



NAPATECH
4TH QUARTER 2015
INTERIM REPORT

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MANAGEMENT STATEMENT

The Board of Directors and the Executive Management have discussed and approved the interim report of Napatech Group for the three months period from 1 October to 31 December 2015, and the twelve months period from 1 January to 31 December 2015.

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

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

We also find that the Management's review provides a fair statement of developments in the activities and financial situation of the Group, financial 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, 15 February 2016

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

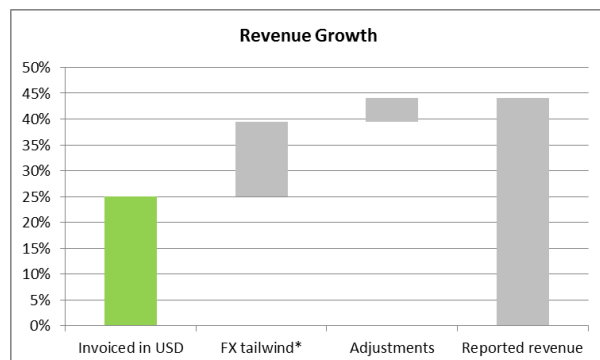
MANAGEMENT'S REVIEW

Highlights

Building momentum

- Revenue for fourth quarter 2015 amounted to DKK 69.9 million (DKK all-time high), an increase of 44% compared to fourth quarter 2014, and a sequential increase of 16% compared to third quarter 2015.
- Revenue for the full year 2015 amounted to DKK 216.7 million, a growth of 19%.
- Gross margin for fourth quarter 2015 was 73% compared to 73% in fourth quarter 2014, and 70% in third quarter 2015.
- EBITDA for fourth quarter of 2015 amounted to DKK 16.3 million, an increase of 254% compared to fourth quarter 2014.
- EBITDA margin for fourth quarter 2015 was 23%, an increase from 10% in fourth quarter 2014.
- EBITDA margin for the full year 2015 was 16%.
- EBIT margin for fourth quarter 2015 was 11% compared to negative 4% in fourth quarter 2014.
- EPS for fourth quarter 2015 was 0.88 DKK, up from negative 0.12 DKK in fourth quarter 2014.
- Net increase in cash was 23.2 million in the fourth quarter of 2015. The total cash position of the Company was DKK 75.9 million by end of fourth quarter 2015. Including a total unused credit facility of approx. DKK 17 million, the Company has available funds of approx. DKK 93 million.

The business performance improvements, which began with increased order visibility in Q2, have continued through Q4. The quarter showed increased sales to both new and existing customers. Q4 is normally the strongest quarter of the year, as many customers have Q4 as their fiscal year-end.



*Average bookkeeping rates

The Company has seen a significant improvement in the cash position during Q4. The main reasons for the improvement are

the improved profit before tax, the favourable change in working capital, and the 5 million DKK tax credit pay-out from the Danish tax authorities.

Napatech has for the last 6 months reviewed its overall strategies within a creative strategy process leading to a well-defined revised and enhanced strategy. The implementation of this strategy is now initiated with the focus of continuing the growth momentum that we have started. We aim to continue shaping Napatech into the high growth business we believe is possible.

Our ambition is to become the #1 vendor for Smarter Data Delivery Solutions, as well as providing a 100 MUSD top-line by 2020.

Our strategic ambition is to fuel and power growth by 3 solution areas, combined with firm execution on our strategic roadmap.

We will continue the growth in our accelerator business based on an even closer collaboration with our market leading customers.

We will develop the new revenue stream within network recording further, and grow together with the market leading customers we already have a relationship with.

A third initiative aimed at boosting our total revenue is an accelerator targeted for the NFV market. This product will be demonstrated at the Mobile World Congress in Barcelona in February 2016. The product has the potential to take Napatech into a new revenue leap.

For further information, please refer to the Q4 2015 presentation.

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

- ✓ 1 Gigabit design win with SPAWAR, the US Navy's information dominance systems command, for a security solution.
- ✓ 1 Gigabit design win with US Tier 1 Network Equipment manufacturer for a security solution.
- ✓ 10 Gigabit design win with HP Enterprise for a performance monitoring solution.

