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Capital Markets Day
June 2014

WELCOME TO CAPITAL MARKETS DAY

Welcome on behalf of the Board of Directors of Napatech by
Olav Stokke, Chairman of the Board

- The Board of Directors and Management team are committed to continue building shareholder value by:
    - Providing outstanding overall performance by operational excellence
    - Broaden reach with tier-1 customers and expand on geographical reach
    - Offering best of breed products
    - Leveraging on the Standardize-on-Napatech strategy
    - Enhance Napatech's strong brand awareness in the industry
- Henrik Brill, together with other members of the Napatech team will during the day present the Company, Markets and Trends, Industries and Solutions, Products and Partners and the Financial development in general

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NAPATECH IN HISTORIC PERSPECTIVE
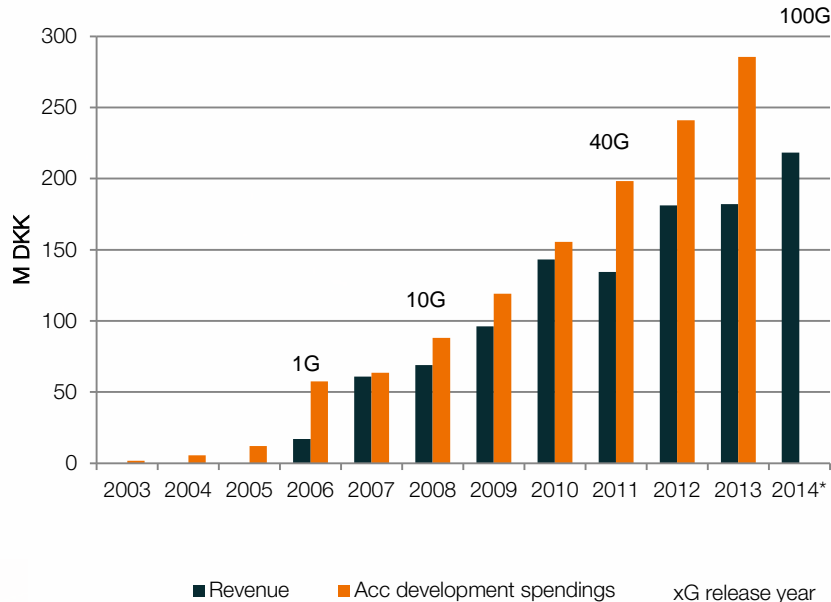
Some historic facts:

- Accumulated revenue is close to 900 MDKK
- Accumulated development spending of almost 300 MDKK
- Venture financing of close to 120 MDKK
- 100G product launched in 2014
- 40G product launched in 2011
- 10G product launched in 2008
- 1G product launched in 2006

- Strong potential for future growth – continue creating sustainable industry

* Mid range of guidance from Q1 2014

Capital Markets Day Agenda
By Henrik Brill, CEO

INTRODUCTION TO CAPITAL MARKETS DAY

- Capital markets day agenda:
  - Napatech the company; now and in the future
  - Industries, trends and solutions telling about benefits for the most demanding networks
  - Market refresh showing drivers enabling opportunities and growth
  - Products and partners forming an eco-system
  - The organization and our competences
  - Site tour and product demonstrations
  - Financial development building for long term growth
- The purpose of the capital markets day is to provide a deeper understanding of Napatech, the markets, our business and how we create shareholder value

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NAPATECH THE COMPANY

By Henrik Brill, CEO

NAPATECH THE COMPANY

- Napatech is the world leader in accelerating network management and security applications. As data volume and complexity grow, the performance of these applications needs to stay ahead of the speed of networks in order to do their jobs. We make this possible, for even the most demanding financial, telecom, corporate and government networks

- Now and in the future, we enable our customers' applications to run faster than the networks they need to manage and protect

  Napatech. FASTER THAN THE FUTURE

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A PLATFORM FOR PROFITABLE GROWTH

History			Future
Experienced employees from leading companies	Fast-growing venture-backed start-up	Chosen by leading OEMs for high-end applications	Recognized standard, used broadly by all OEMs

Grow with current and new OEMs

Broaden awareness and establish Napatech as the standard across OEM's entire range

Drive demand in end-use segments

Build awareness of the value of Napatech solutions at all levels in our markets – even by end-users

Grow within new application types

Promote industry-specific solutions that make it easier to use Napatech products for new applications

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NAPATECH CREATE DIFFERENTIATION WITH LONG-TERM RELEVANCE FOR OUR CUSTOMERS

- We believe that by Reliably Increasing Performance of our customers' applications we create differentiation and long term relevance for our customers

- Napatech customers are

  - Network Equipment Manufacturers and Service Providers who need consistent performance increases across a wide product range

  - Software vendors whose software performs better with Napatech

- Napatech customers need

  - To accelerate their applications to stay ahead of the data growth curve

  - To have access to the critical information as complexity of data services increase

  - To secure time-to-market of their applications, without risking reliability

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OUR VALUES DIFFERENTIATE US AS AN EMPLOYER AND IN THE MARKET

Responsive
Listening carefully to our customers, letting their needs guide our decisions and working as part of their teams.

Daring
Boldly challenging ourselves to achieve the unexpected, breaking down barriers to performance like our lives depend on it.

Trustworthy
Reliable in every sense, from the integrity of our word to the solidity of our products and our openness when things go wrong.

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OUR GLOBAL LOCATIONS ENSURE LONG TERM CUSTOMER ENGAGEMENTS

Ottawa
Canada

London
United Kingdom

Washington
DC, USA

Copenhagen
Denmark

Seoul
South Korea

Tokyo
Japan

Mountain View
CA, USA

Andover
MA, USA

Sao Paulo
Brazil

Sydney
Australia

Headquarter

Sales and Support

Sales presence

- 115 Employees worldwide
- 45% Development
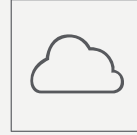- 11% Product Mngt. & Mkt.
- 32% Sales & Support
- 12% Adm. & Operations

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WE KEEP EVEN THE MOST DEMANDING NETWORKS ONE STEP AHEAD

Telecom Operators

Financial Services

Cloud and Data Center Services
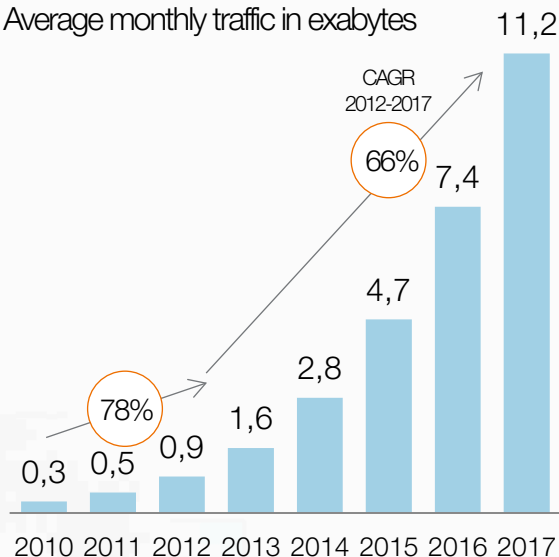
E-commerce and Media

Infrastructure and Defense

Enterprise Security

Enterprise Management

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MOBILE DATA GROWS FAST CHALLENGING TELECOMS

Mobile data traffic
Average monthly traffic in exabytes

CAGR
2012-2017

66%

78%

11,2

7,4

4,7

2,8

1,6

0,9

0,5

0,3

2010 2011 2012 2013 2014 2015 2016 2017
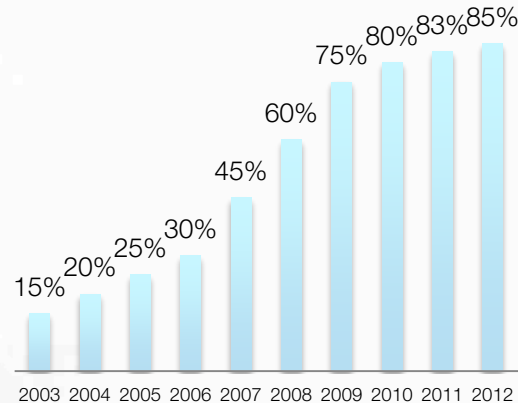
Source: Cisco 2013

