



NAPATECH
1ST QUARTER 2016
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 January to 31 March 2016.

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 March 2016, and of the results of the Napatech Group's operations and cash flows for the three months period 1 January to 31 March 2016.

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 May 2016

Executive Management

Henrik Brill Jensen, CEO

Niels Hobolt, CFO

Board of Directors

Olav Stokke, Chairman

Lars B. Thoresen

Bjørn Erik Reinseth

Howard Bubb

Martyn Braime

MANAGEMENT'S REVIEW

Highlights.

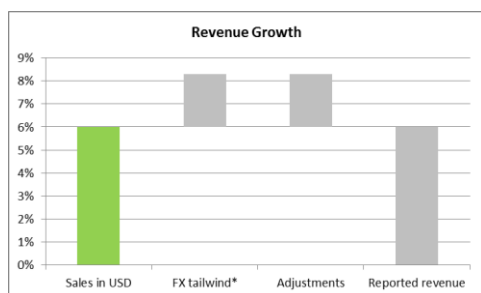
Sustained scalability driving EBITDA.

- Revenue for first quarter 2016 amounted to DKK 46.3 million, an increase of 6% compared to first quarter 2015, and a sequential decrease of 34% compared to fourth quarter 2015.
- Gross margin for first quarter 2016 was 73% compared to 71% in first quarter 2015, and 73% in fourth quarter 2015.
- EBITDA for first quarter of 2016 amounted to DKK 6.2 million, an increase of 53% compared to first quarter 2015.
- EBITDA margin for first quarter 2016 was 13%, an increase from 9% in first quarter 2015.
- EBIT margin for first quarter 2016 was negative 5% compared to negative 6% in first quarter 2015.
- EBT for first quarter amounted to negative DKK 5.8 million compared to positive DKK 4.6 million in first quarter 2015 driven by different USD exchange rate in 2015 compared to 2016.
- EPS for first quarter 2016 was negative 0.77 DKK, down from 0.60 DKK in first quarter 2015.
- Net decrease in cash was 6.1 million in the first quarter of 2016. The total cash position of the Company was DKK 69.8 million by end of first quarter 2016 compared to 69.9 by end of first quarter of 2015.

The business continues to show progress. However, the nature of our business causes the revenue to be fluctuating between quarters. Normally, first half of a year has less than half of that year's revenue.

This quarter showed progress on a number of important activities with e.g. the launch of our new Pandion Flex product and the launch of a new accelerator for 40G connectivity on the very last day of the quarter.

During the quarter we also showcased our new strategic initiative, a product targeted to the NFV market. This generated extensive positive response from the market in general, our partners and potential customers.



*Average bank rates

In connection with our fourth quarter 2015 reporting, we announced our revised strategy, and we have continued with our activities to implement and execute on these communicated initiatives.

One of the very important aspects of these initiatives, is the opportunity and commitment to work closer with our customers on different projects and opportunities. We have implemented a matrix structure to organize and develop these close relationships.

We believe that Napatech has a great potential to grow by expanding the relationships we already have with many Tier one customers. We are currently working actively on a number of initiatives, and we expect to be able to provide more information on these relationships during 2016.

We call this type of relationship with our customers for Co-creation as we use our combined knowledge to propose innovative solutions, focused on solving typically market specific challenges. Based on this development, Napatech then provides market leading, innovative and attractive general products to its customers fuelling both short term as well as long term growth.

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 first quarter of 2016, a number of design wins materialized (not exhaustive):

- ✓ 40 Gigabit design win with a European network data analytics company, for a Network analytics solution.
- ✓ 100 Gigabit design win with Japanese Tier 1 Network Equipment manufacturer for a security solution.

Napatech products help our customers build world class products, where the data delivered into their systems are the basis for 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 analyse 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 first quarter of 2016 compared to first quarter 2015, unless otherwise stated. Additional information is available at www.napatech.com/investor.

Key figures and ratios.

