

The background of the slide features a dark blue gradient with faint, stylized line and bar charts. A white rectangular box is positioned in the lower right, containing the title and date. The title "SOLID PROFITABILITY" is in a large, black, sans-serif font, and "Q1 2015 PRESENTATION" is in a slightly smaller, black, sans-serif font below it. The date "May 12th, 2015 – Henrik Brill Jensen, CEO" is in a smaller, black, sans-serif font. At the bottom left of the white box, the text "Napatech A/S Copyright 2015" is in a very small, black, sans-serif font.

# SOLID PROFITABILITY

## Q1 2015 PRESENTATION

May 12th, 2015 – Henrik Brill Jensen, CEO

# FINANCIAL HIGHLIGHTS Q1 2015

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Invoiced USD sales in Q1 2015 where 6.5 MUSD

Revenue in Q1 2015 was 43.7 MDKK

- 9% decrease compared to Q1 2014
- 10% decrease compared to Q4 2014

Gross margin in Q1 2015 was 71%

- Compared to 73% for Q1 2014

EBITDA in Q1 2015 was 4.0 MDKK

- Decrease from 6.5 MDKK in Q1 2014

EBT in Q1 2015 was 4.6 MDKK

- Increase from 0.9 MDKK in Q1 2014

Cash and Cash equivalents at 69.9 MDKK

- Decrease of 18.3 MDKK during the quarter
- Increase in receivables by 13 MDKK
- Increase in inventory by 2 MDKK
- Net cash at 64.4 MDKK by end of Q1 2015

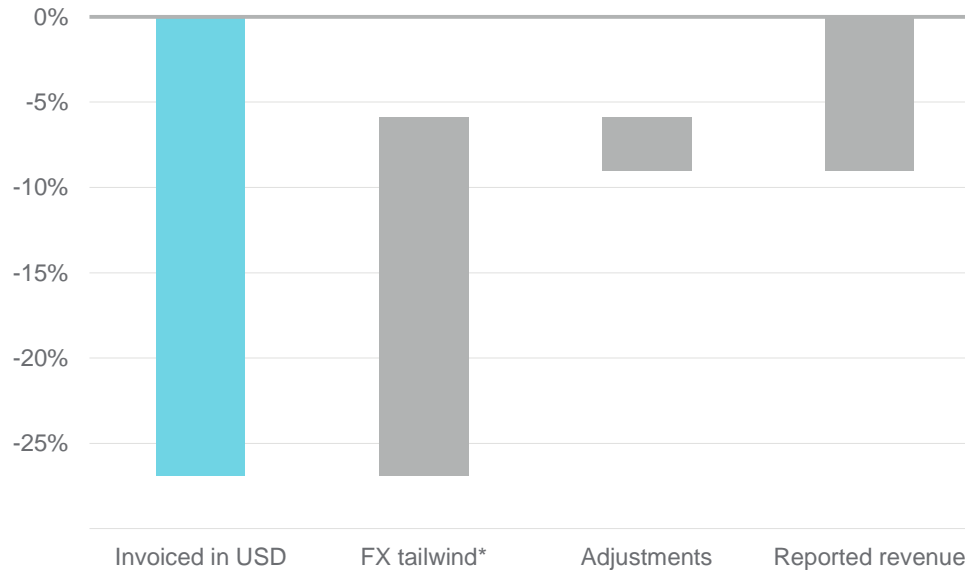
# FINANCIAL RESULTS Q1 2015

	Q1'15	Q4'14	Q1'14
Revenue (MDKK)	43.7	48.4	47.8
Growth YoY*	(9%)	10%	8%
Gross Margin	71%	73%	73%
EBITDA (MDKK)	4.0	4.6	6.5
EBT (MDKK)	4.6	(0.3)	0.9
Net cash flow from operating activities	(5.8)	15.5	(9.6)
Cash and cash equivalents at March 31'st (MDKK)	69.9	88.2	99.2

\*YoY is the growth of current quarter compared with the same quarter one year earlier

# Q1 2015 REVENUE

Invoiced Sales / Revenue Growth (YoY)