Needs and challenges

- Maintaining the quality of service
- Enabling new services and business models

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ALGORITHMIC TRADING IS CHANGING THE RULES OF THE GAME

Algorithmic trading
Percentage of market share

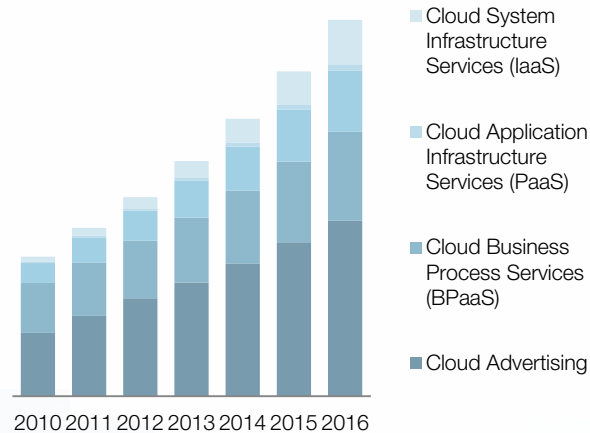

Source: Academic Press ; 2014

Needs and challenges

- Keeping financial trading fair and transparent
- Ensuring smooth and reliable trading

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GROWING DEMAND FOR VIRTUALIZATION POSES CHALLENGES

Public cloud services market
Billion dollars

Cloud System Infrastructure Services (IaaS)

Cloud Application Infrastructure Services (PaaS)

Cloud Business Process Services (BPaaS)

Cloud Advertising

2010 2011 2012 2013 2014 2015 2016
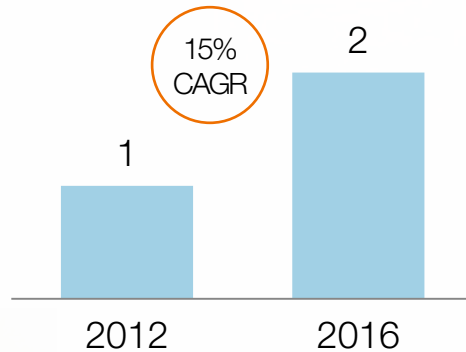
Source: Gartner Feb 2013

Needs and challenges

- Creating visibility within complex traffic
- Enabling reliable services and business models

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GROWTH IN E-BUSINESSES MEANS GROWTH IN NETWORK DEPENDENCE

Global e-commerce

Trillion dollars

15% CAGR

1

2012

2

2016

Source: eMarketer

Needs and challenges

- Ensuring smooth customer experiences
- Maintaining the security and reliability of transactions

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CYBER ATTACKS ARE A BIGGER THREAT THAN EVER
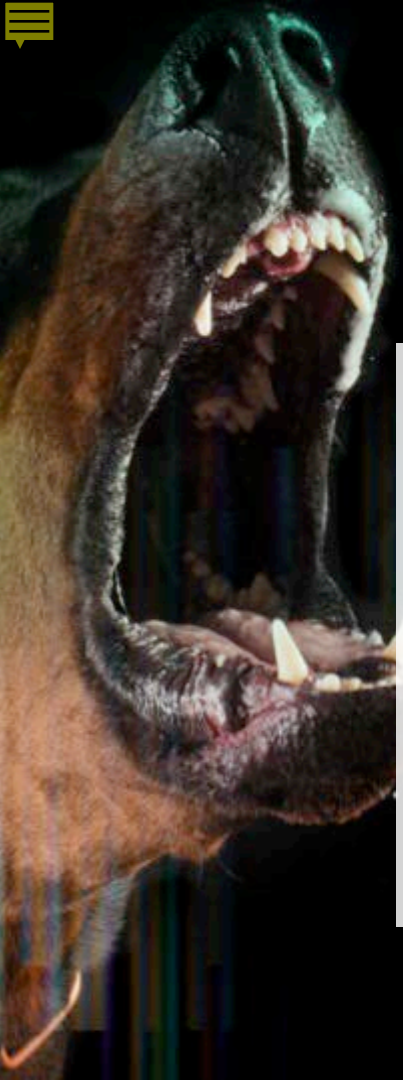
Total breaches increase

2012-2013

62%

Sources: Symantec Corporation 2014

Needs and challenges

- Protect against advanced cyber threats
- Maintain the secure and reliable functioning of critical infrastructure networks

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THE MORE IMPORTANT NETWORKS BECOME, THE BIGGER THE TARGET

Increasing threats

552 Million — Identities Lost 2013

Up 493% — From 2012

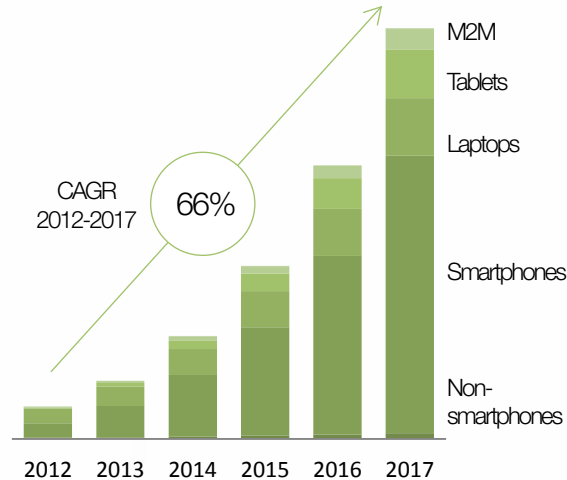Source: Symantec 2014

Needs and challenges

- See and protect everything in real time
- Correlate data to establish a network-wide view

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MANAGING ACCESS ANY TIME, ANYWHERE FROM ANY DEVICE

Mobile data traffic by device
Average monthly traffic in exabytes

CAGR
2012-2017

66%

M2M
Tablets
Laptops

Smartphones

Non-smartphones

2012 2013 2014 2015 2016 2017

Source: Cisco 2013

Needs and challenges

- Ensure superior quality of experience
- Maintain the reliable functioning of enterprise networks

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NAPATECH STRATEGIC DIRECTION

To be the recognized standard for accelerating applications that ensure the quality and security of the network services we all rely on

Develop current and new customer base

Develop industries and geographies

Expand our product portfolio

Enhance our brand leadership

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# BUILDING OUR CUSTOMER PORTFOLIO AND SALES PIPELINE

- Our customers

  - Network Equipment Manufacturers and Solution Providers building high-performance network analysis solutions using standard servers and Napatech accelerators

  - Software Vendors providing management and security solutions that rely on Napatech accelerators to enable very high applications performance

- Marketing

  - Lead generation through activities like: trade shows, webinars, and on-line media

  - Create visibility and awareness by: speaking slots, white papers and targeted PRs

  - Education and inspiration delivered by the "Time to ReThink" briefs outlining specific challenges for different types of network applications and industries

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# BUILDING OUR CUSTOMER PORTFOLIO AND SALES PIPELINE

- Business development

  - Engagement via a focused process: evaluation, integration, deployment and innovation – accelerating the evaluation ensures design win and future revenue

  - New market entry through investigation of business opportunities and corporation

