



NAPATECH

1ST QUARTER 2015

INTERIM REPORT

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MANAGEMENT STATEMENT

The Board of Directors and the Executive Board have discussed and approved the interim report of Napatech Group for the three months period 1 January – 31 March 2015.

The interim report has been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the EU, and additional interim reporting requirements for listed companies.

In our opinion, the interim report gives a true and fair view of the Napatech Group's assets, liabilities and financial position at 31 March 2015, and of the results of the Napatech Group's operations and cash flows for the three months period 1 January – 31 March 2015.

We also find that the management's review provides a fair statement of developments in the activities and financial situation of the Group, financial result for the period and the general financial position of the Group, and describes the major risks and elements of uncertainty faced by the Group.

Oslo, 12 May 2015

Executive Board

Henrik Brill Jensen, CEO

Niels Hobolt, CFO

Board of Directors

Olav Stokke, Chairman

Lars B. Thoresen

Bjørn Erik Reinseth

Hans Victor Koch

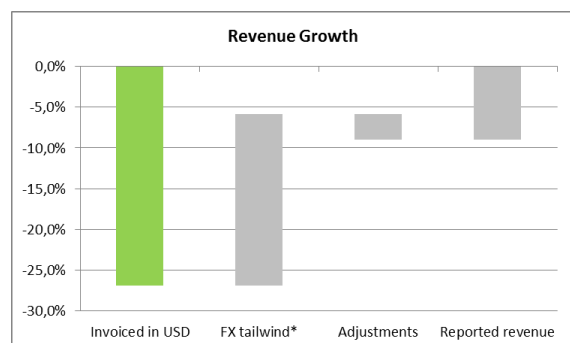
Martyn Braime

MANAGEMENT'S REVIEW

Highlights

Solid Profitability

- Revenue for first quarter 2015 amounted to DKK 43.7 million, a decrease of 9% compared to first quarter 2014, and a sequential decrease of 10% compared to fourth quarter 2014.
- Gross margin for first quarter 2015 was 71%, 2 per cent points below the gross margin for first quarter 2014 of 73%, and below the 73% of fourth quarter of 2014.
- EBITDA for first quarter of 2015 amounted to DKK 4.0 million, a decrease of DKK 2.4 million compared to first quarter 2014.
- EBITDA margin for first quarter 2015 was 9%, a decrease from 14% in first quarter 2014.
- Income before tax for first quarter 2015 was increased to 4.6 MDKK from 0.9 MDKK in first quarter 2014.
- Napatech had a negative cash flow of DKK 18.3 million in the first quarter of 2015. The total cash position of the company was DKK 69.9 million by end of first quarter 2015



*Average bookkeeping rates

The underlying business showed a decline as guided. This is due to both a difficult comparison as first quarter 2014 was exceptionally strong, some customers have more inventory than usual, and finally the EMEA region did not perform sufficiently from a revenue perspective.

Napatech is focusing a number of key financial areas, where increased investments in the sales and marketing costs will be offset by savings in both R&D and Administration. These latter savings are a combination of a number of redundancies, approximately 10% of the workforce, and general tight cost control. The overall outcome is that our total costs in 2015 are expected to be in line with 2014 cost level.

The negative cash flow in Q1 is not expected to continue, as it is expected that the full year 2015 will show a better net cash position than what is now reported for the end of Q1 2015. The main reason for the larger negative cash flow in Q1 2015 is related to late invoicing in the quarter where 34 MDKK were not past due date at the end of the quarter.

Napatech's foundation is providing commercially-off-the-shelf (COTS) performance acceleration of various network appliances and applications by industry leading Network Accelerators covering 1 – 100 gigabit Ethernet connections. During the last couple of quarters additional standalone functionality has been built, and the Company is now moving into the Network Recording Market (NRM) with its Pandion – Capture-to-Disk – pre-integrated platform. Thus, as users desire to capture all packets, and retrieve history data for analysis without any loss, making the most of the rising network traffic, Pandion's super-fast recording of all network traffic to hard disk also provides a significant shortcut for our customer's time to market for their new products.

Recent design wins for new and existing customers are showing an important and continued enhancement to our customer base. Design wins are key milestones indicating a future revenue stream linked to our customers' performance and market share. This underlines our customers' confidence in Napatech and it is the definite foundation for future growth.

