



NAPATECH
2ND 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 from 1 April to 30 June 2015 and the six months period from 1 January to 30 June 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 30 June 2015, and of the results of the Napatech Group's operations and cash flows for the three months period 1 April to 30 June 2015 and the six months period 1 January to 30 June 2014.

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

The interim report has not been subject to audit or review by our auditors.

Oslo, 17 August 2015

Executive Management

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

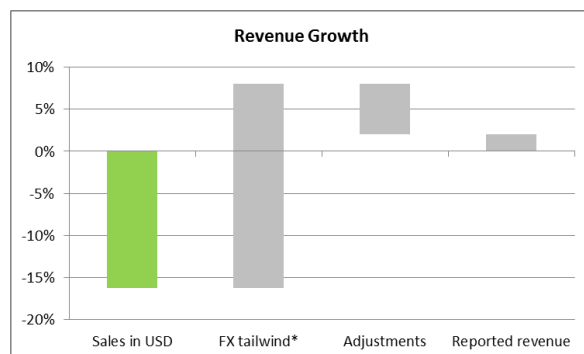
Highlights

Increased order visibility

- Revenue for second quarter 2015 amounted to DKK 42.7 million, an increase of 2% compared to second quarter 2014, and a sequential decrease of 2% compared to first quarter 2015.
- Gross margin for second quarter 2015 was 72% compared to 73% in second quarter 2014, and 71% in first quarter 2015.
- EBITDA for second quarter of 2015 amounted to DKK 2.3 million, an increase of DKK 0.5 million compared to second quarter 2014.
- EBITDA margin for second quarter 2015 was 5%, an increase from 4% in second quarter 2014.
- EBIT margin for second quarter 2015 was negative with 11% compared to negative 9% in second quarter 2014.
- Net decrease in cash was 10.8 million in the second quarter of 2015. The total cash position of the company was DKK 57.7 million by end of second quarter 2015. Including a total unused credit facility of approx. DKK 17 million, the Company has available funds of approx. DKK 75 million.
- For the second quarter 2015 net cash flow from operating activities was positive with DKK 3.3 million, an increase of DKK 0.5 million from second quarter 2014.

Napatech saw an improvement in the business performance towards the end of the quarter as we, for example, shipped more 100 Gigabit accelerator units in second quarter 2015 than we initially expected to ship for the full 2015. Thus, during Q2, we have also in general seen more than expected interest in our 100 Gigabit accelerators. However, the overall reported business performance for second quarter 2015 was not satisfactory. Unfortunately, Napatech was unable to ship all received POs for Q2-delivery due to a stock out on certain variants totalling almost 600 KUSD.

The order visibility has increased significantly entering Q3 2015.



*Average bookkeeping rates

To be able to handle the expected increase in revenue for the second half of 2015, Napatech has decided to make a strategic increase in the inventory. This has had a negative effect on our working capital of 7 million DKK in second quarter 2015. The negative cash flow in Q2 is not expected to continue, as it is still expected that the full year 2015 will show a better net cash position than what was reported for the end of Q1 2015.

The reorganisation of Sales and Marketing within Napatech has been on-going during Q2 2015, and the new organisation was in full operation from July 1st 2015. However, the improvements will continue with full force and include to date the implementation of a new Sales and Marketing management system enabling the most modern lead and pipeline management securing future sustainable growth.

With the launch of our new Pandion product offering, we have now successfully initiated a new revenue stream. This solution serves the Network Recording Market and allows customers to capture all packets, and retrieve historic data for analysis without any loss of traffic data. 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 second quarter of 2015 a number of design wins materialized (not exhaustive):

- ✓ 1 & 10 Gigabit design win with Cyber adAPT in the US.
- ✓ 100 Gigabit design win with NTT in Japan.
- ✓ 1 Gigabit design win with a US based VoIP quality monitoring company.

We have seen a shift in our market where some of the well-known very large corporations are developing Network Infrastructure for internal use. Napatech is adapting to this new paradigm, and we expect it will fuel additional growth.

Napatech has received a number of product recognitions. During second quarter (June) we won two Best of show Grand Prix awards at Interop Tokyo; one for Napatech Pandion our newly released Network Recording solution, and one for our 200 Gigabit Performance solution which provides guaranteed delivery of data for analysis on two 100 Gigabit ports. Towards the very end of the quarter, Napatech was honoured in three different categories at the 2015 IT world show.

