Alpine Biomed ApS

Tonsbakken 16
2740 Skovlunde

CVR no. 30 27 72 60

Annual report 2017

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

29 June 2018

Sean David Langan
chairman

Contents

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 2017.

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

In my opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Company's operations for the financial year 1 January – 31 December 2017.

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

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

Skovlunde, 29 June 2018
Executive Board:

Sean David Langan

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 2017 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 2017 and of the results of the Company's operations for the financial year 1 January – 31 December 2017 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, 29 June 2018
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Henrik Kyhnauv
State Authorised
Public Accountant
MNE no. 40028

Management's review

Company details

Alpine Biomed ApS
Tonsbakken 16
2740 Skovlunde

Telephone:	44 57 90 00
Fax:	44 57 90 10
Website:	www.natus.com
CVR no.:	30 27 72 60
Registered office:	Skovlunde
Financial year:	1 January – 31 December

Executive Board

Sean David Langan

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfaergevej 28
DK-2100 Copenhagen

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 2017 shows a profit of DKK 58,344 thousand against DKK 10,997 thousand in 2016. The increase is mainly due to an increase in the financial income due to unrealized currency gains of DKK 77,181 thousand.

Gross profit in 2017 was DKK 8,016 thousand against DKK 23,647 thousand in 2016, which was lower than expected. The decrease in the gross profit was mainly due to a decrease in revenue.

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 2018 will be in line with the profit before tax recognised in 2017.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2017	2016
Gross profit		8,016	23,647
Staff costs	2	-9,416	-7,985
Depreciation, amortisation and impairment		-434	-758
Operating profit/loss		-1,834	14,904
Financial income	3	85,070	1,057
Financial expenses	4	-8,363	-1,588
Profit before tax		74,873	14,373
Tax on profit/loss for the year	5	-16,529	-3,376
Profit for the year		58,344	10,997

Proposed profit appropriation

Retained earnings		58,344	10,997

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2017	2016
ASSETS			
Fixed assets			
Intangible assets			
Acquired patents		0	331
		0	331
Property, plant and equipment			
Property, plant and equipment in progress		15	118
		15	118
Investments	6		
Equity investments in group entities		670,618	0
Deposits		446	446
		671,064	446
Total fixed assets		671,079	895
Current assets			
Receivables			
Receivables from group entities		58,778	67,936
Other receivables		331	352
Deferred tax asset		0	643
Corporation tax		153	0
Prepayments		126	3,071
		59,388	72,002
Cash at bank and in hand		15,671	691,151
Total current assets		75,059	763,153
TOTAL ASSETS		746,138	764,048

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Balance sheet

DKK'000	Note	2017	2016
EQUITY AND LIABILITIES			
Equity			
Contributed capital		1,000	1,000
Retained earnings		181,229	59,548
Total equity		182,229	60,548
Provisions			
Provisions for deferred tax		15,886	0
Total provisions		15,886	0
Liabilities other than provisions			
Non-current liabilities other than provisions			
Payables to group entities		534,259	682,730
		534,259	682,730
Current liabilities other than provisions			
Trade payables		153	215
Payables to group entities		11,782	16,435
Corporation tax		0	234
Other payables		1,829	1,840
Negativ goodwill		0	2,046
		13,764	20,770
Total liabilities other than provisions		548,023	703,500
TOTAL EQUITY AND LIABILITIES		746,138	764,048
Contractual obligations, contingencies, etc.	7		
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Financial statements 1 January – 31 December

Statement of changes in equity

	Contributed capital	Retained earnings	Total
Equity at 1 January 2017	1,000	59,548	60,548
Transferred over the profit appropriation	0	58,344	58,344
Contribution from group	0	63,337	63,337
Equity at 31 December 2017	1,000	181,229	182,229

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Alpine Biomed ApS for 2017 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act with option 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 Headquaters, 6701 Koll Center Parkway, Suite 120, Pleasanton, CA 94566 USA.

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of Natus Medical Inc., Corporate Headquaters, 6701 Koll center Parkway, Suite 120, Pleasanton, CA 94566 USA.

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 badwill 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.

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1 Accounting policies (continued)

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 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.

Property, plant and equipment

Land and buildings, 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 nad 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.

Land is not depreciated.

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.

Financial statements 1 January – 31 December

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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.

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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.

Badwill from business acquisitions

The Company acquired the Gastroenterology and Neurology business from the Medtronic Group.

The acquisition was accounted for in accordance with section 122 of the Danish Financial Statements Act, 'The acquisition method'.

At the time of the acquisition, net assets exceeded the purchase prise. Accordingly, negative goodwill (badwill) was recognised in liabilities.

Amounts related to expected future losses or income from the bargain purchase are recognised in the income statement as part of other operating income as they are realised.

Realisation is estimated to mirror the usefull life of the acquired trademarks.

Financial statements 1 January – 31 December

Notes

DKK'000	2017	2016

2 Staff costs

	2017	2016
Wages and salaries	8,630	7,280
Pensions	759	681
Other social security costs	27	24
	9,416	7,985
Average number of full-time employees	11	9

3 Financial income

	2017	2016
Exchange adjustments	77,181	0
Exchange gains	7,889	1,057
	85,070	1,057

4 Financial expenses

	2017	2016
Interest expense to group entities	8,129	96
Other financial costs	234	23
Exchange adjustments costs	0	1,469
	8,363	1,588

5 Tax on profit/loss for the year

	2017	2016
Current tax for the year	0	679
Deferred tax for the year	16,529	2,697
	16,529	3,376

6 Investments

DKK'000	2017
Additions for the year	670,618
Cost at 31 December 2017	670,618
Carrying amount at 31 December 2017	670,618

Name/legal form	Registered office	Voting rights and ownership interest	Equity	Loss for the year
Subsidiaries:			DKK'000	DKK'000
Natus Medical Denmark A/S	Taastrup	100%	452,662	-18,600

Financial statements 1 January – 31 December

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7 Contractual obligations, contingencies, etc.

Operating lease obligations

The Company has entered into a leasehold agreement. The Company's leasehold agreement in respect of the office facilities at Tonsbakken 16-18, Skovlunde, is terminated as per 31 December 2018. The leasehold commitment amounts to DKK 892 thousand (2016: DKK 1,365 thousand).

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 mutual 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.

8 Related party disclosures

Related party transactions

In accordance with section 98 c(7) of the Danish Financial Statements Act, the Company has not disclosed any related party transactions as they were conducted on an arm's length basis.