Napatech products help our customers build world class products, where the data delivered into their systems are the basis of the product. Napatech is the world leader in data delivery solutions for network management and security applications. As data volume and complexity grow, organizations must monitor, compile and analyze all the information flowing through their networks. Our products use patented technology to capture and process data at high speed and high volume with guaranteed performance, enabling real-time visibility. We deliver data faster, more efficiently and on-demand for the most advanced enterprise, cloud and government networks. Now and in the future, we enable our customers' applications to be smarter than the networks they need to manage and protect.

Napatech. SMARTER DATA. DELIVERED.

MANAGEMENT'S REVIEW (CONTINUED)

Napatech operations

The statements below are related to Napatech development in fourth quarter of 2015 compared to fourth quarter 2014 and the twelve months period from 1 January to 31 December 2015 compared to the twelve months period from 1 January to 31 December 2014, unless otherwise stated. Additional information is available at www.napatech.com/investor.

Key figures and ratios

	4 th Quarter		YTD December	
	2015	2014	2015	2014
Revenue, DKK'000	69,883	48,382	216,677	182,335
Gross profit margin, %	73%	73%	71%	73%
EBITDA, DKK'000	16,300	4,602	34,232	18,010
EBITDA margin, %	23%	10%	16%	10%
Profit / (loss) before tax, DKK'000	7,638	(302)	10,999	(703)
EPS basic, DKK	0.88	(0.12)	1.32	(0.17)
EPS diluted, DKK	0.88	(0.12)	1.32	(0.17)
Equity, DKK'000	197,002	189,619	197,002	189,619
Cash and cash equivalents, DKK'000	75,921	88,230	75,921	88,230

Financial Review

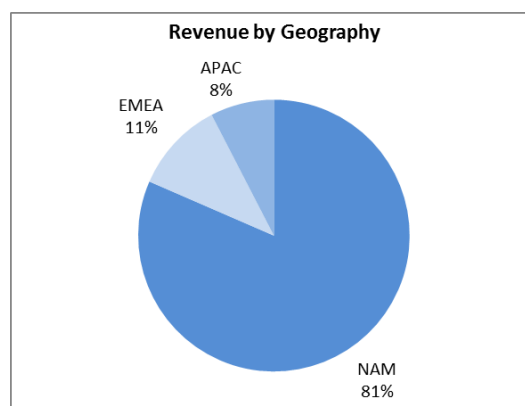
Revenue

Napatech reports revenue of DKK 69.9 million in the fourth quarter, an increase of 44% compared to the same period in 2014. The full year 2015 revenue ended at DKK 216.7 million, an increase of 19% compared to the same period last year.

Sales were distributed with 81% in NAM, 11% in EMEA and the remaining 8% in APAC.

Gross Margin

Gross margin for fourth quarter 2015 was 73%, in line with the 73% in fourth quarter 2014, and an increase compared with the 70% in third quarter 2015. The increase is due to a favourable product mix in this particular quarter. Still, it is the Company's expectation that we could experience a gross margin around 70% in the coming quarters.



MANAGEMENT'S REVIEW (CONTINUED)

Financial review (continued)

Costs

Total costs for fourth quarter 2015 were 34.7 million DKK compared to 30.7 million DKK for fourth quarter 2014. The increase is due to a general Company employee bonus of 5 million DKK, as a result of the performance on both Revenue and EBITDA for the full year. The R&D costs, Marketing costs and Administrative costs below include the employee bonus. The bonus will be paid out in March 2016.

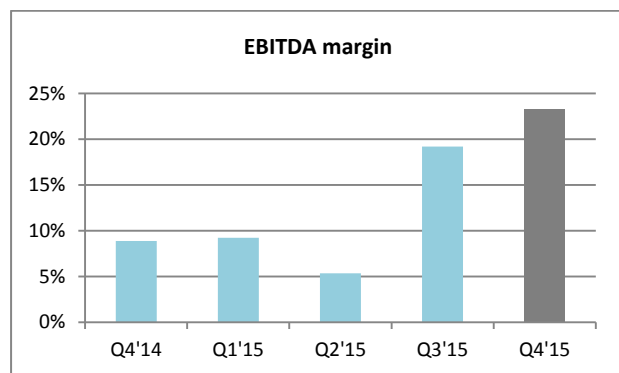
R&D costs for fourth quarter 2015 were DKK 4.0 million compared to DKK 4.1 million in the fourth quarter of 2014. The minor decrease in costs is related to a timing variance of expenses.

