

Registered number: 10704647

CARESTREAM DENTAL TECHNOLOGY HOLDINGS 1 LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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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	C/O Corporation Service Company (Uk) Limited 5 Churchill Place 10th Floor London United Kingdom E14 5HU
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 40 Clarendon Road Watford Hertfordshire WD17 1JJ

CARESTREAM DENTAL TECHNOLOGY HOLDINGS 1 LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present the Strategic Report of Carestream Dental Technology Holdings 1 Limited (the "Company") for the year ended 31 December 2021.

Business review

The profit for the financial year amounted to \$499,938,000 (2020: \$4,588,000). The Company had net assets of \$337,242,000 as at 31 December 2021 (2020: \$332,669,000).

The profit is attributable to interest income on intercompany loans and an intercompany dividend.

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 a 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 Ukraine war has not had an impact on the Company's subsidiary undertakings or the Company itself.

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:



J L Guinn
Director

Date: 12 August 2022

CARESTREAM DENTAL TECHNOLOGY HOLDINGS 1 LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021.

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 \$499,938,000 (2020: \$4,588,000).

The directors paid a dividend of \$495,000,000 to shareholders (2020: \$Nil). The directors do not recommend a final dividend (2020: \$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.

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.

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 by the Company in the near future. In December 2021, the Carestream Dental Group signed an agreement with Envista corporation to sell its intra-oral scanning business. The sale completed on 20 April 2022. The scanning business represented circa 10% of the Group revenue in 2021.

Covid-19 and the Ukraine war have not affected the Company itself.

CARESTREAM DENTAL TECHNOLOGY HOLDINGS 1 LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Financial risk management

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

The following activities are performed by the management of Carestream Dental Technology Parent Limited, a subsidiary company, for the group as a whole (the "Group") and shared with relevant stakeholders.

Risk management is carried out under policies approved by the Board of Directors. The Group 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 Group monitors rolling forecasts of the liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group'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 2021

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 period.

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.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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



J L Guinn
Director

Date: 12 August 2022

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 2021 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 (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2021; 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2021 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

As explained more fully in the Directors' responsibilities statement, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Companies Act 2006 and relevant tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries or fraudulent journals to improve the result of the Company for the year. Audit procedures performed by the engagement team included:

- Reviewing minutes of meetings and enquiries with management to identify any non-compliance with laws and regulations noted above; and
- Identifying and testing journal entries focussing on those that could potentially fraudulently alter the profit of the Company.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

CARESTREAM DENTAL TECHNOLOGY HOLDINGS 1 LIMITED

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

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.

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 obtained 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 (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
Date: 12 August 2022

CARESTREAM DENTAL TECHNOLOGY HOLDINGS 1 LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 \$000	2020 \$000
Income from shares in group undertakings	6	495,000	-
Interest receivable and similar income	7	4,938	4,588
Profit before taxation		499,938	4,588
Tax on profit	8	-	-
Profit for the financial year		499,938	4,588
Total comprehensive income for the financial year		499,938	4,588

The notes on pages 12 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 2021

	Note	2021 \$000	2020 \$000
Fixed assets			
Investments	10	181,863	182,028
Current assets			
Debtors: amounts falling due after more than one year	11	155,630	150,691
Debtors: amounts falling due within one year	11	-	5,136
		<u>155,630</u>	<u>155,827</u>
Creditors: amounts falling due within one year	12	(51)	(5,186)
Net current assets		<u>155,579</u>	<u>150,641</u>
Total assets less current liabilities		<u><u>337,242</u></u>	<u><u>332,669</u></u>
Capital and reserves			
Called up share capital	14	-	-
Share premium account	15	-	-
Capital contribution reserve	15	4,712	317,524
Profit and loss account	15	332,530	15,145
Total shareholders' funds		<u><u>337,242</u></u>	<u><u>332,669</u></u>

The financial statements on pages 9 to 25 were approved and authorised for issue by the board and were signed on its behalf by:



J L Guinn
Director

Date: 12 August 2022

The notes on pages 12 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 2021**

	Called up share capital \$000	Share premium account \$000	Capital contribution reserve \$000	Profit and loss account \$000	Total shareholders' funds \$000
At 1 January 2020	-	-	317,742	10,557	328,299
Comprehensive income for the financial year					
Profit for the financial year	-	-	-	4,588	4,588
Total comprehensive income for the financial year	-	-	-	4,588	4,588
Contributions by and distributions to owners					
Capital reduction by parent company	-	-	(218)	-	(218)
Total transactions with owners	-	-	(218)	-	(218)
At 31 December 2020 and 1 January 2021	-	-	317,524	15,145	332,669
Comprehensive income for the financial year					
Profit for the financial year	-	-	-	499,938	499,938
Total comprehensive income for the financial year	-	-	-	499,938	499,938
Contributions by and distributions to owners					
Shares issued during the year (note 14)	-	312,447	(312,447)	-	-
Conversion of share premium into distributable reserves	-	(312,447)	-	312,447	-
Capital reduction by parent company	-	-	(365)	-	(365)
Dividends: Equity capital (note 9)	-	-	-	(495,000)	(495,000)
Total transactions with owners	-	-	(312,812)	(182,553)	(495,365)
At 31 December 2021	-	-	4,712	332,530	337,242

The notes on pages 12 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 2021

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 C/O Corporation Service Company (Uk) Limited 5 Churchill Place, 10th Floor London, United Kingdom, E14 5HU.

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).

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.4 Consolidation

The Company is a wholly-owned subsidiary of Carestream Dental Alpha Limited and its results are included in the consolidated financial statements of Carestream Dental Alpha Limited which can be obtained from C/O Corporation Service Company (UK) Limited 5 Churchill Place, 10th Floor London E14 5HU. 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 and rounded to the nearest thousand.

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 taxation

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

Financial assets including amounts due from group undertakings 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.

2.12 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

CARESTREAM DENTAL TECHNOLOGY HOLDINGS 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 11 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 10 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

	2021 \$000	2020 \$000
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	20	17
	2021 \$000	2020 \$000
Fees payable to the Company's auditors in respect of:		
All other services	3	3

5. Employees and directors

The Company has no employees other than the directors, who did not receive any remuneration (2020: \$Nil).

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 2021

5. Employees and directors (continued)

	2021 \$000	2020 \$000
Directors' remuneration	1,111	329
Defined pension contributions	8	7
	<u>1,119</u>	<u>336</u>

During the year retirement benefits were accruing to 1 director (2020: 1) in respect of defined contribution pension schemes.