	1 st Quarter	
	2016	2015
Revenue, DKK'000	46,305	43,702
Gross profit margin, %	73%	71%
EBITDA, DKK'000	6,187	4,036
EBITDA margin, %	13%	9%
(Loss) / profit before tax, DKK'000	(5,758)	4,572
EPS basic, DKK	(0.77)	0.60
EPS diluted, DKK	(0.77)	0.60
Equity, DKK'000	198,243	192,818
Cash and cash equivalents, DKK'000	69,754	69,908

Financial Review

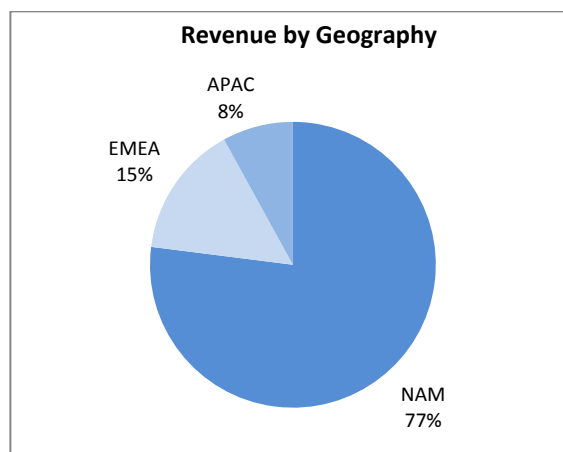
Revenue

Napatech reports revenue of DKK 46.3 million in the first quarter, an increase of 6% compared to the same period in 2015. The nature of Napatech's revenue is that it is fluctuating between quarters, and in general first quarter has the least revenue of the four quarters.

Sales were distributed with 77% in NAM, 15% in EMEA and the remaining 8% in APAC.

Gross Margin

Gross margin for first quarter 2016 was 73%, above the 71% in first quarter 2015, and in line with the 73% in fourth 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 first quarter 2016 were 27.8 million DKK compared to 27.0 million DKK for first quarter 2015, an increase of just 3% resulting from the focus on maintaining high scalability.

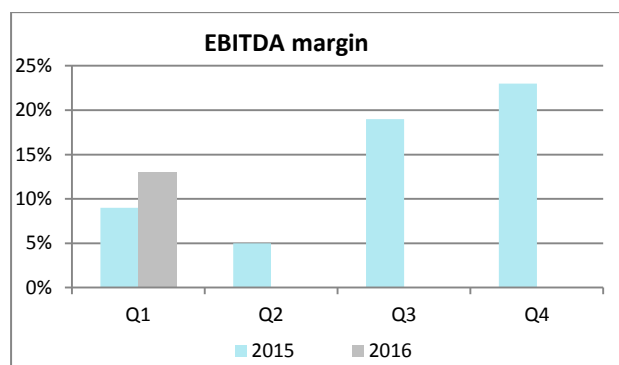
R&D costs for first quarter 2016 were DKK 2.7 million compared to DKK 3.2 million in the first quarter 2015. The decrease in costs is related to the shift in resources.

Sales and distribution costs for first quarter 2016 were DKK 16.9 million, compared to DKK 16.7 million in the first quarter of 2015. The increase in the Sales and Marketing costs are due the increased resources in this area.

Administrative expenses for first quarter 2016 were DKK 8.2 million compared to DKK 7.1 million in the first quarter 2015. First quarter 2015 was low, as the average quarter in 2015 for administrative expenses was DKK 8.7 million. The increase is thus attributable to timing variances.

EBITDA

EBITDA was DKK 6.2 million in the first quarter 2016, compared to DKK 4.0 million in the first quarter of 2015. The increase is driven by higher sales and higher gross margin. The EBITDA margin of 13% is again an effect of the higher sales and gross margin, and the margin expansion highlights the scalability of the business.



Depreciation and amortisation

Depreciation and amortisation were DKK 8.4 million in the first quarter 2016, compared to DKK 6.8 million in the first quarter of 2015. Our depreciations are affected by the timing of the completion of our development projects, and the investment level in the past.

EBIT

EBIT for first quarter 2016 was negative with DKK 2.3 million, an increase compared to negative DKK 2.8 million in the first quarter of 2015.

