

Inmedico A/S

Johann Gutenbergs Vej 3, 8200 Aarhus N

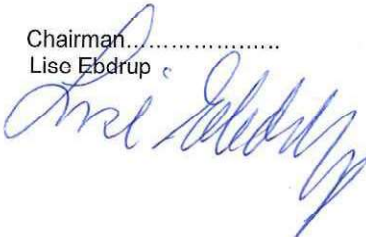
CVR no. 78 49 49 13

Annual report 2017

Approved at the annual general meeting

Date 2018

Chairman.....
Lise Ebdrup



Inmedico A/S
Annual report 2017
CVR no. 78 49 49 13

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Company B for the financial year 1 January – 31 December 2017.

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 2017 and of the results of the Company's operations for the financial year 1 January – 31 December 2017.

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.

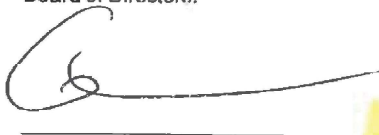
31 May 2018

Executive Board:

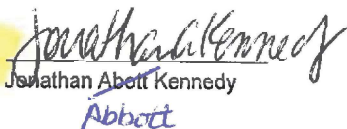


Lise Ebdrup Bredgaard

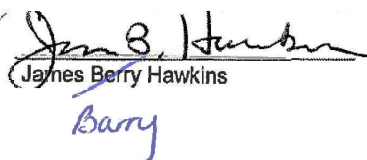
Board of Directors:



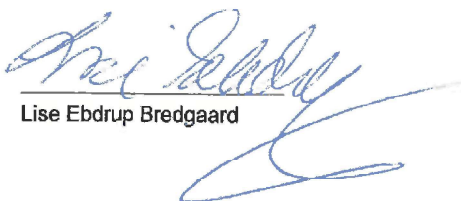
Carsten Buhl
Chairman



Jonathan Abbott Kennedy
Abbott



James Berry Hawkins
Barry



Lise Ebdrup Bredgaard

Independent auditor's report

To the shareholders of Inmedico A/S

Opinion

We have audited the financial statements of Inmedico A/S for the financial year 1 January – 31 December 2017, comprising income statement, balance sheet 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.

Emphasis of matter

Contrary to section 130 of the Danish Companies Act, the Company's Management has not prepared any rules of procedure. Management may be held liable in this respect.

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 financial statement 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 Statement Act. We did not identify any material misstatement of the Management's review.

31 May 2018
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98


Henrik Kyhnauv
State Authorised
Public Accountant
MME no. 40028

Inmedico A/S
Annual report 2017
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Management's review

Company details

Inmedico A/S

Johann Gutenbergs Vej 3, 8200 Aarhus N

Telephone: +45 86 74 26 22
Website: www.oscillahearing.com

CVR no. 78 49 49 13
Established: 7 June 1985
Registered office: Skejby
Financial year: 1 January – 31 December

Board of Directors

Carsten Buhl

Johanthan Abbott Kennedy

James Berry Hawkins

Lise Ebdrup Bredgaard Pedersen

Executive Board

Lise Ebdrup Bredgaard Peersen

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab

Dampfærgevej 28,
2100 København Ø

Management's review

Operating review

The company's core activities are to gather development and research expertise in the medtech fields, including making them ready for production and produce and market them.

Other activities include taking over and selling other entities' products, put them into operation and market them.

Operating review

The income statement for 2017 shows a profit of DKK 4,901,586 against DKK 7,355,346 last year, and the balance sheet at 31 December 2017 shows equity of DKK 12,699,264.