Napatech. FASTER THAN THE FUTURE.

MANAGEMENT'S REVIEW (CONTINUED)

Napatech operations

The statements below are related to Napatech development in second quarter of 2015 compared to second quarter 2014 and the six months period from 1 January to 30 June 2015 compared to the six months period from 1 January to 30 June 2014, unless otherwise stated. Additional information is available at www.napatech.com/investor.

Key figures and ratios

	2 nd Quarter		YTD June	
	2015	2014	2015	2014
Revenue, DKK'000	42,686	41,818	86,388	89,648
Gross profit margin, %	72%	73%	71%	73%
EBITDA, DKK'000	2,288	1,822	6,324	8,295
EBITDA margin, %	5%	4%	7%	9%
Profit / (loss) before tax, DKK'000	(6,727)	(3,659)	(2,155)	(2,800)
EPS basic, DKK	(0.88)	(0.48)	(0.28)	(0.36)
EPS diluted, DKK	(0.88)	(0.47)	(0.28)	(0.36)
Equity, DKK'000	186,912	187,921	186,912	187,921
Cash and cash equivalents, DKK'000	57,651	90,344	57,651	90,344

Financial Review

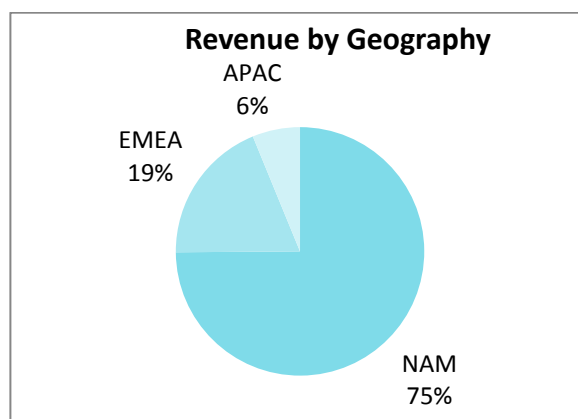
Revenue

Napatech reported revenue of DKK 42.7 million in the second quarter, an increase of 2% compared to the same period in 2014. The half year ended at DKK 86.4 million, a decrease of 4% compared to the same period last year.

Sales were distributed with 75% in NAM, 19% in EMEA and the remaining 6% in APAC.

Gross Margin

Gross margin for second quarter 2015 was 72%, a decrease compared with the 73% in second quarter 2014, and an increase compared with the 71% in first quarter 2015. The trend from last quarter with a high share of high speed accelerators has continued.



MANAGEMENT'S REVIEW (CONTINUED)

Financial review (continued)

Costs

R&D costs for second quarter 2015 were DKK 3.8 million compared to DKK 4.5 million in the second quarter 2014. The decrease in costs is in line with our expectations, due to reductions in the resources in R&D

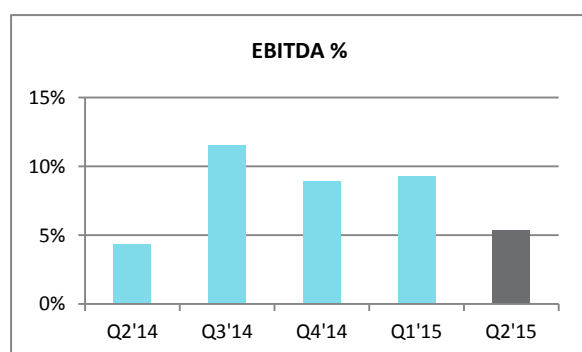
Sales and distribution costs for second quarter 2015 were DKK 16.6 million, compared to DKK 16.0 million in the second quarter 2014. The increase in the Sales and Marketing costs are in line with the Company's plans, in order to invest in the Company's ability to capture future growth.

Administrative expenses for second quarter 2015 were DKK 7.9 million compared to DKK 8.3 million in second quarter 2014. The decrease is in line with our expectations, due to general cost savings.

Total costs for second quarter 2015 were 28.3 million DKK compared to 28.7 million DKK for second quarter 2014, a decrease of 2% in line with our expectations of a flat 2015 cost level compared to 2014.

EBITDA

EBITDA was DKK 2.3 million in second quarter 2015, compared to DKK 1.8 million in second quarter 2014. The increase is driven by lower costs. The EBITDA margin of 5% is again an effect of the lower sales.