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 (2020: \$Nil). Accordingly, the above details do not include his remuneration.

Highest paid director

	2021 \$000	2020 \$000
The highest paid director's emoluments were as follows:		
Directors' remuneration	<u>979</u>	<u>224</u>

6. Income from shares in group undertakings

	2021 \$000	2020 \$000
Dividends received from Carestream Dental Technology Holdings 2 Limited	<u>495,000</u>	<u>-</u>

CARESTREAM DENTAL TECHNOLOGY HOLDINGS 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

7. Interest receivable and similar income

	2021	2020
	\$000	\$000
Interest receivable from group companies	4,938	4,588

8. Tax on profit

	2021	2020
	\$000	\$000
Corporation tax		
Current tax on profits for the financial year	-	-
Total tax charge for the financial year	-	-

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2020: lower than) the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%). The differences are explained below:

	2021	2020
	\$000	\$000
Profit before taxation	499,938	4,588
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	94,988	872
Effects of:		
Group relief for nil consideration	(938)	(872)
Income not subject to tax	(94,050)	-
Total tax charge for the financial year	-	-

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Act 2021 (published on 24 May 2021, with royal assent received on 10 June 2021). This confirmed an increase to the corporation tax rate to 25% with effect from 1 April 2023. Deferred taxes at the reporting date have been calculated based on the corporation tax rate of 25% that is enacted at the reporting date.

CARESTREAM DENTAL TECHNOLOGY HOLDINGS 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

9. Dividends

	2021 \$000	2020 \$000
Dividends paid	495,000	-

10. Investments

	Investments in subsidiary companies \$000
Cost and net book value	
At 31 December 2020 and 1 January 2021	182,028
Disposals	(365)
At 31 December 2021	181,663

The disposal is in relation to a capital reduction that occurred during the year.

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*	C/O Corporation Service Company (Uk) Limited, 5 Churchill Place, 10th Floor, London, United Kingdom, E14 5HU	Holding company	Ordinary	100%
Carestream Dental Technology Parent Limited**	C/O Corporation Service Company (Uk) Limited, 5 Churchill Place, 10th Floor, London, United Kingdom, E14 5HU	Holding company	Ordinary	100%
Carestream Dental Technology Topco Limited**	C/O Corporation Service Company (Uk) Limited, 5 Churchill Place, 10th Floor, London, United Kingdom, E14 5HU	Distribute dental imaging equipment	Ordinary	100%
Carestream Dental Limited**	C/O Corporation Service Company (Uk) Limited, 5 Churchill Place, 10th Floor, London, United Kingdom, E14 5HU	Development and sale of practice management software and dental imaging equipment	Ordinary	100%

CARESTREAM DENTAL TECHNOLOGY HOLDINGS 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

10. Investments (continued)

Subsidiary undertakings (continued)

Name	Registered office	Principal activity	Class of shares	Holding
Carestream Dental Technology Holdings, Inc.**	Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware, 19801	Holding company	Ordinary	100%
Carestream Dental Technology, Inc.**	Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware, 19801	Holding company	Ordinary	100%
Carestream Dental Technology, LLC**	Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware, 19801	Holding company	Ordinary	100%
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 & Gradon LLP, 595 Burrard St. Suite 2600 PO Box 49314, Vancouver, BC V7X1L3 Canada	Holding company	Ordinary	100%

CARESTREAM DENTAL TECHNOLOGY HOLDINGS 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

10. Investments (continued)

Subsidiary undertakings (continued)

Name	Registered office	Principal activity	Class of shares	Holding
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	100%
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)	Develop and sells practice management software	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	100%
Carestream Dental Germany GmbH**	Carestream Dental Germany GmbH, Hedelfinger Str. 60 70327 Stuttgart, Germany	Distribute dental imaging equipment	Ordinary	100%

CARESTREAM DENTAL TECHNOLOGY HOLDINGS 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

10. Investments (continued)

Subsidiary undertakings (continued)

Name	Registered office	Principal activity	Class of shares	Holding
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	Distribute dental imaging equipment	Ordinary	100%
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	100%
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 Jarnvagsgatan 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 TECHNOLOGY HOLDINGS 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

10. Investments (continued)

Subsidiary undertakings (continued)

Name	Registered office	Principal activity	Class of shares	Holding
Carestream Dental AB**	Carestream Dental AB, Ostra Jarnvagsgatan 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 Brasil EIRELI**	Rua Pequetita, 215, 3rd floor, suite 31, room RIS, Edificio Atrium VII, Vila Olimpia, Zip Code 04552060. Sao Paulo. Brazil	Distributing dental imaging equipment	Ordinary	100%
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%
Carestream Dental Partnership, LLC**	C/O Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808	Holding company	Ordinary	100%
Carestream Dental Technology Limited**	C/O Orega Stockley Park 4 Longwalk Road, Stockley Park, Uxbridge, Middlesex, UB11 1FE	Distribute dental imaging equipment - dormant	Ordinary	100%

* Directly held

** Indirectly held

CARESTREAM DENTAL TECHNOLOGY HOLDINGS 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

11. Debtors

	2021 \$000	2020 \$000
Amounts falling due after more than one year		
Amounts owed by group undertakings	<u>155,630</u>	<u>150,691</u>
	2021 \$000	2020 \$000
Amounts falling due within one year		
Amounts owed by group undertakings	<u>-</u>	<u>5,136</u>

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 falling due within one year are unsecured, interest free and repayable on demand.

Fair value measurement

The amounts owed by group undertakings 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.

12. Creditors: amounts falling due within one year

	2021 \$000	2020 \$000
Amounts owed to group undertakings	<u>51</u>	<u>5,186</u>

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

CARESTREAM DENTAL TECHNOLOGY HOLDINGS 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

13. Financial instruments

	2021 \$000	2020 \$000
Financial assets		
Financial assets measured at amortised cost	<u>155,630</u>	<u>155,827</u>
	2021 \$000	2020 \$000
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(51)</u>	<u>(5,186)</u>

Financial assets measured at amortised cost comprise amounts owed by group undertakings.

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

14. Called up share capital

	2021 \$	2020 \$
Shares classified as equity		
Allotted, called up and fully paid		
2 (2020:1) Ordinary shares of £1 (2020: £1) each	<u>2</u>	<u>1</u>

15. Reserves

Share premium account

The share premium account represents amounts raised on the initial allotment of share capital in excess of the nominal value of shares issued, less any costs directly attributable to the issue of that share capital.

