capital contribution reserve

The capital contribution reserve will be used to subscribe for shares in the Company.

Profit and loss account

The profit and loss account includes all other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

CARESTREAM DENTAL TECHNOLOGY HOLDINGS 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

14. Related party transactions

The Company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned within the Group.

15. Ultimate parent undertaking and controlling party

The Company's immediate parent company is Carestream Dental Alpha Limited, a company incorporated in the Cayman Islands.

Carestream Dental Alpha Limited is the parent of both the largest and smallest group to consolidate these financial statements, and these consolidated financial statements can be obtained from, 25 Canada Square Level 37, London, E14 5LQ.

The Company's ultimate parent company is Carestream Dental Alpha Limited and the Company's ultimate controlling party is CD&R Cobra Holdings, L.P.

16. Subsequent events

Subsequent to year end, a novel strain of coronavirus named COVID-19 caused a worldwide pandemic disrupting supply chains and sales across a range of industries, including the dental industry. Starting in early March, the COVID-19 outbreak has resulted in worldwide temporary dentist office closures as mandated by a variety of health and government officials. These recent developments have resulted in a material amount of decreased net sales, profitability, and operating cash flows beginning in March 2020. The Company and its subsidiary undertakings (the "Group") expect these reduced levels of performance to continue in the near term primarily due to delays in large scale dental equipment purchases and reduced service revenues resulting from the dental office closures. In response, the Group has temporarily closed its primary manufacturing facility in France, introduced temporary employee furloughs for the second quarter of 2020, and significantly reduced other operating expenses such as travel, hiring new staff and third-party contractor spending.

The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Group's customers, employees and vendors. Other risks, depending on the duration and spread of the outbreak, include adverse impacts to intangible asset values, receivable credit losses and increased restructuring costs. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, while the Company expects this matter to negatively impact financial performance in 2020 and possibly beyond, the related financial impact and duration cannot be reasonably estimated at this time.

Carestream Dental Alpha Limited

Consolidated Financial Statements
December 31, 2019 and 2018

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Carestream Dental Alpha Limited
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Report to Independent Auditors

To the Board of Directors of
Carestream Dental Alpha Limited

We have audited the accompanying consolidated financial statements of Carestream Dental Alpha Limited and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2019 and 2018 and the related consolidated statements of operations, comprehensive loss, shareholders' equity and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Carestream Dental Alpha Limited and Subsidiaries as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for revenue in 2019. Our opinion is not modified with respect to this matter.

PricewaterhouseCoopers LLP

Atlanta, Georgia
June 10, 2020

Carestream Dental Alpha Limited
Consolidated Balance Sheets
December 31, 2019 and 2018

(in thousands of dollars)

	2019	2018
Assets		
Current assets		
Cash and cash equivalents	\$ 26,880	\$ 23,310
Accounts receivable, net	67,086	71,431
Inventories, net	29,233	24,924
Other current assets	17,095	23,700
Total current assets	140,294	143,365
Property, plant and equipment, net	24,857	28,347
Goodwill	482,738	472,381
Deferred close asset, net	-	9,012
Intangible assets, net	237,679	280,638
Other long-term assets, net	3,182	5,760
Deferred income tax asset	3,608	3,340
Total assets	<u>\$ 892,358</u>	<u>\$ 942,843</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Trade accounts payable	\$ 24,014	\$ 33,393
Accrued liabilities	48,720	46,467
Contract liabilities	31,802	44,567
Current portion of long-term debt	1,420	1,565
Current portion of pension liability	687	415
Total current liabilities	106,643	126,407
Long-term debt, less current portion	516,641	531,054
Other long-term liabilities	18,941	5,485
Deferred income tax liabilities	23,942	33,853
Pension	17,569	18,655
Total liabilities	683,736	715,454
Commitments and contingencies		
Shareholders' equity		
Contributed capital	312,447	312,447
Additional paid in capital	10,443	7,717
Accumulated deficit	(99,786)	(81,266)
Accumulated other comprehensive loss	(14,482)	(11,509)
Total shareholders' equity	208,622	227,389
Total liabilities and shareholders' equity	<u>\$ 892,358</u>	<u>\$ 942,843</u>

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

Carestream Dental Alpha Limited
Consolidated Statements of Operations
Years Ended December 31, 2019 and 2018

(in thousands of dollars)

	2019	2018
Net sales	\$ 416,915	\$ 392,001
Cost of goods sold	<u>178,996</u>	<u>173,620</u>
Gross profit	237,919	218,381
Selling, general and administrative expenses	137,591	135,080
Amortization of intangibles	47,931	47,257
Transaction costs	497	4,015
Research and development costs	<u>32,316</u>	<u>34,120</u>
Operating income (loss)	19,584	(2,091)
Interest expense, net	42,258	40,866
Other (income) loss, net	<u>(580)</u>	<u>100</u>
Loss before income taxes	(22,094)	(43,057)
Income tax (benefit) expense	<u>(3,574)</u>	<u>1,695</u>
Net loss	<u>\$ (18,520)</u>	<u>\$ (44,751)</u>

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

Carestream Dental Alpha Limited
Consolidated Statements of Comprehensive Loss
Years Ended December 31, 2019 and 2018

(in thousands of dollars)

	2019	2018
Net loss	\$ (18,520)	\$ (44,751)
Other comprehensive (loss) income, net of tax		
Foreign currency translation adjustments, net	(2,464)	(13,425)
Defined benefit pension plan, net	(509)	323
Total other comprehensive loss, net of tax	(2,973)	(13,102)
Comprehensive loss	\$ (21,493)	\$ (57,853)

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

Carestream Dental Alpha Limited
Consolidated Statements of Shareholders' Equity
Years Ended December 31, 2019 and 2018

(in thousands of dollars)

	Contributed Capital	Additional Paid In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Shareholders' Equity
Balances at December 31, 2017	\$ 312,447	\$ -	\$ 1,593	\$ (36,515)	\$ 277,525
Net loss	-	-	-	(44,751)	(44,751)
Foreign currency translation adjustment, net of tax expense of \$0	-	-	(13,425)	-	(13,425)
Defined benefit plan, net of tax expense of \$196	-	-	323	-	323
Director and employee stock purchases	-	4,855	-	-	4,855
Stock compensation expense	-	2,862	-	-	2,862
Balances at December 31, 2018	312,447	7,717	(11,509)	(81,266)	227,389
Net loss	-	-	-	(18,520)	(18,520)
Foreign currency translation adjustment, net of tax expense of \$0	-	-	(2,464)	-	(2,464)
Defined benefit plan, net of tax expense of \$153	-	-	(509)	-	(509)
Director and employee stock purchases	-	440	-	-	440
Stock compensation expense	-	2,286	-	-	2,286
Balances at December 31, 2019	<u>\$ 312,447</u>	<u>\$ 10,443</u>	<u>\$ (14,482)</u>	<u>\$ (99,786)</u>	<u>\$ 208,622</u>

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

Carestream Dental Alpha Limited
Consolidated Statements of Cash Flows
Years Ended December 31, 2019 and 2018

(in thousands of dollars)

	2019	2018
Cash flows from operating activities		
Net loss	\$ (18,520)	\$ (44,751)
Adjustments to reconcile net loss to cash provided by (used in) by operating activities		
Depreciation	9,646	5,783
Amortization of intangibles	47,931	47,257
Amortization of debt issuance costs	2,585	2,464
Allowance for doubtful accounts	120	257
Provision for excess and obsolete inventory	727	(27)
Loss on the disposal of property, plant and equipment	79	
Foreign currency exchange loss	537	283
Stock compensation expense	2,286	2,862
Deferred income taxes	(10,534)	(4,715)
Change in operating assets and liabilities, net of acquired amounts		
Accounts receivable, net	5,930	(13,803)
Inventories, net	(4,710)	(3,200)
Other current assets	6,557	505
Trade accounts payable	(9,184)	1,824
Accrued liabilities	179	(32,823)
Contract liabilities	(1,503)	10,130
Other	1,531	889
Total adjustments	52,177	17,686
Net cash provided by (used in) operating activities	33,657	(27,065)
Cash flows from investing activities		
Cash (paid) received from operations of deferred close jurisdictions	(622)	7,639
Purchases of property, plant and equipment	(5,527)	(13,291)
Purchase of Swissmeda, net of cash acquired	(6,633)	-
Net cash used in investing activities	(12,782)	(5,652)
Cash flows from financing activities		
Repayment of long-term debt	(3,750)	(3,750)
Borrowings on revolving credit facility	33,000	20,000
Repayment of revolving credit facility	(46,000)	(7,000)
Equity contribution from indirect parent	440	4,855
Bank overdraft	-	(1,297)
Net cash (used in) provided by financing activities	(16,310)	12,808
Effect of exchange rate changes on cash and cash equivalents	(995)	(468)
Net increase (decrease) in cash and cash equivalents	3,570	(20,377)
Cash and cash equivalents		
Beginning of year	23,310	43,687
End of year	\$ 26,880	\$ 23,310
Supplemental disclosures		
Cash paid for interest	\$ 39,709	\$ 38,561
Cash paid for income taxes	3,288	3,909
Acquisition of property, plant and equipment in accounts payable and accruals	216	1,102
Leasehold improvements acquired through lessor incentives	-	3,726
Net assets acquired through conveyance of deferred close jurisdictions	7,170	17,341

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

Carestream Dental Alpha Limited

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of dollars except share prices)

1. Introduction and Background

Carestream Dental Alpha Limited ("Dental" or "the Company") sells digital products, including, intra-oral cameras and imaging equipment, intra-oral x-ray generators, extra-oral imaging systems, CAD/CAM restorations, practice management software products and equipment aftermarket services. Dental's products are manufactured in China and France and are marketed and sold globally.

