



NAPATECH
3RD 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 July to 30 September 2015, and the nine months period from 1 January to 30 September 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 September 2015, and of the results of the Napatech Group's operations and cash flows for the three months period 1 July to 30 September 2015, and the nine months period 1 January to 30 September 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 term Company below refers as well to the Group.

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

Oslo, 9 November 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

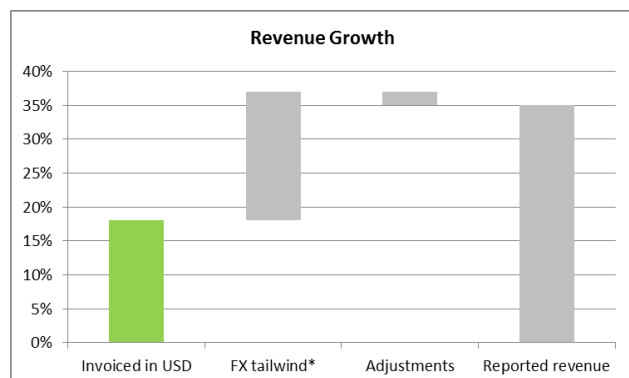
Highlights

Progressing as expected

- Revenue for third quarter 2015 amounted to DKK 60.4 million (DKK all-time high), an increase of 36% compared to third quarter 2014, and a sequential increase of 42% compared to second quarter 2015.
- Gross margin for third quarter 2015 was 70% compared to 75% in third quarter 2014, and 72% in second quarter 2015.
- EBITDA for third quarter of 2015 amounted to DKK 11.6 million, an increase of 127% compared to third quarter 2014.
- EBITDA margin for third quarter 2015 was 19%, an increase from 12% in third quarter 2014.
- EBIT margin for third quarter 2015 was 9% compared to negative 3% in third quarter 2014.
- EPS for third quarter 2015 was 0.72 DKK, up from 0.31 DKK in Q3 2014
- Net decrease in cash was 6.0 million in the third quarter of 2015. The total cash position of the company was DKK 51.2 million by end of third quarter 2015. Including a total unused credit facility of approx. DKK 17 million, the Company has available funds of approx. DKK 70 million.
- For the third quarter 2015, net cash flow from operating activities was positive with DKK 3.1 million. This was an increase from negative DKK 0.8 million in third quarter 2014.

The business performance improvements, which began with increased visibility in Q2, have continued through Q3. The market's strong interest in the Company's 100 Gigabit product(s) continued in Q3. The quarter showed increased sales to both new and existing customers, including a particular design win for a datacentre customer that also contributed to the growth.

The order visibility has continued at an improved level compared to earlier in the year.



*Average bookkeeping rates

As the Company has maintained a high inventory during the third quarter of 2015 to handle the expected, larger revenue in the remainder of 2015, the cash flow has been negative. During the third quarter of 2015, we have seen an increase in our total trade receivables, especially within not past due date. Further, trade receivables past 90 days have been reduced significantly, and there is a strengthened focus on reducing all outstanding trade receivables.

We expect that reducing the inventory level, converting our trade payables to cash and a pay out of a tax credit, from the Danish Tax Authorities of approximately 5 MDKK in Q4, will improve our current cash position significantly.

In connection with the reorganisation of Sales and Marketing, a thorough analysis on how we service our customers in different markets has been conducted. This analysis has led to the establishment of an office in Taiwan servicing customers in both Taiwan and China. This region has the potential to be a significant Napatech market in the future. Further, we have decided to reorganize our operations in Brazil, and now service this market through value added resellers (VARs) and our announced relationship with Arrow.

Napatech's customer base is one of the most valuable assets of the Company. However, as most of the customer relations are under NDA, these customer references have been difficult to document and visualize. The Company now works continuously to widen the knowledge of our customer base, as this will help understanding the potential and strengths of Napatech's business.

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

- ✓ 10 & 100 Gigabit design win with a US based tier one online content provider for their datacenter security solution.
- ✓ 10 Gigabit design win with US Transportation Command for a security solution
- ✓ 10 Gigabit design win with a Japanese mobile operator for a network monitoring solution

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 made a first customer shipment of our new Pandion product to a customer servicing the government market. To date, we have seen an overwhelming interest from both new and existing customers for this offering, and we are obviously very focused on converting this interest into revenue in the coming periods.

