

## REMUNERATION REPORT FOR THE FINANCIAL YEAR 2021

### 1 INTRODUCTION

This remuneration report provides an overview of the total remuneration received by each member of the board of directors and the executive management board of Napatech A/S, CVR no. 10109124, for the financial year 2021 and comparative figures for 2019 and 2020. The Executive Management includes the members of the executive management of the Company registered as such with the Danish Business Authority.

The Report provides an overview of the remuneration awarded to the individual management members during or for the benefit of the financial year 2021 and explains how the overall remuneration is in accordance with the agreed Remuneration Policy.

The remuneration of the Board and Executive Management during the past financial year has been provided in accordance with the remuneration policy of the Company approved by the annual general meeting on April 16, 2021. The remuneration policy is available on the Napatech website on [www.napatech.com/investor-relations/corporate-governance](http://www.napatech.com/investor-relations/corporate-governance). The overall objective of the remuneration is to; attract, motivate and retain qualified members of the Board of Directors and Executive Management Board; to ensure the correlation between management interests and the interests of the company and shareholders, and; to help promote long-term value creation in the company and thus support the company's business strategy and sustainability.

At the Annual General Meeting in April 2022, an updated version of the Remuneration Policy will be presented for approval.

## 2 BUSINESS PERFORMANCE IN 2021

In 2021, Napatech delivered the strongest financial results in the history of the company. Despite a very challenging supply chain situation during all of 2021, we managed to grow revenue while keeping product margins high and improving our internal cost structure.

From a product and execution perspective, we increased our research and development activities on building products for future growth. We remained focused on R&D enhancing our existing products while building new solutions that are delivering new and future growth. Although revenues were lower than expected in 2021, the revenue growth and operating improvements resulted in a significant improvement to the operating result for the third year in a row.

The aspiration of Napatech is to be perceived as a global leader in the market of programmable network interface cards focusing on delivering the solutions, technologies, and expertise necessary to enable larger organizations, that rely on IT for their business, to reap the benefits of reconfigurable computing. As we enter 2022, Napatech's solutions are needed even more than ever to improve network visibility, application performance with better security. We believe Napatech has never been in a more compelling position to take advantage of this opportunity.

### 3 REMUNERATION TO THE BOARD OF DIRECTORS IN 2021

The purpose of the remuneration structure for the Board is to be able to attract and retain board members with the desired competencies. In determining the levels, board fees in comparable companies are also considered.

The board members receive a fixed yearly cash amount (basic board remuneration) approved by the annual general meeting. The Chairman receives a fixed yearly cash amount of 2 x basic board remuneration. In addition, each sub-committee member receives an additional remuneration of a fixed yearly cash amount of 15% of basic board remuneration per sub-committee membership (e.g. per audit committee, remuneration committee, etc.).

The following fees for the financial year 2021 were approved at the annual general meeting on April 16, 2021:

	Board	Audit committee	Remuneration Committee
Member	NOK 190,000 (board basic remuneration)	NOK 28,500	NOK 28,500
Chairman	NOK 380,000 (2 x board basic remuneration)	NOK 28,500	NOK 28,500

All members of the Board of Directors receive reimbursement of reasonable expenses such as travel and accommodation in relation to board meetings as well as relevant education. Members of the Board not residing in a European Country receive an additional fee when attending board and committee meetings in Europe.

Members of the Board may take on specific ad hoc tasks outside their normal duties for and at the instruction of the Board of Directors. In each such case, the Board of Directors shall determine a fixed fee (e.g. per diem) for the work carried out related to those tasks.

Remuneration of Board for the financial year 2021				
Name and position	Annual fee DKK	Committee fees DKK	Ad hoc / extraordinary DKK	Total DKK
Lars Boilesen, Chairman	273,295	24,813	-	298,108
Howard Bubb, Deputy Chairman	136,648	40,317	-	176,964
Henry Wasik, Board member	136,648	40,317	-	176,964
Christian Jebsen, Board member	136,648	24,813	-	161,460
Total	683,238	130,258	-	813,496

Members of the Board of Directors are not able to participate in incentive programs such as bonuses and share-based programs.

4 REMUNERATION TO THE EXECUTIVE MANAGEMENT BOARD IN 2021

The remuneration package for members of the Executive Management Board consists of a fixed annual base salary and variable elements consisting of short and long-term incentives. The Board of Directors believes that a combination of fixed and performance-based pay is the best way to attract, retain and motivate the Executive Management Board. In addition to cash-based remuneration, the interests of the Executive Management Board are aligned with shareholders through participation in share-based option programs. In addition, members of Executive Management may receive a pension contribution and other benefits.

The purpose of the fixed basic salary, pension contributions, and other benefits is primarily to provide the individual Executive Board member with a predictable minimum remuneration to be able to attract and retain Executive Management Board members with the desired competencies. This remuneration structure is deemed to be resilient in supporting successful leadership whilst ensuring alignment to shareholder expectations.