During first quarter of 2015 a number of design wins materialized (not exhaustive):

- ✓ 10 Gigabit design win at European security customer national cyber security
- ✓ 10 Gigabit design win with an Asia based security customer for Enterprise security
- ✓ 100 GB traction within our defined verticals, Telecom, Defense and Cloud, and with customer projects in all 3 major regions

We have seen a shift in our market where some of the well-known very large corporations are developing Network Infrastructure for themselves, rather than buying the high-end standard solutions from our traditional customers. This is a new paradigm in the industry that Napatech is adapting to, and which we expect will contribute to future Napatech growth.

MANAGEMENT'S REVIEW (CONTINUED)

Napatech operations

The statements below are related to Napatech development in the first quarter of 2015 compared to first quarter 2014, unless otherwise stated. Additional information is available at www.napatech.com/investor.

Key figures and ratios

	1 st Quarter	
	2015	2014
Revenue, DKK'000	43,702	47,830
Gross profit margin, %	71%	73%
EBITDA, DKK'000	4,036	6,473
EBITDA margin, %	9%	14%
Profit before tax, DKK'000	4,572	859
EPS basic, DKK	0.60	0.11
EPS diluted, DKK	0.60	0.11
Equity, DKK'000	192,818	191,134
Cash and cash equivalents, DKK'000	69,908	99,163

Financial review

Revenue

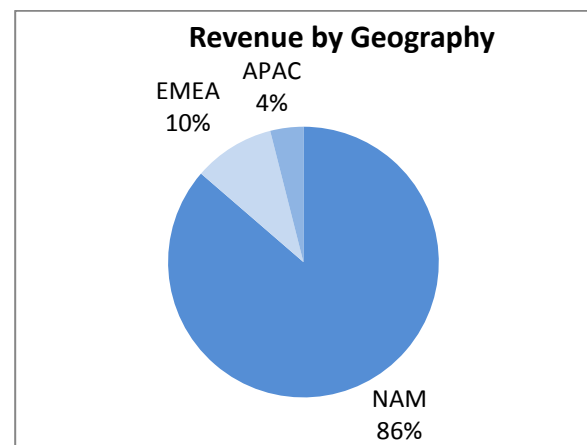
Napatech reported revenue of DKK 43.7 million in the first quarter, a decrease of 9% compared to the same period in 2014. It was guided that Q1 2015 would show declining revenue compared to the previous year, due to a very strong Q1 2014, and larger than normal inventories at some customers

2.2 MUSD was hedged at 6.58 DKK per USD in first quarter, the remaining revenue was converted with average rates.

Sales were distributed with 86% in NAM, 10% in EMEA and the remaining 4% in APAC. The North American market share of the sales was higher than normal, and both APAC and EMEA regions was significantly lower than normal. NAM experienced a growth of 7% during Q1 2015, and continues thereby its promising performance.

Gross Margin

Gross margin for first quarter 2015 was 71%, which was lower than 2014 first quarter's 73%. The decline is both due to competition in the midrange market and unfavourable product mix.



MANAGEMENT'S REVIEW (CONTINUED)

Financial review (continued)

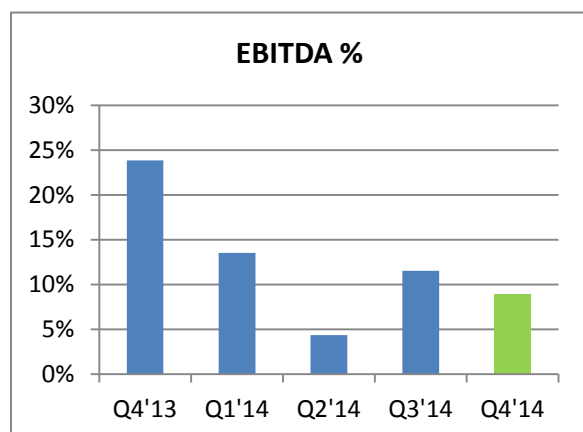
R&D costs for first quarter 2015 were DKK 3.2 million compared to DKK 3.5 million in first quarter 2014. There has been made a reallocation of financial resources to the sales and marketing organization.

Sales and distribution costs for first quarter 2015 were DKK 16.7 million, compared to DKK 16.5 million in first quarter 2014. The new sales and Marketing organization has not been fully implemented during Q1, why the increase in costs has not materialized yet. The strong dollar increases the sales and marketing costs in DKK with approximately 7% as a large part of the costs are incurred in the US.