Financial Items

Financial items for first quarter 2016 were an expense of DKK 3.5 million compared to an income of DKK 7.3 million in the first quarter of 2015. The financial items are primarily affected by the change in USD exchange rate as this declined during first quarter 2016, and especially towards the very end of the quarter, where the exchange rate was 6.54 compared to 6.83 by the end of Q4 2015. This decreased the value of our USD denominated assets such as our receivables. In first quarter 2015, the USD exchange rate increased significantly resulting in a large income. The actual interest cost in the quarters is less than 100 KDKK per quarter.

Taxes

Taxes for the first quarter 2014 are an income of 1.2 MDKK driven by the negative profit. The tax rate in Denmark is 22%. Due to the tax credit received last year, the tax assets has been converted to a tax liability.

Investments

Total investments in first quarter 2016 were DKK 12.4 million. This was primarily related to new product development with DKK 11.2 million. In first quarter of 2015, total investments were DKK 13.9 million, of which DKK 12.0 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 first quarter 2016, there were a development project related to the Pandion product and developments related to the accelerator portfolio with the development of our new 40G accelerator.

New Danish legislation requires that tax deductible development activities are matched by a reserve on the equity; this has no other effect than an equity reclassification.

Cash Flow

For the first quarter 2016, cash flow from operating activities was positive with DKK 8.6 million, an increase of DKK 19.8 million from first quarter 2015.

Negative cash flow from investing activities was DKK 12.4 million in the first quarter 2016, a decrease from DKK 13.9 million in the first quarter of 2015.

Napatech had a negative cash flow of DKK 6.1 million in the first quarter of 2016. The total cash position of the Company was DKK 69.8 million by end of first quarter 2016, a decrease of DKK 0.1 million compared to the end of first quarter 2015.

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 first quarter 2015. Thus, the Company had available total funds of approx. 87 million DKK at the end of the first quarter of 2016.

MANAGEMENT'S REVIEW (CONTINUED)

Financial review (continued)

Shareholders and Share Information

Napatech had per March 31, 2016 issued 5,869,698 shares at DKK 1.00 each. This gives a share capital of 5,869,698 DKK divided among the 392 shareholders.

Investor	Number of shares	% of total
VERDANE CAPITAL VIII	1,293,211	22.03%
STOREBRAND VEKST	501,124	8.54%
VERDIPAPIRFONDET DNB	342,455	5.83%
ARCTIC FUNDS PLC	285,000	4.86%
THE BANK OF NEW YORK	265,000	4.51%
VINTERSTUA AS	250,000	4.26%
DNB NOR MARKETS, AKS	247,750	4.22%
SILVERCOIN INDUSTRIE	244,831	4.17%
DANSKE BANK A/S	202,472	3.45%
SÆTER HAAKON MORTEN	166,995	2.85%
ARCTIC SECURITIES AS	150,000	2.56%
SKANDINAVISKA ENSKIL	137,000	2.33%
DNB LUXEMBOURG S.A.	120,377	2.05%
TIGERSTADEN AS	116,861	1.99%
SIX-SEVEN AS	96,012	1.64%
NORDNET BANK AB	93,460	1.59%
NORDEA BANK DANMARK	84,242	1.44%
JULIANUS AS	75,000	1.28%
NORTHZEA MANAGEMENT	71,231	1.21%
HOBOLT NIELS	65,331	1.11%
Total number owned by top 20	4,808,352	81.92%
Total 372 other shareholders	1,061,346	18.08%
Total number of shares	5,869,698	100.00%

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 remain very confident in our 2016 guidance, which is maintained at:

