

NAPATECH
HALF-YEAR REPORT 2022



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MANAGEMENT'S REPORT

Napatech is a global leader of FPGA-based SmartNICs focused on high-speed solutions for cloud, mobile, telecom and enterprises with a goal of putting a SmartNIC in every server requiring faster applications, better networking and more effective security applications.

Despite challenging market conditions affecting our operations in the second quarter of 2022, Napatech's offering and market position is increasingly stronger with a new breakthrough win with more to come in 2022 and we are ready to resume the growth journey into 2023. We believe we are in a good place to deliver on our growth strategy and to capitalize on our leadership position in the SmartNIC solutions market.

Napatech has a lot of room to grow. The SmartNIC market is the fastest growing part of the overall NIC market and we are listed as a top vendor in this part of the market with over 7% of market share. And we are in the top 10 of largest overall NIC makers. Our solution is relevant and growing in this market, and when we gain traction with new design wins in this area, Napatech will see significant growth coming from these opportunities. The pipeline development is promising and we expect revenues in the second half 2022 to exceed the same period in 2021 with a growth acceleration into 2023.

The SmartNIC market is forecasted by industry experts to grow rapidly over the next five years and is ripe for further consolidation. Given Napatech's unique leadership position within this fast-growing domain, our Board and Management have initiated a strategic review to consider all strategic options to maximize our shareholder value given the large opportunities that lie ahead of us.

Committed and focused,

Ray Smets
Chief Executive Office

Highlights H1:

- Revenue in USD amounted to 12.9m in H1 2022, a decline of 15% compared to H1 2021. In DKK, revenue amounted to 87.7m, a decline of 6% compared to H1 2021.
- Gross margin in H1 2022 was 58.8%, a decline of 12.1%-points compared to H1 2021.
- Staff costs and Other external costs in H1 2022 amounted to DKK 73.6m compared to DKK 60.3m in H1 2021.
- EBITDAC in H1 2022 amounted to negative DKK 22.0m compared to positive DKK 5.8m in H1 2021.
- EBITDA in H1 2022 amounted to negative DKK 9.0m compared to positive DKK 17.4m in H1 2021.
- Depreciation, amortization, and impairment for H1 2022 were DKK 11.9m compared to DKK 9.8m in H1 2021.
- Net Cash flow from operating activities in H1 2022 was positive DKK 2.2m compared to negative DKK 13.0m in H1 2021.
- Net working capital end of H1 2022 amounted to DKK 38.9m compared to DKK 34.7m end of H1 2021 and DKK 44.5m end of 2021.
- Net cash used in investing activities in H1 2022 amounted to DKK 19.5m compared to DKK 10.4m in H1 2021.
- Cash and cash equivalents at the end of H1 2022 amounted to DKK 37.5m compared to DKK 38.3m at the end of H1 2021.

Highlights Q2:

- Revenue in USD amounted to 5.0m in Q2 2022, a decline of 33% compared to Q2 2021. In DKK, revenue amounted to 35.5m, a decline of 24% compared to Q2 2021.
- Gross margin in Q2 2022 was 70.3%, a decline of 1.5%-points compared to Q2 2021.
- Staff costs and Other external costs in Q2 2022 amounted to DKK 37.9m compared to DKK 29.9m in Q2 2021.
- EBITDAC in Q2 2022 amounted to negative DKK 12.9m compared to positive DKK 3.4m in Q2 2021.
- EBITDA in Q2 2022 amounted to negative DKK 6.9m compared to positive DKK 8.6m in Q2 2021.
- Depreciation, amortization, and impairment for Q2 2022 were DKK 6.2m compared to DKK 4.6m in Q2 2021.
- Net Cash flow from operating activities in Q2 2022 was positive DKK 2.5m compared to negative DKK 0.9m in Q2 2021.
- Net cash used in investing activities in Q2 2022 amounted to DKK 8.6m compared to DKK 3.5m in Q2 2021.