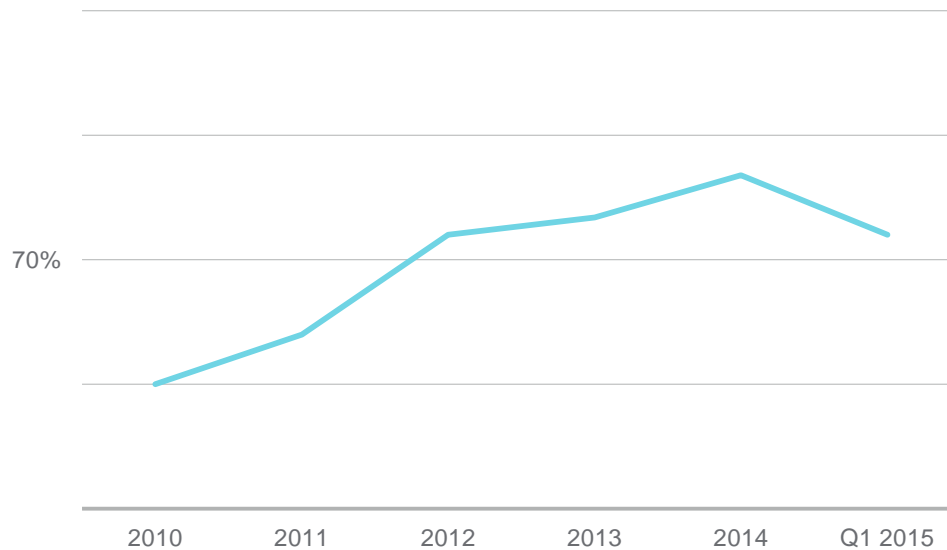
\* Based on average bookkeeping rates

## Influencing factors:

- Q1 2015 was a rather slow quarter, as previously guided
- Revenue affected by inventory situation at some customers, and delay of some projects
- Run-rate in EMEA was slower than expected and some projects didn't materialize
- Higher US Dollar to Danish Kroner exchange rate, creates tailwind to the revenue
- Revenue recognition and accounting adjustment have a negative effect

# GROSS MARGIN IN LINE WITH EXPECTATIONS

Gross Margin (Yearly)

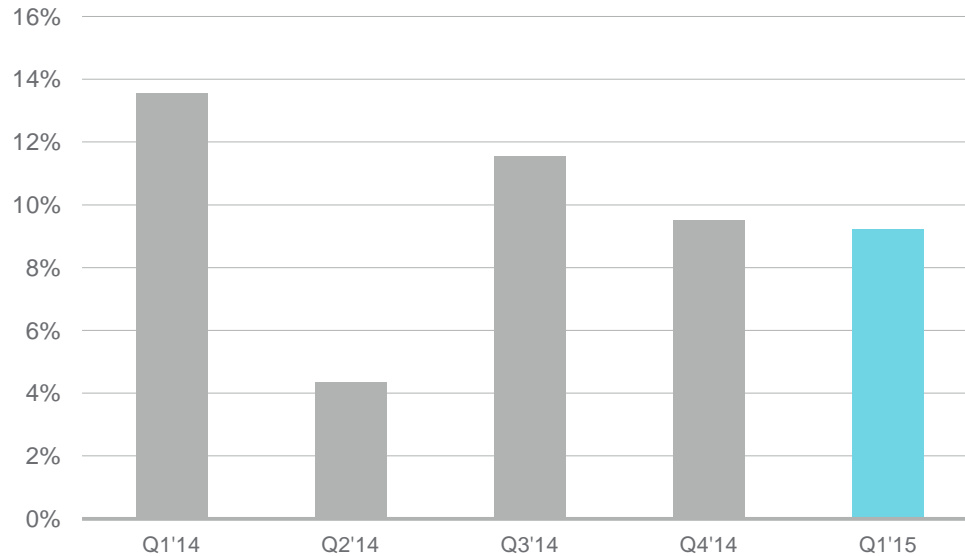


## Margin development:

- Competition in the midrange market and aggressive go-to-market strategy affects gross margin
- The gross margin in Q1 is also negatively effected by a product mix change in the specific quarter
- The longer term gross margin expectation is still around 70%