Sales and distribution costs for fourth quarter 2015 were DKK 20.0 million, compared to DKK 17.5 million in the fourth quarter of 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 fourth quarter 2015 were DKK 10.7 million compared to DKK 9.1 million in the fourth quarter 2014. The increase is mainly due to the general Company employee bonus accrual for 2015.

EBITDA

EBITDA was DKK 16.3 million in the fourth quarter 2015, compared to DKK 4.6 million in the fourth quarter of 2014. The increase is driven by higher sales. The EBITDA margin of 23% is again an effect of the higher sales, and the margin expansion highlights the scalability of the business.



Depreciation and amortisation

Depreciation and amortisation were DKK 8.8 million in the fourth quarter 2015, compared to DKK 6.5 million in the fourth quarter of 2014. Our depreciations are affected by the timing of the completion of our development projects.

EBIT

EBIT for fourth quarter 2015 was positive with DKK 7.5 million, an increase compared to negative DKK 1.9 million in the fourth quarter of 2014.

Financial Items

Financial items for fourth quarter 2015 were an income of DKK 0.1 million compared to an income of DKK 1.6 million in the fourth quarter of 2014. The financial items are primarily affected by the change in USD, as Napatech has large USD denominated assets.

Taxes

Taxes for the fourth quarter 2015 are 2.5 MDKK driven by the tax effect of the closing of our Brazilian subsidiary as well as high tax rates in the US, and the Danish corporate taxes.

Investments

Total investments in fourth quarter 2015 were DKK 11.6 million. This was related to new product development with DKK 11.3 million. In fourth quarter of 2014, total investments were DKK 11.4 million, of which DKK 10.1 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 fourth quarter 2015, there were a development project related to the Pandion product and developments related to the accelerator portfolio.

Cash Flow

For the fourth quarter 2015 cash flow from operating activities was positive with DKK 31.1 million, an increase of DKK 16.0 million from fourth quarter 2014.

Negative cash flow from investing activities was DKK 11.6 million in the fourth quarter 2015, an increase from DKK 11.4 million in the fourth quarter of 2014.

Napatech had a positive cash flow of DKK 23.2 million in the fourth quarter of 2015. The total cash position of the company was DKK 75.9 million by end of fourth quarter 2015, a decrease of DKK 12.3 million compared to the end of fourth 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 fourth quarter 2015. Thus, the Company had available total funds of approx. 93 million DKK at the end of the fourth quarter of 2015.

MANAGEMENT'S REVIEW (CONTINUED)

Financial review (continued)

Shareholders and Share Information

Napatech had per December 31, 2015 issued 5,821,723 shares at DKK 1.00 each. This gives a share capital of 5,821,723 DKK divided among the 424 shareholders.

INVESTOR	NUMBER OF SHARES	% OF TOTAL
VERDANE CAPITAL VIII	1.293.211	22,2%
VERDIPAPIRFONDET DNB	398.040	6,8%
VINTERSTUA AS	310.000	5,3%
DNB NOR MARKETS, AKS	248.200	4,3%
ARCTIC FUNDS PLC	240.000	4,1%
DANSKE BANK A/S	231.728	4,0%
STOREBRAND VEKST	230.691	4,0%
SILVERCOIN INDUSTRIES	225.895	3,9%
THE BANK OF NEW YORK	225.000	3,9%
TIGERSTADEN AS	203.330	3,5%
NORDNET BANK AB	139.476	2,4%
DNB LUXEMBOURG S.A.	136.650	2,3%
SKANDINAVISKA ENSKILDA	100.000	1,7%
MERTOUN CAPITAL AS	100.000	1,7%
NORTHZONE IV K/S	98.158	1,7%
SIX SIS AG	90.362	1,6%
SIX-SEVEN AS	79.883	1,4%
NORTHZEA MANAGEMENT	76.231	1,3%
NORDEA BANK DANMARK	73.182	1,3%
HOBOLT NIELS	65.131	1,1%
TOTAL OWNED BY TOP 20	4.565.168	78,4%
TOTAL OWNED BY 404 OTHER	1.256.555	21,6%
TOTAL NUMBER OF SHARES	5821723	100,0%

Outlook for 2016

We will have a sharp focus on continuing our revenue growth in 2016, as well as realizing the EBITDA margin expansion the scalability of Napatech offers.