Depreciation and amortisation

Depreciation and amortisation were DKK 6.9 million in the second quarter 2015 compared to DKK 5.8 million in the second quarter 2014. The increase is in line with our plans as the increased investment level will lead to increased depreciations

EBIT

EBIT for second quarter 2015 was negative with DKK 4.7 million, a decrease compared to negative DKK 4.0 million in the second quarter 2014. This is caused by the increase in depreciations.

Financial Items

Financial items for second quarter 2015 were an expense of DKK 2.1 million compared to an income of DKK 0.3 million in the second quarter 2014. The financial items are primarily affected by the change in USD, as Napatech has large USD denominated assets.

Taxes

Taxes for the second quarter 2015 are calculated as 23.5% of the pre-tax result. The 23.5% is the Danish tax rate.

Investments

Total investments in second quarter 2015 were DKK 13.3 million. The main part was related to new product development with DKK 12.0 million. In second quarter 2014 total investments were DKK 11.8 million, of which DKK 9.6 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 second quarter 2015 there was a large development project related to the Pandion product and developments related to the accelerator portfolio as well.

Cash Flow

For the second quarter 2015 net cash flow from operating activities was positive with DKK 3.3 million, an increase of DKK 0.5 million from second quarter 2014.

Negative cash flow from investing activities was DKK 13.3 million in the second quarter 2015, an increase from DKK 11.8 million in the second quarter 2014.

Napatech had a negative cash flow of DKK 10.8 million in the second quarter of 2015. The total cash position of the company was DKK 57.7 million by end of second quarter 2015, a decrease of DKK 32.7 million compared to the end of second quarter 2014. The decrease is due to high investments in future products during the period.

Napatech had unused credit facilities of DKK 10 million in Denmark and USD 1 million in the US subsidiary as well at the end of second quarter 2015. Thus, the Company had available total funds of approx. 75 million DKK at the end of the second quarter of 2015.

MANAGEMENT'S REVIEW (CONTINUED)

Financial review (continued)

Shareholders and Share Information

Napatech had per June 30, 2015 issued 5,821,723 shares at DKK 1.00 each. This gives a share capital of 5,821,723 DKK divided among the 438 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	316.000	5,43%
DANSKE BANK A/S	275.454	4,73%
SIX SIS AG	215.758	3,71%
SKANDINAVISKA ENSKILDA	194.392	3,34%
Swedbank AS	156.785	2,69%
The Bank of New York	133.575	2,29%
VINTERSTUA AS	132.200	2,27%
DTU Invest rep. ved	118.600	2,04%
SEB Private Bank S.A	105.148	1,81%
NorthZea Management	81.231	1,40%
Niels Hobolt	65.131	1,12%
NORDNET BANK AB	64.884	1,11%
BNP Paribas Sec. Ser	62.368	1,07%
MVTU rep. ved DTU symbion	62.148	1,07%
Peter Ekner	60.000	1,03%
J.P. Morgan Chase Bank	43.980	0,76%
PARK LANE FAMILY OFFICE	43.110	0,74%
Nordea Bank Danmark	42.016	0,72%
Total number owned by to 20	4.744.866	81,50%
Total 418 other shareholders	1.076.857	18,50%
Total number of shares	5.821.723	100,00%

In connection with the second quarter presentation, 45,225 warrants will lapse. The warrants have a strike price of 32 DKK (approximately 39 NOK).

Outlook for 2015

The Napatech business has historically had very low visibility, but we have now seen a significant improvement during the first part of third quarter 2015. However, we still expect fluctuations in customers' buying patterns. 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 naturally hedged against other USD denominated costs.

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 has been expressed or implied in such statements