Significant changes in the Company's activities and financial position

In 2017 it was decided that Inmedico will be merged with Natus Medical Denmark A/S in 2018.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Financial statements 1 January – 31 December

Income statement

DKK	Note	2017	2016
Gross profit		12,245,584	16,275,529
Staff costs	2	-5,620,134	-7,119,506
Depreciation on property, plant and equipment, amortisation of intangible assets and impairment losses		-136,721	-143,516
Operating profit		6,488,729	9,012,507
Other financial income	3	1,149	359,305
Other financial expenses	4	-63,181	-18,749
Profit before tax		6,426,697	9,353,063
Tax on profit/loss for the year	5	-1,525,111	-1,997,717
Profit for the year		4,901,586	7,355,346
Proposed profit appropriation			
Proposed dividends for the financial year		0	24.000.000
Retained earnings		4,901,586	-16.644.654
		4,901,586	7.355.346

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	2017	2016
ASSETS			
Fixed assets			
Intangible assets			
Patents, licences and trademarks		124,999	124,999
		<u>124,999</u>	<u>124,999</u>
Property, plant and equipment	6		
Cars		9,000	18,750
Fixtures and fittings, tools and equipment		115,901	137,224
Leasehold improvements		97,410	119,304
		<u>222,311</u>	<u>275,278</u>
Total fixed assets		<u>347,310</u>	<u>400,277</u>
Current assets			
Inventories			
Finished goods and goods for resale		2,478,876	2,490,983
		<u>2,478,876</u>	<u>2,490,983</u>
Receivables			
Trade receivables		1,061,326	2,291,489
Receivables from group entities		6,104,811	4,416,714
Deferred tax assets		0	53,686
Other receivables		15,008	310
Prepayments		233,098	194,924
		<u>7,414,243</u>	<u>6,957,123</u>
Cash at bank and in hand		<u>6,244,776</u>	<u>1,711,803</u>
Total current assets		<u>16,137,895</u>	<u>11,159,909</u>
TOTAL ASSETS		<u>16,485,205</u>	<u>11,560,186</u>

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	2017	2016
EQUITY AND LIABILITIES			
Equity			
Share capital		500,000	500,000
Retained earnings		12,199,264	7,297,678
Total equity		<u>12,699,264</u>	<u>7,797,678</u>
Provisions			
Provisions for deferred tax		82,911	0
Other provisions		90,695	0
Total provisions		<u>173,606</u>	<u>0</u>
Liabilities other than provisions			
Current liabilities other than provisions			
Bank debt		0	28,271
Trade payables		1,210,230	1,562,224
Corporation tax payable		1,406,379	142,161
Other payables		995,726	2,029,852
		<u>3,612,335</u>	<u>3,762,508</u>
Total liabilities other than provisions		<u>3,785,941</u>	<u>3,762,508</u>
TOTAL EQUITY AND LIABILITIES		<u>16,485,205</u>	<u>11,560,186</u>

Financial statements 1 January – 31 December

Statement of changes in equity

DKK	Contributed capital	Retained earnings	Total
Balance at 1 January 2016	500,000	23,942,332	24,442,332
Distributed dividend	0	-24,000,000	-24,000,000
Transferred over the profit appropriation	0	7,355,346	7,355,346
Balance at 1 January 2017	500,000	7,297,678	7,797,678
Transferred over the Profit appropriation	0	4,901,586	4,901,586
Balance at 31 December 2017	500,000	12,199,264	12,699,264

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Inmedico for 2017 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act.

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

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

Income from the sale of goods is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be measured reliably and is expected to be received. The date of transfer of the most significant benefits and risks is determined using standard Incoterms @ 2010.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are deducted from revenue.

Production costs

Production costs comprise costs, including depreciation and salaries, incurred in generating the revenue for the year. Production costs include direct and indirect costs for raw materials and consumables, wages and salaries, maintenance and depreciation and impairment of production plant and costs and expenses relating to the operation, administration and management of factories. Also included are inventory write-downs

Gross Profit

In accordance with section 32 of the Danish Financial Statement Act. Revenue and production costs are aggregated in the financial statement caption "Gross profit".

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, excluding reimbursements from public authorities.

Other external costs

Other external costs comprise costs for distribution and sales costs, costs for advertising, administrative expenses, costs of premises, bad debts, operating leases, etc.