- 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, 9 May 2016

The Board of Directors of Napatech A/S

INTERIM CONSOLIDATED INCOME STATEMENT

For the period ended 31 March 2016

DKK'000	Note	1 st Quarter	
		2016	2015
Revenue	3	46,305	43,702
Costs of goods sold		(12,304)	(12,703)
Gross profit		34,001	30,999
Research and development cost		(2,713)	(3,189)
Selling and distribution expenses		(16,943)	(16,692)
Administrative expenses	4	(8,158)	(7,082)
Operating profit before depreciation and amortisation (EBITDA)		6,187	4,036
Depreciation and amortisation		(8,449)	(6,833)
Operating profit / (loss) (EBIT)		(2,262)	(2,797)
Finance income		4	7,581
Finance costs		(3,500)	(212)
Profit / (loss) before tax		(5,758)	4,572
Income tax		1,267	(1,074)
Profit / (loss) for the period		(4,491)	3,498
Earnings per share:	5		
Basic, DKK		(0.77)	0.60
Diluted, DKK		(0.77)	0.60

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 March 2016

DKK'000	Note	1 st Quarter	
		2016	2015
Profit / (loss) for the period		(4,491)	3,498
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		(200)	113
Net movement on cash flow hedges		5,522	(673)
Income tax effect		(1,230)	158
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		4,092	(402)
Total comprehensive income for the period		(399)	3,096

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

ASSETS

DKK'000	Note	31 March 2016	31 December 2015	31 March 2015
Development projects, completed		63,343	70,087	49,108
Development projects, in progress		23,328	12,439	20,358
Patents		7,796	7,665	6,855
Other intangible assets		1,024	1,202	1,535
Intangible assets	6	95,491	91,393	77,856
Plant and equipment		6,612	7,435	8,975
Office improvements		1,466	1,049	1,382
Property, plant and equipment	7	8,078	8,484	10,357
Deferred tax asset		-	-	3,972
Leasehold deposits		2,313	2,224	2,168
Other non-current assets		2,313	2,224	6,140
Non-current assets		105,882	102,101	94,353
Inventories		14,601	14,341	11,387
Trade receivables	8	30,156	48,254	46,295
Other receivables	8	4,616	4,484	6,240
Income tax receivable	8	2,451	2,451	-
Derivative financial instruments	9	4,513	-	-
Cash and cash equivalents		69,754	75,921	69,908
Current assets		126,091	145,451	133,830
Total assets		231,973	247,552	228,183

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

EQUITY AND LIABILITIES

DKK'000	Note	31 March 2016	31 December 2015	31 March 2015
Share capital	10	5,870	5,822	5,822
Share premium		213,600	210,675	210,675
Foreign currency translation reserve		(119)	81	166
Other reserves		23,031	9,209	10,609
Accumulated loss		(44,139)	(28,785)	(34,454)
Equity		198,243	197,002	192,818
Deferred tax liability		4,875	5,182	-
Interest-bearing loans and borrowings		5,000	5,000	5,495
Non-current liabilities		9,875	10,182	5,495
Interest-bearing loans and borrowings		556	637	659
Trade payables		11,026	18,645	16,003
Other payables		11,922	19,763	12,226
Derivative financial instruments		-	1,008	673
Provisions		351	315	309
Current liabilities		23,855	40,368	29,870
Total liabilities		33,730	50,550	35,365
Total equity and liabilities		231,973	247,552	228,183

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 2016

DKK'000	Share capital	Share premium	Foreign currency translation reserve	Share based payment reserve	Cash flow hedge reserve	Reserve for development project costs	Acc. Losses	Total equity
At 1 January 2016	5,822	210,675	81	9,981	(772)	-	(28,785)	197,002
Loss for the period	-	-	-	-	-	-	(4,491)	(4,491)
Exchange differences on translation of foreign operations	-	-	(200)	-	-	-	-	(200)
Cash flow hedges	-	-	-	-	5,522	-	-	5,522
Income tax effect	-	-	-	-	(1,230)	-	-	(1,230)
Total comprehensive income	-	-	(200)	-	4,292	-	(4,491)	(399)
Issue of shares	48	1,488	-	-	-	-	-	1,536
Reversal, exercised and lapsed share options	-	1,437	-	(1,462)	-	-	25	-
Development project costs for the period	-	-	-	-	-	10,888	(10,888)	-
Share-based payments	-	-	-	104	-	-	-	104
At 31 March 2016	5,870	213,600	(119)	8,623	3,520	10,888	(44,139)	198,243
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	-	-	-	-	(673)	-	-	(673)
Income tax effect	-	-	-	-	158	-	-	158
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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 March 2016