We believe that our core accelerator business as well as our offerings in network recording will be very important steps towards reaching our goals for 2016.

We have seen a continuous improvement in our business through 2nd half of 2015, why our guidance for 2016 is:

- Revenue growth around 20%
- EBITDA margin around 20%

Napatech has made a hedge of the USD net exposure, where approximately 55% of the USD revenue is hedged around 6.77 DKK, (average for 2015 was 6.72) and the remaining 45% is naturally hedged against other USD denominated costs.

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 2016 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, 15 February 2016

The Board of Directors of Napatech A/S

INTERIM CONSOLIDATED INCOME STATEMENT

For the period ended 31 December 2015

DKK'000	Note	4 th Quarter		YTD December	
		2015	2014	2015	2014
Revenue	3	69,883	48,382	216,677	182,335
Costs of goods sold		(18,931)	(13,078)	(61,976)	(48,708)
Gross profit		50,952	35,304	154,701	133,627
Research and development cost		(3,953)	(4,092)	(15,094)	(16,020)
Selling and distribution expenses		(20,035)	(17,461)	(70,728)	(65,362)
Administrative expenses	4	(10,664)	(9,149)	(34,647)	(34,235)
Operating profit before depreciation and amortisation (EBITDA)		16,300	4,602	34,232	18,010
Depreciation and amortisation		(8,810)	(6,455)	(28,767)	(23,899)
Operating profit / (loss) (EBIT)		7,490	(1,853)	5,465	(5,889)
Finance income		287	1,657	6,122	5,671
Finance costs		(139)	(106)	(588)	(485)
Profit / (loss) before tax		7,638	(302)	10,999	(703)
Income tax expense		(2,496)	(377)	(3,286)	(278)
Profit / (loss) for the period		5,142	(679)	7,713	(981)
Earnings per share:	5				
Basic, DKK		0.88	(0.12)	1.32	(0.17)
Diluted, DKK		0.88	(0.12)	1.32	(0.17)

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 December 2015

DKK'000	Note	4 th Quarter		YTD December	
		2015	2014	2015	2014
Profit / (loss) for the period		5,142	(679)	7,713	(981)
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>					
Exchange differences on translation from functional to presentation currency		-	(427)	-	(427)
Exchange differences on translation of foreign operations		475	402	28	143
Net movement on cash flow hedges		70	-	(1,009)	-
Income tax effect		(16)	-	237	-
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		529	(25)	(744)	(284)
Total comprehensive income for the period		5,671	(704)	6,969	(1,265)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

ASSETS

DKK'000	Note	31 December 2015	30 September 2015	31 December 2014
Development projects, completed		70,087	48,230	54,335
Development projects, in progress		12,439	30,629	8,687
Patents		7,665	7,365	6,606
Other intangible assets		1,202	1,206	1,700
Intangible assets	6	91,393	87,430	71,328
Plant and equipment		7,435	8,470	8,770
Office improvements		1,049	1,168	1,456
Property, plant and equipment	7	8,484	9,638	10,226
Deferred tax asset		-	4,719	4,325
Leasehold deposits		2,224	2,218	1,766
Other non-current assets		2,224	6,937	6,091
Non-current assets		102,101	104,005	87,645
Inventories		14,341	16,545	9,477
Trade receivables	8	48,254	49,599	36,236
Other receivables	8	6,935	2,393	3,241
Cash and cash equivalents		75,921	51,170	88,230
Current assets		145,451	119,707	137,184
Total assets		247,552	223,712	224,829