Dental is a Cayman Island legal entity formed on April 18, 2017 by an affiliate of Clayton Dubilier & Rice, LLC ("CD&R") to acquire the dental digital business of Carestream Health, Inc. ("Health"). CD&R owns 75% of the Company and 25% is owned by HCare CSD Holdings Ltd. ("HCare"), which is owned by Hillhouse Fund III and CareCapital. CD&R and HCare represent the owners of the Company as it relates to equity contributions and control of the business.

Dental, a private limited company incorporated under the laws of the Cayman Islands, issued 50,000 ordinary shares of \$1 in the capitalization of the Company to Carestream Dental Alpha Limited LP.

The Company entered into a stock and asset purchase agreement on April 7, 2017 with Health, whereby the dental business was acquired through a combination of stock acquisitions and asset acquisitions, and an assumption by the Company of certain related liabilities, in each case as of the transaction date, September 1, 2017.

As part of the acquisition of Dental, the transfer of the assets and assumption of the liabilities of the business in certain jurisdictions anticipated in the stock and asset purchase agreement did not close as of the transaction date. In many of these jurisdictions, the business was required to possess certain government regulatory approvals, permits or licenses in order to legally own and operate the business and its assets. To ensure the proper transfer of ownership, the closing of the transaction in these jurisdictions was deferred. These jurisdictions are referred to as "deferred closing" jurisdictions. Separate transitional agreements for the deferred closing jurisdictions were put in place to define the roles and obligations of Dental and Health, until the transaction was able to close and transfer to the Company. As of September 1, 2017, Dental became entitled to the net economic benefit generated through the operations in these deferred closing jurisdictions, which was settled in cash payments each month. As of March 1, 2019, all deferred closing entities were closed and legal ownership transferred to the Company.

2. Significant Accounting Policies

Basis for Presentation of the Consolidated Financial Statements

These consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"), and consolidate all assets, liabilities, revenues and expenses of the Company and its wholly owned subsidiaries, majority-owned subsidiaries over which the Company exercises control, and entities in which the Company has a controlling financial interest or is deemed to be the primary beneficiary. All material intercompany transactions and balances have been eliminated.

The purchase price paid for the deferred close jurisdictions is classified and accounted for under the "Deposit Method" if the associated consideration paid to Health was refundable, or if the title to the underlying assets and liabilities of the jurisdictions had not been acquired. For deferred close

Carestream Dental Alpha Limited

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of dollars except share prices)

jurisdictions where assets had been acquired, primarily the customer relationships, a portion of the consideration paid to Health was recorded as an intangible asset, and the remaining portion was recorded under the Deposit Method.

Deferred close jurisdictions for which the allocated purchase price was refundable are presented in the consolidated financial statements in the deferred close asset, net on the Consolidated Balance Sheets only, representing the initial consideration paid, adjusted for the impact of net economic benefit of the jurisdictions determined between Health and Dental each reporting period. The net economic benefit represents the profit or loss generated by these deferred close jurisdictions, and any associated change in working capital. Economic benefit amounts were settled in cash within 30 days of the applicable month to which the activity related.

Deferred close jurisdictions for which the allocated purchase price was not refundable are presented in the Consolidated Balance Sheets in the deferred close asset, net at their respective acquisition date estimated fair values, while any change in working capital for such jurisdictions results in an adjustment to the deferred close asset. The net economic benefit related to profit and loss of each reporting period for these deferred close jurisdictions with Health is fully included in the consolidated financial statements in the Consolidated Statements of Operations.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at year end, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Business Combinations

The Company accounts for business combinations using the acquisition method by recognizing all assets acquired and liabilities assumed at the acquisition date estimated fair values, except as noted for the deferred close jurisdictions above. Goodwill, as of the acquisition date, is measured as the excess of consideration transferred over the net of the acquisition date estimated fair values of the assets acquired and liabilities assumed. While the Company uses its best estimates and assumptions as part of the purchase price allocation process to accurately value assets acquired and liabilities assumed at the acquisition date, the Company's estimates may be subject to revision following the acquisition date. Certain adjustments to the preliminary estimates of fair values of the assets and liabilities made subsequent to the acquisition date, but within the measurement period, which is one year or less, are recorded as adjustments to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments arising from new facts and circumstances are recorded to the Consolidated Statements of Operations.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid investments with original maturities of three months or less at the date of acquisition. Cash equivalents are stated at amortized cost, which approximates fair value. The Company limits its credit exposure to any one major institution. The Company had bank overdrafts at December 31, 2019 and 2018 of \$0 and \$7, respectively, which represents credit balances in accounts to be funded at a later date and are classified in accounts payable on the Consolidated Balance Sheets.

Carestream Dental Alpha Limited
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

(in thousands of dollars except share prices)

Foreign Currency

For certain operations outside the U.S., the local currency is the functional currency under ASC 830. The financial statements for these operations are translated into U.S. dollars as follows: assets and liabilities at year-end exchange rates; income, expenses and cash flows at average exchange rates; and contributed shareholders' equity at historical exchange rates. For these operations, the resulting translation adjustment is recorded as a component of accumulated other comprehensive loss in the accompanying Consolidated Balance Sheets.

Monetary assets and liabilities not in functional currency are re-measured at year-end exchange rates, while the related revenue, expense, and gain and loss accounts are re-measured at average exchange rates. Nonmonetary assets and liabilities, and the related revenue, expense, and gain and loss accounts not in functional currency are re-measured at historical rates. Remeasurement of the assets and liabilities of these operations are included in net loss in the accompanying Consolidated Statements of Operations.

Foreign exchange losses arising from transactions denominated in a currency, other than the functional currency of the entity involved, were \$(537) and \$(283) for years ended December 31, 2019 and 2018, respectively, and are included in selling, general and administrative expenses in the accompanying Consolidated Statements of Operations.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. The fair value hierarchy consists of three levels to prioritize the inputs used in valuations, as defined below:

- Level 1 Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 Observable quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in markets that are not active; and inputs other than quoted prices included within Level 1.
- Level 3 Unobservable inputs for the asset or liability.

Financial assets and liabilities, including cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities are recorded on the balance sheet at their respective net carrying values, which approximate fair value due to their short-term nature.

Debt is measured and presented at amortized cost on the Consolidated Balance Sheets. Refer to Note 10.

The plan assets and benefit obligation of the Defined Benefit plans are subject to fair value measurement. The plan sponsor performs an analysis of these assets and liabilities on a recurring basis to assess the nature of the inputs used to determine fair value. Refer to Note 15, Retirement Plans for information regarding the fair value of pension plan assets and liabilities under the Defined Benefit plans.

Carestream Dental Alpha Limited

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of dollars except share prices)

Concentration of Credit Risk and Significant Customers

Financial instruments that potentially subject Dental to significant concentrations of credit risk consist principally of receivables. Such receivables arise from sales to numerous customers in a variety of markets and geographies around the world. Receivables arising from these sales are generally not collateralized. The Company performs ongoing credit evaluations of its customers' financial conditions and maintains reserves for potential credit losses.

There were no customers who represented more than 10% of the Company's total revenue for the years ended December 31, 2019 and 2018, respectively. There was one customer who represented approximately 10% and 18% of the Company's net trade receivables at December 31, 2019 and 2018, respectively. The Company limits credit risk by minimizing significant credit risk with any one customer.

