

Alpine Biomed ApS

Hørskættø 9,
2630 Taastrup

CVR no. 30 27 72 60

Annual report 2018

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

20 June 2019

Sean David Langan
chairman

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Statement by the Executive Board

The Executive Board has today discussed and approved the annual report of Alpine Biomed ApS for the financial year 1 January – 31 December 2018.

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

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Taastrup, 20 June 2019
Executive Board:

Sean David Langan

Austin Francis Noll

Benjamin Drew Davies

Independent auditor's report

To the shareholder of Alpine Biomed ApS

Opinion

We have audited the financial statements of Alpine Biomed ApS for the financial year 1 January – 31 December 2018 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibility for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Independent auditor's report

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Copenhagen, 20 June 2019

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Henrik Kyhnau
State Authorised
Public Accountant
mne40028

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Management's review

Company details

Alpine Biomed ApS
Hørskættø 9,
2630 Taastrup

Telephone: 44 57 90 00
Fax: 44 57 90 10
Website: www.natus.com

CVR no.: 30 27 72 60
Registered office: Taastrup
Financial year: 1 January – 31 December

Executive Board

Sean David Langan
Austin Francis Noll
Benjamin Drew Davies

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfaergevej 28
DK-2100 Copenhagen

Annual general meeting

The annual general meeting will be held on 20 June 2019.

Management's review

Operating review

Principal activities

Alpine Biomed ApS develops EMG products within neurology for the global distributor, which is an associated company in Ireland, Natus Manufacturing Ireland Ltd. The Company's revenue comes from a business leasing agreement between the parties.

Development in activities and financial position

The income statement for 2018 shows a loss of DKK 21,386 thousand against a profit of DKK 58,344 thousand in 2017.

Gross profit in 2018 was DKK 7,045 thousand against DKK 8,016 thousand in 2017, which was lower than expected.

Events after the balance sheet date

No events have happened during the period after the balance sheet date that have impact on the assessment of the company's financial position at the balance sheet date.

Outlook

Management expects that the profit before tax for 2019 will be in line with the profit before tax recognised in 2018.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2018	2017
Gross profit		7,045	8,016
Staff costs	2	-4,703	-9,416
Depreciation, amortisation and impairment		-12	-434
Operating profit/loss		2,330	-1,834
Financial income	3	1,305	85,070
Financial expenses	4	-31,122	-8,363
Profit/loss before tax		-27,487	74,873
Tax on profit/loss for the year	5	6,101	-16,529
Loss for the year		-21,386	58,344
Proposed profit appropriation/distribution of loss			
Retained earnings		-21,386	58,344
		-21,386	58,344

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2018	31/12 2017
ASSETS			
Fixed assets			
Property, plant and equipment			
Property, plant and equipment in progress		<u>2</u>	<u>15</u>
Investments			
Equity investments in group entities	6	670,618	670,618
Deposits		<u>446</u>	<u>446</u>
		<u>671,064</u>	<u>671,064</u>
Total fixed assets		<u>671,066</u>	<u>671,079</u>
Current assets			
Receivables			
Receivables from group entities		46,681	58,778
Other receivables		410	331
Corporation tax		0	153
Prepayments		<u>9</u>	<u>126</u>
		<u>47,100</u>	<u>59,388</u>
Cash at bank and in hand		<u>3,696</u>	<u>15,671</u>
Total current assets		<u>50,796</u>	<u>75,059</u>
TOTAL ASSETS		<u><u>721,862</u></u>	<u><u>746,138</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2018	31/12 2017
EQUITY AND LIABILITIES			
Equity			
Contributed capital		1,000	1,000
Retained earnings		159,843	181,229
Total equity		<u>160,843</u>	<u>182,229</u>
Provisions			
Provisions for deferred tax		6,148	15,886
Total provisions		<u>6,148</u>	<u>15,886</u>
Liabilities other than provisions			
Non-current liabilities other than provisions			
Payables to group entities		536,620	534,259
Current liabilities other than provisions			
Trade payables		16	153
Payables to group entities		10,981	11,782
Corporation tax		6,457	0
Other payables		797	1,829
		<u>18,251</u>	<u>13,764</u>
Total liabilities other than provisions		<u>554,871</u>	<u>548,023</u>
TOTAL EQUITY AND LIABILITIES		<u><u>721,862</u></u>	<u><u>746,138</u></u>
Contractual obligations, contingencies, etc.	7		
Related party disclosures	8		

Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Contributed capital	Retained earnings	Total
Equity at 1 January 2018	1,000	181,229	182,229
Transferred over the distribution of loss	0	-21,386	-21,386
Equity at 31 December 2018	1,000	159,843	160,843

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Alpine Biomed ApS for 2018 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act with opt-in from higher reporting classes.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission of consolidated financial statements

Pursuant to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared. The financial statements of Alpine Biomed ApS and group entities are included in the consolidated financial statements of Natus Medical Inc., Corporate Headquarters, 6701 Koll Center Parkway, Suite 120, Pleasanton, CA 94566 USA.