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.

16. 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.

CARESTREAM DENTAL TECHNOLOGY HOLDINGS 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

17. 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 the registered office at C/O Corporation Service Company (Uk) Limited, 5 Churchill Place, 10th Floor, London, United Kingdom, E14 5HU.

The Company's ultimate parent company is Carestream Dental Alpha Limited, registered office C/O Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and the Company's ultimate controlling party is CD&R Cobra Holdings, L.P.

Carestream Dental Alpha Limited

Consolidated Financial Statements
December 31, 2021 and 2020

THESE ACCOUNTS
FORM PART OF THE
GROUP ACCOUNTS
OF COMPANY
No. 10704647

COMPANIES HOUSE

Carestream Dental Alpha Limited
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December 31, 2021 and 2020

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Report of Independent Auditors

To the Board of Directors of Carestream Dental Alpha Limited

Opinion

We have audited the accompanying consolidated financial statements of Carestream Dental Alpha Limited and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of comprehensive loss, of shareholders' equity (deficit) and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated 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 absolute assurance



and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

PricewaterhouseCoopers LLP

Atlanta, GA
August 2, 2022

Carestream Dental Alpha Limited
Consolidated Balance Sheets
December 31, 2021 and 2020

(in thousands of dollars)

	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 45,273	\$ 70,731
Accounts receivable, net	64,517	57,344
Inventories, net	27,629	27,706
Other current assets	22,994	14,997
Assets held for sale - current	116,967	-
Total current assets	277,380	170,778
Property, plant and equipment, net	11,258	17,856
Goodwill	375,726	496,583
Intangible assets, net	144,198	194,949
Other long-term assets, net	1,821	2,312
Deferred income tax assets	5,305	5,090
Total assets	<u>\$ 815,688</u>	<u>\$ 887,568</u>
Liabilities and Shareholders' (Deficit) Equity		
Current liabilities		
Trade accounts payable	\$ 25,947	\$ 23,982
Accrued liabilities		
Employee related	33,136	21,412
Income taxes	7,315	3,239
Other taxes	5,569	7,560
Warranty	1,256	1,615
Other	15,819	12,265
Contract liabilities	25,582	32,218
Current portion of long-term debt	17,192	1,285
Current portion of pension liability	945	791
Liabilities held for sale - current	12,675	-
Total current liabilities	145,436	104,367
Long-term debt, less current portion	915,874	515,357
Other long-term liabilities	28,238	21,451
Deferred income tax liabilities	15,668	22,195
Pension	17,353	19,914
Total liabilities	<u>1,122,569</u>	<u>683,284</u>
Commitments and contingencies		
Shareholders' (deficit) equity		
Contributed capital	-	317,633
Additional paid in capital	272	7,606
Accumulated deficit	(295,509)	(130,720)
Accumulated other comprehensive (loss) income	(11,644)	9,765
Total shareholders' (deficit) equity	<u>(306,881)</u>	<u>204,284</u>
Total liabilities and shareholders' (deficit) equity	<u>\$ 815,688</u>	<u>\$ 887,568</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, 2021 and 2020

(in thousands of dollars)

	2021	2020
Sales, net	\$ 470,388	\$ 338,166
Cost of goods sold	190,199	146,456
Gross profit	280,189	191,710
Selling, general and administrative	142,712	113,257
Amortization of intangibles	47,719	48,226
Research and development	27,112	23,675
Operating income	62,646	6,552
Interest expense, net	35,481	35,776
Other loss, net	456	1,796
Income (loss) before income taxes	26,709	(31,020)
Provision for (benefit from) income taxes	5,999	(86)
Net income (loss)	20,710	(30,934)
Other comprehensive (loss) income, net of tax		
Foreign currency translation adjustments, net	(22,135)	24,362
Defined benefit pension plan, net	726	(115)
Total other comprehensive (loss) income, net of tax	(21,409)	24,247
Comprehensive loss	\$ (699)	\$ (6,687)

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

Carestream Dental Alpha Limited
Consolidated Statements of Shareholders' Equity (Deficit)
Years Ended December 31, 2021 and 2020

<i>(in thousands of dollars)</i>	Contributed Capital	Additional Paid in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Shareholders' Equity (Deficit)
Balances at December 31, 2019	\$ 312,447	\$ 10,443	\$ (14,482)	\$ (99,786)	\$ 208,622
Net (loss)	-	-	-	(30,934)	(30,934)
Foreign currency translation adjustment, net of tax expense of \$0	-	-	24,362	-	24,362
Defined benefit plan, net of tax expense of \$13	-	-	(115)	-	(115)
Stock buy backs from directors and employees	-	(109)	-	-	(109)
Stock compensation expense	-	2,458	-	-	2,458
Balances at December 31, 2020	312,447	12,792	9,765	(130,720)	204,284
Net income	-	-	-	20,710	20,710
Foreign currency translation adjustment, net of tax expense of \$0	-	-	(22,135)	-	(22,135)
Defined benefit plan, net of tax expense of \$311	-	-	726	-	726
Dividends paid to shareholders	(312,447)	(15,083)	-	(167,470)	(495,000)
Stock buy backs from directors and employees	-	(932)	-	-	(932)
Stock option modification	-	-	-	(18,029)	(18,029)
Stock compensation expense	-	3,495	-	-	3,495
Balances at December 31, 2021	\$ -	\$ 272	\$ (11,644)	\$ (295,509)	\$ (306,881)

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, 2021 and 2020

(in thousands of dollars)