Key figures¹:

	Q2 2022	Q2 2021	YTD 2022	YTD 2021
Revenue USD m	5.0	7.5	12.9	15.1
Growth YoY USD m	-33%	4%	-15%	5%
Revenue DKK m	35.5	46.4	87.7	93.2
Growth YoY DKK m	-24%	-5%	-6%	-4%
Gross Margin	70.3%	71.8%	58.8%	70.9%
EBITDAC DKK m	-12.9	3.4	-22.0	5.8
EBITDA DKK m	-6.9	8.6	-9.0	17.4
Net Cash Flow from Operating Activities DKK m	2.5	-0.9	2.2	-13.0
Net Working Capital, end of period DKK m	38.9	34.7	38.9	34.7
Cash and cash equivalents, end of period DKK m	37.5	38.3	37.5	38.3

¹ Definitions: Gross Margin is calculated as 'Gross Profit' / 'Revenue'; EBITDAC is calculated as 'Earnings Before Interest, Taxes, Depreciation and Amortization' before staff costs transferred to capitalized development costs; EBITDA is calculated as 'Earnings Before Interest, Taxes, Depreciation and Amortization'; Net working capital represents the value of inventories, trade receivables of other current operating assets less trade payables and other current operating liabilities. Cash and cash equivalents and income tax receivable or payable are not part of the net working capital; Cash flows from operating activities are profit or loss before tax added or deducted changes in the net working capital, added or deducted changes in provisions and added the yearly depreciation and amortization; Free cash flow is net cash flow from operating activities added or deducted investing activities.

Revenue and Gross Margin*H1*

Napatech reports revenue of DKK 87.7m in the first half of 2022 compared to DKK 93.2m in the same period in 2021, equivalent to a decline of 6%. In USD, revenue declined 15% compared to H1 2021.

Gross margin in H1 2022 was 58.8% compared to 70.9% in H1 2021.

Q2

Napatech reports revenue of DKK 35.5m in Q2 2022 compared to DKK 46.4m in the same period in 2021, equivalent to a decline of 24%. In USD, revenue declined 33% compared to Q2 2021.

Gross margin in Q2 2022 was 70.3% compared to 71.8% in Q2 2021.

Costs*H1*

Staff costs and Other external costs in H1 2022 amounted to DKK 73.6m, compared to DKK 60.3m in H1 2021.

Operating expenses after transferal of staff costs to capitalized development costs in H1 2022 amounted to DKK 60.6m, compared to DKK 48.7m in H1 2021.

Q2

Staff costs and Other external costs in Q2 2022 amounted to DKK 37.9m, compared to DKK 29.9m in Q2 2021.

Operating expenses after transferal of staff costs to capitalized development costs in Q2 2022 amounted to DKK 31.9m, compared to DKK 24.7m in Q2 2021.

EBITDAC and EBITDA*H1*

Earnings before Interest, Tax, Depreciation, Amortization, and Capitalization of development cost (EBITDAC) amounted to negative DKK 22.0m in H1 2022 compared to positive DKK 5.8m in H1 2021.

EBITDA in H1 2022 was negative DKK 9.0m compared to positive DKK 17.4m in H1 2021.

Q2

EBITDAC amounted to negative DKK 12.9m in Q2 2022 compared to positive DKK 3.4m in Q2 2021.

EBITDA in Q2 2022 was negative DKK 6.9m compared to positive DKK 8.6m in Q2 2021.

Depreciation, amortization, and impairment*H1*

Depreciation, amortization, and impairment in H1 2022 were DKK 11.9m compared to DKK 9.8m in Q2 2021.

Q2

Depreciation, amortization, and impairment in Q2 2022 were DKK 6.2m compared to DKK 4.6m in Q2 2021.

Financial Items*H1*

Financial items for H1 2022 were positive DKK 2.9m compared to a positive DKK 4.1m in H1 2021.

Q2

Financial items for Q2 2022 were positive DKK 1.8m compared to a positive DKK 2.4m in Q2 2021.

Taxes*H1*

Taxes for H1 2022 amounted to DKK 0.0m compared to a negative DKK 0.7m in H1 2021.

Q2

Taxes for Q2 2022 amounted to DKK 0.0m compared to a negative DKK 0.6m in Q2 2021.