Administrative expenses for first quarter 2015 were DKK 7.1 million compared to DKK 8.2 million in first quarter 2014. There has been made a reallocation of resources to the sales and marketing organization.

EBITDA

EBITDA was DKK 4.0 million in first quarter 2015, compared to DKK 6.5 million in first quarter 2014. The decrease is driven by lower revenue and lower margin, which have partly been offset by lower costs.



Depreciation and amortisation

Depreciation and amortisation were DKK 6.8 million in first quarter 2015 compared to DKK 5.4 million in first quarter 2014. The increase is in line with our plans as the increased investment level will lead to increased depreciations. Our accounting principles have been updated, as discussed and agreed with our Auditors as the previous depreciation strategy was too conservative, to depreciate 100G development over 5 years, and continue with 3 years on all other activities, this change has a positive impact on EBIT of 0.2 MDKK in Q1 2015.

EBIT

EBIT for first quarter 2015 was negative with DKK 2.8 million, a decrease compared to positive DKK 1.1 million in first quarter 2014.

Financial Items

Financial items for first quarter 2015 were an income of DKK 7.4 million compared to an expense of DKK 0.2 million in first quarter 2014. The financial items are primarily affected by the change in USD to DKK exchange rate, as Napatech has large USD denominated assets. The USD to DKK exchange rate has increased significantly during first quarter 2015.

Taxes

Taxes for the fourth quarter 2014 are calculated as 23.5% of the pre-tax result. The 23.5% is the Danish tax rate.

Investments

Total investments in first quarter 2015 were DKK 13.9 million. The main part was related to new product development with DKK 12.0 million. In first quarter 2014, total investments were DKK 13.4 million, of which DKK 10.7 million was internal product development.

The investment level in a given period is primarily dependent on the timing of product development activities and the nature of these activities. In general, activities including new hardware are more expensive than activities only including software and firmware development. In first quarter 2015, there were both development of our platform products and functionality for our accelerators.

Cash Flow

For first quarter 2015 net cash flow from operating activities was negative with DKK 5.8 million, an increase of DKK 3.8 million from first quarter 2014. An increase in trade receivables and inventories is affecting our Cash flow negatively.

Negative cash flow from investing activities was DKK 13.9 million in first quarter 2015, a small decrease from DKK 13.4 million in first quarter 2014.

Napatech had a negative cash flow of DKK 18.3 million in the fourth quarter of 2014. The total cash position of the company was DKK 69.9 million by end of first quarter 2014,

Napatech has unused credit facilities of DKK 10 million in Denmark and USD 1 million in the US subsidiary as well at the end of first quarter 2015.

MANAGEMENT'S REVIEW (CONTINUED)

Financial review (continued)

Shareholders and Share Information

Napatech had per March 31, 2015 issued 5,821,723 shares at DKK 1.00 each. This gives a share capital of 5,821,723 DKK divided among the 446 shareholders

Investor	Number of shares	% of total
Verdane Capital VIII	1.293.211	22,21%
NORTHZONE IV K/S	1.278.875	21,97%
Skandinaviska Enskilda	381.000	6,54%
SKANDINAVISKA ENSKILDA	261.192	4,49%
DANSKE BANK A/S	258.678	4,44%
SIX SIS AG	215.758	3,71%
STATE STREET BANK	214.195	3,68%
Swedbank AS	182.808	3,14%
SEB Private Bank S.A	138.148	2,37%
The Bank of New York	123.075	2,11%
DTU Invest rep. ved	118.600	2,04%
BNP Paribas Sec. Ser	100.568	1,73%
NorthZea Management	81.231	1,40%
J.P. Morgan Chase Bank	71.047	1,22%
MVTU rep. ved DTU symbion	62.148	1,07%
Private investor	61.000	1,05%
NORDNET BANK AB	46.644	0,80%
PARK LANE FAMILY OFFICE	43.110	0,74%
Nordea Bank Danmark	39.037	0,67%
Bank Julius Bär & Co	35.000	0,60%
Total number owned by to 20	5.005.325	85,98%
Total 371 other shareholders	816.398	14,02%
Total number of shares	5.821.723	100,00%

Napatech, as a Danish company, cannot publicise private investors holding shares in Napatech. This is why shareholder 16 has been anonymized.