  - Partnerships to enable more sales channels and enhanced market opportunities

  - A customer and partnership example: Lancope StealthWatch FlowSensor 4000

- Sale cycle – a recurring sale

  - Our customers integrate a Napatech solution once and sell many units over time

  - As customer product deployment starts we normally see a repeat sales volume

  - Customers often use Napatech solutions in multiple products in their portfolio

  - Our customer product life cycle varies but is typically 3-5 years

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NAPATECH GEOGRAPHICAL SALES DISTRIBUTION

**Revenue distribution
by geography - 2012**

APAC 10%

EMEA 18%

NAM 72%
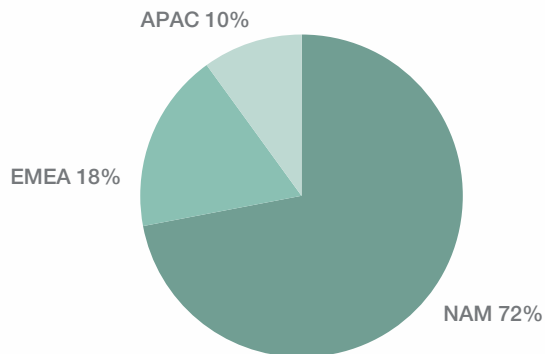
**Revenue distribution
by geography - 2013**

APAC 11%

EMEA 20%

NAM 69%
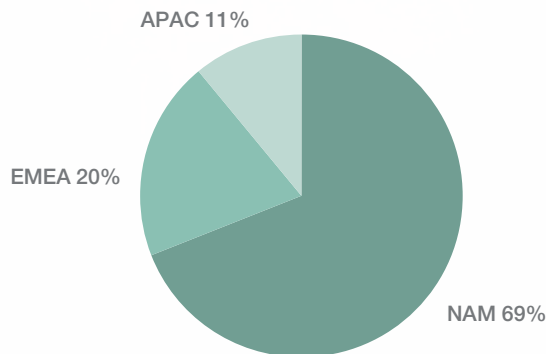
Revenue distribution

- Higher growth in APAC and EMEA during 2013

- Growth in APAC and EMEA is generated from existing and new customers

- The development is supporting our objective to balance our revenue distribution

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EXPANDING OUR INDUSTRY FOOTPRINT AND GEOGRAPHICAL REACH

- Expanding our industry footprint
  - Through a focused approach differentiating our solutions to better meet industry needs
- Broaden our geographical reach
  - Enhanced presence in Brazil as we see long term growth opportunities for Brazil as well as the Latin America region
  - Sales presence in Canada to enhance our relations with current customers and securing new business opportunities
  - Sales presence in Australia to secure opportunities within the pan-Australian Next Generation Network
  - UK office that we expect to be a significant market in the European region and with a great potential for future revenue
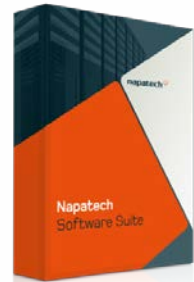
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ACCELERATING OUR CUSTOMERS' APPLICATIONS BY LEADING EDGE TECHNOLOGY AND SOLUTIONS

- Enhancing products to meet tomorrow's needs
  - Release of new functionality to support the growing mobile market requirements for Quality of Experience and Service optimization
  - Release of new functionality for Virtualized Activity Analysis to support the expanding Cloud Service industry
  - Increase focus on solutions for the Security market
- Developing next-generation products for the 100G era
  - Our newly released 100 Gigabit accelerator will enable our customers to initiate product development of their next-generation monitoring and security products
  - The strategic product development is expected to generate a solid revenue in the long term

ACCELERATING OUR CUSTOMERS' APPLICATIONS BY LEADING EDGE TECHNOLOGY AND SOLUTIONS

- Investigating new opportunities for solving tomorrow's challenges
  - When customers turn to Napatech to look for advice and solutions we often discover exiting opportunities that guide our future product decisions
  - Our strategy is to continuously assign resources to investigate in product opportunities together with our customers to solve challenging problems in new ways
  - Another core part of our strategy is to assess the market for new opportunities not yet requested by any customers; but expected by Napatech to be a potential future revenue stream
  - Future products that we are investigating or already running as a proof of concept; may consist of existing technology, software-only solutions, completely different form factors or integration levels

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ENHANCE OUR BRAND LEADERSHIP

- Our ambition with the Napatech positioning strategy is to clearly articulate and enhance Napatech's offering and value proposition to the market

- We believe a clear positioning of what our customers can expect will help guide their strategic decisions in standardizing on Napatech solutions

- As part of the positioning project we have launched a number of initiatives to improve our communication to customers and the market in general

- A core element in executing the positioning project has also been internal education and understanding on how changing the perception of Napatech across our value chain will help us focus and growth our business

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NAPATECH IN SUMMARY

- Napatech has shown solid performance for more than a decade and is strongly positioned to build additional growth

- We have a focused value proposition for our customers; allowing them to maximize their application performance while standardizing on Napatech accelerators

- Our long term relations with many of our tier-1 customers are built by years of corporation and trust in Napatech to reliably increase their application performance

- With the growing customer requirements for managing and securing data networks and services; we see an increasing demand for Napatech accelerator solutions

Guidance for full year 2014 is maintained at:
- Revenue growth 17%-23%
- EBITDA margin 18%-23%

Long term ambitions
- Broaden reach within tier-1 customers
- Reach balanced worldwide revenue distribution
- Accelerate delivery of next-gen security products
- Create value add through software offering
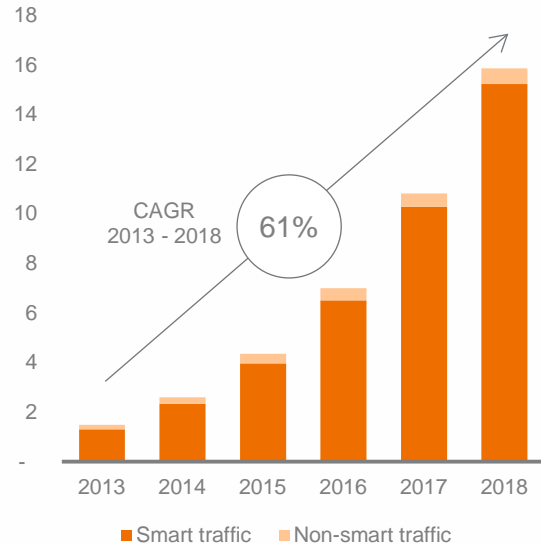- Deliver revenue growth rates above 25%

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MOBILE TRENDS AND SOLUTIONS

By Peter Ekner, VP Product Management

MOBILE INDUSTRY TRENDS

Exabytes per month

CAGR 2013 - 2018 **61%**

■ Smart traffic ■ Non-smart traffic

Source: Cisco VNI, Feb 2014

More than 500 LTE networks by 2017

Across 128 countries covering more than half of the world's population

Source: GSMA 2014

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PROVIDING SOLUTIONS FOR THE MOBILE INDUSTRY

Service and revenue optimization

Analyze subscriber behavior as well as specific app usage, enabling operators to adjust their services and business models to maximize value.

Napatech enables insight into:

- Application usage
- Device usage
- When and where
- Subscriber behavior

PROVIDING SOLUTIONS FOR THE MOBILE INDUSTRY

Quality of experience

Analyze quality of experience to improve quality while better managing the bandwidth challenges posed by rich media applications.

Napatech enables insight into:

- Bandwidth availability
- Performance metrics
- Individual subscriber QoE
- Service level QoE

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PROVIDING SOLUTIONS FOR THE MOBILE INDUSTRY

Telecom network management

Monitor critical Ethernet/IP connections in real time to improve underlying network performance and availability.