Inventories

Inventories are stated at the lower of cost or net realizable value. The cost of Dental's inventories is determined by the average cost method. The carrying value of inventories are reduced for excess, obsolete or slow-moving inventories based on changes in customer demand, technology developments or other economic factors.

Debt Issuance Costs

Debt issuance costs associated with the revolver were \$1,047 and \$1,440 at December 31, 2019 and 2018, respectively, and are recorded in other long term-assets on the Consolidated Balance Sheets. These costs are amortized using the straight-line method. Amortization of revolver issuance costs is included in interest expense, net on the Consolidated Statements of Operations and was \$393 for each of the years ended December 31, 2019 and 2018.

Debt issuance costs associated with the term loans are amortized using the effective interest rate method, over the term of the related debt (Note 10). Debt issuance costs net of amortization were \$13,501 and \$15,693 at December 31, 2019 and 2018, respectively. Amortization of debt issuance costs is included in interest expense, net on the Consolidated Statements of Operations and was \$2,192 and \$2,071 for the years ended December 31, 2019 and 2018, respectively.

Property, Plant and Equipment, Net

Property plant and equipment acquired in acquisitions are recorded at the estimated fair value. All other property, plant and equipment are recorded at cost, net of accumulated depreciation. Dental calculates depreciation expense using the straight-line method over the assets' estimated useful lives, which are as follows:

	Years
Machinery and equipment	3–6
Leasehold improvements	7–11

Maintenance and repairs are expensed as incurred. Upon sale or other disposition, the applicable amounts of asset cost and accumulated depreciation are removed from the accounts and the net amount, less proceeds from disposal, is recorded in earnings from operations.

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Intangible Assets

Intangible assets are recorded at estimated fair value if acquired in an acquisition, or cost if acquired otherwise, net of accumulated amortization. Dental calculates amortization expense using the straight-line method over the assets' estimated useful lives, which are as follows:

	Years
Customer relationships	6–12
Trademarks/tradenames	3–20
Developed technology	4–9

Impairment of Long-Lived Assets

Dental reviews the carrying value of long-lived assets, other than goodwill, for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. Dental assesses the recoverability of the carrying value of long-lived assets by first grouping its long-lived assets with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities (the "asset group") and, secondly, by estimating the undiscounted future cash flows directly associated with and which are expected to arise from the use of, and eventual disposition of, such asset group.

If the carrying value of the asset group exceeds the estimated undiscounted cash flows, Dental records an impairment charge to the extent the carrying value of the long-lived asset exceeds its fair value. Dental determines fair value through quoted market prices in active markets or, if quoted market prices are unavailable, through the performance of internal analyses of discounted cash flows or external appraisals.

In connection with the assessment of recoverability of long-lived assets and ongoing strategic review of the business and operations, Dental continually reviews the remaining useful lives of its long-lived assets. If this review indicates the remaining useful life of a long-lived asset has been reduced, Dental will adjust the depreciation on that asset to facilitate full cost recovery over its revised estimated remaining useful life.

Goodwill

Goodwill represents the excess of purchase price over the estimated fair value of net assets acquired. Goodwill is not amortized but is assessed for impairment each year at October 1 and when events or circumstances change in a way to indicate there has been a potential decline in the estimated fair value of a reporting unit. Dental has the option to perform a qualitative assessment to determine if it is more likely than not the estimated fair value of a reporting unit has declined below carrying value. This assessment considers various financial, macroeconomic, industry, and reporting unit specific qualitative factors. A reporting unit is defined as an operating segment or one level below an operating segment. Dental has two reporting units, consisting of software services and equipment, and has elected to make October 1 the annual impairment assessment date. Based on the results of reviews performed, no impairment loss was recognized in the results of operations for the years ended December 31, 2019 and 2018.

Retirement Plans

Dental sponsors several defined benefit plans around the world. Information included in Note 15 reflects the eight largest plans, which make up substantially all of the defined benefit plan obligations, while the smaller plans are accounted for on a cash basis, as the difference to apply

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the accrual method is insignificant. The most significant plans are a Support Fund plan in Germany and the Top Hat and Retirement Indemnity Trophy plans in France. The majority of the smaller plans are termination indemnity plans or statutorily required plans. Retirement benefits are generally based on contractual agreements that provide for benefit formulas using years of service and/or compensation prior to retirement. Dental's funding policy is to contribute amounts sufficient to meet minimum funding standards based upon local law.

For the employees who participate in the Plans sponsored by Dental, Dental recognizes a liability only for any required contributions to the Plans that are accrued and unpaid at the balance sheet date in accordance with US GAAP. Dental does not record an asset or liability to recognize the funded status of the Plans.

Lease Obligations

Dental evaluates each lease for classification as either a capital lease or an operating lease. The Company performs this evaluation at the inception of the lease and upon any significant modification impacting the terms and conditions. For arrangements that are classified as capital leases, the Company records a capital asset for the leased equipment along with a corresponding capital lease obligation in an amount equal to the lesser of the present value of the minimum lease payments to be made over the life of the lease at the beginning of the lease term, or the fair value of the leased property.

Once placed in service, the capital asset is amortized on a straight-line basis as a charge to expense over the lesser of the lease term or the economic life of the leased property. Operating lease arrangements are recorded to expense as incurred on a straight-line basis.

Revenue

Revenue is recognized in accordance with Accounting Standards Codification Topic 606 ("ASC 606"). To recognize revenue, the Company does the following:

- Identifies the contract(s) with a customer;
- Identifies the performance obligations in the contract;
- Determines the transaction price;
- Allocates the transaction price to the performance obligations in the contract; and
- Recognizes revenue when, or as, the entity satisfies a performance obligation.

The Company generates revenue from the sale of dental equipment, extended equipment warranties and practice management software products and services. Provisions for discounts, rebates to customers, customer returns and other variable consideration are included in the transaction price at contract inception by estimating the most-likely-amount based upon historical data and estimates provided for in the period in which the related sales are recognized. The Company does not have any transactions that include a material financing component.

Revenue generated from the sale of equipment is recognized when control transfers to the customer. Depending on the terms of the contract, this may occur at the time of delivery or

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shipment. Revenue generated from the sale of extended warranties is recognized straight-line over the contract term, which range from one to five years.

Revenue generated from the sale of software licenses is recognized when products are shipped to customers or made available electronically. Revenue derived from post-contract customer support, including annual support and/or training, is generally recognized over time using time elapsed as the input method that best depicts the transfer of control to the customer. Revenue generated from the sale of software as a service contracts is recognized on a straight-line basis over the contract term, which generally range from one to three years.

Revenue generated from other sources including equipment repairs and related services is recognized when the related product revenue is recognized or when the services are provided. The Company applies the practical expedient to treat shipping and handling activities performed after the customer obtains control as fulfillment activities, rather than a separate performance obligation in the contract.

Sales taxes, value add taxes and other taxes collected concurrently with revenue-producing activities are excluded from revenue.

Certain revenue is generated from bundled arrangements that include multiple distinct performance obligations which are accounted for separately. When software products are sold together with related services (i.e., training and technical support), revenue is allocated based on the relative stand-alone selling prices of the goods or services ("SSP"). Other bundled arrangements also include elements that consist primarily of equipment and the related services. If an observable selling price is not available (i.e., the goods or services are not sold separately), the Company uses the adjusted market approach or cost-plus approach to estimate the standalone selling price.

There is no specific hierarchy for the use of these methods, but the estimated selling price reflects management's best estimate of what the selling prices of each deliverable would be if it were sold regularly on a standalone basis taking into consideration the cost structure of our business, technical skills required, customer location and other market conditions.

See Note 4 for additional disclosures of disaggregated net sales.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consist principally of trade receivables from customers and are generally uncollateralized and due within 30 days. The Company maintains an allowance for doubtful accounts for accounts receivable deemed uncollectible. In assessing the adequacy of the allowance for doubtful accounts, management considers a number of factors, including the aging of the accounts receivable balances, historical collection experience, and each customer's individual ability to meet its financial obligations to the Company. If the financial condition of the Company's customers were to deteriorate, resulting in an inability to make payments, additional allowances may be required. Bad debt expense related to allowances for doubtful accounts is included in selling, general and administrative expenses in the Consolidated Statements of Operations.

Contract Assets

Contract assets include amounts related to any conditional right to consideration for work completed but not billed as of the reporting date and generally represent amounts owed to the Company by customers, but not yet billed (earned but not billed). Contract assets are transferred

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to accounts receivable when the right becomes unconditional. As of December 31, 2019 and 2018 there were no contract asset balances.