Outlook for 2015

The Napatech business continues to have low visibility, and experiences fluctuations in customers' buying pattern, however we expect that our new Sales and Marketing organization will improve our visibility. Taking this into our considerations, Napatech maintains outlook of:

- Revenue growth around 12%
- EBITDA margin around 12%

This guidance is based on an approximately flat revenue in USD compared to 2014, and a USD to DKK exchange rate of around 6.5 DKK per USD (average for 2014 was 5.65).

Napatech has made a hedge of the USD net exposure, where approximately 60% of the USD revenue is hedged around 6.5 DKK, and the remaining 40% is exposed to currency fluctuations.

Risk and Uncertainties

All Napatech revenue is invoiced in USD and as Napatech reports in DKK; there is a currency risk towards movements in USD exchange rates.

For additional explanations regarding risks and uncertainties, please refer to the prospectus dated November 20, 2013, section 2 and www.napatech.com/investor.

Disclaimer

This report contains statements regarding the future in connection with Napatech growth initiatives, profit figures, outlook, strategies and objectives. In particular, the section Outlook for 2015 contains forward-looking statements regarding the Group's expectations. All statements regarding the future are subject to inherent risks and uncertainties, and many factors can lead to actual profits and developments deviating substantially from what have been expressed or implied in such statements.

Oslo, May 12, 2014

The Board of Directors of Napatech A/S

INTERIM CONSOLIDATED INCOME STATEMENT

For the three months period ended 31 March 2015

DKK'000	Note	1 st Quarter	
		2015	2014
Revenue	3	43,702	47,830
Costs of goods sold		(12,703)	(13,095)
Gross profit		30,999	34,735
Research and development costs		(3,189)	(3,483)
Selling and distribution expenses		(16,692)	(16,545)
Administrative expenses	4	(7,082)	(8,234)
Operating profit before depreciation and amortisation (EBITDA)		4,036	6,473
Depreciation and amortisation		(6,833)	(5,365)
Operating profit (EBIT)		(2,797)	1,108
Finance income		7,581	87
Finance costs		(212)	(336)
Profit before tax		4,572	859
Income tax expense		(1,074)	(210)
Profit for the period		3,498	649
Earnings per share:	5		
Basic, DKK		0.60	0.11
Diluted, DKK		0.60	0.11

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months period ended 31 March 2014

DKK'000	Note	1 st Quarter	
		2015	2014
Profit for the period		3,498	649
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		113	11
Net movement on cash flow hedges		(673)	-
Income tax effect		158	-
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		(402)	11
Total comprehensive income for the period		3,096	660

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

ASSETS

DKK'000	Note	31 March 2015	31 December 2014	31 March 2014
Development projects, completed		49,108	54,335	28,890
Development projects, in progress		20,358	8,687	22,855
Patents		6,855	6,606	5,172
Other intangible assets		1,535	1,700	1,361
Intangible assets	6	77,856	71,328	58,278
Plant and equipment		8,975	8,770	8,490
Office improvements		1,382	1,456	1,815
Property, plant and equipment	7	10,357	10,226	10,305
Deferred tax asset		3,972	4,325	4,113
Leasehold deposits		2,168	1,766	1,700
Other non-current assets		6,140	6,091	5,813
Non-current assets		94,353	87,645	74,396
Inventories		11,387	9,477	5,518
Trade receivables	8	46,295	36,236	37,402
Other receivables	8	6,240	3,241	4,205
Cash and cash equivalents		69,608	88,230	99,163
Current assets		133,830	137,184	146,288
Total assets		228,183	224,829	220,684

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

EQUITY AND LIABILITIES

DKK'000	Note	31 March 2015	31 December 2014	31 March 2014
Share capital	9	5,822	5,822	5,816
Share premium	9	210,675	210,675	201,286
Foreign currency translation reserve		166	53	(4,078)
Other reserves		10,609	12,101	25,514
Accumulated loss		(34,454)	(39,032)	(37,404)
Equity		192,818	189,619	191,134
Interest-bearing loans and borrowings		5,495	5,574	6,215
Non-current liabilities		5,495	5,574	6,215
Interest-bearing loans and borrowings		659	706	501
Trade payables		16,003	15,069	9,197
Other payables		12,226	13,552	12,663
Derivative financial instruments		673	-	-
Provisions		309	309	974
Current liabilities		29,870	29,636	23,335
Total liabilities		35,365	35,210	29,550
Total equity and liabilities		228,183	224,829	220,684