# EBITDA MARGIN

EBITDA Margin



## Q1 2015 EBITDA margin

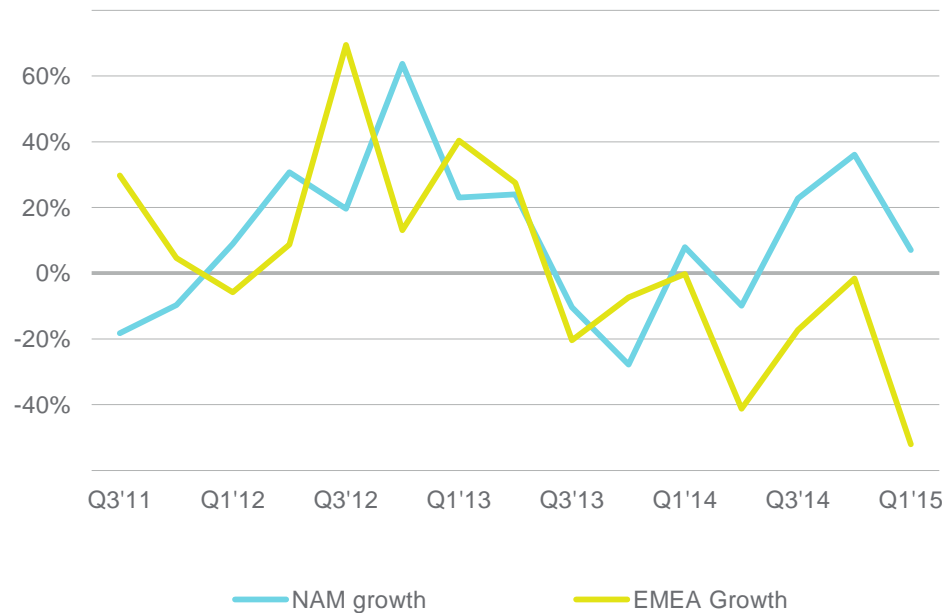
- EBITDA margin is on the same level as in Q4 2014
- Gross margin decrease puts pressure on the EBITDA
- Reduced overall costs in Q1 2015 has a positive impact on the EBITDA margin

## 2015 EBIT and EBT note

- From Jan'15 Napatech changed the depreciation on 100 Gigabit development projects from 3 to 5 years
- The implication is 0.2 MDKK improvement on EBIT and EBT for Q1 2015

# GROWTH IN NORTH AMERICA

YoY Revenue Growth



## Geographical split:

- North America delivered a relatively good result with 7% growth
- EMEA was heavily impacted by projects not materializing, and a decline in the run rate business in the region
- APAC was as expected declining as the region is between projects, which affects the revenue

# 2015 KEY FINANCIAL FOCUS AND TREND STRONGLY SUPPORTING OUR PLANS

Our focus areas	Our expectations	Result
Revenue		Deliver to guidance
Gross margins		Aggressive go-to-market strategy
R&D cost		Reallocation of resources to Sales and Marketing
Admin costs		Reallocation of resources to Sales and Marketing
Sales and Marketing investments		Improved customer pipeline and sales power
Overall costs		Improved overall profitability
Net cash		Increased cash position, expected above Q1'15 level



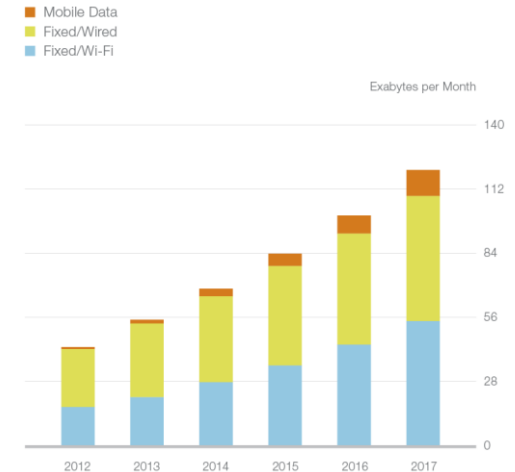
# STRATEGIC DIRECTION AND FOCUS

# THE NAPATECH STORY

- Entering the Zettabyte era – where the growth of data on the Internet is staggering and requirements are huge for industry-leading network equipment manufacturers and software vendors to deliver solutions that provide efficient operation and security of the data services we all rely on
- Our customers are industry-leading network equipment manufacturers and software vendors that deliver Napatech powered solutions to the telecom, finance, e-commerce, cloud and data center and defense end-users
- Napatech aims to become the recognized standard in the network appliance market by providing Accelerators, Value added Software and Platforms that secure visibility into the performance and secure operation of networks, applications and data services