Contract Liabilities

Contract liabilities are comprised of advance payments and upfront payments for service arrangements provided over time. Contract liabilities are transferred to revenue once the performance obligation has been satisfied. The Company's contract liability balance as of December 31, 2019 and 2018 was \$44,359 and \$44,567, respectively. Contract liabilities that are expected to be settled in twelve months of the balance sheet date are included in contract liabilities and obligations beyond twelve months of the balance sheet date are included in other long-term liabilities.

Warranties

Dental offers standard warranties in connection with the sale of equipment. The standard warranty period for most equipment is one to two years. Warranty costs are accrued in accordance with ASC 460 "Guarantees". Warranty obligations are estimated and recorded as an accrued liability at the time of sale. Warranty obligations that are expected to be settled in twelve months of the balance sheet date are included in accrued liabilities and obligations beyond twelve months of the balance sheet date are included in other long-term liabilities.

Cost of Goods Sold

Cost of goods sold represents the costs incurred to provide the Company's goods and services to customers. The costs of goods are principally comprised of materials, labor and overhead costs related to manufacturing of dental equipment and distribution costs. The costs of services primarily include labor for repairs and maintenance of hardware and equipment, as well as various customer support for users of the Company's software products and related licenses. Additionally, depreciation related to machinery and equipment used in the production of inventory and customer support efforts is also included as a component of cost of goods sold on the Consolidated Statements of Operations.

Shipping and Handling Costs

For the years ended December 31, 2019 and 2018, approximately \$5,483 and \$5,765, respectively, of shipping and handling costs include transportation to customers, duty and brokerage, and are included in selling, general and administrative expenses in the accompanying Consolidated Statements of Operations.

Interest Expense, Net

Interest expense, net is comprised of interest expense incurred on the Company's debt and capital leases, amortization of debt issuance costs and debt discounts, and interest earned on the Company's cash and cash equivalents. The Company's interest expense, net for the years ended December 31, 2019 and 2018 was \$42,258 and \$40,866, respectively, on the Consolidated Statements of Operations.

Research and Development Costs

Research and development costs, which include costs in connection with new product development, fundamental and exploratory research, process improvement, product use technology and product accreditation, are charged to operations in the period in which they are incurred. The Company's research and development costs for the years ended December 31, 2019 and 2018 were \$32,316 and \$34,120, respectively, on the Consolidated Statements of Operations.

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Transaction Costs

In a business combination, transaction related costs are expensed as incurred and not included in the total consideration transferred for acquisition method accounting. These costs are primarily comprised of various legal and consulting fees, and other related costs necessary to affect the business combination. Transaction costs for the years ended December 31, 2019 and 2018 were \$497 and \$4,015, respectively, on the Consolidated Statements of Operations.

Advertising

Advertising costs are expensed as incurred and included in selling, general and administrative expenses in the accompanying Consolidated Statements of Operations. Advertising expenses amounted to \$11,690 and \$10,369, respectively, for the years ended December 31, 2019 and 2018.

Income Taxes

Deferred income tax assets and liabilities are recognized for the income tax consequences attributable to operating loss carryforwards, tax credit carryforwards, and differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the periods in which temporary differences are expected to be recovered or settled. Valuation allowances are recorded against deferred tax assets when there are not expected sources of future taxable income sufficient to conclude it is more likely than not that the benefit of the deferred tax assets will be realized. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in income in the period that includes the enactment date.

Dental reports a liability or reduction of deferred tax assets for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. Related interest and penalties, if any, are recognized in income tax expense.

Dental has recorded deferred income and withholding taxes (net of tax credits, as applicable) on outside basis differences in foreign operations. Other than for the US jurisdiction, China, and for other basis differences in all jurisdictions, Dental has determined the unremitted earnings of its operations outside of the UK are not indefinitely reinvested for the years ended December 31, 2019 and 2018, and accordingly, has recognized corresponding deferred tax liabilities on the underlying taxable temporary differences

Stock Compensation Plans

Carestream Dental Alpha Limited Equity Incentive Plan

On March 20, 2018, the Board of Directors (the "Board") of the Company approved the Carestream Dental Alpha Limited Equity Incentive Plan ("MEP") and approved various grant options. The MEP is offered to certain employees of Dental selected by the Board and certain nonemployee board members of Carestream Dental Holdings Limited, the parent of the Company ("Holdings Board"). The Company issued a total of 4,321,631 shares of common stock under the MEP.

The MEP allows for the granting of employee stock purchase plan ("ESPP") awards, which represent the right for an employee to purchase a pre-approved number of shares of the Company, and stock options. Grants of equity-based awards under the MEP and approval for key employees or certain Holdings Board members to receive stock-based compensation are both approved in advance by the Board, and are subject to such terms and conditions as the Board may determine,

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including in respect of vesting and forfeiture, subject to certain limitations provided in the MEP. Equity-based awards under the MEP may carry dividend equivalent rights, pursuant to which notional dividends accumulate on unvested equity awards and are paid, in cash, upon vesting.

During the years ended December 31, 2019 and 2018, the Company awarded stock options and ESPP awards to its employees and Holdings Board directors under the MEP. ESPP awards granted in 2018 entitle recipients the ability to purchase shares in the Company at the price of \$10 per share, which is the same price Clayton Dubilier & Rice Cobra Holdings, L.P. and Hillhouse Fund III, L.P. ("the Investors") paid to capitalize the Company. Awards granted in subsequent years are set with a purchase price equal to the most recent equity valuation approved by the Board. The shares are of the same class held by Carestream Dental Alpha, LP in which the Investors, affiliates of CD&R and Hillhouse, hold equity. The exercise price of options is also set with the same values as purchased shares. Except under certain termination conditions, including change in control provisions, options granted to key employees will have the vesting period of five years with the vesting of 20% on the anniversaries of the Grant Date. Options that have not vested prior to an employee's termination of employment will be cancelled and forfeited. The options have a 10-year term and expire on the 10th anniversary of the date granted.

If an award under the MEP is forfeited, expired, terminated or otherwise lapses, the related shares of the Company common stock underlying that award will again become available for issuance. Shares withheld by the Company to pay employee taxes, or which are withheld by or tendered to the Company to pay exercise price of stock options (or are repurchased from an option holder by the Company with proceeds from the exercise of stock options) are not available for reissuance.

Recently Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers", Accounting Standards Codification ("ASC") 606 ("ASC 606"). Subsequent to the issuance of ASC 606, the FASB clarified the guidance through several Accounting Standard Updates; hereinafter the collection of revenue guidance is referred to as "ASC 606". The core principle of ASC 606 is revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

On January 1, 2019, the Company adopted ASC 606 using the modified retrospective method. Results for reporting periods beginning January 1, 2019 are presented under ASC 606, while prior period amounts were not adjusted and continue to be reported in accordance with the Company's historical accounting under ASC 605, Revenue Recognition. The Company applied the requirements of the new standard only to contracts that were not completed as of the adoption date. There was no impact to the year ended December 31, 2019 of applying ASC 606. There was no cumulative effect adjustment with the adoption at January 1, 2019.

3. Business Combinations

As discussed in Note 1, Introduction and Background, on September 1, 2017, Dental entered into an agreement to acquire certain assets and assumed the related liabilities, in addition to the capital stock and other equity interests, which were part of the oral health division of Health.

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During 2019 and 2018, Dental legally closed on various deferred close jurisdiction entities that were acquired on September 1, 2017. The following table summarizes the incremental impact of the acquisitions during the years ended December 31, 2019 and 2018:

	2019	2018
Current assets	\$ 3,488	\$ 10,258
Property, plant, and equipment	688	402
Intangible assets	460	2,070
Goodwill	6,327	9,106
Other assets	-	166
Current liabilities	(3,631)	(4,446)
Other liabilities	(162)	(215)
	<u>\$ 7,170</u>	<u>\$ 17,341</u>

During 2019 and 2018, the Company completed certain fair value measurements of assets and liabilities acquired in the 2017 business combination and 2018 and 2019 deferred closings, and subsequently finalized the valuation of the assets and liabilities as measurement period adjustments. The following table summarizes the impact of measurement period adjustments for the years ended December 31, 2019 and 2018:

	2019	2018
Accounts receivable	\$ (1,833)	\$ -
Inventory	(542)	(1,707)
Property, plant, and equipment	-	398
Other assets	96	1,156
Accrued liabilities	(714)	743
Deferred revenue	-	386
Deferred income tax liability	-	7,510
	<u>\$ (2,993)</u>	<u>\$ 8,486</u>

Swissmeda AG Acquisition

On April 1, 2019, the Company acquired all of the assets of Swissmeda AG ("Swissmeda"), a privately held software provider of dental implant guides. The acquisition was made to expand the Company's digital dental offerings globally. The fair value of consideration transferred was \$8,115, which included a working capital settlement of \$1,315. The purchase price net of cash acquired of \$1,482 resulted in a final purchase price of \$6,633.