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months period ended 31 March 2015

DKK'000	Share capital	Share premium	Foreign currency translation reserve	Share based payment reserve	Cash flow hedge reserve	Acc. losses	Total equity
At 1 January 2015	5,822	210,675	53	12,101	-	(39,032)	189,619
Profit for the period	-	-	-	-	-	3,498	3,498
Exchange differences on translation of foreign operations	-	-	113	-	-	-	113
Cash flow hedges	-	-	-	-	(515)	-	(515)
Total comprehensive income	-	-	-	-	(515)	3,498	3,096
Issue of shares	-	-	-	-	-	-	-
Reversal, exercised and lapsed share options	-	-	-	(1,080)	-	1,080	-
Share-based payments	-	-	-	103	-	-	103
At 31 March 2015	5,822	210,675	166	11,124	(515)	(34,454)	192,818

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months period ended 31 March 2014

DKK'000	Share capital	Share premium	Foreign currency translation reserve	Share based payment reserve	Cash flow hedge reserve	Acc. losses	Total equity
At 1 January 2014	5,812	201,180	(4,089)	25,514	-	(38,053)	190,364
Profit for the period	-	-	-	-	-	649	649
Other comprehensive income	-	-	11	-	-	-	11
Total comprehensive income	-	-	11	-	-	649	660
Issue of shares	4	106	-	-	-	-	110
Share-based payments	-	-	-	-	-	-	2,707
At 31 March 2014	5,816	201,286	(4,078)	25,514	-	(37,404)	191,134

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months period ended 31 March 2015

DKK'000	Note	1 st Quarter	
		2015	2014
Operating activities			
Profit before tax		4,572	859
Adjustments to reconcile profit before tax to net cash flows:			
Finance income		(7,581)	(87)
Finance costs		212	336
Amortisation and depreciation	6, 7	6,833	5,365
Share-based payment expense		103	-
Working capital adjustments:			
Change in inventories		(1,910)	2,404
Change in trade and other receivables		(13,058)	(5,526)
Change in trade and other payables and provisions		(392)	(12,612)
Cash flows from operating activities		(11,221)	(9,561)
Currency adjustment		6,145	(11)
Interest received		50	87
Interest paid		(212)	(115)
Income tax paid		(563)	-
Net cash flows from operating activities		(5,801)	(9,600)
Investing activities			
Purchase of plant, property and equipment	7	(1,571)	(2,677)
Investments in intangible assets	6	(11,953)	(10,663)
Investments in leasehold deposits		(402)	(30)
Net cash from investing activities		(13,926)	(13,370)
Financing activities			
Issue of shares	9	-	110
Proceeds from borrowings		-	-
Net cash flows from financing activities		-	110
Net change in cash and cash equivalents		(19,727)	(22,860)
Net foreign exchange difference		1,405	(200)
Cash and cash equivalents at 1 January		88,230	122,223
Cash and cash equivalents at 31 March		69,908	99,163

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU and additional Danish disclosure requirements for listed companies.

With the exception of the below mentioned, the accounting policies are consistent with those applied to the consolidated financial statements for 2014.

The consolidated financial statements for 2014 contain a full description of accounting policies.

Changes in accounting policies

From 1 January 2015 the Group has implemented following new and revised standards and interpretations:

- Amendments to IAS 19;
- Part of Annual Improvements to IFRSs 2010-2012 cycle; and
- Annual Improvements to IFRSs 2011-2013 Cycle.

Amendments to IAS 19 relate to employee contributions and third party contributions to pension schemes.

Annual Improvements to IFRSs 2010-2012 Cycle result in changes of IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16 and IAS 38. The changes are characterised as very specific changes with a narrow scope. Changes to IFRS 2 and IFRS 3 are applicable to transactions relating to vesting conditions for share based payments programs granted after 1 July 2014. These parts of Annual Improvements for IFRSs 2010-2012 Cycle are therefore implemented in 2014.

Annual Improvements to IFRSs 2011-2013 Cycle result in changes of IFRS 1, IFRS 3, IFRS 13 and IAS 40. These changes are also characterised as very specific changes with a narrow scope.

None of the new and revised standards and interpretations has affected the recognition and measurement in the interim consolidated financial statements.