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

EQUITY AND LIABILITIES

DKK'000	Note	31 December 2015	30 September 2015	31 December 2014
Share capital	9	5,822	5,822	5,822
Share premium		210,675	210,675	210,675
Foreign currency translation reserve		81	(394)	53
Other reserves		9,209	9,052	12,101
Accumulated loss		(28,785)	(33,927)	(39,032)
Equity		197,002	191,228	189,619
Deferred tax liability		5,182	-	-
Interest-bearing loans and borrowings		5,000	5,394	5,574
Non-current liabilities		10,182	5,394	5,574
Interest-bearing loans and borrowings		637	564	706
Trade payables		18,645	11,249	15,069
Other payables		19,763	13,889	13,552
Derivative financial instruments		1,008	1,079	-
Provisions		315	309	309
Current liabilities		40,368	27,090	29,636
Total liabilities		50,550	32,484	35,210
Total equity and liabilities		247,552	223,712	224,829

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 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	-	-	-	-	-	2,571	2,571
Exchange differences on translation of foreign operations	-	-	(447)	-	-	-	(447)
Cash flow hedges	-	-	-	-	(1,079)	-	(1,079)
Income tax effect	-	-	-	-	253	-	253
Total comprehensive income	-	-	(447)	-	(826)	2,571	1,298
Issue of shares	-	-	-	-	-	-	-
Reversal, exercised and lapsed share options	-	-	-	(2,534)	-	2,534	-
Share-based payments	-	-	-	311	-	-	311
At 30 September 2015	5,822	210,675	(394)	9,878	(826)	(33,927)	191,228
Profit for the period	-	-	-	-	-	5,142	5,142
Exchange differences on translation of foreign operations	-	-	475	-	-	-	475
Cash flow hedges	-	-	-	-	70	-	70
Income tax effect	-	-	-	-	(16)	-	(16)
Total comprehensive income	-	-	475	-	54	5,142	5,671
Issue of shares	-	-	-	-	-	-	-
Reversal, exercised and lapsed share options	-	-	-	-	-	-	-
Share-based payments	-	-	-	103	-	-	103
At 31 December 2015	5,822	210,675	81	9,987	(772)	(28,785)	197,002

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2015

DKK'000	Share capital	Share premium	Foreign currency translation reserve	Share based payment reserve	Acc. losses	Total equity
At 1 January 2014	5,812	201,180	(4,089)	25,514	(38,053)	190,364
Loss for the period	-	-	-	-	(302)	(302)
Exchange differences on translation from functional to presentation currency	-	-	4,428	-	(4,428)	-
Exchange differences on translation of foreign operations	-	-	(259)	-	-	(259)
Total comprehensive income	-	-	4,169	-	(4,730)	(561)
Issue of shares	10	303	-	-	-	313
Reversal, exercised and lapsed share options	-	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
Loss for the period	-	-	-	-	(679)	(679)
Exchange differences on translation from functional to presentation currency	-	-	(429)	-	2	(427)
Exchange differences on translation of foreign operations	-	-	402	-	-	402
Total comprehensive income	-	-	(27)	-	(677)	(704)
Issue of shares	-	-	-	-	-	-
Reversal, exercised and lapsed share options	-	-	-	-	-	-
Share-based payments	-	-	-	104	-	104
At 31 December 2014	5,822	210,675	53	12,101	(39,032)	189,619

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 December 2015

DKK'000	Note	4 th Quarter		YTD December	
		2015	2014	2015	2014
Operating activities					
Profit / (loss) before tax		7,638	(302)	10,999	(703)
Adjustments to reconcile profit before tax to net cash flows:					
Finance income		(287)	(1,657)	(6,122)	(5,671)
Finance costs		139	106	588	485
Amortisation and depreciation	6, 7	8,810	6,455	28,767	23,899
Share-based payment expense		103	104	414	207
Working capital adjustments:					
Change in inventories		2,204	(3,607)	(4,864)	(1,555)
Change in trade and other receivables		(746)	6,975	(13,261)	(3,696)
Change in trade and other payables and provisions		13,276	6,021	9,793	(6,516)
Cash flows (used in) / from operating activities		31,137	14,095	26,314	6,450
Currency adjustments		(855)	772	3,374	4,568
Interest received		1	40	120	299
Interest paid		(139)	(106)	(588)	(485)
Income tax received / (paid)		4,937	(167)	4,006	(167)
Net cash flows from / (used in) operating activities		35,081	14,634	33,226	10,665
Investing activities					
Purchase of plant, property and equipment		(309)	(1,283)	(4,125)	(7,244)
Investments in intangible assets		(11,275)	(10,098)	(42,915)	(38,371)
Investments in leasehold deposits		(6)	-	(458)	(97)
Net cash used in investing activities		(11,590)	(11,381)	(47,498)	(45,712)
Financing activities					
Issue of shares		-	-	-	313
Repayment borrowings		(321)	(188)	(643)	(63)
Net cash flows from financing activities		(321)	(188)	(643)	250
Net change in cash and cash equivalents		23,170	3,065	(14,915)	(34,797)
Net foreign exchange difference		1,581	840	2,606	804
Cash and cash equivalents at the beginning of the period		51,170	84,325	88,230	122,223
Cash and cash equivalents at the end of the period		75,921	88,230	75,921	88,230