The acquisition was accounted for as a business combination, in accordance with ASC 805, which requires that assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date, with any excess of the consideration transferred over the estimated fair values of the identifiable net assets acquired as goodwill.

The transaction included potential future payments to the former shareholders based upon achievement of certain revenue results thru 2022. The fair value of this contingent consideration

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was not material in the determination of the purchase price allocation. See Note 12 for discussion regarding other commitments entered into with the former owner.

The following table summarizes the major classes of assets acquired and liabilities assumed as of the acquisition date, April 1, 2019:

Current assets	\$	3,018
Property, plant, and equipment		16
Goodwill		2,667
Intangible assets		4,880
Current liabilities		(1,905)
Deferred tax liabilities		(561)
		<u>8,115</u>
Cash acquired		<u>(1,482)</u>
Net purchase price	\$	<u>6,633</u>

Of the goodwill recorded, no amount is deductible for income tax purposes. The Swissmeda goodwill represents strategic and synergistic benefits that are expected to be realized from the acquisition. These benefits include a comprehensive portfolio of complementary digital offerings and revenue synergy opportunities in the United States, the Company's largest geographic market.

4. Revenue from Contracts with Customers

Disaggregation of Net Sales

The following table disaggregates the Company's net sales by major product lines and by timing of revenue recognition.

	Year Ended December 31, 2019		
	Equipment	Software	Total
Point in time	\$ 283,579	\$ 23,221	\$ 306,799
Over time	28,797	81,319	110,116
	<u>\$ 312,375</u>	<u>\$ 104,540</u>	<u>\$ 416,915</u>

5. Accounts Receivable, Net

Trade receivables as of December 31, 2019 and 2018 were \$67,086 and \$71,431, net of allowance for doubtful accounts of \$3,245 and \$1,292, respectively. Included in the total net receivable balance are \$2,915 and \$3,285 for customer rebates expected to be settled through customer deductions in lieu of cash payments as of December 31, 2019 and 2018, respectively.

6. Inventories, Net

During the years ended December 31, 2019 and 2018, the Company recognized aggregate reductions in the carrying value of \$727 and \$(27), respectively, related to inventories identified for obsolescence.

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	December 31,	
	2019	2018
Finished goods	\$ 19,565	\$ 15,571
Work in process	3,628	3,447
Raw materials	6,040	5,906
Total inventories	<u>\$ 29,233</u>	<u>\$ 24,924</u>

7. Property, Plant and Equipment, Net

	December 31,	
	2019	2018
Machinery and equipment	\$ 31,112	\$ 27,108
Leasehold improvements	10,639	5,814
Construction-in-progress	203	2,846
	<u>41,954</u>	<u>35,768</u>
Less: Accumulated depreciation	<u>(17,097)</u>	<u>(7,421)</u>
Property, plant and equipment, net	<u>\$ 24,857</u>	<u>\$ 28,347</u>

Depreciation expense for Dental was \$9,646 and \$5,783 for the years ended December 31, 2019 and 2018, respectively, and is included in cost of goods sold and selling, general and administrative expenses on the Consolidated Statements of Operations.

8. Goodwill and Other Intangible Assets

As described in Note 3, *Business Combinations*, the portion of the purchase price in excess of the estimated fair value of assets acquired and liabilities assumed as of the acquisition date, represents goodwill.

Total goodwill and change in the carrying amount of goodwill for the years ended December 31, 2019 and 2018 were as follows:

Balances at December 31, 2017	\$ 479,028
Prior acquisition conveyance	9,106
Measurement period adjustments	(8,486)
Currency translation adjustment	<u>(7,267)</u>
Balances at December 31, 2018	472,381
Prior acquisition conveyance	6,327
Measurement period adjustments	2,993
Swissmeda acquisition	2,667
Currency translation adjustment	<u>(1,630)</u>
Balances at December 31, 2019	<u>\$ 482,738</u>

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There was no impairment of goodwill or other intangible assets for the years ended December 31, 2019 and 2018.

A schedule of activity for the definite lived intangible assets by major category for 2019 and 2018 is as follows:

	Customer Relationship	Developed Technology	Trademark/ Trade Names	Total
Balances at December 31, 2017	\$ 138,683	\$ 172,760	\$ 17,477	\$ 328,920
Additions	2,070	-	-	2,070
Amortization	(14,248)	(32,071)	(938)	(47,257)
Currency translation	(619)	(2,236)	(240)	(3,095)
Balances at December 31, 2018	125,886	138,453	16,299	280,638
Additions	4,460	800	80	5,340
Amortization	(14,790)	(32,191)	(950)	(47,931)
Currency translation	(73)	(265)	(30)	(368)
Balances at December 31, 2019	<u>\$ 115,483</u>	<u>\$ 106,797</u>	<u>\$ 15,399</u>	<u>\$ 237,679</u>
Weighted avg remaining amortization years	8.69	3.96	17.71	

Amortization expense related to intangible assets was \$47,931 and \$47,257 for the years ended December 31, 2019 and 2018 on the Consolidated Statements of Operations, respectively.

Estimated future amortization expense related to intangible assets at December 31, 2019 is as follows:

2020	\$ 48,226
2021	47,719
2022	41,317
2023	22,360
2024	17,173
Thereafter	60,884
	<u>\$ 237,679</u>

9. Accrued Liabilities

The components of accrued liabilities as of December 31, 2019 and 2018 were as follows:

	2019	2018
Accrued employment-related liabilities	\$ 21,879	\$ 21,649
Income taxes payable and other accrued taxes	4,715	1,130
Local non-income taxes	6,215	3,784
Accrued warranty obligations	2,024	2,291
Other	13,887	17,613
	<u>\$ 48,720</u>	<u>\$ 46,467</u>

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The other component above consists of other miscellaneous current liabilities that, individually, are less than 5% of the total current liabilities in the Consolidated Balance Sheets.

10. Debt

On September 1, 2017, the Company executed a First Lien Credit Agreement (the "First Lien Credit Agreement") which provides the Company with access to a \$80,000 revolving credit facility (the "First Lien Revolving Facility") and a \$375,000 term loan facility (the "First Lien Term Loans"). The Company also executed a Second Lien Credit Agreement dated September 1, 2017 (the "Second Lien Credit Agreement") which provides the Company with access to a \$165,000 term loan facility (the "Second Lien Term Loans"). There are no third-party guarantors of the Company's debt holdings. Additionally, the Company was in compliance with all debt covenant requirements as of December 31, 2019 and 2018.

The obligations under the First Lien Credit Facility are collateralized by substantially all of the assets of Carestream Dental Technology Parent Limited, a wholly owned subsidiary of the Company, and the subsidiary guarantors and the capital stock of Carestream Dental Technology Parent Limited held by Carestream Dental Technology Holdings 2 Limited. The First Lien Credit Facility is senior to all junior lien debt and unsecured debt. The obligations under the Second Lien Credit Facility are collateralized by substantially the same collateral as under the First Lien and the liens are subordinated to the liens collateralizing the First Lien Obligations, subject to the provisions of the Base Intercreditor Agreement. The Obligations under the Second Lien Credit Facility are senior to the Borrower's unsecured debt.

Revolving Credit Facility

The First Lien Revolving Facility matures on September 1, 2022. Any loans under the facility can be Eurodollar Loan, ABR Loan, BA Equivalent Loan, or Canadian Prime Rate Loan. Each Eurodollar Loan bears interest at a per annum rate equal to the Adjusted LIBOR Rate plus the Applicable Margin (initially equal to 3.25% per annum). Each ABR Loan bears interest at a per annum rate equal to the Alternate Base Rate plus Applicable Margin (initially equal to 2.75% per annum). Each BA Equivalent Loan bears interest at a per annum rate equal to the BA Rate plus Applicable Margin (initially equal to 3.75% per annum). Each Canadian Prime Rate Loan bears interest at a per annum rate equal to the Canadian Prime Rate plus Applicable Margin (initially equal to 2.75% per annum). As of December 31, 2019, there were no outstanding borrowings under the revolving line of credit. As of December 31, 2018, the Company had \$13,000 outstanding which was classified in long-term debt in the Consolidated Balance Sheets.