Oslo, 17 August 2015

The Board of Directors of Napatech A/S

INTERIM CONSOLIDATED INCOME STATEMENT

For the period ended 30 June 2015

DKK'000	Note	2 nd Quarter		YTD June	
		2015	2014	2015	2014
Revenue	3	42,686	41,818	86,388	89,648
Costs of goods sold		(12,139)	(11,250)	(24,842)	(24,345)
Gross profit		30,547	30,568	61,546	65,303
Research and development cost		(3,810)	(4,469)	(6,999)	(7,952)
Selling and distribution expenses		(16,588)	(15,994)	(33,280)	(32,539)
Administrative expenses	4	(7,861)	(8,283)	(14,943)	(16,517)
Operating profit before depreciation and amortisation (EBITDA)		2,288	1,822	6,324	8,295
Depreciation and amortisation		(6,896)	(5,792)	(13,729)	(11,157)
Operating profit / (loss) (EBIT)		(4,608)	(3,970)	(7,405)	(2,862)
Finance income		-	311	5,615	318
Finance costs		(2,119)	-	(365)	(256)
Profit / (loss) before tax		(6,727)	(3,659)	(2,155)	(2,800)
Income tax expense		1,580	896	506	686
Profit / (loss) for the period		(5,147)	(2,763)	(1,649)	(2,114)
Earnings per share:	5				
Basic, DKK		(0.88)	(0.48)	(0.28)	(0.36)
Diluted, DKK		(0.88)	(0.47)	(0.28)	(0.36)

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2015

DKK'000	Note	2 nd Quarter		YTD June	
		2015	2014	2015	2014
Profit / (loss) for the period		(5,147)	(2,763)	(1,649)	(2,114)
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>					
Exchange differences on translation from functional to presentation currency		-	(427)	-	(427)
Exchange differences on translation of foreign operations		(36)	(23)	77	(12)
Net movement on cash flow hedges		(1,082)	-	(1,755)	-
Income tax effect		255	-	413	-
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		(863)	(450)	(1,265)	(439)
Total comprehensive income for the period		(6,010)	(3,213)	(2,914)	(2,553)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

ASSETS

DKK'000	Note	30 June 2015	31 December 2014	30 June 2014
Development projects, completed		43,880	54,335	27,371
Development projects, in progress		32,090	8,687	28,190
Patents		7,047	6,606	5,847
Other intangible assets		1,371	1,700	1,865
Intangible assets	6	84,388	71,328	63,273
Plant and equipment		8,641	8,770	9,066
Office improvements		1,274	1,456	1,671
Property, plant and equipment	7	9,915	10,226	10,737
Deferred tax asset		5,965	4,325	5,010
Leasehold deposits		2,219	1,766	1,770
Other non-current assets		8,184	6,091	6,780
Non-current assets		102,487	87,645	80,790
Inventories		18,215	9,477	5,570
Trade receivables	8	42,850	36,236	34,837
Other receivables	8	2,542	3,241	5,002
Cash and cash equivalents		57,651	88,230	90,344
Current assets		121,258	137,184	135,753
Total assets		223,745	224,829	216,543

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

EQUITY AND LIABILITIES

DKK'000	Note	30 June 2015	31 December 2014	30 June 2014
Share capital	9	5,822	5,822	5,816
Share premium	9	210,675	210,675	201,286
Foreign currency translation reserve		130	53	(4,528)
Other reserves		9,886	12,101	25,514
Accumulated loss		(39,601)	(39,032)	(40,167)
Equity		186,912	189,619	187,921
Interest-bearing loans and borrowings		5,355	5,574	6,087
Non-current liabilities		5,355	5,574	6,087
Interest-bearing loans and borrowings		612	706	506
Trade payables		15,433	15,069	10,383
Other payables		13,369	13,552	11,127
Derivative financial instruments		1,755	-	-
Provisions		309	309	519
Current liabilities		31,478	29,636	22,535
Total liabilities		36,833	35,210	28,622
Total equity and liabilities		223,745	224,829	216,543

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 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	-	-	113	-	(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
Loss for the period	-	-	-	-	-	(5,147)	(5,147)
Exchange differences on translation of foreign operations	-	-	(36)	-	-	-	(36)
Cash flow hedges	-	-	-	-	(827)	-	(827)
Total comprehensive income	-	-	(36)	-	(827)	(5,147)	(5,170)
Issue of shares	-	-	-	-	-	-	-
Reversal, exercised and lapsed share options	-	-	-	-	-	-	-
Share-based payments	-	-	-	104	-	-	104
At 30 June 2015	5,822	210,675	130	11,228	(1,342)	(39,601)	187,752

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 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 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	-	-	-	-	-	-	-
At 31 March 2014	5,816	201,286	(4,078)	25,514	-	(37,404)	191,134
Loss for the period	-	-	-	-	-	(2,763)	(2,763)
Other comprehensive income	-	-	(450)	-	-	-	(450)
Total comprehensive income	-	-	(450)	-	-	(2,763)	(3,213)
Issue of shares	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-
At 30 June 2014	5,816	201,286	(4,528)	25,514	-	(40,167)	187,921