	2021	2020
Cash flows from operating activities		
Net income (loss)	\$ 20,710	\$ (30,934)
Adjustments to reconcile net income (loss) to cash provided by operating activities		
Depreciation	7,672	10,050
Amortization of intangibles	47,719	48,226
Amortization of debt issuance costs	3,079	2,724
Debt extinguishment costs	1,929	-
Allowance for doubtful accounts	(671)	56
Provision for excess and obsolete inventory	143	803
(Gain) loss on the disposal of property, plant and equipment	(564)	144
Foreign currency exchange (gain) loss	(4,523)	1,198
Stock compensation expense	3,495	2,458
Deferred income taxes	(7,052)	(3,101)
Change in operating assets and liabilities		
Accounts receivable	(3,826)	9,391
Inventories	(7,159)	4,584
Other current assets	(8,746)	2,006
Trade accounts payable	2,895	(338)
Accrued liabilities	21,565	(4,476)
Contract liabilities	4,750	3,999
Other	3,299	192
Total adjustments	64,005	77,916
Net cash provided by operating activities	84,715	46,982
Cash flows from investing activities		
Purchases of property, plant and equipment	(2,602)	(2,775)
Net cash used in investing activities	(2,602)	(2,775)
Cash flows from financing activities		
Repayment of long-term debt	(68,750)	(3,750)
Borrowings on long-term debt	495,000	-
Debt issuance costs	(14,449)	-
Borrowings on revolving credit facility	-	79,500
Repayment of revolving credit facility	-	(79,500)
Dividends paid to shareholders	(495,000)	-
Director and employee stock buy backs	(932)	(109)
Stock option modification	(18,029)	-
Net cash used in financing activities	(102,160)	(3,859)
Effect of exchange rate changes on cash and cash equivalents	(5,411)	3,503
Net (decrease) increase in cash and cash equivalents	(25,458)	43,851
Cash and cash equivalents		
Beginning of year	70,731	26,880
End of year	\$ 45,273	\$ 70,731
Supplemental disclosures		
Cash paid for interest	\$ 30,505	\$ 33,281
Cash paid for income taxes	9,882	1,554

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

Carestream Dental Alpha Limited

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(in thousands of dollars except share amounts)

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 distributions 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.

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 ("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.

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.

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 institution.

Foreign Currency

For certain operations outside the U.S., the local currency is the functional currency. 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 income (loss) in the accompanying Consolidated Balance Sheets.

Carestream Dental Alpha Limited
Notes to Consolidated Financial Statements
December 31, 2021 and 2020

(in thousands of dollars except share amounts)

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 Comprehensive Loss.

Foreign exchange gains (losses) arising from transactions denominated in a currency, other than the functional currency of the entity involved, were \$4,523 and (\$1,198) for years ended December 31, 2021 and 2020, respectively. Foreign exchange gains (losses) are included in sales, general and administrative costs and other (income) loss, net in the accompanying Consolidated Statements of Comprehensive Loss for the years ended December 31, 2021 and 2020, respectively.

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 estimated fair value due to their short-term nature.

Debt is measured and presented at amortized cost on the Consolidated Balance Sheets.

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 estimated fair value.

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.

Carestream Dental Alpha Limited

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(in thousands of dollars except share amounts)

There were no customers who represented more than 10% of the Company's total revenue for the years ended December 31, 2021 and 2020. There were no customers who represented more than 10% of the Company's net trade receivables at December 31, 2021, while there was one customer who represented approximately 10% of the Company's net trade receivables at December 31, 2020.

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.

Property, Plant and Equipment, Net

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.

Intangible Assets

Intangible assets are recorded 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.

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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 estimated fair value. Dental determines estimated 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. Refer to Note 3 for impairment considerations related to assets held for sale.

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. Based on the results of reviews performed, no impairment loss was recognized in the results of operations for the years ended December 31, 2021 and 2020. Refer to Note 3 for impairment considerations related to assets held for sale.

Defined Benefit Retirement Plans

Dental sponsors several defined benefit plans around the world. Information included in Note 14 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 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.

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 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 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.

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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 when the Company:

- 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 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 contract 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 concurrent 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

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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 the business, technical skills required, customer location and other market conditions.

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, 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 Comprehensive Loss.

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, 2021 and 2020 was \$45,631 and \$48,643, respectively. Obligations expected to be fulfilled 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 on the Consolidated Balance Sheets.

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 obligations are estimated and recorded as an accrued liability at the time of sale. Warranty obligations 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 on the Consolidated Balance Sheets.

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 included as a component of cost of goods sold on the Consolidated Statements of Comprehensive Loss.

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Shipping and Handling Costs

For the years ended December 31, 2021 and 2020, approximately \$5,123 and \$4,304, 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 Comprehensive Loss.

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

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.

Advertising

Advertising costs are expensed as incurred and included in selling, general and administrative expenses in the accompanying Consolidated Statements of Comprehensive Loss. Advertising expenses amounted to \$7,323 and \$5,055, respectively, for the years ended December 31, 2021 and 2020.

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, 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 and accordingly, has recognized corresponding deferred tax liabilities on the underlying taxable temporary differences.

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes, which results in the removal of certain exceptions to the general principles of ASC 740 and simplifies other aspects of the accounting for income taxes. For private Companies this ASU is effective for fiscal years beginning after December 15, 2021 with early adoption permitted. Dental is still assessing the impact of this guidance on its consolidated financial statements.

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3. Assets Held for Sale and Divestitures

On December 22, 2021, the Company entered into a definitive Stock and Asset Purchase Agreement ("SAPA") to sell the scanning product line ("Scanning business"), a component of the equipment reporting unit, for a purchase price of \$600 million on a cash free, debt free basis. Under the terms of the SAPA, the Company will transfer certain intellectual property and other intangible assets, and various tangible assets relating to the Scanning business, including but not limited to, inventory, demonstration units, intangible assets, and various customer contracts. The Buyer will also be assuming certain liabilities related to the Scanning business, including future service obligations related to warranty contracts, employee related liabilities for employees being transferred, and accounts payable, which will be transferred via stock sales. The transaction closed on April 20, 2022.

In contemplation of the transaction noted above, certain net assets have met the held for sale criteria as of December 31, 2021. The carrying value of assets held for sale consists of the following:

	2021
Assets	
Accounts receivable, net	\$ 623
Inventories, net	4,282
Other current assets	206
Property, plant and equipment, net	1,010
Goodwill	110,726
Other long-term assets, net	120
Assets held for sale	<u>\$ 116,967</u>
Liabilities	
Trade accounts payable	\$ 494
Accrued liabilities	
Employee related	4,472
Other	172
Contract liabilities	7,045
Other long-term liabilities	22
Pension	470
Liabilities held for sale	<u>\$ 12,675</u>

In December 2021, in conjunction with the classification of certain assets held for sale and the allocation of a portion of the equipment reporting unit goodwill to the Scanning business based on relative fair value, Dental reassessed the carrying value of its long-lived assets and goodwill for impairment. The estimated fair value of the Scanning business, less costs to sell, exceeded the carrying value of the business as of December 31, 2021, including the goodwill allocated to the Scanning business, indicating no impairment. Goodwill not allocated to assets held for sale remains in the equipment reporting unit.