First Lien Term Loans

The First Lien Term Loans mature on September 1, 2024. Any loans under the facility can be Eurodollar Loan or ABR Loan. Each Eurodollar Loan bears interest at a per annum rate equal to the Adjusted LIBOR Rate plus the Applicable Margin (initially equal to 3.25% per annum). Each ABR Loan bears interest at a per annum rate equal to the Alternate Base Rate plus Applicable Margin (initially equal to 2.25% per annum). Upon execution, the Company has drawn down the full amount on the term loan facility under the First Lien Credit Agreement.

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Second Lien Term Loans

The Company also executed a Second Lien Credit Agreement dated September 1, 2017 (the "Second Lien Credit Agreement") which matures on September 1, 2025. Each Eurodollar Loan bears interest at a per annum rate equal to the Adjusted LIBOR Rate plus Applicable Margin (equal to 8% per annum) and each ABR Rate Loan bears interest at a per annum rate equal to the Alternate Base Rate plus Applicable Margin (equal to 7% per annum). Upon execution, the Company has drawn down the full amount on the term loan facility under the Second Lien Credit Agreement.

Long-term debt as of December 31, 2019 and 2018 was comprised of the following:

	2019	2018
First Lien term loans	\$ 366,563	\$ 370,313
Second Lien term loan	165,000	165,000
First Lien revolver	-	13,000
Carrying value of long-term debt	531,563	548,313
Unamortized debt issuance cost on First Lien term loan	7,426	8,859
Unamortized debt issuance cost on Second Lien term loan	6,075	6,834
Less: total unamortized debt issuance cost	13,501	15,693
Less: Current portion of debt - principal	3,750	3,758
Less: Current portion of debt - debt issuance costs	(2,330)	(2,193)
Less: Total current portion	1,420	1,565
Long term debt obligation	\$ 516,641	\$ 531,054
Debt issuance cost - First Lien revolver	\$ 1,047	\$ 1,440

Aggregate minimum principal maturities on long-term debt as of December 31, 2019 were as follows:

	Minimum Principal Maturities		
	First Lien Term Loans	Second Lien Term Loans	Total
2020	\$ 3,750	\$ -	\$ 3,750
2021	3,750	-	3,750
2022	3,750	-	3,750
2023	3,750	-	3,750
2024	351,563	-	351,563
Thereafter	-	165,000	165,000
	<u>\$ 366,563</u>	<u>\$ 165,000</u>	<u>\$ 531,563</u>

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11. Operating Leases

Rent expense, including operating expenses, totaled \$4,281 and \$5,014 for the years ended December 31, 2019 and 2018, respectively. Minimum lease commitments, based on contractually-required cash payments, under noncancelable leases as of December 31, 2019 are as follows:

	Amount
2020	\$ 3,618
2021	3,185
2022	3,036
2023	2,777
2024	2,065
Thereafter	7,290

The Company has no lease commitments beyond 2029.

12. Commitments and Contingencies

Legal and Regulatory Matters

Dental is involved in a variety of claims, suits, investigations and proceedings that arise from time to time in the ordinary course of its business, including actions with respect to contracts, intellectual property, product liability and employment.

Many of Dental's products are subject to regulation by governmental authorities in the U.S. and other markets. These authorities, including the U.S. Food and Drug Administration, require extensive testing of new products prior to sale and have jurisdiction over the safety, efficacy and manufacturing of products, as well as product labeling and marketing. In most cases, significant resources must be spent to bring a new product to market in compliance with these regulations. The regulation of medical devices, both in the U.S. and in other markets, has historically been subject to change. Delays in the regulatory approval process may result in delays in coming to market with new products and extra costs to satisfy regulatory requirements.

There are no other matters pending representing contingent losses that Dental expects to be material in relation to Dental's business, financial position, results of operations or cash flows.

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Other Commitments and Contingencies

Dental has unconditional purchase obligations with several companies, which provide the Company with products and services to be used in its normal operations. Contractually required total future commitments as of December 31, 2019 are as follows:

	Amount
2020	\$ 6,369
2021	826
2022	447
2023	-
2024	-
Thereafter	-
	<u>\$ 7,642</u>

The Company entered into compensation arrangements with a former owner of Swissmeda which provides future cash payments contingent upon maintaining two years of employment and Swissmeda reaching certain future revenue levels. For the year ended December 31, 2019, \$975 was recorded in other long-term liabilities and selling, general and administrative expenses related to these arrangements. The potential maximum future cash payment under the arrangements is \$4,530 in the years 2021 through 2023.

13. Indemnifications

Dental issues indemnifications in certain instances and in the ordinary course of business with its customers, suppliers, service providers and business partners. The Company believes that any potential costs incurred to settle claims related to these indemnifications are immaterial to Dental's financial position, results of operations and cash flows. There were no accruals arising from indemnifications as of December 31, 2019 and 2018.

14. Income Taxes

The components of the income/(loss) before income taxes for the years ended December 31, 2019 and 2018, and the related provision for income taxes were categorized by jurisdictions as follows:

	2019	2018
Income/(losses) before provision for income taxes		
United Kingdom	\$ 11,415	\$ (7,184)
Outside United Kingdom	<u>(33,509)</u>	<u>(35,873)</u>
	<u>\$ (22,094)</u>	<u>\$ (43,057)</u>

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The provision for (benefit from) income taxes for the years ended December 31, 2019 and 2018, was categorized by jurisdiction as follows:

	2019	2018
(Benefit from) provision for income taxes		
Current		
United Kingdom	\$ 1,268	\$ 417
Outside United Kingdom	5,692	5,993
	<u>6,960</u>	<u>6,410</u>
Deferred		
United Kingdom	(303)	(280)
Outside United Kingdom	(10,231)	(4,435)
	<u>(10,534)</u>	<u>(4,715)</u>
Total (benefit from) provision for income taxes	<u>\$ (3,574)</u>	<u>\$ 1,695</u>

Dental is legally formed in the United Kingdom ("UK") and is therefore subject to a statutory rate of 19 percent. The reconciling items between income tax computed at the UK statutory rate and the (provision for) or benefit from income taxes for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
UK statutory rate	19.0 %	19.0 %
Foreign rate differential	8.8	1.4
Losses not benefitted	(14.4)	(23.6)
US tax reform	-	1.3
Change in French tax law	0.4	0.3
Nondeductible transaction costs	-	1.1
Provision to return adjustments	1.3	(7.2)
R&D credit	1.2	1.8
Other	(0.1)	2.0
Benefit from (provision for) income taxes	<u>16.2 %</u>	<u>(3.9)%</u>

The Company operates in locations outside the UK, including the US and France, which have higher statutory rates than the UK, resulting in a benefit to the income tax provision of 8.8 percent and 1.4 percent for the years ended December 31, 2019 and 2018, respectively.

Losses incurred in certain jurisdictions, predominantly one of the two US filing jurisdictions, are not currently benefitted through the recording of valuation allowance, as it is not more likely than not the associated deferred tax asset will be realized in the foreseeable future. For the years ended December 31, 2019 and December 31, 2018, this resulted in a detriment of 14.4 percent and 23.6 percent, respectively.

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In connection with provision to return the Company performed a reconciliation of the tax accounts for the French and UK subsidiaries acquired in stock acquisitions. These entities filed on a calendar year rather than short period basis for 2017 and not all information was available to perform the account reconciliation until after the tax returns were filed for 2017, and the final return was filed in December 2018 for the UK. This return to provision reconciliation resulted in expense of 7.2 percent for the year ended December 31, 2018.

The significant components of deferred income tax assets and liabilities at December 31, 2019 and 2018 were as follows:

	2019	2018
Deferred tax assets		
Net operating loss carryforward	\$ 1,488	\$ 1,965
Interest related carryforward	15,631	11,247
Property, plant and equipment	772	604
Deferred compensation	1,783	1,351
Other	1,501	2,136
Intangibles	611	479
Contract liabilities	2,652	-
Pension related liabilities	4,757	4,929
Total deferred tax assets	<u>29,195</u>	<u>22,711</u>
Valuation allowance	<u>(19,222)</u>	<u>(16,106)</u>
Net deferred tax assets	<u>9,973</u>	<u>6,605</u>
Deferred tax liabilities		
Intangibles	(28,670)	(34,091)
Contract liabilities	-	(925)
Other	<u>(1,637)</u>	<u>(2,102)</u>
Total deferred tax liabilities	<u>(30,307)</u>	<u>(37,118)</u>
Net deferred tax liabilities	<u>\$ (20,334)</u>	<u>\$ (30,513)</u>

Dental subsidiaries in the US contributed their operating assets and liabilities to a captive partnership in 2018, including the related tax basis differences for those assets, which are included in the deferred tax table above.