Napatech. FASTER THAN THE FUTURE.

MANAGEMENT'S REVIEW (CONTINUED)

Napatech operations

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

Key figures and ratios

	3 rd Quarter		YTD September	
	2015	2014	2015	2014
Revenue, DKK'000	60,406	44,305	146,794	133,953
Gross profit margin, %	70%	75%	71%	73%
EBITDA, DKK'000	11,608	5,114	17,932	13,409
EBITDA margin, %	19%	12%	12%	10%
Profit / (loss) before tax, DKK'000	5,516	2,400	3,361	(400)
EPS basic, DKK	0.72	0.31	0.44	(0.05)
EPS diluted, DKK	0.72	0.31	0.44	(0.05)
Equity, DKK'000	191,228	190,219	191,228	190,219
Cash and cash equivalents, DKK'000	51,170	84,325	51,170	84,325

Financial Review

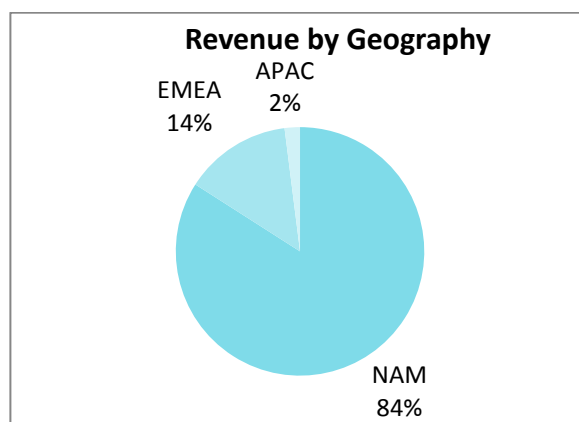
Revenue

Napatech reports revenue of DKK 60.4 million in the third quarter, an increase of 36% compared to the same period in 2014. The first 3 quarters ended at DKK 146.8 million, an increase of 10% compared to the same period last year.

Sales were distributed with 84% in NAM, 14% in EMEA and the remaining 2% in APAC.

Gross Margin

Gross margin for third quarter 2015 was 70%, a decrease compared with the 75% in third quarter 2014, and a decrease compared with the 72% in second quarter 2015. The decrease is due to a product mix change in this particular quarter compared to last year, and is in line with the Company's guiding.



MANAGEMENT'S REVIEW (CONTINUED)

Financial review (continued)

Costs

R&D costs for third quarter 2015 were DKK 4.1 million compared to DKK 4.0 million in the third quarter 2014. The minor increase in costs is related to a timing variance of expenses.

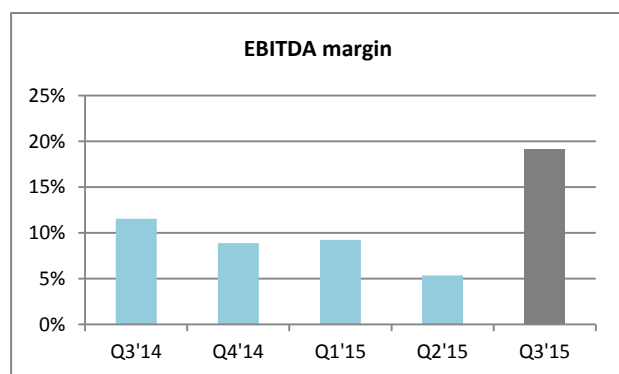
Sales and distribution costs for third quarter 2015 were DKK 17.4 million, compared to DKK 15.4 million in the third quarter 2014. The increase in the Sales and Marketing costs are due to the higher sales and are in line with the Company's plans to invest in the Company's ability to capture future growth.

Administrative expenses for third quarter 2015 were DKK 9.0 million compared to DKK 8.6 million in the third quarter 2014. The increase is due to a timing variance on expenses.

Total costs for third quarter 2015 were 30.6 million DKK compared to 27.9 million DKK for third quarter 2014, an increase of 10% due to higher sales, and investments in sales and marketing activities.

EBITDA

EBITDA was DKK 11.6 million in the third quarter 2015, compared to DKK 5.1 million in the third quarter 2014. The increase is driven by higher sales. The EBITDA margin of 19% is again an effect of the higher sales.