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4 Revenue from Contracts with Customers

Disaggregation of Net Sales

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

	Year Ended December 31, 2021		
	Equipment	Software	Total
Point in time	\$ 335,625	\$ 26,102	\$ 361,727
Over time	23,800	84,861	108,661
	<u>\$ 359,425</u>	<u>\$ 110,963</u>	<u>\$ 470,388</u>

	Year Ended December 31, 2020		
	Equipment	Software	Total
Point in time	\$ 216,345	\$ 21,923	\$ 238,268
Over time	21,132	78,766	99,898
	<u>\$ 237,477</u>	<u>\$ 100,689</u>	<u>\$ 338,166</u>

5. Accounts Receivable

Trade receivables as of December 31, 2021 and 2020 were \$64,517 and \$57,344, net of allowance for doubtful accounts of \$2,630 and \$3,301, respectively. Included in the total net receivable balances are \$5,042 and \$3,282, respectively, for customer rebates expected to be settled through customer deductions in lieu of cash payments as of December 31, 2021 and 2020. The accounts receivable balance at December 31, 2021, excludes amounts reclassified to assets held for sale (Note 3).

6. Inventories

	December 31,	
	2021	2020
Finished goods	\$ 17,729	\$ 12,903
Work in process	3,102	3,259
Raw materials	6,798	11,544
Total inventories	<u>\$ 27,629</u>	<u>\$ 27,706</u>

Aggregate reductions in the carrying value related to excess, obsolete or slow-moving inventory or that had a carrying value in excess of market were \$4,924 and \$4,781 at December 31, 2021 and 2020, respectively. The inventory balance at December 31, 2021, excludes amounts reclassified to assets held for sale (Note 3).

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7. Property, Plant and Equipment, net

	December 31,	
	2021	2020
Machinery and equipment	\$ 28,078	\$ 35,742
Leasehold improvements	8,389	9,140
Construction-in-progress	204	121
	<u>36,671</u>	<u>45,003</u>
Accumulated depreciation	<u>(25,413)</u>	<u>(27,147)</u>
Property, plant and equipment, net	<u>\$ 11,258</u>	<u>\$ 17,856</u>

Depreciation expense for Dental was \$7,672 and \$10,050 for the years ended December 31, 2021 and 2020, respectively, and is included in cost of goods sold and selling, general and administrative expenses on the Consolidated Statements of Comprehensive Loss. The property, plant and equipment balance on the Consolidated Balance Sheets at December 31, 2021, excludes amounts reclassified to assets held for sale (Note 3).

8. Goodwill and Other Intangible Assets, net

Total goodwill and change in the carrying amount of goodwill for the years ended December 31, 2021 and 2020 were as follows:

Balance at December 31, 2019	\$ 482,738
Currency translation adjustment	<u>13,845</u>
Balance at December 31, 2020	496,583
Currency translation adjustment	(10,131)
Reclassified to assets held for sale	<u>(110,726)</u>
Balance at December 31, 2021	<u>\$ 375,726</u>

The goodwill balance remaining for the equipment reporting unit was tested for impairment at December 31, 2021 following the goodwill reallocation for the sale of the Scanning business. The estimated fair value of the equipment reporting unit exceeded the carrying value of the business as of December 31, 2021, indicating no impairment.

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

	Customer Relationships	Developed Technology	Trademark/Trade Names	Total
Balances at December 31, 2019	\$ 115,483	\$ 106,797	\$ 15,399	\$ 237,679
Amortization	(15,088)	(32,184)	(954)	(48,226)
Currency translation	1,292	3,601	603	5,496
Balances at December 31, 2020	101,687	78,214	15,048	194,949
Amortization	(15,088)	(31,695)	(936)	(47,719)
Currency translation	(686)	(1,948)	(398)	(3,032)
Balances at December 31, 2021	<u>\$ 85,913</u>	<u>\$ 44,571</u>	<u>\$ 13,714</u>	<u>\$ 144,198</u>
Weighted avg remaining amortization years	7.04	2.74	15.87	

Amortization expense related to intangible assets was \$47,719 and \$48,226 for the years ended December 31, 2021 and 2020, respectively.

Estimated future amortization expense related to intangible assets at December 31, 2021 is as follows:

2022	\$ 41,317
2023	22,360
2024	17,173
2025	16,720
2026	11,577
Thereafter	35,051
	<u>\$ 144,198</u>

9. 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 an \$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, 2021 and 2020.

The obligations under the First Lien Credit Facility are collateralized by substantially all of the assets of Carestream Dental Technology Parent Limited 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. 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 junior lien debt.

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On November 23, 2021, the Company executed an amendment to the First Lien Credit Agreement and the Second Lien Credit Agreement. The Company received \$335,000 and \$160,000 in a Tranche B First Lien Term Loan and a Tranche B Second Lien Term Loan, respectively. The Company also increased its First Lien Revolving Facility by \$20 million, from \$80 million to \$100 million. The Tranche B First Lien and Second Lien Term Loans were issued at original issue discounts ("OID") of 99.0% and 98.5%, respectively. The Company incurred approximately \$14,900 in debt issuance costs and First Lien Revolving Facility fees (including \$5,800 in OID), which were recorded to long-term debt and other current assets in the Consolidated Balance Sheets, respectively, resulting in net cash proceeds of \$480,551. The Company wrote-off \$1,929 in Second Lien Term Loan OID and deferred financing costs in relation to a prepayment of the Second Lien Term Loan totaling \$65,000 during 2021, which were recorded to interest expense, net in the Consolidated Statement of Comprehensive Loss. The net cash proceeds, along with operating cash flows, were used to pay a dividend to the Company's shareholders in the amount of \$495,000.

Revolving Credit Facility

The First Lien Revolving Facility matures on June 2, 2024. Any loans under the facility can be Eurodollar Loans, ABR Loans, BA Equivalent Loans, or Canadian Prime Rate Loans. Each Eurodollar Loan bears interest at a per annum rate equal to the Adjusted LIBOR Rate plus the Applicable Margin (initially equal to 4.25% per annum). Each ABR Loan bears interest at a per annum rate equal to the Alternate Base Rate plus Applicable Margin (initially equal to 3.25% per annum). Each BA Equivalent Loan bears interest at a per annum rate equal to the BA Rate plus Applicable Margin (initially equal to 4.25% 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 3.25% per annum). As of December 31, 2021 and 2020, there were no outstanding borrowings under the revolving line of credit.

First Lien Term Loan

The First Lien Term Loan matures on September 1, 2024. Any loans under the facility can be Eurodollar Loans or ABR Loans. 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 drew down the full amount on the term loan facility under the First Lien Credit Agreement.