<b>Remuneration of Executive Management for the financial year 2021</b>				
	Ray Smets, CEO		Heine Thorsgaard, CFO	
	DKK	%	DKK	%
Fixed basic salary	2,125,554	100%	1,753,799	100%
Pension contribution	36,492	2%	103,680	6%
Other benefits	88,578	4%	101,606	6%
Cash-based bonus scheme	0	0%	648,000	37%
Share-based remuneration	529,548	25%	496,394	28%
<b>Total</b>	<b>2,780,173 DKK</b>		<b>3,103,479 DKK</b>	

For the total cash bonus, clawback options are used, so that paid bonuses may be recovered if it is subsequently found that the salary has been paid or earned on the basis of information that is incorrect or does not comply with the guidelines, prepared by the Board of Directors. Claw-back in relation to the cash bonus is possible up to 12 months after the actual payment of the cash-based incentive.

5 COMPARATIVE OVERVIEW

The development in the remuneration of the Board and Executive Management over the past three financial years is summarized in the table below.

Financial Performance	2021	2020	2019
Net result before taxes for the Company	35,969 tDKK	4,166 tDKK	-14,023 tDKK
Net result after taxes for the Company	40,740 tDKK	9,241 tDKK	-11,064 tDKK
Net result before taxes for the Group	36,998 tDKK	5,081 tDKK	-14,252 tDKK
Net result after taxes for the Group	40,228 tDKK	9,595 tDKK	-13,601 tDKK

Yearly Change in Remuneration for Board	2021	2020
Lars Boilesen, Chairman	-1%	-12%
Howard Bubb, Deputy Chairman	4%	-14%
Henry Wasik, Board member	4%	-14%
Christian Jebsen, Board member	N/A	N/A
Yearly Change in Remuneration for Executive Management & Company Employees	2021	2020
Executive Management	-27%	6.1%
Average remuneration of Company Employees (FTE)	-5%	-1.8%
Average remuneration of Group Employees within the Napatech Group (FTE)	-11%	0.9%

The financial performance of Napatech improved significantly from 2020 with revenues growing and operating costs decreasing. Remuneration for the Board of Directors increased in 2021 compared to 2020 due to a strengthening of the NOK, and due to one of the board members declining remuneration in 2020. The Board remuneration is fixed in NOK. Remuneration for the Executive Management decreased 27% from 2020 to 2021. The decline is primarily related to lower costs related to the cash-based bonus scheme. The average remuneration of the employees in Napatech declined from 2020 to 2021. The decline is due to lower costs related to variable pay, a weakening of the USD, as well a change in employee mix.

Comparative figures for 2019 and 2020 are presented in Appendix A.

6 HOLDING OF SHARES & WARRANTS

Amount of shares and warrants in the Company owned by members of the Board and Executive Management:

	Number of shares 31 December 2021	Change in the fiscal year, shares	Market value Dec 31, 2021	
<b>Board</b>				
Lars Boilesen, Chairman	320,000	-	4,000,000 NOK	
Henry Wasik, Deputy Chairman	200,000	-	2,500,000 NOK	
Howard Bubb, Board member	70,000	-	875,000 NOK	
Christian Jebsen, Board member	-	-	-	
<b>Executive Management</b>				
Ray Smets, CEO	380,000	-	4,750,000 NOK	
Heine Thorsgaard, CFO	-	-	-	
	Total number of warrants 1 January 2021	Number of warrants exercised in 2021	Number of warrants granted in 2021	Total number of warrants 31 December 2021
<b>Board</b>				
Lars Boilesen, Chairman	-	-	-	-
Howard Bubb, Deputy Chairman	-	-	-	-
Henry Wasik, Board member	-	-	-	-
Christian Jebsen, Board member	-	-	-	-
<b>Executive Management</b>				
Ray Smets, CEO	1,967,244	-	-	1,967,244
Heine Thorsgaard, CFO	255,000	-	100,000	355,000

7 SHARE BASED REMUNERATION

Individual members of the Executive Management Board may at the discretion of the Board of Directors be offered to participate in Share Option Programs. Participating members are entitled to subscribe for a number of Napatech A/S shares at a certain strike price.

Below is an overview of warrants allocated to members of the Executive Management Board in 2021 under the Long-Term Incentive Program:

Share-based remuneration of Executive Management - 2021						
Name and position	Program	Grant date	No. of warrants	Strike price	Vesting period	Value of award (DKK)
Heine Thorsgaard, CFO	2021	May 5, 2021	100,000	19.70 NOK	4 years	1,106,527

There are no performance criteria attached to the warrants granted to the members of the Executive Management Board.

8 COMPLIANCE WITH THE REMUNERATION POLICY

The remuneration of the Board and Executive Management for the financial year 2021 is consistent with the framework provided by the Remuneration Policy. There has been no deviation or derogation from the framework provided by the Remuneration Policy.



9 STATEMENT OF THE BOARD OF DIRECTORS

The Board of Directors has today considered and adopted the Remuneration Report of Napatech A/S for the financial year 2021.

The Remuneration Report has been prepared in accordance with section 139 b of the Danish Companies Act.

The Remuneration Report is submitted to the General Meeting for an indicative vote.