Investments*H1*

Total net cash used in investing activities in H1 2022 was DKK 19.5m, of which DKK 17.1m was invested in new product development. In H1 2021, the total net cash used in investing activities was DKK 10.4m, of which DKK 13.2m was invested in new product development.

Q2

The total net cash used in investing activities in Q2 2022 was DKK 8.6m, of which DKK 8.3m was invested in new product development. In Q2 2021, the total net cash used in investing activities was DKK 3.5m, of which DKK 6.3m was invested in new product development.

Cash Flow*H1*

Net cash flow from operating activities in H1 2022 was positive DKK 2.2m compared to negative DKK 13.0m in H1 2021.

Free cash flow in H1 2022 amounted to negative DKK 17.3m compared to negative DKK 23.4m in H1 2021.

Net cash from financing activities in H1 2022 was positive DKK 15.4m, compared to negative DKK 1.3m in H1 2021.

Cash and cash equivalents end of H1 2022 was DKK 37.5m compared to DKK 38.3m at the end of H1 2021.

Q2

Net cash flow from operating activities in Q2 2022 was positive DKK 2.5m compared to negative DKK 0.9m in Q2 2021.

Free cash flow in the quarter amounted to negative DKK 6.1m compared to negative DKK 4.4m in Q2 2021.

Net cash from financing activities in Q2 2022 was positive DKK 10.5m, compared to a positive DKK 2.2m in Q2 2021.

Changes in equity

The company's equity amounted to DKK 117.7m on June 30, 2022.

In H1 2022, equity was decreased by comprehensive income by DKK -18.3m.

Shareholders and Share Information

Napatech, as of June 30, 2022, had 83,095,218 shares, each with a nominal value of DKK 0.25. The share capital is DKK 20,773,804.50, divided among the 1,354 shareholders.

Investor	No. of shares	% of total	TYPE
VERDANE CAPITAL VIII K/S	22,613,618	27.21%	Ordinary
SUNDT AS	8,444,587	10.16%	Ordinary
LUDVIG LORENTZEN AS	6,000,000	7.22%	Ordinary
SKANDINAVISKA ENSKILDA BANKEN AB	4,556,125	5.48%	Nominee
ARBEJDSMARKEDETS TILLAEGSPENSION	4,000,000	4.81%	Ordinary
BROWNSKE BEVEGELSER AS	2,741,147	3.30%	Ordinary
SKANDINAVISKA ENSKILDA BANKEN AB	2,512,076	3.02%	Nominee
MP PENSJON PK	2,100,984	2.53%	Ordinary
SKANDINAVISKA ENSKILDA BANKEN AB	2,029,680	2.44%	Nominee
PRIVATE INVESTOR	1,770,351	2.13%	Ordinary
DANSKE BANK A/S	1,661,077	2.00%	Nominee
NORDNET BANK AB	1,515,050	1.82%	Nominee
THE BANK OF NEW YORK MELLON SA/NV	1,459,728	1.76%	Nominee
BNP PARIBAS SECURITIES SERVICES	1,213,556	1.46%	Nominee
J.P. MORGAN SE	1,002,003	1.21%	Nominee
INRO HOLDING AS	1,000,000	1.20%	Ordinary
THE BANK OF NEW YORK MELLON SA/NV	988,483	1.19%	Nominee
EXTELLUS AS	965,864	1.16%	Ordinary
NORDEA BANK ABP	954,594	1.15%	Nominee
MARSTAL AS	904,806	1.09%	Ordinary
Total number owned by top 20	68,433,729	82.34%	
Total 1334 other shareholders	14,661,489	17.66%	
Total Number of shares	83,095,218	100%	

Events after the end of the period

No significant events have occurred after the end of the reporting period.