Tranche B First Lien Term Loan

The Tranche B First Lien Term Loan matures on September 1, 2024. Any loans under the facility can be Eurodollar Loans or ABR Loans. Each Eurodollar Loan bears interest at a per annum rate equal to the Adjusted LIBOR Rate plus the Applicable Margin (initially equal to 4.50% per annum). Each ABR Loan bears interest at a per annum rate equal to the Alternate Base Rate plus Applicable Margin (initially equal to 3.50% per annum). Upon execution, the Company drew down the full amount on the term loan facility under the Tranche B First Lien Credit Agreement.

Second Lien Term Loan

The Second Lien Term Loan 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 drew down the full amount on the term loan facility under the Second Lien Credit Agreement.

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Tranche B Second Lien Term Loan

The Tranche B Second Lien Term Loan 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 drew down the full amount on the term loan facility under the Tranche B Second Lien Credit Agreement.

Debt Issuance Costs

Debt issuance costs associated with the revolver were \$720 and \$654 at December 31, 2021 and 2020, 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 Comprehensive Loss and was \$385 and \$393 for the years ended December 31, 2021 and 2020, respectively.

Debt issuance costs associated with the term loans are amortized using the effective interest rate method, over the term of the related debt and are reflected as a direct reduction of long-term debt on the Consolidated Balance Sheets. Debt issuance costs net of amortization were \$20,997 and \$11,171 at December 31, 2021 and 2020, respectively. Amortization of debt issuance costs is included in interest expense, net on the Consolidated Statements of Comprehensive Loss and was \$2,694 and \$2,331 for the years ended December 31, 2021 and 2020, respectively.

Long-term debt as of December 31, 2021 and 2020 was comprised of the following:

	2021	2020
First Lien term loan - Tranche A	\$ 359,063	\$ 362,813
First Lien term loan - Tranche B	335,000	-
Second Lien term loan - Tranche A	100,000	165,000
Second Lien term loan - Tranche B	160,000	-
Carrying value of long-term debt	<u>954,063</u>	<u>527,813</u>
Unamortized debt issuance costs		
on First Lien term loans	13,239	5,936
Unamortized debt issuance costs		
on Second Lien term loans	<u>7,758</u>	<u>5,235</u>
Less: Total unamortized debt		
issuance costs	<u>20,997</u>	<u>11,171</u>
Current portion of debt - principal	22,100	3,750
Current portion of debt - debt issuance costs	<u>(4,908)</u>	<u>(2,465)</u>
Less: Total current portion	<u>17,192</u>	<u>1,285</u>
Long term debt	<u>\$ 915,874</u>	<u>\$ 515,357</u>
Debt issuance costs - First Lien revolver	\$ 720	\$ 654

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Aggregate minimum principal maturities on long-term debt as of December 31, 2021 were as follows:

	Minimum Principal Maturities		
	First Lien Term Loans	Second Lien Term Loans	Total
2022	\$ 22,100	\$ -	\$ 22,100
2023	7,100	-	7,100
2024	664,863	-	664,863
2025	-	260,000	260,000
	<u>\$ 694,063</u>	<u>\$ 260,000</u>	<u>\$ 954,063</u>

10. Operating Leases

Rent expense, including operating expenses, totaled \$3,441 and \$3,847 for the years ended December 31, 2021 and 2020, respectively. Minimum lease commitments, based on contractually required cash payments, under noncancelable leases as of December 31, 2021 are as follows:

	Amount
2022	\$ 3,296
2023	2,896
2024	2,265
2025	1,750
2026	1,519
Thereafter	4,178

The Company has no lease commitments beyond 2029.

11. 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.

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There are no 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.

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, 2021 are as follows:

	Amount
2022	\$ 15,968
2023	<u>7,256</u>
	<u>\$ 23,224</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, 2021, \$2,500 was recorded in accrued employee related liabilities related to these arrangements. The potential maximum future cash payments under the arrangements are \$3,230 for the years 2022 through 2024.

12. 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 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, 2021 or 2020.

13. Income Taxes

The components of income/(loss) before income taxes for the years ended December 31, 2021 and 2020, and the related provision for income taxes were categorized by jurisdictions as follows:

	2021	2020
Income/(losses) before provision for income taxes		
United Kingdom	\$ 38,824	\$ (13,754)
Outside United Kingdom	<u>(12,115)</u>	<u>(17,266)</u>
	<u>\$ 26,709</u>	<u>\$ (31,020)</u>

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The provision for (benefit from) income taxes for the years ended December 31, 2021 and 2020, was categorized by jurisdiction as follows:

	2021	2020
Expense/(benefit) from provision for income taxes		
Current		
United Kingdom	\$ 6,655	\$ (714)
Outside United Kingdom	6,396	3,729
	<u>13,051</u>	<u>3,015</u>
Deferred		
United Kingdom	(269)	(75)
Outside United Kingdom	(6,783)	(3,026)
	<u>(7,052)</u>	<u>(3,101)</u>
Total expense/(benefit) from income taxes	<u>\$ 5,999</u>	<u>\$ (86)</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, 2021 and 2020 were as follows:

	2021	2020
UK statutory rate	19.0 %	19.0 %
Foreign rate differential	(2.8)	0.4
Tax on remitted and unremitted earnings	3.7	0.0
Valuation allowance	9.3	(24.5)
Stock compensation	(11.0)	0.0
Changes in tax law	1.4	(0.4)
Provision to return adjustments	0.8	2.1
R&D credit	(1.2)	0.4
Other	3.3	3.3
Effective tax rate	<u>22.5 %</u>	<u>0.3 %</u>

Dental 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 2.8 percent and 0.4 percent for the years ended December 31, 2021 and 2020, respectively.

Dental recognized income tax expense due to distribution of profits as part of the \$495,000 dividend, discussed further in Note 9, as well as recording deferred income tax expense on unremitted earnings in China where the Company could no longer make an indefinite reinvestment assertion, resulting in a detriment of 3.7 percent for the year ended December 31, 2021.

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As a result of the make whole payment for vested options, discussed further in Note 15, the Company recognized a benefit to the income tax provision of 11.0 percent for the year ended December 31, 2021. Amounts related to stock compensation in prior years were not material and are recorded in "Other" or "Provision to return adjustments" in the effective tax rate reconciliation.

Loss and interest related carryforwards in certain jurisdictions, predominantly one of the two US filing jurisdictions, are not currently benefited through the recording of valuation allowance, as it is more likely than not the associated deferred tax asset will not be realized in the foreseeable future.