Depreciation and amortisation

Depreciation and amortisation were DKK 6.2 million in the third quarter 2015, compared to DKK 6.3 million in the third quarter 2014. Our depreciations are affected by the timing of the completion of our development projects. The minor decrease is due to a completion of the depreciation of a larger project from 2012.

EBIT

EBIT for third quarter 2015 was positive with DKK 5.4 million, an increase compared to negative DKK 1.2 million in the third quarter 2014.

Financial Items

Financial items for third quarter 2015 were an income of DKK 0.1 million compared to an income of DKK 3.6 million in the third quarter 2014. The financial items are primarily affected by the change in USD, as Napatech has large USD denominated assets.

Taxes

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

Investments

Total investments in third quarter 2015 were DKK 9.1 million. The main part was related to new product development with DKK 7.7 million. In third quarter 2014, total investments were DKK 8.7 million, of which DKK 8.0 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 third quarter 2015, there were a development project related to the Pandion product and developments related to the accelerator portfolio.

Cash Flow

For the third quarter 2015 cash flow from operating activities was positive with DKK 3.1 million, an increase of DKK 3.9 million from third quarter 2014.

Negative cash flow from investing activities was DKK 9.1 million in the third quarter 2015, an increase from DKK 8.7 million in the third quarter 2014.

Napatech had a negative cash flow of DKK 6.0 million in the third quarter of 2015. The total cash position of the company was DKK 51.2 million by end of third quarter 2015, a decrease of DKK 33.2 million compared to the end of third 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 third quarter 2015. Thus, the Company had available total funds of approx. 70 million DKK at the end of the third quarter of 2015.

MANAGEMENT'S REVIEW (CONTINUED)

Financial review (continued)

Shareholders and Share Information

Napatech had per September 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 394 shareholders.

Investor	Number of sha	% 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	268.055	4,60%
VINTERSTUA AS	211.000	3,62%
SKANDINAVISKA ENSKILDA	194.392	3,34%
SIX SIS AG	187.298	3,22%
The Bank of New York	135.195	2,32%
SEB Private Bank S.A	105.148	1,81%
DELRAY TRADING AS	98.586	1,69%
NorthZea Management	81.231	1,40%
NORDEA BANK DANMARK	77.544	1,33%
DNB LUXEMBOURG S.A.	71.090	1,22%
NORDNET BANK AB	68.630	1,18%
Niels Hobolt	65.131	1,12%
BNP Paribas Sec. Ser	62.368	1,07%
Peter Ekner	60.000	1,03%
DNB LUXEMBOURG S.A.	51.910	0,89%
TIGERSTADEN AS	50.000	0,86%
J.P. Morgan Chase Bank	45.580	0,78%
Total number owned by to 20	4.721.244	81,10%
Total 374 other shareholders	1.100.479	18,90%
Total number of shares	5.821.723	100,00%

Outlook for 2015

We will have a sharp focus on generating revenue through the remaining part of Q4, as well as driving initiatives to support our ambitions for 2016.

We see that our new products, such as the 100 Gigabit Accelerators, are selling better than expected, and our organizational changes are improving our overall business.

We have seen a continuous improvement in our order visibility through Q3, why we maintain our guidance for 2015:

- 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, 9 November 2015

The Board of Directors of Napatech A/S

INTERIM CONSOLIDATED INCOME STATEMENT

For the period ended 30 September 2015

DKK'000	Note	3 rd Quarter		YTD September	
		2015	2014	2015	2014
Revenue	3	60,406	44,305	146,794	133,953
Costs of goods sold		(18,203)	(11,285)	(43,045)	(35,630)
Gross profit		42,203	33,020	103,749	98,323
Research and development cost		(4,142)	(3,975)	(11,141)	(11,927)
Selling and distribution expenses		(17,413)	(15,362)	(50,693)	(47,901)
Administrative expenses	4	(9,040)	(8,569)	(24,983)	(25,086)
Operating profit before depreciation and amortisation (EBITDA)		11,608	5,114	17,932	13,409
Depreciation and amortisation		(6,228)	(6,287)	(19,957)	(17,444)
Operating profit / (loss) (EBIT)		5,380	(1,173)	(2,025)	(4,035)
Finance income		220	3,696	5,835	4,014
Finance costs		(84)	(123)	(449)	(379)
Profit / (loss) before tax		5,516	2,400	3,361	(400)
Income tax expense		(1,296)	(588)	(790)	98
Profit / (loss) for the period		4,220	1,812	2,571	(302)
Earnings per share:	5				
Basic, DKK		0.72	0.31	0.44	(0.05)
Diluted, DKK		0.72	0.31	0.44	(0.05)