Napatech enables insight into:

- Data correlation
- Link integrity
- Protocol health
- Event timing

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PROVIDING SOLUTIONS FOR THE MOBILE INDUSTRY

Network behavior simulation

Simulate real-life subscriber behavior with a variety of applications and services, to optimize infrastructure and service upgrades and deployment

Napatech enables insight into:

- Subscriber emulation
- Load emulation
- Validate scenario planning
- Test before live
- Ensure fast service rollout

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DEMONSTRATION OF NAPATECH CORE CAPABILITIES FOR MOBILE INDUSTRY SOLUTIONS

To analyze subscriber behavior and app usage, operators need full visibility of mobile traffic. The key is:

- Understand tunneling protocols
- Extract data from inside the tunnels
- Process data in real time

Napatech provides:

- Guaranteed performance: 10G and beyond
- 100% tunnel visibility: zero packet loss
- Maximum processing power for customer application: optimal CPU utilization

Mobile network

10G mobile data in tunnel

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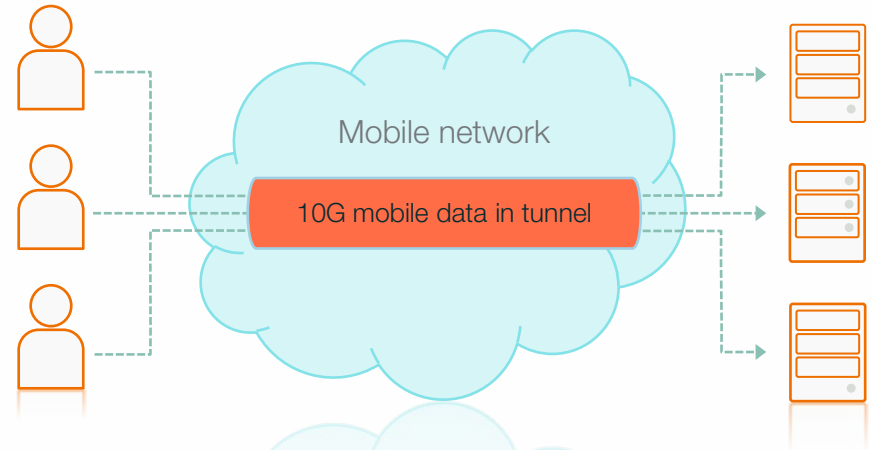
SECURITY TRENDS AND SOLUTIONS

By Peter Ekner, VP Product Management

SECURITY

Total security breaches 2013 🔓

253

Up 62% from 2012

Total identities Exposed 2013 🔓

552 million

Up 493% from 2012

Source: Symantec, Internet security threat report 2014

110 MILLION IMPACTED CUSTOMERS

Information Stolen: Name, Mailing Address, Pin Numbers, Credit + Debit Card Numbers, Email Address

DON'T WASTE YOUR MONEY
110 MILLION CARDS MAY BE AT RISK
TARGET BREACH BIGGER THAN THOUGHT

"They can't get out of this for less than $100 million,"

John Kindervag, Vice president and principal analyst at Forrester Research.

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PROVIDING SOLUTIONS FOR THE SECURITY INDUSTRY

Data Loss Prevention

Identify and take action against unauthorized activity, thus ensuring that sensitive information is secured and does not leak outside the organization's network.

Focus: known threats

Napatech enables insight into:

- Identify sensitive information
- Authentication

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PROVIDING SOLUTIONS FOR THE SECURITY INDUSTRY

Security Data Collection

See every detail within the networks to stop attacks as well as protect against leaks while at the same time ensure there is a 100% accurate data record.

Focus: unknown threats

Napatech enables insight into:

- Traffic anomalies

- Data statistics

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DEMONSTRATION OF NAPATECH CORE CAPABILITY FOR SECURITY SOLUTIONS

To protect against the most advanced security threats, network operators need in-depth application level visibility. The key is:

- Deep Packet Inspection (DPI)
- Real-time, Layer-7 classification
- Classification signature updates

Napatech enables:

- Application recognition: Real-time
- Extreme performance: 80G and beyond
- Low CPU utilization: Maximum processing power for customer application
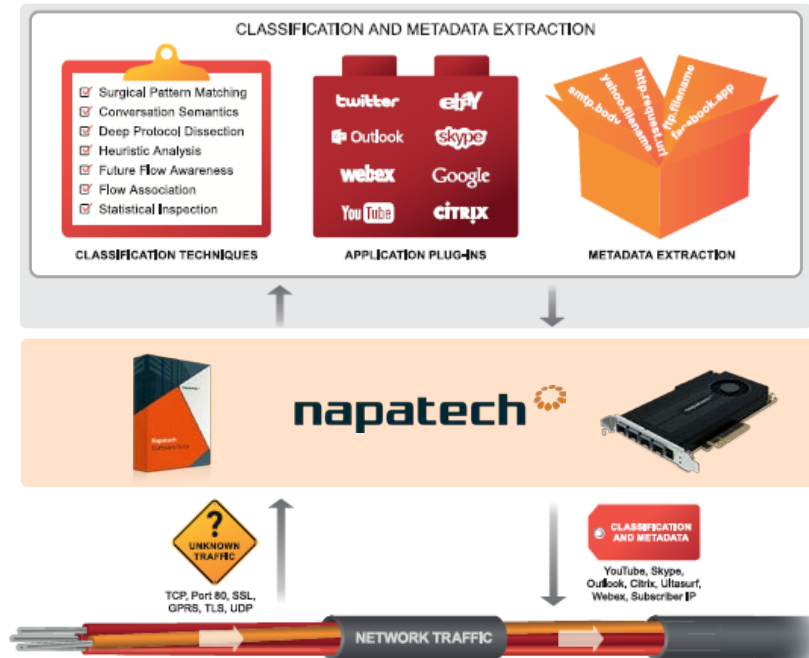
CLOUD TRENDS AND SOLUTIONS

By Peter Ekner, VP Product Management

ANCHORING THE CLOUD

Cloud services

- Small & mid sized enterprises outsourcing part of all of their IT services & infrastructure.
- Cloud providers, regardless of whether they provide infrastructure, platform or software as a service, will have a need to monitor and secure the massive data centers that are the foundation for the cloud.

Cloud center facts

- Major players have 1M+ servers
- A data center has 50-100K servers, and consumes two terawatt-hours (TWh) per year

CLOUD SERVICES OUTLOOK

BUSD
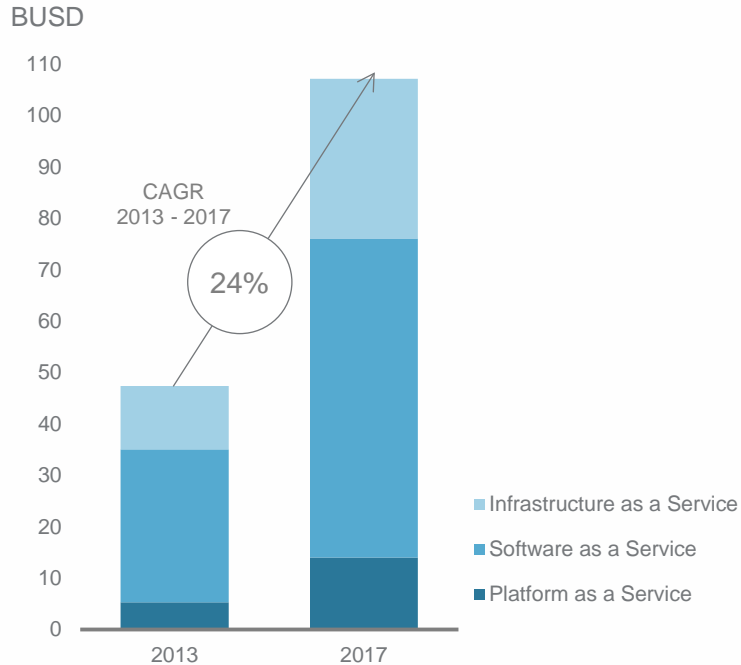
Source: IDC, Sept 2013

Cloud services

- The chart on the left shows a 24% CAGR, five times that of the IT industry overall.

- Mobile services will increasingly migrate into the Cloud to deliver on the promise of service access anytime, anywhere through any device[1].