The significant components of deferred income tax assets and liabilities at December 31, 2021 and 2020 were as follows:

	2021	2020
Deferred tax assets		
Net operating loss carryforward	\$ 2,602	\$ 4,756
Interest related carryforward	19,594	16,119
Property, plant and equipment	996	854
Deferred compensation	3,034	1,914
Other	3,816	1,762
Intangibles	1,038	786
Contract liabilities	3,121	3,068
Pension related liabilities	5,310	5,908
Total deferred tax assets	<u>39,511</u>	<u>35,167</u>
Valuation allowance	<u>(29,417)</u>	<u>(26,919)</u>
Net deferred tax assets	<u>10,094</u>	<u>8,248</u>
Deferred tax liabilities		
Intangibles	(18,598)	(23,532)
Other	<u>(1,859)</u>	<u>(1,821)</u>
Total deferred tax liabilities	<u>(20,457)</u>	<u>(25,353)</u>
Net deferred tax liabilities	<u>\$ (10,363)</u>	<u>\$ (17,105)</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 UK is expected to use all operating loss carryforwards in 2021. Dental has non-UK operating losses of \$8,886 for which \$4,946 do not expire and \$3,940 expire starting in 2028. Losses incurred in certain jurisdictions, are not currently benefited, as it is more likely than not the associated deferred tax asset will not be realized in the foreseeable future.

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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. In 2021 due to increased profitability Dental released the valuation allowance for the UK. Dental's valuation allowance, predominantly related to loss and interest carryforwards, was \$29,417 and \$26,919 as of December 31, 2021 and 2020, respectively.

Unrecognized Tax Benefits

As of December 31, 2021 and 2020, 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 balance sheet date.

Dental files income tax returns in the UK and in numerous jurisdictions outside of the UK. Dental is subject to HMRC and non-UK tax authority examination by tax authorities for the periods ending December 31, 2015 through December 31, 2020. At December 31, 2021 and 2020 there were no ongoing tax authority examinations.

Effects of the US Tax Cuts and Jobs Act

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 that is 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, 2021 and 2020 the Company had valuation allowances of \$16,516 and \$13,904, respectively, related to interest expense limitations under Section 163(j).

Dental assessed other significant provisions of the 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.

Effects of Tax Legislation in 2021

The UK enacted from April 1, 2023, an increase from 19% to 25% in the main rate of corporation tax which resulted in the Company recording a net increase to deferred tax liabilities of approximately \$400 with corresponding increased to tax expense.

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 in 2019) and thus did not include the impacts in the 2019 financial statements. There were significant changes related to the UK and US that were recorded in the 2020 tax amounts. The UK Budget in March 2020 suspended the scheduled reduction in the corporate tax rate from 19% to 17% indefinitely which resulted in the Company recording an increase to deferred tax liabilities of approximately \$219 with corresponding increased to tax expense. The US enacted the Coronavirus Aid, Relief, and

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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 the Section 163(j) limitation to 50% of adjusted EBITDA through 2020. The Company recorded the benefit from this through the provision to return adjustment in 2020, by reducing the current US tax payable by approximately \$1,609, and increasing the deferred tax liability by approximately \$1,223, with the difference being a change in the valuation allowance.

14. Retirement Plans

Certain of Dental's employees outside of the U.S. participate in defined benefit pension plans (the "Plans") sponsored by Dental.

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

	2021	2020
Change in benefit obligation		
Projected benefit obligation at beginning of period	\$ 22,140	\$ 19,527
Service cost	718	655
Interest cost	136	169
Net transfers	76	-
Benefit payments	(177)	(73)
Actuarial gain	(1,080)	(103)
Foreign currency exchange rate changes	(1,696)	1,965
Projected benefit obligation at end of period	<u>20,117</u>	<u>22,140</u>
Liabilities held for sale reclassification	(470)	-
Projected benefit obligation at end of period	<u>19,647</u>	<u>22,140</u>
Change in plan assets		
Fair value of plan assets at beginning of period	1,435	1,271
Actual return on plan assets	48	41
Employer contributions	154	69
Benefit payments	(177)	(73)
Foreign currency exchange rate changes	(111)	127
Fair value of plan assets at end of period	<u>1,349</u>	<u>1,435</u>
Funded status at end of period	<u>\$ 18,298</u>	<u>\$ 20,705</u>

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The following is a schedule of all pension related activity reflected in accumulated other comprehensive loss for 2021 and 2020:

	2021	2020
Accumulated other comprehensive loss at beginning of period	<u>\$ (1,392)</u>	<u>\$ (1,264)</u>
Changes in accumulated other comprehensive income (loss)		
Actuarial gain (loss) - current year	1,083	(20)
Reclassifications out of accumulated other comprehensive income (loss)		
Amortization of prior service cost	(817)	(719)
Amortization of actuarial gain	714	611
Total change in other comprehensive loss	<u>980</u>	<u>(128)</u>
Currency adjustment	<u>57</u>	<u>-</u>
Accumulated other comprehensive loss at end of period	<u><u>\$ (355)</u></u>	<u><u>\$ (1,392)</u></u>
Amount recognized in accumulated other comprehensive loss		
Actuarial loss	\$ 2,368	\$ 3,413
Prior service expense	<u>(2,723)</u>	<u>(4,805)</u>
Total accumulated other comprehensive loss at end of period	<u><u>\$ (355)</u></u>	<u><u>\$ (1,392)</u></u>
Amounts recognized in the consolidated balance sheets		
Current liabilities	\$ 945	\$ 791
Noncurrent liabilities	<u>17,353</u>	<u>19,914</u>
Funded status at end of period	<u><u>\$ 18,298</u></u>	<u><u>\$ 20,705</u></u>

The accumulated benefit obligation as of December 31, 2021 and 2020 was as follows:

	2021	2020
Accumulated benefit obligation	\$ 17,937	\$ 19,523

The weighted-average assumptions used to determine the accrued benefit obligation amounts as of the end of 2021 were as follows:

Discount rate	1.08 %
Salary increase rate	1.89 %

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The components of net periodic pension expense for the Dental Plans in 2021 and 2020 were as follows:

	2021	2020
Operating - service cost	\$ 718	\$ 655
Nonoperating		
Interest cost	136	169
Expected return on plan assets	(44)	(38)
Amortization of prior service cost	(817)	(719)
Net actuarial losses	714	611
Net periodic pension cost	<u>\$ 707</u>	<u>\$ 678</u>

The nonoperating components of net periodic pension expense have been included as part of other (income) loss in the Consolidated Statements of Comprehensive 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 \$419. 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 \$783.