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 September 2015

DKK'000	Note	3 rd Quarter		YTD September	
		2015	2014	2015	2014
Profit / (loss) for the period		4,220	1,812	2,571	(302)
<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	-	-
Exchange differences on translation of foreign operations		(524)	(247)	(447)	(259)
Net movement on cash flow hedges		676	-	(1,079)	-
Income tax effect		(160)	-	253	-
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		(8)	180	(1,273)	(259)
Total comprehensive income for the period		4,212	1,992	1,298	(561)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2015

ASSETS

DKK'000	Note	30 September 2015	31 December 2014	30 September 2014
Development projects, completed		48,230	54,335	40,873
Development projects, in progress		30,629	8,687	17,316
Patents		7,365	6,606	6,263
Other intangible assets		1,206	1,700	1,864
Intangible assets	6	87,430	71,328	66,316
Plant and equipment		8,470	8,770	8,912
Office improvements		1,168	1,456	1,539
Property, plant and equipment	7	9,638	10,226	10,451
Deferred tax asset		4,719	4,325	4,422
Leasehold deposits		2,218	1,766	1,760
Other non-current assets		6,937	6,091	6,182
Non-current assets		104,005	87,645	82,949
Inventories		16,545	9,477	5,870
Trade receivables	8	49,599	36,236	42,501
Other receivables	8	2,393	3,241	3,951
Cash and cash equivalents		51,170	88,230	84,325
Current assets		119,707	137,184	136,647
Total assets		223,712	224,829	219,596

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2015

EQUITY AND LIABILITIES

DKK'000	Note	30 September 2015	31 December 2014	30 September 2014
Share capital	9	5,822	5,822	5,822
Share premium	9	210,675	210,675	210,675
Foreign currency translation reserve		(394)	53	80
Other reserves		9,052	12,101	11,997
Accumulated loss		(33,927)	(39,032)	(38,355)
Equity		191,228	189,619	190,219
Interest-bearing loans and borrowings		5,394	5,574	5,957
Non-current liabilities		5,394	5,574	5,957
Interest-bearing loans and borrowings		564	706	511
Trade payables		11,249	15,069	9,336
Other payables		13,889	13,552	13,144
Derivative financial instruments		1,079	-	-
Provisions		309	309	429
Current liabilities		27,090	29,636	23,420
Total liabilities		32,484	35,210	29,377
Total equity and liabilities		223,712	224,829	219,596

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 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)	(6,010)
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)	186,912
Profit for the period	-	-	-	-	-	4,220	4,220
Exchange differences on translation of foreign operations	-	-	(524)	-	-	-	(524)
Cash flow hedges	-	-	-	-	516	-	516
Total comprehensive income	-	-	(524)	-	516	4,220	4,212
Issue of shares	-	-	-	-	-	-	-
Reversal, exercised and lapsed share options	-	-	-	(1,454)	-	1,454	-
Share-based payments	-	-	-	104	-	-	104
At 30 September 2015	5,822	210,675	(394)	9,878	(826)	(33,927)	191,228

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 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
Profit for the period	-	-	-	-	-	1,812	1,812
Reversals	-	-	4,428	-	-	(4,428)	-
Other comprehensive income	-	-	180	-	-	-	180
Total comprehensive income	-	-	4,608	-	-	(2,616)	1,992
Issue of shares	6	197	-	-	-	-	203
Reversals	-	9,192	-	(13,620)	-	4,428	-
Share-based payments	-	-	-	103	-	-	103
At 30 September 2014	5,822	210,675	80	11,997	-	(38,355)	190,219