1. GSMA: The Mobile Economy 2014

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EMERGING TECHNOLOGIES RELATED TO CLOUD
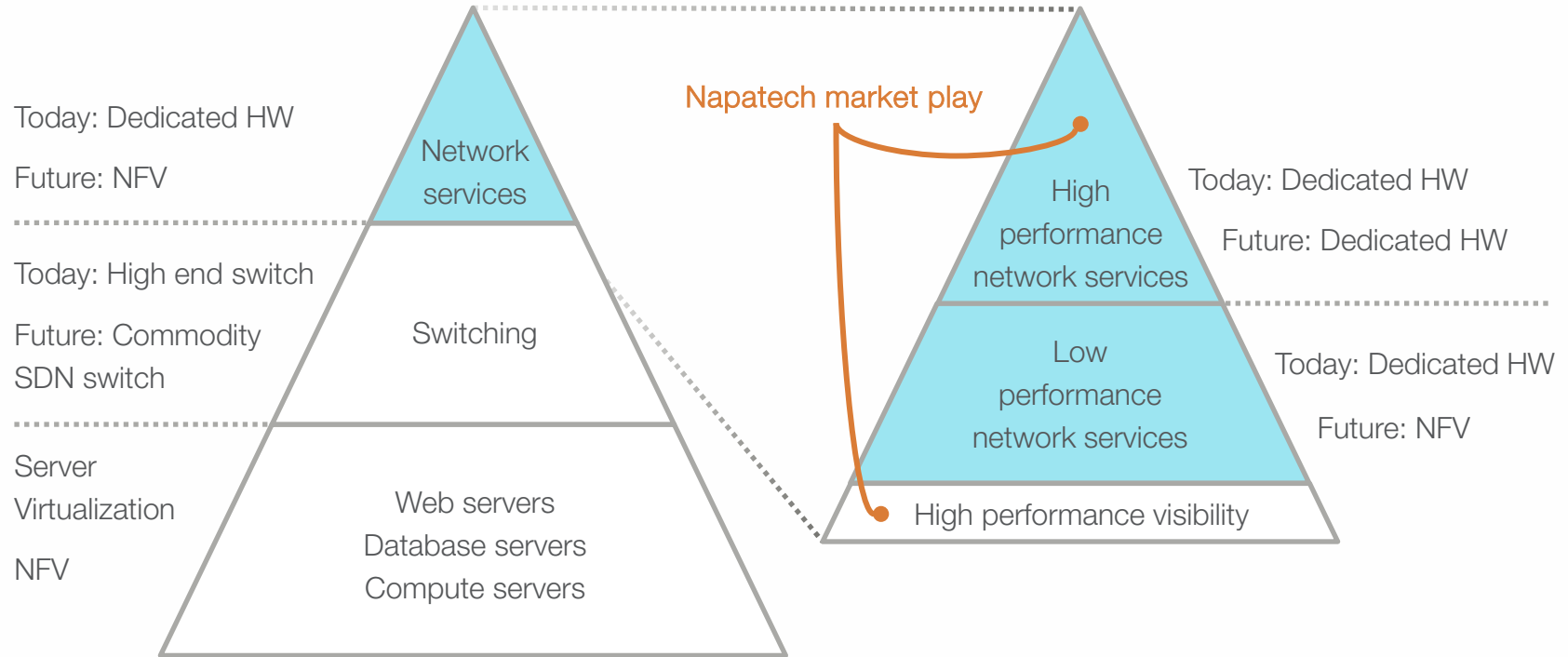
Software Defined Networks (SDN)

- Separation of control and data plane

- Enabling network topology to be defined by SW

- Flexibility and cost

Network Functions Virtualization (NFV)

- Virtualization of network services

- Enabling traditional HW functionality to run as SW

- Flexibility, scalability and fast service deployment

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NAPATECH PLAY IN SDN AND NFV WORLD
HIGH PERFORMANCE AND COMPLEXITY

Today: Dedicated HW

Future: NFV

Today: High end switch

Future: Commodity SDN switch

Server Virtualization

NFV

Network services

Switching

Web servers
Database servers
Compute servers

Napatech market play

High performance network services

Low performance network services

High performance visibility

Today: Dedicated HW

Future: Dedicated HW

Today: Dedicated HW

Future: NFV

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PROVIDING SOLUTIONS FOR THE CLOUD INDUSTRY

Virtualized activity analysis

Analyze QoE, availability and reliability to help cloud and data center service providers enhance their offerings and understand the needs of their customers.

Napatech enables insight into:

- Virtualized network analysis
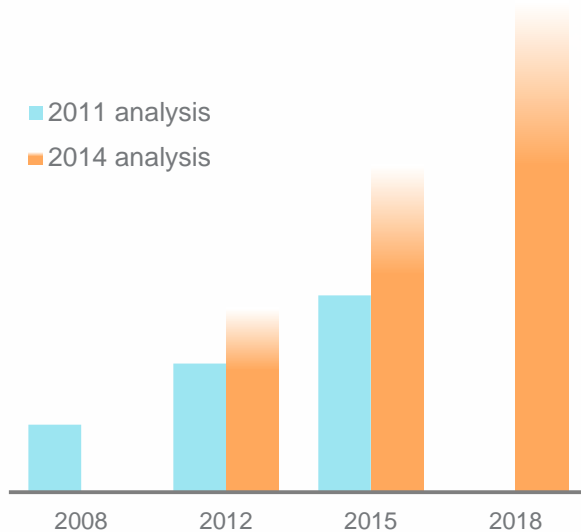- Data privacy
- Need prediction

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MARKET SIZING – CRETAN AND
FROST & SULLIVAN REFRESH
By Casper Felding, Product Strategy Manager

SOLID MARKET FUNDAMENTALS

Napatech Total Addressable Market conducted by Frost & Sullivan

- 2011 analysis
- 2014 analysis

2008   2012   2015   2018

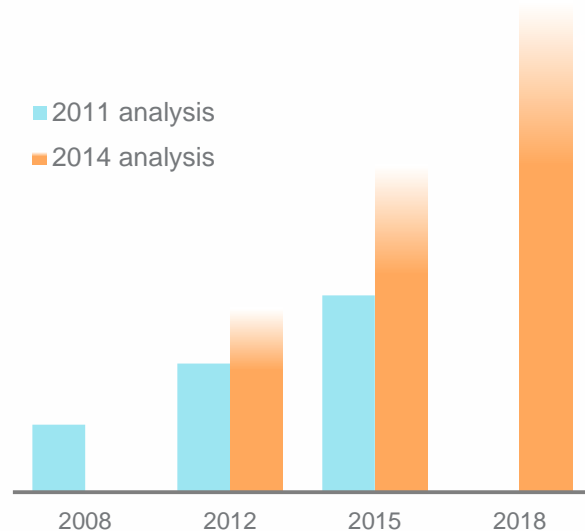Source: Frost & Sullivan, 2011 and 2014

The market consists of:

- LAN on motherboards
- Low end network interface cards
- Proprietary solutions
- Empty FPGA adapters
- FPGA acceleration adapters
- NPU adapters
- Server & high-end NICs

The 2014 market analysis is not yet concluded and numbers are indicative.