Financial statements 1 January – 31 December

Notes

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 and associates 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 for the year

Tax for the year comprises current 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 at the amount attributable to the profit/loss for the year and directly in equity at the amount attributable to entries directly in equity.

Balance sheet

Intangible assets

Patents and licences are measured at the lower of cost net of accumulated amortisation charges and the recoverable amount. Patents are amortised on a straight-line basis over the remaining life of the patent. Licences are not amortised for as long as updating agreements exist and are performed.

Development costs and costs for internally generated rights are recognised in the income statement in the acquisition year.

Gains and losses on the disposal of intangible assets are determined 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.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Property, plant and equipment

Cars, fixtures and fittings, tools and equipment and leasehold improvements 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.

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:

Cars	5 years
Fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	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.

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.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment 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.

Previously recognised write-downs are reversed when the basis for the write-down no longer exists.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries. Indirect production overheads and borrowing costs are not recognised in cost.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost.

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

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.

Prepayments

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

Equity

Dividends

The expected dividend payment for the year is disclosed as a separate item under equity.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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 measured on the planned use of the asset or settlement of the liability, respectively. However, deferred tax is not recognised on temporary differences relating to office buildings non-deductible for tax purposes and other items where 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.

Provisions

Provisions comprise anticipated costs of 157,208. Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation, and it is probable that there may be outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at value in use.

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at cost, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. 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.

Other liabilities are measured at amortised cost, which usually corresponds to nominal value.

Financial statements 1 January – 31 December

Notes

	DKK	2017	2016
2 Staff costs			
Wages and salaries		4,432,904	5,776,792
Pensions		1,016,574	1,106,659
Other social security costs		170,656	193,336
Other staff costs		63,181	42,719
		<u>5,620,134</u>	<u>7,119,506</u>
Number of full-time employees		<u>19</u>	<u>28</u>
3 Financial income			
Other interest income		1,149	359,305
		<u>1,149</u>	<u>359,305</u>
4 Financial expenses			
Foreign exchange losses		22,641	14,374
Other interest expense		40,540	4,375
		<u>63,181</u>	<u>18,749</u>
5 Tax for the year			
Estimated tax charge for the year		1,406,379	2,042,083
Deferred tax adjustments in the year		155,969	-44,366
Tax adjustments, prior years		-37,237	0
		<u>1,525,111</u>	<u>1,997,717</u>

Financial statements 1 January – 31 December

Notes

6 Property, plant and equipment

DKK	Cars	Fixtures and fittings, plant and equipment	Leasehold improvements	Total
Cost at 1 January 2017	45,000	462,443	396,535	903,978
Additions	0	28,884	54,870	83,754
Cost at 31 December 2017	45,000	491,327	451,405	987,732
Impairment losses and depreciation at 1 January 2017	26,250	325,219	277,231	628,700
Depreciation	9,750	50,207	76,764	136,721
Impairment losses and depreciation at 31 December	36,000	375,426	353,995	765,421
Carrying amount at 31 December 2017	9,000	115,901	97,410	222,311

7 Share capital

Analysis of the share capital:

	2017	2016
500 shares of DKK 1,000.00 nominal value each	500,000	500,000
	500,000	500,000

The company's share capital has remained DKK 500,000 over the past 5 years.

Financial statements 1 January – 31 December

Notes

8 Contractual obligations, contingencies, etc.

Other contingent liabilities

The company is jointly taxed with its parent company, Natus Medical Danmark A/S, which acts as management company, and is jointly and severally liable with other jointly taxed group entities for payment of income taxes as well as withholding taxes on interest, royalties and dividends.

Lease obligations

Rent and lease liabilities include rent obligations, DKK 210 thousand.

9 Collateral

As security for its fulfilment of a rent agreement with the lessor, the company has provided a bank guarantee on demand terms, totalling DKK 252 thousand.

10 Control

Inmedico A/S is part of the consolidated financial statements of Natus Medical Incorporated, which is the smallest group in which the company is included as a subsidiary.