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 management 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 amended 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

4 th Quarter 2015:					
DKK'000	EMEA	NAM	APAC	LAM	Consolidated
Revenue					
Total revenue	58,976	56,998	5,290	-	121,264
Inter-segment	(51,381)	-	-	-	(51,381)
Revenue, external customers	7,595	56,998	5,290	-	69,883
Cost of goods sold	(1,784)	(16,357)	(790)	-	(18,931)
Gross profit	5,811	40,641	4,500	-	50,952

4 th Quarter 2014:					
DKK'000	EMEA	NAM	APAC	LAM	Consolidated
Revenue					
Total revenue	38,802	37,744	731	46	77,323
Inter-segment	(28,941)	-	-	-	(28,941)
Revenue, external customers	9,861	37,744	731	46	48,382
Cost of goods sold	(2,549)	(9,939)	(576)	(14)	(13,078)
Gross profit	7,312	27,805	155	32	35,304

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

3 OPERATING SEGMENTS (CONTINUED)

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

YTD December 2015:					
DKK'000	EMEA	NAM	APAC	LAM	Consolidated
Revenue					
Total revenue	174,977	177,408	10,867	68	363,320
Inter-segment	(146,643)	-	-	-	(146,643)
Revenue, external customers	28,334	177,408	10,867	68	216,677
Cost of goods sold	(7,377)	(52,173)	(2,401)	(25)	(61,976)
Gross profit	20,957	125,235	8,466	43	154,701

YTD December 2014:					
DKK'000	EMEA	NAM	APAC	LAM	Consolidated
Revenue					
Total revenue	150,431	141,190	9,496	68	301,185
Inter-segment	(118,850)	-	-	-	(118,850)
Revenue, external customers	31,581	141,190	9,496	68	182,335
Cost of goods sold	(6,733)	(39,771)	(2,184)	(20)	(48,708)
Gross profit	24,848	101,419	7,312	48	133,627

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

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

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

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

The general terms for share options are summarised as follows:

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

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

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

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

4 SHARE-BASED PAYMENTS (CONTINUED)

	Management		Others		Total	
	Number	Average exercise price (DKK)	Number	Average exercise price (DKK)	Number	Average exercise price (DKK)
Share options						
At 1 January 2015	316,787	33.94	181,205	34.73	497,992	34.23
Granted during the period	-	-	-	-	-	-
Exercised / expired during the period	(58,575)	32.00	(26,010)	32.00	(84,585)	32.00
At 31 December 2015	258,212	34.38	155,195	35.19	413,407	34.69
Exercisable at 31 December 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	43.00	45,000	43.00	101,000	43.00
Exercised / expired during the period	(8,250)	32.00	(15,650)	32.00	(23,900)	32.00
At 31 December 2014	316,787	33.94	181,205	34.73	497,992	34.23
Exercisable at 31 December 2014	260,787	32.00	136,205	32.00	396,992	32.00

In the year ended 31 December 2015, 84,585 share options were lapsed and zero exercised (year ended 31 December 2014: 14,125 lapsed and 9,775 exercised).