Income statement

Gross Profit

Pursuant to Section 32 of the Danish Financial Statements Act, the Company has decided only to disclose gross profit.

Revenue

Revenue in the form of royalty income is recognised in the income statement concurrently with the group companies' utilisation of the Company's intangible patents and rights.

Other operating income

Other operating income comprises amortisation of goodwill from business acquisition, which is an item of secondary nature to the core activities of the Company.

Other external costs

Other external costs comprise expenses related to administration, intra group services, premises, payments under operating leases, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities.

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Dividends from equity investments in group entities measured at cost are recognised as income in the

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Dividends from equity investments in group entities measured at cost are recognised as income in the Parent Company's income statement in the financial year when the dividends are declared.

In case of indication of impairment, an impairment test is conducted. Indication of impairment exists if distributed dividend exceeds profit for the year or if the carrying amount of equity investments exceeds the consolidated carrying amounts of the net assets in the subsidiary.

Tax on profit/loss for the year

The Parent Company is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. The subsidiaries are included in the joint taxation from the date when they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation.

The Parent Company is the administrative company for the joint taxation and accordingly settles all payments of corporation tax to the tax authorities.

On payment of joint taxation contributions, current Danish corporation tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have used the losses to reduce their own taxable profit.

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

Balance sheet

Property, plant and equipment

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

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Plant and machinery	3-5 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	3-5 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

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

Depreciation is recognised in the income statement.

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

Equity investments in group entities

Equity investments in group entities are measured at cost. If cost exceeds the net realisable value, write-down is made to this lower value.

Dividends received exceeding the accumulated earnings of the subsidiary in the ownership period are treated as a reduction in cost.

Impairment of fixed assets

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

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

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

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1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors' registered offices and credit rating in accordance with the Company's credit risk management policy. The objective indicators used in relation to portfolios are determined on the basis of historical loss experience.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Corporation tax and deferred tax

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

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

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

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Tax for the year comprises current tax for the year and changes (deferred tax for the year) in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement at the amount attributable to the profit/loss for the year and directly in equity at the amount attributable to entries directly in equity.

Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Liabilities other than provisions

Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Finance lease obligation comprise the capitalised residual lease obligation of finance leases.

Other liabilities are measured at net realisable value.

DKK'000	2018	2017
2 Staff costs		
Wages and salaries	4,263	8,630
Pensions	426	759
Other social security costs	14	27
	<u>4,703</u>	<u>9,416</u>
Average number of full-time employees	<u>7</u>	<u>11</u>
3 Financial income		
Exchange adjustments	0	77,181
Exchange gains	1,305	7,889
	<u>1,305</u>	<u>85,070</u>

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DKK'000	2018	2017		
4 Financial expenses				
Interest expense to group entities	5,433	8,129		
Other financial costs	89	234		
Exchange adjustments costs	25,600	0		
	<u>31,122</u>	<u>8,363</u>		
5 Tax on profit/loss for the year				
Current tax for the year	261	0		
Deferred tax for the year	-9,738	16,529		
	<u>-9,477</u>	<u>16,529</u>		
6 Investments				
Cost at 1 January 2018	670,618	0		
Additions for the year	0	670,618		
Cost at 31 December 2018	<u>670,618</u>	<u>670,618</u>		
Carrying amount at 31 December 2018	<u>670,618</u>	<u>670,618</u>		
Name/legal form	Registered office	Voting rights and ownership interest	Equity	Profit/loss for the year
Subsidiaries:			DKK'000	DKK'000
Natus Medical Denmark ApS	Taastrup	100%	428,981	-2,953
			<u>428,981</u>	<u>-2,953</u>

7 Contractual obligations, contingencies, etc.

Contingent liabilities

According to the Business Lease Agreement between Natus Manufacturing Ltd. and the Company, the lease agreement can be terminated upon a 3 months' prior written notice under mutually agreed terms between Natus Manufacturing Ltd. and the Company.

It is Management's expectation that a termination of the Business Lease Agreement will result in a payment of exit costs to Natus Manufacturing Ltd. The exit costs will be settled under mutual agreement between Natus Manufacturing Ltd. and the Company and will in practice amount to 3 months' lease payments calculated in accordance with the terms stipulated in the Business Lease Agreement.

Financial statements 1 January – 31 December

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8 Related party disclosures

Alpine Biomed ApS' related parties comprise the following:

Consolidated financial statements

The financial statements of Alpine Biomed ApS and group entities are included in the consolidated financial statements of Natus Medical Inc., Corporate Headquarters, 6701 Koll Center Parkway, Suite 120, Pleasanton, CA 94566 USA.