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 June 2015

DKK'000	Note	2 nd Quarter		YTD June	
		2015	2014	2015	2014
Operating activities					
Profit / (loss) before tax		(6,727)	(3,659)	(2,155)	(2,800)
Adjustments to reconcile profit before tax to net cash flows:					
Finance income		-	(311)	(5,615)	(318)
Finance costs		2,119	-	365	256
Amortisation and depreciation	6, 7	6,896	5,792	13,729	11,157
Share-based payment expense		104	-	207	-
Working capital adjustments:					
Change in inventories		(6,828)	(52)	(8,738)	2,352
Change in trade and other receivables		7,136	1,768	(5,922)	(4,058)
Change in trade and other payables and provisions		580	(805)	188	(13,417)
Cash flows (used in) / from operating activities		3,280	2,733	(7,941)	(6,828)
Currency adjustments		(649)	89	5,496	78
Interest received		69	68	119	155
Interest paid		(128)	(106)	(340)	(221)
Income tax paid		(159)	-	(722)	-
Net cash flows from / (used in) operating activities		2,413	2,784	(3,388)	(6,816)
Investing activities					
Purchase of plant, property and equipment		(1,242)	(2,139)	(2,813)	(4,816)
Investments in intangible assets		(11,957)	(9,593)	(23,910)	(20,256)
Investments in leasehold deposits		(51)	(71)	(453)	(101)
Net cash used in investing activities		(13,250)	(11,803)	(27,176)	(25,173)
Financing activities					
Issue of shares		-	-	-	110
Proceeds from borrowings		-	-	-	-
Net cash flows from financing activities		-	-	-	110
Net decrease in cash and cash equivalents		(10,837)	(9,019)	(30,564)	(31,879)
Net foreign exchange difference		(1,420)	200	(15)	-
Cash and cash equivalents at the beginning of the period		69,908	99,163	88,230	122,223
Cash and cash equivalents at the end of the period		57,651	90,344	57,651	90,344

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.

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 2011-2014 Cycle.

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 2015. These parts of Annual Improvements for IFRSs 2010-2012 Cycle are therefore implemented in 2015.

Annual Improvements to IFRSs 2011-2014 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

2nd Quarter 2015:

DKK'000	EMEA	NAM	APAC	LAM	Consolidated
Revenue					
Total revenue	32,587	31,965	2,647	-	67,199
Inter-segment	(24,513)	-	-	-	(24,513)
Revenue, external customers	8,074	31,965	2,647	-	42,686
Cost of goods sold	(1,979)	(9,516)	(644)	-	(12,139)
Gross profit	6,096	22,449	2,003	-	30,547

2nd Quarter 2014:

DKK'000	EMEA	NAM	APAC	LAM	Consolidated
Revenue					
Total revenue	31,712	33,573	3,262	-	68,547
Inter-segment	(26,729)	-	-	-	(26,729)
Revenue, external customers	4,983	33,573	3,262	-	41,818
Cost of goods sold	(1,116)	(9,616)	(518)	-	(11,250)
Gross profit	3,867	23,957	2,744	-	30,568

Explanation of abbreviations

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

2 OPERATING SEGMENTS (CONTINUED)

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

YTD June 2015:					
DKK'000	EMEA	NAM	APAC	LAM	Consolidated
Revenue					
Total revenue	65,486	69,652	4,371	51	139,560
Inter-segment	(53,172)	-	-	-	(53,172)
Revenue, external customers	12,314	69,652	4,371	51	86,388
Cost of goods sold	(2,625)	(20,931)	(1,267)	(19)	(24,842)
Gross profit	9,689	48,721	3,104	32	61,546

YTD June 2014:					
DKK'000	EMEA	NAM	APAC	LAM	Consolidated
Revenue					
Total revenue	67,630	68,790	7,004	22	143,446
Inter-segment	(53,798)	-	-	-	(53,798)
Revenue, external customers	13,832	68,790	7,004	22	89,648
Cost of goods sold	(3,070)	(19,706)	(1,563)	(6)	(24,345)
Gross profit	10,762	49,084	5,441	16	65,303

Explanation of abbreviations

EMEA	= Europe, Middle East and Africa
NAM	= Northern America
APAC	= Asia and Pacific
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 2014, 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 2014 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)

Share options	Management		Others		Total	
	Number	Average exercise price	Number	Average exercise price	Number	Average exercise price
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 30 June 2015	295,562	33.94	166,380	34.73	461,942	34.41
Exercisable at 30 June 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 30 June 2014	269,037	32.00	148,430	32.00	417,467	32.00
Exercisable at 30 June 2014	269,037	32.00	148,430	32.00	417,467	32.00

In the first half year of 2015 36,050 share options were lapsed and zero exercised (first half year of 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 30 June 2015	As at 30 June 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 30 June 2015 is 2 years and 2 months (at 30 June 2014: 3 years and 2 months). The weighted average of the remaining contractual period of the outstanding share options from the 2014 share options programme at 30 June 2015 is 4 years.