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SOLID MARKET FUNDAMENTALS

Napatech Total Addressable Market conducted by Frost & Sullivan

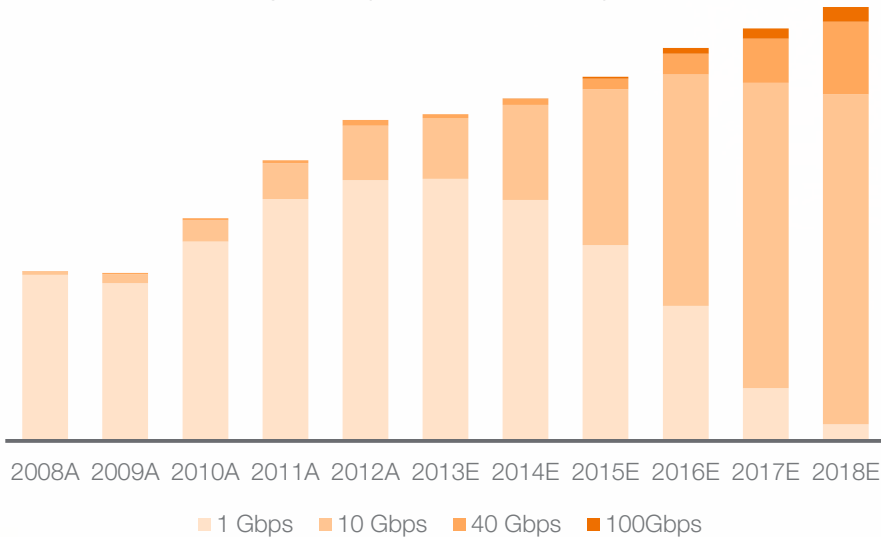- 2011 analysis
- 2014 analysis

2008   2012   2015   2018

Source: Frost & Sullivan, 2011 and 2014

- Base networks in Mobile increased significantly from 2011 to 2014 analysis
- % of base networks and # of adapters per network have increased
- Across the board increase in cloud-based infrastructure and impact is expected to be strong and long lasting.
- Carrier Ethernet, especially on the 40/100GbE gaining traction in data centers
- Big data increases sales of network monitoring and optimization infrastructure
- Increasing application mobility adoption across all industries creates a positive impact
- More awareness of security breaches creates demand for network monitoring products.

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1G, 10G, 40G & 100G OUTLOOK

NIC ports (annual volume)

2008A 2009A 2010A 2011A 2012A 2013E 2014E 2015E 2016E 2017E 2018E

■ 1 Gbps ■ 10 Gbps ■ 40 Gbps ■ 100Gbps

Source: Cretan Research

Cretan NIC port data projections:

- Market volume is expected to grow
- 1G market is expected to decline
- 10G market is expected to continue to grow
- 40G market could soon become important
- 100G market is in its infancy

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10 GIGABIT MARKET TRENDS

- Latest report from Infonetics Research on 1G/10G/40G/100G Networking Ports, shows a 5% growth between 2012 and 2013, totaling a port revenue of $39 billion. 10G delivers the bulk of revenue while the emerging 40G and 100G segments delivers the highest growth rates[1].

- *"Deployments of 1G, 10G, 40G, and 100G ports once again grew significantly in 2013, as enterprises and service providers invested in their networks to accommodate the growth in traffic, and revenue growth accelerated as buyers shifted to higher bandwidth—and more expensive—ports,"* reports Matthias Machowinski, directing analyst at Infonetics Research[1].

- Equipment manufacturer revenue from 1G, 10G, 40G, and 100G networking ports is forecast by Infonetics to grow to almost $52 billion in 2015, as enterprises and service providers continue to build out their network infrastructure to respond to growing levels of traffic[2].

Source: 1. http://www.infonetics.com/pr/2014/2H13-Networking-Ports-Market-Highlights.asp
          2. http://www.infonetics.com/pr/2011/2H10-1G-10G-40G-100G-Networking-Ports-Market-Highlights.asp

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40 GIGABIT MARKET TRENDS

- At resent Ethernet Tech Summit Cisco expressed expectation of significant up-take in 40 Gigabit Ethernet deployment

- The broad Cisco portfolio of 40 GbE products as well as their removal of barriers of adoption by delivering connectivity for existing infrastructure, leads Napatech to believe in emerging business opportunities within the 40 Gigabit market

- Dell'Oro Group expects 2014 to be the year where 40 GbE takes off. As deployment started in 2013, the next few years will see strong growth within 40 GbE server shipments. 10 GbE and 40 GbE will account for 60% of all shipments in 2014, reaching 100% market share in 2018, at the expense of 1 GbE

- Directing analyst, Matthias Machowinski, Infonetics states: "40 GbE alone will easily pass $1 billion in revenue this year as it becomes the technology of choice in the data center."

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PRODUCTS AND PARTNERS
By Peter Ekner, VP Product Management

10 GIGABIT – HIGH PERFORMANCE ACCELERATOR

- Our latest 4 port 10 Gigabit accelerator will help our customers to stay ahead of the data growth curve by offering higher throughput appliance solutions, while reducing time-to-market and risk

- Napatech's 320 Gbps throughput achievement has shattered industry perception of throughput performance. This performance is a strong statement of the advantage of our Standardize-on-Napatech strategy

- Nanosecond precision time-stamping of every Ethernet frame, based on flexible support of multiple time synchronization schemes including IEEE1588-2008 Precision Time Protocol (PTP)

- State-of-the-art monitoring of air temperature, voltage and power consumption

Video link: Napatech NT40 Accelerator - Introducing NT40

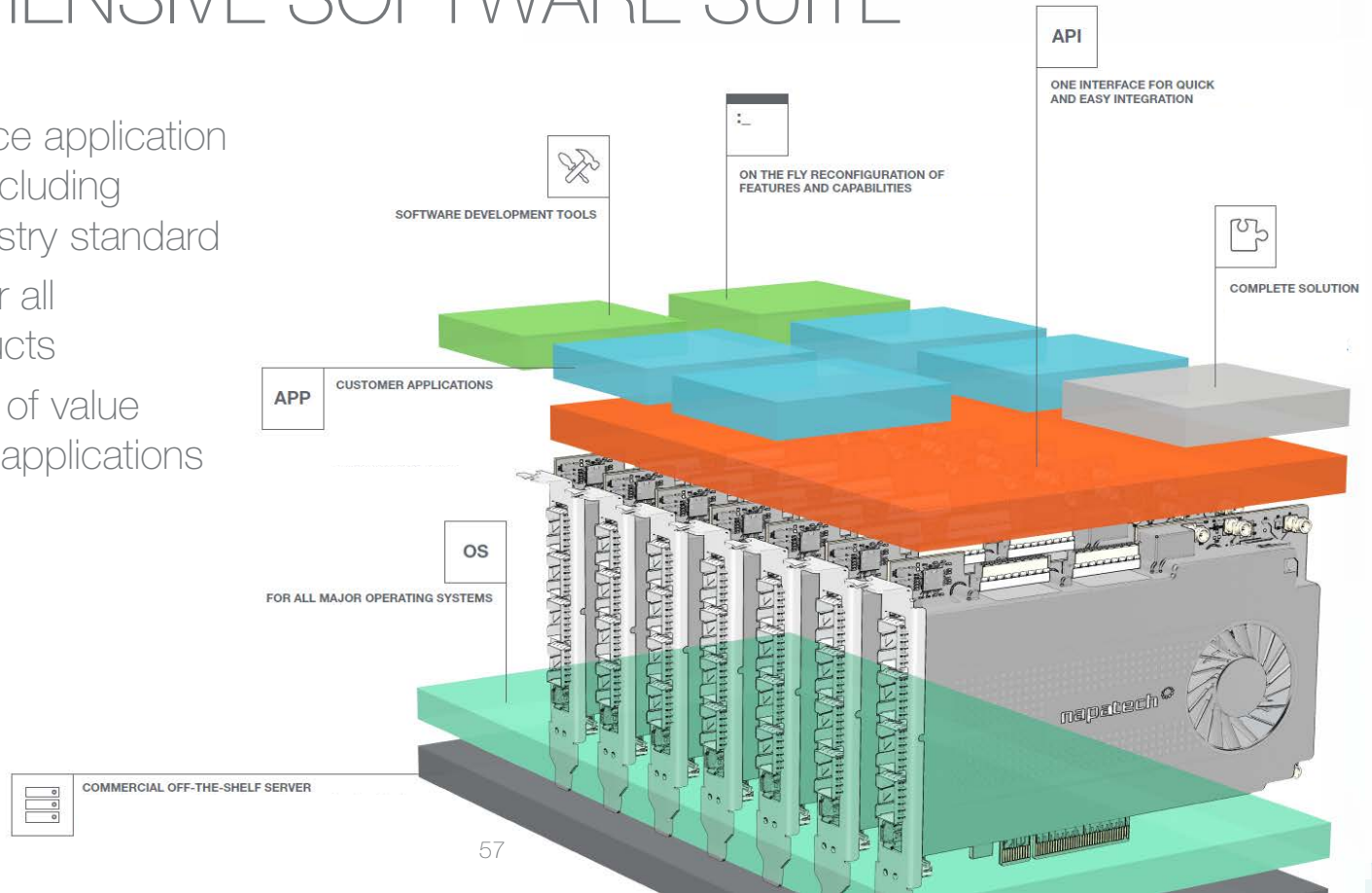napatech

100 GIGABIT – FLAGSHIP ACCELERATOR

- Our newly released 100 Gigabit accelerator will enable our customers to initiate product development of their next-generation monitoring and security products ahead of the data growth curve