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

Discount rate	0.67 %
Salary increase rate	1.89 %
Expected long-term rate of return on plan assets	3.43 %

The expected return on plan assets for Dental Plans was 3.43% and 0.87% for 2021 and 2020, 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 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 fairvalue hierarchy.

Additional contributions of \$1,040 are expected to be made to the Dental Plans in 2022.

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

	Amount
2022	\$ 959
2023	586
2024	611
2025	790
2026	1,180
2027-2032	4,258

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, 2021 and 2020 was \$1,904 and \$1,484, respectively.

15. Stock-Based 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, 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, 2021 and 2020, the Company awarded stock options and ESPP awards to its employees and Holdings Board directors under the MEP. ESPP awards granted 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 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.

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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 available for reissuance.

Nonemployee Director and Consultant Incentive Plan

The Company offers equity-based awards to Holdings Board nonemployee directors and to consultants under the MEP. During the years ended December 31, 2021 and 2020, 4,367 and 3,997 restricted stock units were awarded to a nonemployee director, respectively. These restricted stock units vest equally over a three year period from the grant date. During the year ended December 31, 2021, 8,500 restricted stock units were awarded to a consultant, which vest equally over a five year period from the grant date.

Stock Options

Stock options are offered to certain management employees and Holdings Board nonemployee directors. Stock options are vested over five years from the grant date. 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 in 2020. There were no stock options granted in 2021.

	2020
Summary of assumptions	
Volatility (as a percentage)	65.10 %
Expected term (in years)	4.000
Strike price	\$ 11.16
Risk-free interest rate	0.98 %
Expected dividend yield	-
Weighted average estimated fair value	\$ 6.12

The vesting of stock options is contingent upon the employee's continued employment. As of December 31, 2021, 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.

	Number of Options	Weighted Average Exercise Price	Fair Value
December 31, 2019	2,414,852	\$ 10.05	\$ 12,015
Granted	1,118,634	11.59	6,612
Exercised	(112,644)	10.00	(598)
Forfeited	(105,300)	10.00	(500)
December 31, 2020	3,315,542	10.58	17,529
Granted	-	-	-
Exercised	(25,680)	10.00	(129)
Forfeited	(77,453)	11.54	(452)
December 31, 2021	<u>3,212,409</u>	\$ 4.40 *	<u>\$ 16,948</u>

* See stock option modification description below for revaluation of exercise price.

The number of options vested as of December 31, 2021 and 2020 was 1,805,178 and 1,381,748, respectively. The cumulative total grant date fair value of options vested for the year ended December 31, 2021 was \$10,001.

The total future compensation cost related to nonvested awards as of December 31, 2021 is \$6,947. The future compensation cost is expected to be recognized over 3 years on a weighted average basis.

Stock Option Modification

As a result of the \$495,000 dividend (refer to Note 9), and the resulting decrease in the estimated equity value of the Company, stock option holders experienced a reduction in the estimated value of their stock options issued under the MEP. The Company calculated a pre-dividend and post-dividend valuation of the Company to quantify the impact of the dividend payment on the estimated equity value of the Company. The Board approved the pre-dividend and post-dividend equity values, which decreased the Company's equity value per share from \$33.30 per share prior to paying the dividend, to \$17.61 per share subsequent to paying the dividend, a \$15.69 per share reduction. The Company made a "make whole" payment for vested options to each stock option holder for \$15.69 per share in December 2021 totaling \$18,029. There was no additional compensation expense recorded as a result of the make whole payment for vested options. For unvested stock options, a deferred cash payment will be made, only payable upon change of control, for \$15.69 multiplied by the number of unvested stock options as measured in December 2021. Total deferred compensation related to the unvested portion of stock options amounts to \$13,300. At December 31, 2021, the Company assessed the probability of change of control as remote. As a result of the stock option modification, all outstanding stock options were revalued with an exercise price of \$4.40 in December 2021.

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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 stock purchase plan activities under the MEP for the period indicated:

	2021	2020
Weighted average price per share	\$ -	\$ 10.00
MEP shares purchased	-	10,000
MEP shares repurchased	-	(27,500)
	-	(17,500)

16. Accumulated Other Comprehensive Income (Loss)

The components of Accumulated Other Comprehensive Income (Loss) as of December 31, 2021 and 2020 were as follows:

	2021	2020
Foreign currency translation adjustment	\$ (11,377)	\$ 10,758
Defined benefit plan, net of tax expense of \$311 and \$13	(267)	(993)
	\$ (11,644)	\$ 9,765

17. Related Party Transactions

The Company has 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 \$1,678 and \$1,237 for the years ended December 31, 2021 and 2020, respectively.

18. Subsequent Events

Management has evaluated events occurring subsequent to December 31, 2021 through August 2, 2022, 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:

Debt transactions

On March 31, 2022, the Company made regularly scheduled amortization payments of \$937 and \$837 on the Tranche A First Lien Term Loan and Tranche B First Lien Term Loan, respectively.

On April 19, 2022, the Company made a principal prepayment of \$15,000 on the Tranche B First Lien Term Loan.

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On April 22, 2022, in conjunction with the closing of the sale of the Scanning business, the Company made mandatory principal payments of \$99,507 and \$88,681 on the Tranche A First Lien Term Loan and Tranche B First Lien Term Loan, respectively. The resulting remaining outstanding principal balance of the Tranche A First Lien Term Loan and Tranche B First Lien Term Loan was \$258,618 and \$230,481, respectively.

Scanning Business Sale

On April 20, 2022, as discussed in Note 3, the sale of the Scanning business closed in accordance with the SAPA.

CareCapital Transaction

On March 31, 2022, the Company entered into an asset and liability transfer agreement with CareCapital (a related party) to purchase certain imaging assets and liabilities from Carestream Dental Technology Shanghai Co., Ltd. for a purchase price of RMB 10,000. On April 1, 2022, the Company also entered into a Memorandum of Understanding, Distribution Agreement and Service Agreement with CareCapital for the related party to become a distributor for imaging equipment in China.

Shareholders Dividends

On May 27, 2022, the Company paid a dividend to shareholders in the amount of \$300,000. As a result of the dividend the Company made a “make whole” payment for vested options to option holders for the impact on equity related to the aforementioned dividend totaling \$14,718.