Dental has non-U.K. operating losses of \$5,073 for which \$2,545 do not expire and \$2,528 expire starting in 2026. Losses incurred in certain jurisdictions, are not currently benefited, as it is not more likely than not the associated deferred tax asset will be realized in the foreseeable future.

Dental has performed an assessment of positive and negative evidence with respect to the realization of deferred tax assets. This assessment included an evaluation of taxable income in prior carryback years, expected reversals of deferred income tax assets and liabilities, tax planning strategies, and estimates of projected future taxable income. Dental's valuation allowance was \$19,222 and \$16,106 as of December 31, 2019 and 2018, respectively.

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Unrecognized Tax Benefits

As of December 31, 2019 and 2018, no uncertain tax positions have been recorded. Interest and penalties related to the settlement of uncertain tax positions, if any, will be reflected in income tax expense. The Company did not recognize any interest or penalties associated with unrecognized tax benefits in the accompanying consolidated financial statements. The Company does not expect any material changes to the unrecognized benefits within 12 months of the reporting date.

Dental files income tax returns in the UK and in numerous jurisdictions outside of the UK. Dental is subject to HMRC and non-U.K. tax authority examinations by tax authorities for the periods ending December 31, 2013 through December 31, 2019. At December 31, 2019 and 2018 there are no ongoing tax authority examinations.

The stock and asset purchase agreement Dental entered into on April 7, 2017 with Health contains a three-year indemnification from Health to Dental for all income taxes prior to September 1, 2017. The agreement is designed to transfer certain tax risks economically to the indemnifying party and the indemnified party would separately account for the tax uncertainty and any receivable under the indemnity in the balance sheet, statement of operations and statement of cash flows. That is, the primary obligor on the tax position would account for the uncertain tax position in accordance with ASC 740 without considering potential recoveries through an indemnification arrangement.

Effects of the US Tax Cuts and Jobs Act

In connection with the Tax Cuts and Jobs Act of 2017 ("TCJA"), Dental recorded provisional amounts attributable to the re-measurement of deferred taxes assets and liabilities from a 35 percent tax rate to the new 21 percent tax rate in 2017 and adjusted to record additional benefit of \$580 in 2018. The Tax Act also enhanced and extended the option to claim accelerated depreciation. Dental elected to not take this, and has not estimated any accelerated deduction for 2019 or 2018.

The Tax Act revised and broadened the existing interest expense limitation rules within Section 163(j), as modified for tax years beginning after December 31, 2017, to generally limit net business interest expense deductions to 30% of adjusted EBITDA. The Company has significant net interest expense in the US filing groups subject to Section 163(j) limitation resulting in deferred tax assets which were subject to a full valuation allowance as the Company expected to be in this limitation for the foreseeable future. For one US Group the Company reassessed the ability to realize the assets in 2019 and released the valuation allowance. For the years ended December 31, 2019 and 2018 the Company had valuation allowance of \$11,121 and \$9,021, respectively, related to interest expense limitations under Section 163(j).

Dental assessed other significant provisions of Tax Act including Global Intangible Low-Taxed Income (GILTI) and base erosion anti-abuse tax ("BEAT"), concluding that these do not have a material impact based on the current structure. Dental will continue to review and evaluate information as to the impact of the GILTI tax, and therefore will not make a policy election on how to account for GILTI (as part of deferred taxes or as a period expense) until it has evaluated the necessary information. Accordingly, no amounts related to GILTI are included within deferred taxes.

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Effects of Tax Legislation in 2020 related to COVID-19

Dental treated tax legislation passed in 2020 related to COVID-19 pandemic as a subsequent event (conditions that did not exist at the date of the balance sheet) and thus has not included the impacts in these financial statements (more details regarding the subsequent event and the nature of the pandemic are included in Note 19). There were significant changes related to the UK and US that would impact the 2019 tax amounts which the Company estimated for disclosure in these consolidated financial statements. The UK Budget in March 2020 suspended the scheduled reduction in the corporate tax rate from 19% to 17% indefinitely which the Company estimates would result in an increase to deferred tax liabilities of approximately \$270 with a corresponding increase to tax expense. The US enacted the Coronavirus Aid, Relief, and Economic Security ("CARES") Act in response to the COVID-19 pandemic, which includes changes to net operating loss use and carryback as well as modifying Section 163(j) limitation to 50% of adjusted EBITDA through 2020. The Company estimates that the CARES provisions would have reduced current US tax payable by approximately \$1,650 in 2019 and increased the deferred tax liability approximately \$1,120 with the difference being a change in the valuation allowance. The Company has not evaluated the potential impacts of the CARES Act provisions on its valuation allowance assessment in the US.

15. Retirement Plans

As discussed in Note 2, Significant Accounting Policies, certain of Dental's employees outside of the U.S. participate in defined benefit pension plans (the "Plans") sponsored by Dental.

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The measurement date used to determine the pension obligation is December 31. Information regarding the funded and unfunded status is as follows:

	2019	2018
Change in benefit obligation		
Projected benefit obligation at beginning of period	\$ 20,334	\$ 20,248
Acquisition of deferred entity	260	207
Service cost	561	924
Interest cost	245	249
Plan amendments	(3,516)	(173)
Benefit payments	(222)	(48)
Actuarial loss (gain)	4,645	(251)
Plan curtailments	(2,293)	-
Foreign currency exchange rate changes	(487)	(822)
Projected benefit obligation at end of period	<u>19,527</u>	<u>20,334</u>
Change in plan assets		
Fair value of plan assets at beginning of period	1,264	1,247
Acquisition of deferred entity	-	32
Actual return on plan assets	34	34
Employer contributions	222	48
Benefit payments	(222)	(48)
Foreign currency exchange rate changes	(27)	(49)
Fair value of plan assets at end of period	<u>1,271</u>	<u>1,264</u>
Funded status at end of period	<u>\$ 18,256</u>	<u>\$ 19,070</u>

During 2019, a French government law change impacted one of the Company's benefit plans by ceasing future service years' credit to employees' pension benefits. The impact of this change was recorded as a plan amendment and recorded to prior service cost in accumulated other comprehensive loss. The following is a schedule of all activity in accumulated other comprehensive loss for 2019 and 2018:

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	2019	2018
Accumulated other comprehensive loss at beginning of period	<u>\$ (565)</u>	<u>\$ (1,022)</u>
Changes in accumulated other comprehensive income (loss)		
Prior service credit - current year	3,840	168
Actuarial (loss) gain - current year	(4,648)	289
Reclassifications out of accumulated other comprehensive income (loss)		
Curtailment/settlement gain	113	-
Amortization of prior service cost	(4)	-
Total change in other comprehensive loss	<u>(699)</u>	<u>457</u>
Accumulated other comprehensive loss at end of period	<u>\$ (1,264)</u>	<u>\$ (565)</u>
Amount recognized in accumulated other comprehensive loss		
Actuarial loss	\$ (5,143)	\$ (733)
Prior service credit	3,879	168
Total accumulated other comprehensive loss at end of period	<u>\$ (1,264)</u>	<u>\$ (565)</u>
Amounts recognized in the consolidated balance sheets		
Current liabilities	\$ 687	\$ 415
Noncurrent liabilities	17,569	18,655
Funded status at end of period	<u>\$ 18,256</u>	<u>\$ 19,070</u>

The accumulated benefit obligation as of December 31, 2019 and 2018 was as follows:

	2019	2018
Accumulated benefit obligation	<u>\$ 16,729</u>	<u>\$ 15,273</u>

The weighted-average assumptions used to determine the accrued benefit obligation amounts as of the end of 2019 were as follows:

Discount rate	0.97 %
Salary increase rate	1.87 %

The components of net periodic pension (income) expense for the Dental Plans in 2019 and 2018 were as follows:

	2019	2018
Operating - Service cost	\$ 561	\$ 924
Nonoperating		
Interest cost	245	249
Expected return on plan assets	(37)	(40)
Amortization of prior service cost	(4)	-
Curtailment gain, net of recognized actuarial losses	(1,665)	-
Net periodic pension (income) cost	<u>\$ (900)</u>	<u>\$ 1,133</u>

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The nonoperating components of net periodic pension expense have been included as part of other (income) loss in the Consolidated Statements of Operations. The Company froze one of its defined benefit plans during 2019 and as a result a plan curtailment was recorded. The impact is included in other (income) loss.