**GLOBAL IP TRAFFIC, 2012 - 2017**

Source: Cisco Visual Networking Index (VNI), 2013-2018



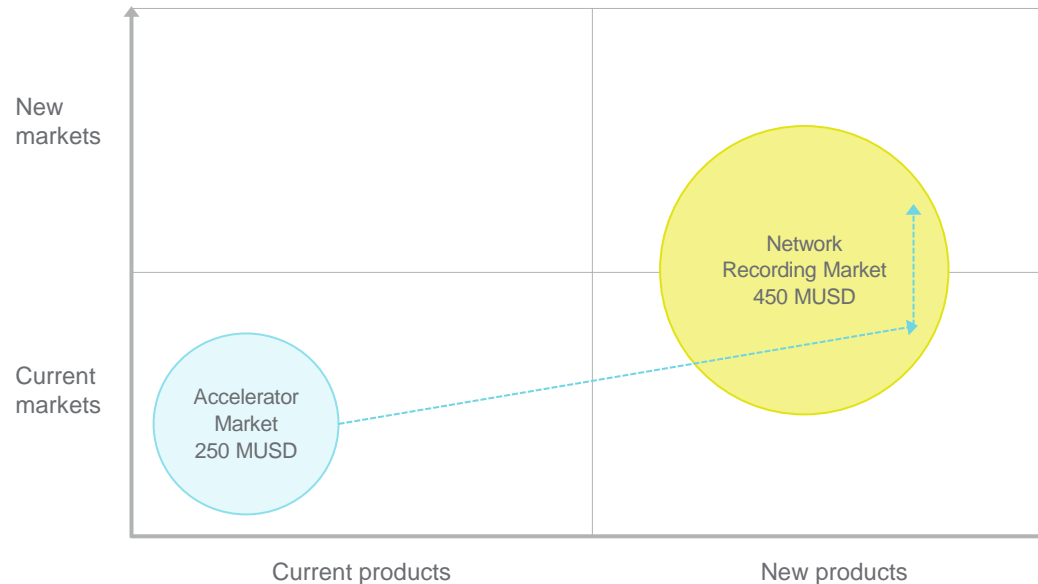
# EXPANDING NAPATECH SOLUTIONS TO SECURE OUR GROWTH AMBITIONS

- Napatech strategy is to secure our customers' need for a faster time to market by offering them a broader range of solutions, based on our core products and with the expansion of 2 new solutions
- **Foundation** – Napatech's unique and complete portfolio of Accelerators ranging from 1 to 200 GbE
- **Functionality** – Value-add software to expand the functionality of our Accelerators
- **Platform** – Integrated and pretested solution using our Foundation and Functionality products allowing customers to quickly add their analytic, security or management application



# ACCESS TO A NEW AND LARGER MARKET – NETWORK RECORDING

Napatech 2014 Service Addressable Market estimate



Note: Napatech expects its overall Accelerator market size be in the region of 1 billion USD

## Access to Network Recording Market:

- Our new Capture to Disk platform enable access to the Network Recording Market
- Network Recording solutions are widely used in Network Performance Management (NPM), Application Performance Management (APM) and Network Security Forensics applications
- As Napatech delivers more value to a known market we secure the expansion of our total market significantly
- More than 10% of our 2016 revenue is expected to come from the new platform products

# NEW REVENUE STREAM FIRST PLATFORM PRODUCT – PANDION

- Napatech first platform product is a High-Speed Capture-to-Disk solution which was launched on Mobile World Congress under the brand name Pandion
- The product will be generally available later in May
- The market reception has been extremely positive, both among existing customers as well as new customers in new markets
- The product is targeted for the Network Recording Market, where we estimate a market size of 450 MUSD in 2014



## FAST ENGINE FOR REAL-TIME CAPTURE AND SEARCH

Napatech Pandion is a fast, reliable out-of-the-box engine for real-time capture, index and search of network data. Pandion provides all the power and disk space you need to perfectly drive your expert piece of the appliance – the software.

# THE EFFECT OF OUR DELL OEM PARTNERSHIP

- Unique opportunity for expanding Napatech worldwide business
- Napatech Platforms will be delivered by DELL worldwide logistics
- Service and warranty of the Platforms will be outsourced to DELL worldwide service organization
- Agreement to co-operate with DELL in some of our key verticals to gear our sales potential
- Ambition to offer Napatech customers financial services through our DELL partnership



# PROGRESS IN THE NEW GLOBAL MARKETING AND SALES

## **The new Global Sales is re-aligned to secure strong focus on**

- Dedicated customer teams towards tier-one customers
- Growth generation through regional business development teams
- Expansion of our sales power by new channel team
- Pre-sales activities by moving Tech Support to core function in R&D