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

	As at 31 December 2015	As at 31 December 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 31 December 2015 is 1 year and 8 months (at 31 December 2014: 2 years and 8 months). The weighted average of the remaining contractual period of the outstanding share options from the 2014 share options programme at 31 December 2015 is 3 years and 6 months (at 31 December 2014: 4 years and 6 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 and 2014 was estimated on the date of grant using the following assumptions:

	2013	2014
Volatility	47.92%	43.53% - 44.94%
Risk-free interest rate	1.65%	1.70% - 2.00%
Exercise price (DKK)	32.00	43.00
Exercise period (years)	2.27	3.00
Number of options	130,175	101,500

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

The grant date fair value of the share options during 2014 was DKK 16.03. The fair value of the share options is determined using the Black-Scholes option pricing model.

For 4th quarter 2015, the Group has recognised DKK 103 thousand of share-based payment expense in the income statement (4th quarter 2014: DKK 104 thousand). DKK 57 thousand was recognised in relation the Executive Management and DKK 46 thousand in relation to other employees.

5 EARNINGS PER SHARE

DKK'000	4 th Quarter		YTD December	
	2015	2014	2015	2014
Net income attributable to equity holders of the parent company for basic earnings and the effect of dilution	5,142	(679)	7,713	(981)

DKK'000	4 th Quarter		YTD December	
	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	5,822	5,822	5,817
Effect of dilution:				
Share options	40	-	1	-
Weighted average number of shares adjusted for the effect of dilution	5,862	5,822	5,823	5,817

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	-	41,360	1,390	165	42,915
Transfers in the period	37,608	(37,608)	-	-	-
Cost at 31 December 2015	170,480	12,439	8,185	2,139	193,243
Accumulated amortisation at 1 January 2015	78,537	-	189	274	79,000
Amortisation for the period	21,856	-	331	663	22,850
Accumulated amortisation 31 December 2015	100,393	-	520	937	101,850
Carrying amount at 31 December 2015	70,087	12,439	7,665	1,202	91,393

Within the completed development projects there are two material development projects with carrying amount of DKK 11,210 thousand and DKK 14,607 thousand at 31 December 2015 respectively. The aim of the first project is to develop new non-blocking 4x10G adapter and the aim of the second project is to develop new 1x100G adapter. The remaining amortisation periods of these two projects are 1 years and 10 months and 4 years respectively.

Within the in progress development projects there is one material development project with carrying amount of DKK 4,518 thousand. The aim of the project is to develop next generation of our network recording platform. 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	4,068	104	4,172
Disposals in the period	(106)	-	(106)
Currency adjustment	151	22	173
Cost at 31 December 2015	32,224	3,970	36,194
Accumulated depreciation at 1 January 2015	19,341	2,388	21,729
Depreciation for the period	5,403	514	5,917
Disposals in the period	(59)	-	(59)
Currency adjustment	104	19	123
Accumulated depreciation 31 December 2015	24,789	2,921	27,710
Carrying amount at 31 December 2015	7,435	1,049	8,484

The carrying amount for plant and equipment held under finance leasing is DKK 382 thousand at 31 December 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	31 December 2015	31 December 2014
Receivables recognised in the consolidated statement of financial position:		
Trade receivables	48,254	36,236
Tax receivable	2,451	-
Other receivables	4,484	3,241
Total current receivables	55,189	39,477

The provision for bad and doubtful receivables is as follows:

DKK'000	2015	2014
At 1 January	2,002	1,593
Utilised in the year	-	(191)
Written off during the year	(858)	-
Change in the period	671	600
At 31 December	1,815	2,002

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

DKK'000	31 December 2015	31 December 2014
Not past due	42,728	28,973
Past due less than 30 days	1,912	2,010
Past due between 30 and 60 days	57	777
Past due between 60 and 90 days	266	988
Past due after 90 days	3,291	3,488
Total maximum credit risk	48,254	36,236

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 31 December	5,822	5,822

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

10 COMMITMENTS AND CONTINGENCIES

Collaterals

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

Operating lease commitments

The Groups' operating lease commitments relate to cars and office facilities. Future minimum payments under operating leases at 31 December 2015 are DKK 8,372 thousand.

Finance lease commitments

The Groups' finance lease commitments relating to equipment used in the research and development department. Future minimum lease payments together with the present value of the net minimum lease payments at 31 December 2015 are DKK 637.

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