- We expect that 100 Gigabit design decisions are initiated now by the major equipment manufacturers

- Napatech has, through the announcement of our new 100 Gigabit accelerator, demonstrated our capabilities to execute on the most demanding new technologies

- Key customers are signed up for our Early Access Program

Video link: Napatech NT100 Accelerator - Enter the 100G Era

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COMPREHENSIVE SOFTWARE SUITE

- High performance application interface (API) including support for industry standard
- Common API for all Napatech products
- Easy integration of value added 3rd party applications

API

ONE INTERFACE FOR QUICK AND EASY INTEGRATION

ON THE FLY RECONFIGURATION OF FEATURES AND CAPABILITIES

SOFTWARE DEVELOPMENT TOOLS

COMPLETE SOLUTION

APP

CUSTOMER APPLICATIONS

OS

FOR ALL MAJOR OPERATING SYSTEMS

COMMERCIAL OFF-THE-SHELF SERVER

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NAPATECH PARTNER ECOSYSTEM

Solutions

Middleware (software)

System Integrators

Partnering allows Napatech to help:

- Deliver more value
- Reduce time-to-market
- Guarantee integrated performance
- Lower product development risk
- Expand customer reach

LANCOPE STEALTHWATCH FLOWSENSOR 4000 PROVING ECO-SYSTEM VALUE

StealthWatch FlowSensor 4000 - Visibility and security for large complex networks targeting Service providers and Enterprise Data Centers

Benefits

- 4 x higher performance
- Faster time-to-market

	FS 3000*	FS 4000*
Communications		4x
Throughput (512 byte)	5.0 Gbps	20.0 Gbps
Throughput (64 byte)	1.2 Gbps	4.0 Gbps

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THE ORGANIZATION AND OUR COMPETENCES

By Flemming Andersen, VP Product Engineering

TEAMS IN THE ORGANIZATION

- Copenhagen, Denmark
    - C-level Management
    - Finance, accounting and IT
    - EMEA Sales and account management
    - EMEA Support 1st line for OEM customers
    - Product and Program management
    - Marketing and communication
    - Engineering - product development and 2nd line support
    - Operations and Logistics

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TEAMS IN THE ORGANIZATION

- USA: Andover, Washington DC, Mt View
    - Accounting and Logistics
    - Sales and account management
    - Support 1st line for OEM customers
- APAC: Tokyo, Seoul
    - Sales and account management
    - Support 1st line for OEM customer
- Canada, Brazil, Australia and UK
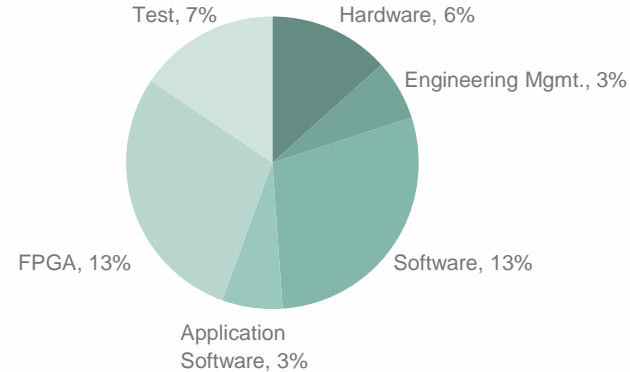   - Sales and account management

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TALENTED AND COMPETENT EMPLOYEES
1000+ YEARS OF HIGH-TECH EXPERIENCE

Organization by function

Adm. & Operations, 12%

Sales & Support, 32%

Engineering, 45%

Product Mgmt. & Marketing 11%
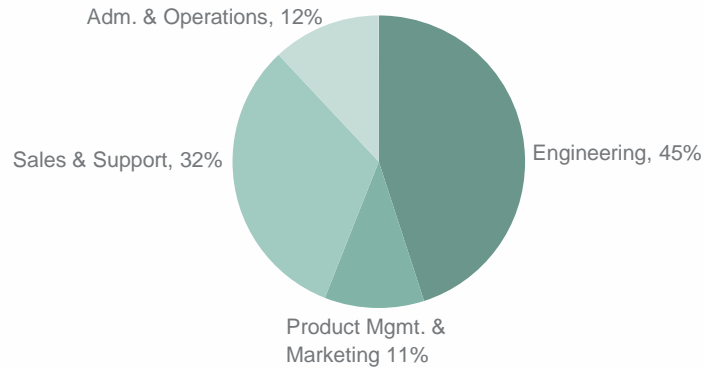
Engineering team by function

Test, 7%

Hardware, 6%

Engineering Mgmt., 3%

FPGA, 13%

Software, 13%

Application Software, 3%

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IN-HOUSE ENGINEERING COMPETENCIES

- High-speed hardware board design, signal analysis and thermal management

- State of the art data processing at speeds of multiple 100 gigabit data rates by use of latest FPGA technologies

- High performance software solutions for maximizing performance of Napatech accelerators, standard servers and operating systems

- Application software solutions to secure early engagement with customers for new opportunities

- Management of regulatory certifications to secure safe and reliable products

Regulatory compliance

- Electrical and optical safety - CE, UL, CB
- Electromagnetic compatibility (EMC) - CE, FCC, C-tick, VCCI
- Restricted sub. - REACH, RoHS
- Conflict minerals - SEC Dodd-Frank Act Section 1502
- Tier 1 customer restricted substance programs
- US export control – Department of Commerce ECCN Classification

Conformance

- PCI-SIG®
- IEEE 802.3
- IEEE 1588 (PTP)

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OUTSOURCED ENGINEERING COMPETENCIES

- Strategic relationship with key hardware and software IP suppliers to secure early access to new technologies

- Printed circuit board layout and mechanical design to leverage expertise maintained by specialists in the industry

- Regulatory, environmental and conformance testing to secure highly reliable products compliant with international standards

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OPERATIONS & LOGISTICS

- In-house operations management of production partners and key suppliers

- Production by international contract manufacturing (CM) partners: Microboard Processing, USA and Escatec, Switzerland

- CM secure high quality, efficient and scalable production
  - Highly experienced with military and medical products
  - Responsible for complete production including purchase, assembly, testing and packaging
  - All products are individually tested by CM before direct shipment to Napatech customers

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FINANCIAL OVERVIEW
By Niels Hobolt, CFO

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NAPATECH KEY FINANCIAL OBJECTIVES