Søborg, March 24, 2022

**Board of Directors**



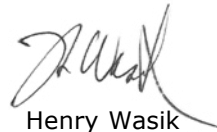
Lars Boilesen, Chairman



Christian Jebsen



Howard Bubb



Henry Wasik

APPENDIX A: COMPARATIVE FIGURES FOR 2019 and 2020

<b>Remuneration of Board for the financial year 2020</b>				
Name and position	Annual fee DKK	Committee fees DKK	Ad hoc / extraordinary DKK	Total DKK
Lars Boilesen, Chairman	262,546	39,382	-	301,928
Howard Bubb, Deputy Chairman	131,270	39,382	-	170,652
Henry Wasik, Board member	131,270	39,382	-	170,652
Christian Jebsen, Board member	-	-	-	-
Bjørn Erik Reinseth, Board member until April 2020	63,012	14,451		63,012
<b>Total</b>	<b>573,557</b>	<b>132,687</b>	<b>-</b>	<b>706,244</b>

<b>Remuneration of Board for the financial year 2019</b>				
Name and position	Annual fee DKK	Committee fees DKK	Ad hoc / extraordinary DKK	Total DKK
Lars Boilesen, Chairman	262,791	78,837	-	341,628
Howard Bubb, Deputy Chairman	152,840	45,852	-	198,692
Henry Wasik, Board member	152,840	45,852	-	198,692
Bjørn Erik Reinseth, Board member	146,686	44,006	-	190,692
Lars Thoresen, Board member until April 2019	36,051	10,815	-	46,866
Christian Jebsen, Board member from April 2019	-	-	-	-
<b>Total</b>	<b>751,208</b>	<b>225,362</b>	<b>-</b>	<b>976,570</b>

In 2019 two board members received in total an additional DKK 205 thousand as part of consultancy contracts.

<b>Remuneration of Executive Management for the financial year 2020</b>				
	Ray Smets, CEO		Heine Thorsgaard, CFO	
	DKK	%	DKK	%
Fixed basic salary	2,097,881	100%	1,660,219	100%
Pension contribution	37,245	2%	99,613	6%
Other benefits	191,699	9%	116,246	7%
Cash-based bonus scheme	2,058,296	98%	810,000	49%
Share-based remuneration	902,931	43%	123,747	7%
<b>Total</b>	<b>5,288,053 DKK</b>		<b>2,809,825 DKK</b>	

Remuneration of Executive Management for the financial year 2019						
	Ray Smets CEO		Heine Thorsgaard CFO (period: nov-dec)		Henrik Brill Jensen COO (period: jan-oct)	
	DKK	%	DKK	%	DKK	%
Fixed basic salary	2,101,129	100%	289,634	100%	1,741,860	100%
Pension contribution	37,353	2%	16,227	6%	98,596	6%
Other benefits	204,970	10%	19,373	7%	128,107	7%
Cash-based bonus scheme	2,001,076	95%	135,000	47%	413,333	24%
Share-based remuneration	418,759	20%	11,851	4%	15,612	1%
<b>Total</b>	4,763,287 DKK		472,085 DKK		2,397,508 DKK	

Remuneration of Company Employees						
DKK'000	Group			Company		
	2021	2020	2019	2021	2020	2019
Wages and salaries	78,651	86,490	89,926	55,246	57,428	61,725
Defined contribution schemes	3,413	3,933	3,923	3,075	3,545	3,550
Share-based payment expense	3,107	2,347	1,635	2,023	771	569
Social security costs	3,578	3,438	3,507	542	452	530
<b>Total employee benefits expense</b>	<b>88,749</b>	<b>96,208</b>	<b>98,991</b>	<b>60,886</b>	<b>62,196</b>	<b>66,374</b>
Average number of employees	81	78	81	64	62	65
Average remuneration of Employees	1,096	1,233	1,222	951	1,003	1,021

Share-based remuneration of Executive Management - 2020						
Name and position	Program	Grant date	No. of warrants	Strike price	Vesting period	Value of award (DKK)
Ray Smets, CEO	2020	May 30, 2020	500,000	4.18 NOK	4 years	1,082,135
Heine Thorsgaard, CFO	2020	May 30, 2020	100,000	4.18 NOK	4 years	216,427

150,000 of the 500,000 warrants granted to Ray Smets in 2020 are subject to the achievement of certain strategic objectives. There are no performance criteria attached to the rest of the warrants granted to the members of the Executive Management Board.

<b>Share-based remuneration of Executive Management - 2019</b>						
Name and position	Program	Grant date	No. of warrants	Strike price	Vesting period	Value of award (DKK)
Ray Smets, CEO	2019	July 24, 2019	133,756	5.0 NOK	2 years	64,866
Ray Smets, CEO	2019	July 24, 2019	133,488	1.89 NOK	2 years	89,926
Ray Smets, CEO	2019	July 24, 2019	800,000	1.5 NOK	4 years	561,276
Heine Thorsgaard, CFO	2019	July 24, 2019	100,000	1.5 NOK	4 years	70,160

There are no performance criteria attached to the warrants granted to the members of the Executive Management Board in 2019.