The interim consolidated financial statements

The interim consolidated financial statements comprise the parent company, Napatech A/S, and its subsidiaries. Subsidiaries are fully consolidated from the date of acquisition and/or incorporation, being the date on which the parent company obtains control, until the date when such control ceases. The interim financial statements of the subsidiaries are prepared for the same reporting period as the parent company interim financial statements, using consistent accounting policies. The interim consolidated financial statements are prepared as a consolidation of the parent company's and the subsidiaries' interim financial statements, eliminating all intra-group balances, transactions, unrealised gains and losses and dividends.

The interim consolidated financial statements are prepared on a historical cost basis, except for derivative financial instruments, which are measured at fair value.

The interim consolidated financial statements are presented in thousand Danish kroner (DKK'000).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

2 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the interim consolidated financial statements requires the managements to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities. Below are presented significant accounting judgements, estimates and assumptions.

The Group has from 1 January 2015 changed the expected useful life of some of the development projects that have been completed on 31 December 2014. For those development projects the expected useful life has been extended from 3 years to 5 years.

With the exception of the above, the accounting judgements, estimates and assumptions that management make are the same for these interim consolidated financial statements as for the consolidated financial statements for 2014.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

3 OPERATING SEGMENTS

The following tables present revenue and gross profit information about the Group's operating segments:

1st Quarter 2015:

DKK'000	EMEA	NAM	APAC	LAM	Consolidated
Revenue					
Total revenue	32,899	37,687	1,724	51	72,361
Inter-segment	(28,659)	-	-	-	(28,659)
Revenue, external customers	4,240	37,687	1,724	51	43,702
Cost of goods sold	(646)	(11,415)	(623)	(19)	(12,703)
Gross profit	3,594	26,272	1,101	32	30,999

1st Quarter 2014:

DKK'000	EMEA	NAM	APAC	LAM	Consolidated
Revenue					
Total revenue	35,918	35,217	3,742	22	74,899
Inter-segment	(27,069)	-	-	-	(27,069)
Revenue, external customers	8,849	35,217	3,742	22	47,830
Cost of goods sold	(1,954)	(10,090)	(1,045)	(6)	(13,095)
Gross profit	6,895	25,127	2,697	16	34,735

Explanation of abbreviations

EMEA	= Europe, Middle East and Africa	APAC	= Asia and Pacific
NAM	= Northern America	LAM	= Latin America

Inter-segment revenues are eliminated upon consolidation and are reflected in the "Inter-segment" row.

Adjustments and eliminations

Research and development costs, selling and distribution expenses, administrative expenses, finance income and costs are not allocated to individual segments as they are managed on a group basis.

Current taxes and deferred taxes are not allocated to individual segments as they are also managed on a group basis.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

4 SHARE-BASED PAYMENTS

Employees and members of the management in both the parent company and the US-based subsidiary are eligible for share option schemes. They are granted a certain number of share options in the parent company in return for the services they provide to the Group.

Share options under these schemes are granted at fixed exercise prices. The right to share options can only be vested as long as the holder is an employee of the Group.

In February 2013, after the share options of the Group's employees and management had vested but prior to the exercise date, the management made modifications to some of the share-based payment agreements concluded with employees and management.

The management treats the change of terms as modifications to the existing share-based payment arrangements. Accordingly, the fair value determined at the original grant date has been charged to the income statement over the original vesting period. In addition, an expense is recognised over the new vesting period, corresponding to the increase in the fair value of the share-based payment as a result of the change of terms. All granted share options are equity-based.

The share based payment expense is measured at fair value at the grant date using Black-Scholes model. The expense is recognised in the income statement with the counter item in the other reserves under the equity, and it is recognised over: (a) the period during share option holder has met the vesting conditions; or (b) the period in which an exercising event is likely to occur if this period is shorter.

In December 2013 the initial public offering (IPO) on the Oslo Stock Exchange (OSE) resulted in an exercising event in relation to all share option programmes. Therefore, the remaining vesting period of the share options has been accelerated.

The general terms for share options are summarised as follows:

Earliest exercise date	1 year from grant date
Latest exercise date	9-10 years from grant date

In May 2014 the Board of Directors decided to issue share options to key employees in the Group. A total of 101,000 share options have been issued for subscription of 101,000 shares of a nominal value of DKK 1 at an exercise price of NOK 48.70 (DKK 43.00 at 1 July 2014). The share options' life time is 5 years. The first 2 years from the date of issue is a lock-up period during which the share options may not be exercised. The exercise of these share options may take place in the 3rd, 4th and 5th year and they vest with 1/3 in each of these 3 years.