DKK'000	Note	1 st Quarter	
		2016	2015
Operating activities			
(Loss) / profit before tax		(5,758)	4,572
Adjustments to reconcile profit before tax to net cash flows:			
Finance income		(4)	(7,581)
Finance costs		3,500	212
Amortisation and depreciation	6, 7	8,449	6,833
Share-based payment expense		104	103
Working capital adjustments:			
Change in inventories		(250)	(1,910)
Change in trade and other receivables		17,966	(13,058)
Change in trade and other payables and provisions		(15,424)	(392)
Cash flows from operating activities		8,573	(11,221)
Currency adjustments		(3,431)	6,145
Interest received		4	50
Interest paid		(69)	(212)
Income tax paid		(270)	(563)
Net cash flows from operating activities		4,807	(5,801)
Investing activities			
Purchase of plant, property and equipment		(1,062)	(1,571)
Investments in intangible assets		(11,245)	(11,953)
Investments in leasehold deposits		(89)	(402)
Net cash used from investing activities		(12,396)	(13,926)
Financing activities			
Issue of shares		1,536	-
Repayment borrowings		(81)	-
Net cash flows from financing activities		1,455	-
Net change in cash and cash equivalents		(6,134)	(19,727)
Net foreign exchange difference		(33)	1,405
Cash and cash equivalents at the beginning of the period		75,921	88,230
Cash and cash equivalents at the end of the period		69,754	69,908

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 2015.

The consolidated financial statements for 2015 contain a full description of accounting policies.

Changes in accounting policies

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).

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.

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 2015.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

3 OPERATING SEGMENTS

1st Quarter 2016:

DKK'000	EMEA	NAM	APAC	LAM	Consolidated
Revenue					
Total revenue	31,745	35,635	3,552	-	70,932
Inter-segment	(24,627)	-	-	-	(24,627)
Revenue, external customers	7,118	35,635	3,552	-	46,305
Cost of goods sold	(1,429)	(10,026)	(849)	-	(12,304)
Gross profit	5,689	25,609	2,703	-	34,001

1st Quarter 2015:

DKK'000	EMEA	NAM	APAC	LAM	Consolidated
Revenue					
Total revenue	32,899	37,687	1,724	51	72,361
Inter-segment	(28,659)	-	-	-	(28,659)
Revenue, external customers	4,240	37,687	1,724	51	43,702
Cost of goods sold	(646)	(11,415)	(623)	(19)	(12,703)
Gross profit	3,594	26,272	1,101	32	30,999

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

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 2016	258,212	34.38	155,195	35.19	413,407	34.69
Granted during the period	23,000	50.10	-	-	23,000	50.10
Exercised / expired during the period	(22,275)	32.00	(26,540)	32.00	(48,815)	32.00
At 31 March 2016	258,937	35.98	128,655	35.85	387,592	35.94
Exercisable at 31 March 2016	179,937	32.00	83,655	32.00	263,592	32.00
At 1 January 2015	316,787	33.94	181,205	34.73	497,992	34.23
Granted during the period	-	-	-	-	-	-
Exercised / expired during the period	(21,225)	32.00	(14,825)	32.00	(36,050)	32.00
At 31 March 2015	295,562	33.94	166,380	34.73	461,942	34.41
Exercisable at 31 March 2015	239,562	32.00	121,380	32.00	360,942	32.00

In the period ended 31 March 2016, 840 share options were lapsed and 47,975 exercised (31 March 2015: 36,050 lapsed and zero exercised).

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

Number of share options	As at 31 March 2016	As at 31 March 2015
Exercise price DKK 32.00	263,592	360,942
Exercise price DKK 43.00	101,000	101,000
Exercise price DKK 50.10	23,000	-
Total number of outstanding share options and warrants	387,592	461,942

The weighted average of the remaining contractual period of the outstanding share options from the 2013 share options programme at 31 March 2016 is 1 year and 5 months (at 31 December 2015: 1 year and 8 months). The weighted average of the remaining contractual period of the outstanding share options from the 2014 share options programme at 31 March 2016 is 3 years and 3 months (at 31 December 2015: 3 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 1st quarter 2016, the Group has recognised DKK 104 thousand of share-based payment expense in the income statement (1st quarter 2015: DKK 104 thousand). DKK 57 thousand was recognised in relation the Executive Management and DKK 47 thousand in relation to other employees.