## **The new Global Marketing is re-aligned to secure strong focus on**

- Product Line Management of our Accelerator and Platform portfolio
- Secure improved lead generation that support our growth objectives
- Deliver material to educate, empower and connect with customers
- Position our solutions in the market to create long term relevance

## **90 days after the leadership change in Sales and Marketing with:**

- **Andrew Patterson**  
SVP Global Sales and Support
- **Walther Johannessen**  
SVP Global Marketing
- The new organization structure is ready and being implemented
- The enhancement within Global Marketing and Sales will secure a stronger pipeline of new customers both short and long term as well as enhanced sales power

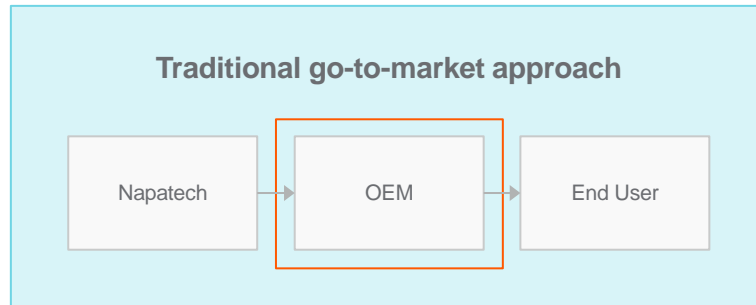
# EXPANDING OUR MARKETING APPROACH TO SECURE A STRONG CUSTOMER PIPELINE

- Align Global Marketing activities to strategic focus and more rigorous planning for improved revenue streams
- Enhanced focus on demand and lead generation to fuel sales pipeline
- Adapting execution to changed customer behavior, securing our customers can seek information and opinions quickly
- Drive account based marketing to gear top customer opportunities and create stronger lock-in





# EXPANDING OUR SALES APPROACH TO SCALE OUR GO-TO-MARKET POWER



# RECENT DESIGN WINS IN OUR TARGET INDUSTRIES

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

## **Strong 100 Gigabit tractions:**

- Expansion of business with existing customers on new product launches
- Attracting new customers with technological advantage in the market
- All regions see strong interest and traction for 100 Gigabit projects

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# SHAREHOLDER STATUS AND BUSINESS OUTLOOK

# TOP 20 SHAREHOLDERS 30 APR, 2015

## Shareholders 1 - 10

Investor	Type	Country	(%)
Verdane Capital VIII	Ordinary	Denmark	22.2
Northzone IV K/S	Ordinary	Denmark	22.0
Skandinaviske Enskilda	Nominee	Sweden	5.4
Danske Bank A/S	Nominee	Denmark	4.4
Six SIS AG	Nominee	Switzerland	3.7
Skandinaviske Enskilda	Nominee	Denmark	3.3
Swedbank AS	Nominee	Estonia	3.1
The Bank of New York	Nominee	Denmark	2.2
State Street Bank	Nominee	US	2.1
DTU Invest rep. ved Sympion	Ordinary	Denmark	2.0
Top 10 total			70.4

## Shareholders 11 - 20

Investor	Type	Country	(%)
SEB private bank	Nominee	Luxembourg	1.8
Northzea Management	Ordinary	US	1.4
J.P Morgan Chase Bank	Nominee	Great Britain	1.2
Niels Hobolt	Ordinary	Denmark	1.1
BNP Paribas	Nominee	Italy	1.1
MVTU rep. ved DTU symbion	Ordinary	Denmark	1.1
Peter Ekner	Ordinary	Denmark	1.0
Nordnet Bank AB	Nominee	Sweden	0.8
Private Investor	Ordinary	Norway	0.8
Park Lane Family Office	Ordinary	Norway	0.7
Others			18.6
Total			100.0

# MANAGEMENT OUTLOOK 2015

- We plan for 2015 to be a challenging year where we will have a sharp focus on revenue generation and continued organizational efficiency to secure profitability and growth
- We strongly believe that the strengthening and scaling within our Global Marketing and Sales will secure a stronger pipeline of new customers both short and long term as well as enhanced sales power
- We plan for our new platform products to create complementary business that will secure new significant growth with shorter sales cycles
- We expect 2015 will be an exciting year, where the new initiatives with strong business focus will position us well for regaining future growth

## **Guidance for full year 2015 is maintained at:**

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

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# QUESTIONS AND ANSWERS SESSION

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This presentation was prepared for first quarter

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