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 September 2015

DKK'000	Note	3 rd Quarter		YTD September	
		2015	2014	2015	2014
Operating activities					
Profit / (loss) before tax		5,516	2,400	3,361	(400)
Adjustments to reconcile profit before tax to net cash flows:					
Finance income		1,746	(3,616)	(5,835)	(4,014)
Finance costs		(1,882)	43	449	379
Amortisation and depreciation	6, 7	6,228	6,287	19,957	17,444
Share-based payment expense		104	103	311	103
Working capital adjustments:					
Change in inventories		1,670	(300)	(7,068)	2,052
Change in trade and other receivables		(6,593)	(6,613)	(12,515)	(10,671)
Change in trade and other payables and provisions		(3,671)	880	(3,483)	(12,537)
Cash flows (used in) / from operating activities		3,118	(816)	(4,823)	(7,644)
Currency adjustments		220	3,718	5,716	3,796
Interest received		-	104	119	259
Interest paid		(109)	(158)	(449)	(379)
Income tax paid		(209)	-	(931)	-
Net cash flows from / (used in) operating activities		3,020	2,848	(368)	(3,968)
Investing activities					
Purchase of plant, property and equipment		(1,325)	(650)	(4,138)	(5,466)
Investments in intangible assets		(7,730)	(8,017)	(31,340)	(28,273)
Investments in leasehold deposits		1	(33)	(452)	(134)
Net cash used in investing activities		(9,054)	(8,700)	(36,230)	(33,873)
Financing activities					
Issue of shares		-	203	-	313
Proceeds from borrowings		-	(370)	-	(370)
Net cash flows from financing activities		-	(167)	-	(57)
Net decrease in cash and cash equivalents		(6,034)	(6,019)	(36,598)	(37,898)
Net foreign exchange difference		(447)	-	(462)	-
Cash and cash equivalents at the beginning of the period		57,651	90,344	88,230	122,223
Cash and cash equivalents at the end of the period		51,170	84,325	51,170	84,325

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

3rd Quarter 2015:

DKK'000	EMEA	NAM	APAC	LAM	Consolidated
Revenue					
Total revenue	50,515	50,758	1,206	17	102,496
Inter-segment	(42,090)	-	-	-	(42,090)
Revenue, external customers	8,425	50,758	1,206	17	60,406
Cost of goods sold	(2,968)	(14,885)	(344)	(6)	(18,203)
Gross profit	5,457	35,873	862	11	42,203

3rd Quarter 2014:

DKK'000	EMEA	NAM	APAC	LAM	Consolidated
Revenue					
Total revenue	34,019	34,656	2,381	-	71,056
Inter-segment	(26,751)	-	-	-	(26,751)
Revenue, external customers	7,268	34,656	2,381	-	44,305
Cost of goods sold	(1,629)	(9,208)	(448)	-	(11,285)
Gross profit	5,639	25,448	1,933	-	33,020

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 September 2015:					
DKK'000	EMEA	NAM	APAC	LAM	Consolidated
Revenue					
Total revenue	116,001	120,410	5,577	68	242,056
Inter-segment	(95,262)	-	-	-	(95,262)
Revenue, external customers	20,739	120,410	5,577	68	146,794
Cost of goods sold	(5,593)	(35,816)	(1,611)	(25)	(43,045)
Gross profit	15,146	84,594	3,966	43	103,749

YTD September 2014:					
DKK'000	EMEA	NAM	APAC	LAM	Consolidated
Revenue					
Total revenue	101,649	103,446	9,385	22	214,502
Inter-segment	(80,549)	-	-	-	(80,549)
Revenue, external customers	21,100	103,446	9,385	22	133,953
Cost of goods sold	(4,699)	(28,914)	(2,011)	(6)	(35,630)
Gross profit	16,401	74,532	7,374	16	98,323

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)

	Management		Others		Total	
	Number	Average exercise price	Number	Average exercise price	Number	Average exercise price
Share options						
At 1 January 2015	316,787	33.24	181,205	34.14	497,992	32.57
Granted during the period	-	-	-	-	-	-
Exercised / expired during the period	(58,575)	32.00	(26,010)	32.00	(84,585)	32.00
At 30 September 2015	258,212	34.75	155,195	33.48	413,407	32.69
Exercisable at 30 September 2015	202,212	32.00	110,195	32.00	312,407	32.00
At 1 January 2014	269,037	32.00	151,855	32.00	420,892	32.00
Granted during the period	56,000	44.65	45,000	44.65	101,000	44.65
Exercised / expired during the period	(8,250)	32.00	(15,650)	32.00	(23,900)	32.00
At 30 September 2014	316,787	34.24	181,205	35.14	497,992	32.57
Exercisable at 30 September 2014	260,787	32.00	136,205	32.00	396,992	32.00

In the nine months period ended 30 September 2015 84,585 share options were lapsed and zero exercised (nine months period ended 30 September 2014: 14,125 lapsed and 9,775 exercised).