Continued growth

- Secure the financial means to support our planned growth

Profitable growth

- Focus on enhancing efficiency and scalability
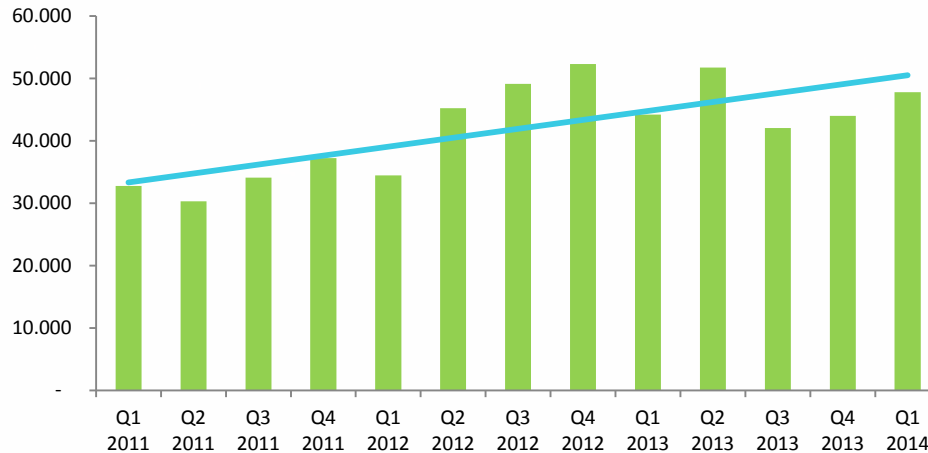
Continued investments

- Early market access to accelerate growth opportunities

Increasing shareholder value

- Executing on commitments and deliver continued communication
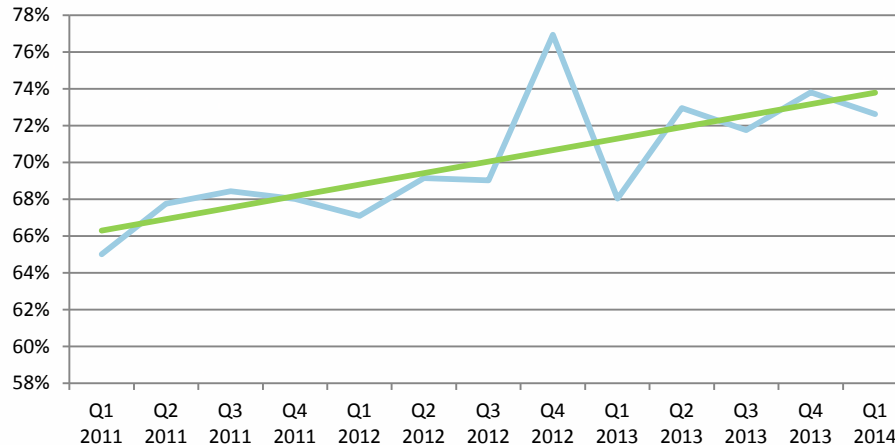
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QUARTERLY REVENUE

Revenue (TDKK)

Revenue influenced by:

- Large quarterly fluctuations
- Napatech depends on customers' success
- USD exchange rate fluctuations
- Trending upwards after Q3 2013

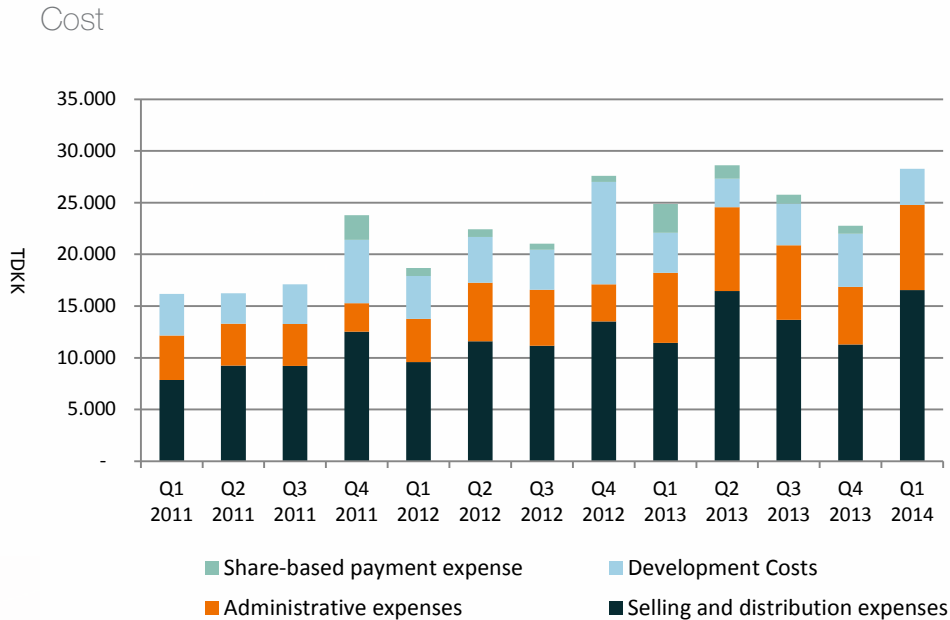napatech

QUARTERLY GROSS MARGIN

Gross margin

Gross margin influenced by:

- Large quarterly fluctuations
- Historical gross margin has been increasing
- Dependent on product mix and customer mix

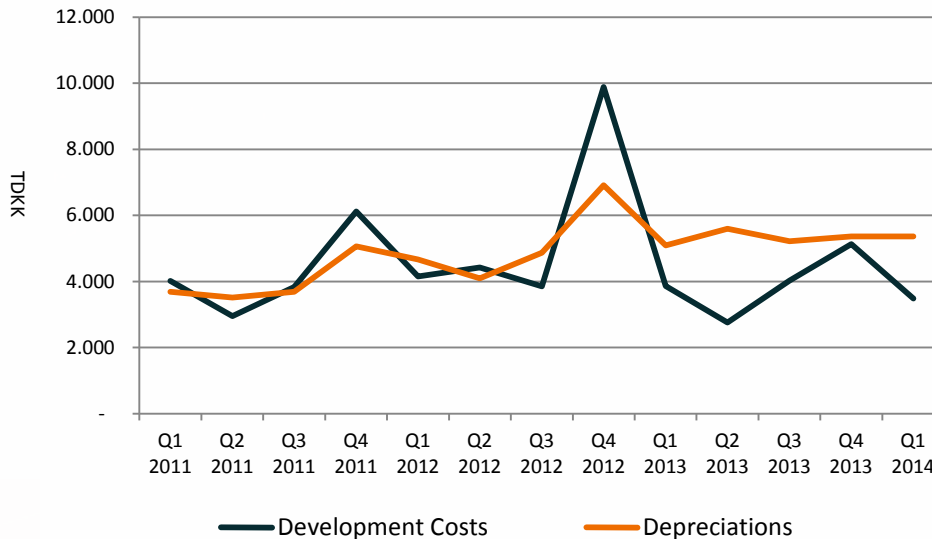napatech

QUARTERLY TOTAL COSTS

Cost

Cost influenced by:

- Large quarterly fluctuations linked to strategic initiatives
- Dependent on activity level
- Increasing with increase in employees

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QUARTERLY DEVELOPMENT COSTS

Cost composition

Cost influenced by:

- Quarterly fluctuations
- Dependent on capitalization
- Depreciations (and amortizations) dependent on release of products
- Linear depreciation after launch, typically 3 years horizon

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LONG-TERM FINANCIAL MODEL

Percentage-based income statement

	2012	2013	Long-term ambition
Revenue	100%	100%	100%
Gross Margin	71%	72%	69 - 73%
Development	12%	9%	8 - 11%
Selling and Distribution	25%	29%	24 - 28%
Administration	12%	18%	10 - 14%
EBITDA	22%	16%	22 - 26%

Note: 2014 figures according to guidance

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NAPATECH BUSINESS INSIGHT

- Quarterly fluctuations will continue

- Focus on high growth markets and opportunities

- Continuously improvement of efficiency and scalability across the organization

- Improve profitability and secure growth

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QUESTIONS AND
ANSWERS SESSION

KEY TAKE AWAY

- Solid growth in Napatech markets and within our served industries
- Key market trends strongly supporting Napatech growth objective
- Innovative team delivering a well-positioned product and solution portfolio
- Napatech - strongly positioned to build additional growth

Napatech. FASTER THAN THE FUTURE

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