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 2nd quarter 2015 the fair value has not been assessed (2nd quarter 2014: The grant date fair value of the share options during 2014 was DKK 80.41). The fair value of the share options is determined using the Black-Scholes option pricing model.

For 2nd quarter 2015, the Group has recognised DKK 104 thousand of share-based payment expense in the income statement (2nd quarter 2015: zero). DKK 57 thousand was recognised in relation the Executive Management and DKK 47 thousand in relation to other employees.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

5 EARNINGS PER SHARE

DKK'000	2 nd Quarter		YTD June	
	2015	2014	2015	2015
Net loss attributable to equity holders of the parent company for basic earnings and the effect of dilution	(5,147)	(2,763)	(1,649)	(2,114)

DKK'000	2 nd Quarter		YTD June	
	2015	2014	2015	2014
	<i>Thousand</i>	<i>Thousand</i>	<i>Thousand</i>	<i>Thousand</i>
Weighted average number of shares for basic earnings per share	5,822	5,815	5,822	5,814
Effect of dilution:				
Share options	-	90	-	101
Weighted average number of shares adjusted for the effect of dilution	5,822	5,905	5,822	5,915

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	-	24,403	507	-	23,910
Disposals in the period	-	-	-	-	-
Cost at 30 June 2015	132,872	32,090	7,302	1,974	174,238
Accumulated amortisation at 1 January 2015	78,537	-	189	274	79,000
Amortisation for the period	10,455	-	66	329	10,850
Accumulated amortisation 30 June 2015	88,992	-	255	603	89,850
Carrying amount at 30 June 2015	43,880	32,090	7,047	1,371	84,388

Within the completed development projects there are two material development projects with carrying amount of DKK 14,268 thousand and DKK 16,525 thousand at 30 June 2015 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 adapter and the aim of the second project is to develop new 1x100G adapter. The remaining amortisation periods of these two projects are 2 years and 4 months and 4 years and 6 months respectively.

Within the in progress development projects there is one material development project with carrying amount of DKK 5,608 thousand (31 December 2014: DKK 5,100 thousand). The aim of the project is to develop new functionalities for existing adapters. 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 reporting 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	2,423	77	2,500
Currency adjustment	149	20	169
Cost at 30 June 2015	30,683	3,941	34,624
Accumulated depreciation at 1 January 2015	19,341	2,388	21,729
Depreciation for the period	2,612	265	2,877
Currency adjustment	89	14	103
Accumulated depreciation 30 June 2015	22,042	2,667	24,709
Carrying amount at 30 June 2015	8,641	1,274	9,915

The carrying amount for plant and equipment held under finance leasing is DKK 720 thousand at 30 June 2015. 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	30 June 2015	30 June 2014
Receivables recognised in the consolidated statement of financial position:		
Trade receivables	42,850	34,837
Other receivables	2,542	5,002
Total current receivables	45,392	39,839

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)	(192)
At 30 June	1,149	1,401

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

DKK'000	30 June 2015	30 June 2014
Not past due	31,360	15,080
Past due less than 30 days	3,103	6,246
Past due between 30 and 60 days	420	4,266
Past due between 60 and 90 days	826	2,336
Past due after 90 days	7,141	6,909
Total maximum credit risk	42,850	34,837

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 30 June	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 30 June 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 30 June	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 30 June 2015 are as follows:

DKK'000	Cars	Office facilities	Total
Falling due within one year	106	2,958	3,064
Falling due between one and five years	230	-	230
Total	336	2,958	3,294

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 30 June 2015 are as follows:

DKK'000	Minimum payments	Present value of payments
Falling due within one year	642	612
Falling due between one and five years	484	475
Total minimum lease payments	1,126	1,087
Less: finance charge	(39)	-
Present value of lease payments	1,087	1,087

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