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

	As at 30 September 2015	As at 30 September 2014
Number of share options		
Exercise price DKK 32.00	312,407	396,992
Exercise price DKK 43.00	101,000	101,000
Total number of outstanding share options and warrants	413,407	497,992

The weighted average of the remaining contractual period of the outstanding share options from the 2013 share options programme at 30 September 2015 is 1 year and 11 months (at 30 September 2014: 2 years and 11 months). The weighted average of the remaining contractual period of the outstanding share options from the 2014 share options programme at 30 September 2015 is 3 years and 9 months (at 30 September 2014: 4 years and 9 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 3rd quarter 2015 the fair value has not been assessed (3rd 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 3rd quarter 2015, the Group has recognised DKK 104 thousand of share-based payment expense in the income statement (3rd quarter 2014: DKK 104 thousand). 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	3 rd Quarter		YTD September	
	2015	2014	2015	2014
Net income attributable to equity holders of the parent company for basic earnings and the effect of dilution	4,220	1,812	2,571	(302)

DKK'000	3 rd Quarter		YTD September	
	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	5,819	5,822	5,816
Effect of dilution:				
Share options	-	43	-	58
Weighted average number of shares adjusted for the effect of dilution	5,822	5,862	5,822	5,874

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	8,841	30,783	857	-	40,481
Disposals in the period	-	(8,841)	-	-	(8,841)
Cost at 30 September 2015	141,713	30,629	7,652	1,974	174,238
Accumulated amortisation at 1 January 2015	78,537	-	189	274	79,000
Amortisation for the period	14,946	-	98	494	15,538
Accumulated amortisation 30 September 2015	93,483	-	287	768	94,538
Carrying amount at 30 September 2015	48,230	30,629	7,365	1,206	87,430

Within the completed development projects there are two material development projects with carrying amount of DKK 12,739 thousand and DKK 15,607 thousand at 30 September 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 third project is to develop new 1x100G adapter. The remaining amortisation periods of these two projects are 2 years and 1 month and 4 years and 3 months respectively.

Within the in progress development projects there is one material development project with carrying amount of DKK 6,058 thousand at 30 September 2015 (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	3,713	103	3,816
Currency adjustment	80	20	100
Cost at 30 September 2015	31,904	3,967	35,871
Accumulated depreciation at 1 January 2015	19,341	2,388	21,729
Depreciation for the period	4,023	396	4,419
Currency adjustment	70	15	85
Accumulated depreciation 30 September 2015	23,434	2,799	26,233
Carrying amount at 30 September 2015	8,470	1,168	9,638

The carrying amount for plant and equipment held under finance leasing is DKK 551 thousand at 30 September 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 September 2015	30 September 2014
Receivables recognised in the consolidated statement of financial position:		
Trade receivables	49,599	42,501
Other receivables	2,393	3,951
Total current receivables	51,992	46,452

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	(367)	(192)
At 30 September	1,635	1,401

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

DKK'000	30 September 2015	30 September 2014
Not past due	39,259	32,956
Past due less than 30 days	2,675	4,928
Past due between 30 and 60 days	1,362	361
Past due between 60 and 90 days	1,895	485
Past due after 90 days	4,408	3,771
Total maximum credit risk	49,599	42,501

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	-	10
Ordinary shares of DKK 1 each at 30 September	5,822	5,822

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 September 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	-	303
Reversal, exercised and lapsed options	-	9,192
At 30 September	210,675	210,675

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 September 2015 are as follows:

DKK'000	Cars	Office facilities	Total
Falling due within one year	106	1,381	1,487
Falling due between one and five years	97	-	97
Total	203	1,381	1,584

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 September 2015 are as follows:

DKK'000	Minimum payments	Present value of payments
Falling due within one year	588	564
Falling due between one and five years	398	394
Total minimum lease payments	986	958
Less: finance charge	(28)	-
Present value of lease payments	958	958

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