The general terms for the new share options (2014 programme) are summarised as follows:

Earliest exercise date	2 years from grant date
Latest exercise date	5 years from grant date

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

4 SHARE-BASED PAYMENTS (CONTINUED)

	Management		Others		Total	
	Number	Average exercise price	Number	Average exercise price	Number	Average exercise price
Share options						
At 1 January 2015	316,787	33.94	181,205	34.73	497,992	34.23
Granted during the period	-	-	-	-	-	-
Exercised / expired during the period	(21,225)	32.00	(14,825)	32.00	(36,050)	32.00
At 31 March 2015	295,562	33.94	166,380	34.73	461,942	34.41
Exercisable at 31 March 2015	239,562	32.00	121,380	32.00	360,942	32.00
At 1 January 2014	269,037	32.00	151,855	32.00	420,892	32.00
Granted during the period	-	-	-	-	-	-
Exercised / expired during the period	-	-	(3,425)	32.00	(3,425)	32.00
At 31 March 2014	269,037	32.00	148,430	32.00	417,467	32.00
Exercisable at 31 March 2014	269,037	32.00	148,430	32.00	417,467	32.00

In 1st quarter of 2015 36,050 share options were lapsed and zero exercised (1st quarter 2014: zero lapsed and 3,425 exercised).

The following shows the exercise price of the outstanding share options and warrants:

Number of share options	As at 31 March 2015	As at 31 March 2014
Exercise price DKK 32.00	360,942	417,467
Exercise price DKK 43.00	101,000	-
Total number of outstanding share options and warrants	461,942	417,467

The weighted average of the remaining contractual period of the outstanding share options from the 2013 share options programme at 31 March 2015 is 2 years and 5 months (at 31 March 2014: 3 years and 5 months). The weighted average of the remaining contractual period of the outstanding share options from the 2014 share options programme at 31 March 2015 is 4 years and 3 months.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

4 SHARE-BASED PAYMENTS (*CONTINUED*)

Assumptions for the calculation of the fair value of share options and warrants

The fair value of share options and warrants granted during 2013 was estimated on the date of grant using the following assumptions:

Volatility	47.92%
Risk-free interest rate	1.65%
Exercise price (DKK)	32.00
Exercise period (years)	2.27

The fair value of share options and warrants granted during 2014 was estimated on the date of grant using the following assumptions:

	Tranche 1	Tranche 2	Tranche 3
Volatility	44.94%	44.47%	43.53%
Risk-free interest rate	1.70%	1.80%	2.00%
Exercise price (DKK)	43.00	43.00	43.00
Exercise period (years)	3.00	3.00	3.00
Number of options	33,667	33,667	33,666

The volatility is calculated based on a peer group of 7 similar companies listed on Nasdaq Stock Exchange in the USA.

Since no grants were made during 1st quarter 2015 the fair value has not been assessed (1st quarter 2014: The grant date fair value of the share options during 2013 was DKK 80.41). The fair value of the share options is determined using the Black-Scholes option pricing model.

For 1st quarter 2015, the Group has recognised DKK 103 thousand of share-based payment expense in the income statement (1st quarter 2014: zero). DKK 57 thousand was recognised in relation the Executive Management and DKK 46 thousand in relation to other employees.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

5 EARNINGS PER SHARE

DKK'000	1st Quarter	
	2015	2014
Net profit attributable to equity holders of the parent company for basic earnings and the effect of dilution	3,498	649

DKK'000	1st Quarter	
	2015	2014
	<i>Thousand</i>	<i>Thousand</i>
Weighted average number of shares for basic earnings per share	5,822	5,814
Effect of dilution:		
Share options	-	104
Weighted average number of shares adjusted for the effect of dilution	5,822	3,523

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

6 INTANGIBLE ASSETS

DKK'000	Development projects, completed	Development projects, in progress	Patents	Other intangible assets	Total
Cost at 1 January 2015	132,872	8,687	6,795	1,974	150,328
Additions in the period	-	11,671	282	-	11,953
Disposals in the period	-	-	-	-	-
Cost at 31 March 2015	132,872	20,358	7,077	1,974	162,281
Accumulated amortisation at 1 January 2015	78,537	-	189	274	79,000
Amortisation for the period	5,227	-	33	165	5,425
Accumulated amortisation 31 March 2015	83,764	-	222	439	84,425
Carrying amount at 31 March 2015	49,108	20,358	6,855	1,535	77,856

Within the completed development projects there are two material development projects with carrying amount of DKK 15,796 thousand and DKK 17,443 thousand at 31 March 2014 respectively (31 December 2014: DKK 17,325 thousand and DKK 18,361 thousand respectively). The aim of this project is to develop new non-blocking 4x10G accelerator and the aim of the second project is to develop new 1x100G accelerator. The remaining amortisation periods of these two projects are 4 years and 9 months and 2 years and 7 months respectively.