The estimated actuarial loss that will be amortized from accumulated other comprehensive loss into net periodic pension expense over the next fiscal year is \$655. The prior year service credit that will be amortized from accumulated other comprehensive loss into net periodic pension expense over the next fiscal year is \$772.

The weighted-average assumptions used to determine net periodic pension expense were as follows:

Discount rate	1.55 %
Salary increase rate	2.15
Expected long-term rate of return on plan assets	0.83

The expected return on plan assets for Dental Plans that are funded was 0.83% and 0.72% for 2019 and 2018, respectively. In evaluating the expected return on plan assets, the Company considered its historical assumptions compared with actual results, an analysis of current market conditions, asset allocations and the views of advisors.

The asset allocations and expected return on plan assets are individually set to provide for benefits included in the projected benefit obligation within each country's legal investment constraints. Due to the diverse nature of the Dental Plans, there are no target allocations. All of the plan assets are with insurance companies in order to provide for the long-term liabilities while maintaining sufficient liquidity to pay current benefits.

Insurance contracts are designed to fund participants' expected benefits, and in certain circumstances provide a return if the performance of underlying assets exceed a benchmark. Valuations are obtained from the insurance brokers, which typically represents significant unobservable data. As such, these investments are classified as Level 3 assets within the fair value hierarchy.

Additional contributions of \$582 are expected to be made to the Dental Plans in 2020.

The following pension benefit payments, which reflect expected future service, are expected to be paid:

	Amount
2020	\$ 687
2021	469
2022	467
2023	569
2024	553
2025-2029	4,244

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Defined Contribution Plans

Dental also maintains defined contribution savings plans in various countries. The total matching and discretionary contribution expense to Dental related to the plans for the years ended December 31, 2019 and 2018 was \$1,868 and \$2,146, respectively.

16. Stock-Based Compensation Plans

Nonemployee Director Incentive Plan

The Company offers equity-based awards to Holdings Board nonemployee directors under the MEP. During the years ended December 31, 2019 and 2018, The Company issued a total of 50,000 and 100,000 shares, respectively, through the ESPP. During the year ended December 31, 2018, The Company granted a further 205,000 stock options. The stock options are vested over five years from the grant date provided the grantee remains a Holdings Board member on the relevant vesting date. During the year ended December 31, 2019, 1,924 restricted stock units were awarded and vest three years from the grant date.

Stock Options

As the grants were approved during 2019 and 2018, and are not retroactive to September 1, 2017, any applicable stock related compensation expense has been recorded in 2019 and 2018.

The fair value of stock options was estimated using the Black-Scholes option pricing model. The following is a summary of the average assumptions used in this model for the stock options granted:

	2019	2018
Summary of Assumptions		
Volatility (as a percentage)	50.35 %	49.00 %
Expected term (in years)	5.348	6.196
Strike Price	\$ 10.00	\$ 10.00
Risk-free interest rate	2.25 %	2.75 %
Expected dividend yield	-	-
Weighted average estimated fair value	\$ 5.22	\$ 5.04

The vesting of stock options is contingent upon the employee's continued employment. As of December 31, 2019, the Company assumed for purposes of the award's fair value that such conditions would be met in full prior to such date. The Company utilized the simplified method for the expected term calculations. At the time of grant, the Company did not have historical exercises on which to base its own estimate. Additionally, exercise data relating to employees of comparable companies was not easily obtainable. Furthermore, because the Company did not have historical stock prices for a period at least equal to the expected term, the Company estimated volatility using an average mean consisting of historical peer group volatility. The contractual term for exercising the options is ten years.

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The following table summarizes stock option activity. None of the outstanding options were exercisable as of December 31, 2019 and 2018.

	Number of Options	Weighted Average Exercise Price	Fair Value
December 31, 2017	-	\$ -	\$ -
Granted	2,242,919	10.00	11,304
Forfeited	<u>(101,353)</u>	10.00	<u>(507)</u>
December 31, 2018	2,141,566	10.00	10,797
Granted	233,153	10.45	1,218
Forfeited	<u>-</u>	-	<u>-</u>
December 31, 2019	<u>2,374,719</u>	\$ 10.05	<u>\$ 12,015</u>

No options were exercised during the years ended December 31, 2019 and 2018. The number of options vested as of December 31, 2019 and 2018 was 841,171 and 412,464, respectively. The cumulative total grant date fair value of options vested for the year ended December 31, 2019 was \$5,124.

The total future compensation cost related to nonvested awards as of December 31, 2019 is \$6,888. The future compensation cost is expected to be recognized over 3 years on a weighted average basis.

Employee Stock Purchase Plan

The Company offers ESPP under the MEP for key Dental employees pre-approved by the Board that allows the purchase of shares.

The following table summarizes employee stock purchase plan activities under the MEP for the period indicated:

	2019	2018
Weighted average price per share	\$ 10.14	\$ 10.00
Management Equity Plan (MEP) shares granted	3,250	387,903
BOD Directors shares granted	50,000	100,000
Management Equity Plan (MEP) shares repurchased	<u>(10,000)</u>	<u>-</u>
	<u>\$ 43,250</u>	<u>\$ 487,903</u>

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17. Accumulated Other Comprehensive Income (Loss)

The components of Accumulated Other Comprehensive Income (Loss) as of December 31, 2019 and 2018 were as follows:

	2019	2018
Foreign currency translation adjustment, net of tax expense of \$0	\$ (13,604)	\$ (11,140)
Defined benefit plan, net of tax expense of \$153 and \$196	(878)	(369)
	<u>\$ (14,482)</u>	<u>\$ (11,509)</u>

18. Related Party Transactions

An affiliate of CD&R indirectly owns 75% of the Company and HCare owns 25% of the Company. The Company entered into a consulting agreement with CD&R, whereby CD&R provides various support and consulting services to enhance the operational and financial performance of the Company. The fees and expenses paid for these services were \$1,758 and \$1,681 for the years ended December 31, 2019 and 2018, respectively.

There were no related party transactions between Dental and HCare during the years ended December 31, 2019 and 2018.

19. Subsequent Events

Management has evaluated events occurring subsequent to December 31, 2019 through June 10, 2020, which is the date the consolidated financial statements were available to be issued, for possible recognition or disclosure in the financial statements. There were no items identified for recognition or disclosure except for the following:

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. This coronavirus outbreak has severely restricted the level of economic activity around the world. In response to this coronavirus outbreak, the governments of many countries, states, cities and other geographic regions have taken preventative or protective actions, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forego their time outside of their homes. Temporary closures of businesses have been ordered and numerous other businesses have temporarily closed voluntarily.

These recent developments have resulted in the Company experiencing a material amount of decreased net sales, profitability, and operating cash flows beginning in March 2020. Management expects these reduced levels of performance to continue in the near term primarily due to delays in large scale dental equipment purchases and reduced service revenues resulting from the dental office closures. In response, the Company has temporarily closed its primary manufacturing facility in France, introduced temporary employee furloughs and significantly reduced other operating expenses such as travel, hiring new staff and third-party contractor spending. The extent of the impact of COVID-19 on the Company's operational and financial performance and debt covenant compliance will depend on certain developments, including the duration and spread of the outbreak, and the impact on the Company's customers, employees and vendors, and borrowing levels under the Company's available credit facilities. Other risks, depending on the duration and spread of the outbreak, could include adverse impacts to intangible asset values, receivable credit

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losses and increased restructuring costs. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, while the Company expects this matter to have a material adverse impact on financial performance in 2020 and possibly beyond, the related financial impact and duration cannot be reasonably estimated at this time.

At December 31, 2019 the Company had \$29,173 of working capital, including \$26,880 of cash and cash equivalents, and \$80,000 of availability under its revolving credit facility. As of June 10, 2020, the issuance date of the Consolidated Financial Statements for the fiscal year ended December 31, 2019, the Company currently expects that these sources of liquidity and cash expected to be provided by operating activities through June 10, 2021 will be sufficient to fund operating expenses and other expenditure requirements, and comply with debt covenants through June 10, 2021. However, should the Company not comply with its debt covenants, such noncompliance could constitute an event of default which, without any amendment or waiver, could then trigger various remedies available to the lenders, including limitations on the availability of borrowings under the revolver, acceleration of the payment of outstanding debt amounts, or other actions as outlined in the credit agreements.