5 EARNINGS PER SHARE

	1 st Quarter	
DKK'000	2016	2015
Net income attributable to equity holders of the parent company for basic earnings and the effect of dilution	(4,491)	3,498

	1 st Quarter	
DKK'000	2016	2015
	<i>Thousand</i>	<i>Thousand</i>
Weighted average number of shares for basic earnings per share	5,849	5,822
Effect of dilution:		
Share options	-	-
Weighted average number of shares adjusted for the effect of dilution	5,849	5,822

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 2016	170,480	12,439	8,185	2,139	193,243
Additions in the period	-	10,889	356	-	11,245
Transfers in the period	-	-	-	-	-
Cost at 31 March 2016	170,480	23,328	8,541	2,139	204,488
Accumulated amortisation at 1 January 2016	100,393	-	520	937	101,850
Amortisation for the period	6,744	-	225	178	7,147
Accumulated amortisation 31 March 2016	107,137	-	745	1,115	108,997
Carrying amount at 31 March 2016	63,343	23,328	7,796	1,024	95,491

Within the completed development projects there are two material development projects with carrying amount of DKK 9,682 thousand and DKK 13,771 thousand at 31 March 2016 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 year and 7 months and 3 years and 9 months respectively.

Within the in progress development projects there is one material development project with carrying amount of DKK 4,520 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 2016	32,224	3,970	36,194
Additions in the period	506	556	1,062
Disposals in the period	(135)	(47)	(182)
Currency adjustment	(174)	(5)	(179)
Cost at 31 March 2016	32,421	4,474	36,895
Accumulated depreciation at 1 January 2015	24,789	2,921	27,710
Depreciation for the period	1,164	138	1,302
Disposals in the period	(135)	(47)	(182)
Currency adjustment	(9)	(4)	(13)
Accumulated depreciation 31 March 2016	25,809	3,008	28,817
Carrying amount at 31 March 2016	6,612	1,466	8,078

The carrying amount for plant and equipment held under finance leasing is DKK 278 thousand at 31 March 2016. 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 March 2016	31 March 2015
Receivables recognised in the consolidated statement of financial position:		
Trade receivables	30,156	46,295
Other receivables	4,616	6,240
Income tax receivable	2,451	-
Total current receivables	37,223	52,535

The provision for bad and doubtful receivables is as follows:

DKK'000	2016	2015
At 1 January	1,815	2,002
Change in the period	-	(853)
At 31 March	1,815	1,149

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

DKK'000	31 March 2016	31 March 2015
Not past due	23,770	34,403
Past due less than 30 days	1,376	2,653
Past due between 30 and 60 days	261	1,389
Past due between 60 and 90 days	1,093	3,291
Past due after 90 days	3,656	4,559
Total maximum credit risk	30,156	46,295

9 DERIVATIVE FINANCIAL INSTRUMENTS

DKK'000	31 March 2016	31 March 2015
Derivative financial instruments at fair value, assets / (liabilities)	4,513	(673)

Derivative financial instruments are classified as Level 2 instruments in accordance with the IFRS fair value hierarchy. The fair value of the derivative financial instruments is based on observable market data, such as forward exchange rates. The fair value of derivative financial instruments approximates their carrying values.

10 ISSUED SHARE CAPITAL AND RESERVES

Authorised shares	2016	2015
	<i>Thousand</i>	<i>Thousand</i>
Ordinary shares of DKK 1 each at 1 January	5,822	5,822
Increase in ordinary shares DKK 1 each	48	-
Ordinary shares of DKK 1 each at 31 March	5,870	5,822

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

11 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 March 2016 are DKK 5,532 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 March 2016 are DKK 556.

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