Within the in progress development projects there is one material development project with carrying amount of DKK 5,352 thousand (31 December 2013: DKK 5,100 thousand). The aim of the project is to develop new functionalities for existing accelerator. The project is not yet completed and therefore has not been amortised.

There were no indications of impairment of the Group's intangible assets in the period.

7 PROPERTY, PLANT AND EQUIPMENT

DKK'000	Plant and equipment	Leasehold improvements	Total
Cost at 1 January 2015	28,111	3,844	31,955
Additions in the period	1,392	53	1,445
Currency adjustment	213	30	243
Cost at 31 March 2015	29,716	3,927	33,643
Accumulated depreciation at 1 January 2015	19,341	2,388	21,729
Depreciation for the period	1,272	136	1,408
Currency adjustment	128	21	149
Accumulated depreciation 31 March 2015	20,741	2,545	23,286
Carrying amount at 31 March 2015	8,975	1,382	10,357

The carrying amount for plant and equipment held under finance leasing is DKK 889 thousand at 31 March 2014 (31 December 2014: 1,058 thousand). There were no indications of impairment of the Group's property, plant and equipment in the reporting period.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

8 TRADE RECEIVABLES

DKK'000	31 March 2015	31 March 2014
Receivables recognised in the consolidated statement of financial position:		
Trade receivables	46,295	37,402
Other receivables	6,240	4,205
Total current receivables	52,535	41,607

The provision for bad and doubtful receivables is as follows:

DKK'000	2015	2014
At 1 January	2,002	1,593
Change in the period	(853)	-
At 31 March	1,149	1,593

Ageing analysis of past due but not impaired trade receivables is as follows:

DKK'000	31 March 2015	31 March 2014
Not past due	34,403	28,128
Past due less than 30 days	2,653	7,464
Past due between 30 and 60 days	1,389	-
Past due between 60 and 90 days	3,291	819
Past due after 90 days	4,559	991
Total maximum credit risk	46,295	37,402

9 ISSUED SHARE CAPITAL AND RESERVES

Authorised shares	2015	2014
	<i>Thousand</i>	<i>Thousand</i>
Ordinary shares of DKK 1 each at 1 January	5,822	5,812
Increase in ordinary shares DKK 1 each	-	4
Ordinary shares of DKK 1 each at 31 March	5,822	5,816

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

9 ISSUED SHARE CAPITAL AND RESERVES (CONTINUED)

Ordinary shares and fully paid	Thousand	DKK'000
At 1 January 2015	5,822	5,822
Exercise of share options during the period	-	-
At 31 March 2015	5,822	5,822

Share premium	2015	2014
DKK'000		
At 1 January	210,675	201,180
Exercise of share options for cash in excess of cost of ordinary shares during the period	-	106
At 31 March	210,675	201,286

10 COMMITMENTS AND CONTINGENCIES

Collaterals

The Group has issued a floating charge in the amount of DKK 10 million secured on receivables, inventories and equipment as collateral for bank debt.

Operating lease commitments

The Groups' operating lease commitments relate to cars and office facilities. Future minimum payments under operating leases at 31 March 2015 are as follows:

DKK'000	Cars	Office facilities	Total
Falling due within one year	126	3,942	4,068
Falling due between one and five years	150	1,092	1,242
Total	276	5,034	5,314

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

10 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Finance lease commitments

The Groups' finance lease commitments relate to equipment used in the research and development department. Future minimum lease payments together with the present value of the net minimum lease payments at 31 March 2015 are as follows:

DKK'000	Minimum payments	Present value of payments
Falling due within one year	696	659
Falling due between one and five years	570	556
Total minimum lease payments	1,266	1,215
Less: finance charge	(51)	-
Present value of lease payments	1,215	1,215

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