Outlook for 2022

Due to the slowdown in the market in H1 of 2022, the 2022 guidance is updated as follows:

Guidance	Previous	Updated
Revenue	DKK 235-260m	DKK 195-220m
Gross margin	69-71%	69-71%
Staff expenses & Other external costs	DKK 155-165m	DKK 145-155m
Staff costs transferred to capitalized development costs	DKK 28-33m	DKK 28-33m
Depreciation and amortization	DKK 23-28m	DKK 23-28m

The company is exposed to risks that might affect our ability to reach our goals, such as currency fluctuations, general market uncertainty, and material changes in our large OEMs' needs for Napatech's products. Historically, the revenue generated from customers in Ukraine and Russia has been low. Therefore, the company is not directly impacted by a loss of revenue from these countries in any significant way due to the current Ukraine crisis. Napatech, however, is exposed to the effects on the general market uncertainty the Ukraine crisis is causing.

Disclaimer:

This report may contain statements regarding the future in connection with Napatech growth initiatives, profit figures, outlook, strategies, and objectives. 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.

MANAGEMENT STATEMENT

The Board of Directors and the Executive Management have considered and adopted the interim report of Napatech Group for the period from January 1 to June 30, 2022

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

In our opinion, the interim report gives a true and fair view of the Group's assets, liabilities, and financial position on June 30, 2022, and of the results of the Group's operations and cash flows for the period January 1 to June 30, 2022.

We find that the Management's commentary 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 is unaudited and has not been reviewed by the company's auditors

Søborg, August 17, 2022

Executive Management



Ray Smets, CEO



Heine Thorsgaard, CFO

Board of Directors



Lars Boilesen, Chairman



Howard Bubb



Christian Jepsen



Thomas Bonnerud

INCOME STATEMENT

For the period ended June 30, 2022

DKK'000	Note	2nd quarter		YTD June	
		2022	2021	2022	2021
Revenue	3	35,484	46,408	87,721	93,232
Cost of goods sold		(10,528)	(13,072)	(36,128)	(27,109)
Gross profit		24,956	33,336	51,593	66,123
Other operating income		-	-	-	25
Staff costs		(27,659)	(24,450)	(56,295)	(49,872)
Other external costs		(10,208)	(5,475)	(17,298)	(10,447)
EBITDAC		(12,911)	3,411	(22,000)	5,829
Transferred to capitalized development costs		5,965	5,233	13,029	11,606
EBITDA		(6,946)	8,644	(8,971)	17,435
Depreciation, amortization and impairment		(6,223)	(4,632)	(11,929)	(9,802)
Operating result (EBIT)		(13,169)	4,012	(20,900)	7,633
Finance income		2,242	2,614	3,511	4,441
Finance costs		(436)	(173)	(563)	(352)
Result before tax		(11,363)	6,453	(17,952)	11,722
Income tax		(35)	(618)	(33)	(717)
Result for the period		(11,398)	5,835	(17,985)	11,005

Earnings / (loss) per share:	4	2nd quarter		YTD June	
		2022	2021	2022	2021
Basic, DKK		(0.14)	0.07	(0.22)	0.13
Diluted, DKK		(0.13)	0.07	(0.21)	0.13

STATEMENT OF COMPREHENSIVE INCOME

For the period ended June 30, 2022

DKK'000	YTD June	
	2022	2021
Result for the period	(17,985)	11,005
<i>Items that may be reclassified to profit and loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	(330)	229
Other comprehensive income after tax	(330)	229
Total comprehensive income	(18,315)	11,234

CASH FLOW STATEMENT
For the period ended June 30, 2022

DKK'000	2nd quarter		YTD June	
	2022	2021	2022	2021
Operating activities				
Income/Loss before tax	(11,363)	6,453	(17,952)	11,722
Adjustments to reconcile profit before tax to net cash flows				
Finance income	(2,242)	(2,614)	(3,511)	(4,441)
Finance costs	436	173	563	352
Depreciation, amortisation and impairment	6,223	4,632	11,929	9,802
Gain/loss on the sale of non-current assets	-	-	-	(25)
Share-based payment expense	2,003	895	2,818	1,459
Working capital adjustments				
Change in inventories	(4,552)	(5,845)	(492)	(3,388)
Change in trade and other receivables and right-of-return asset	12,797	(7,472)	7,108	(15,063)
Change in trade and other payables, provisions, refund liability and contract liabilities	(419)	3,645	2,215	(12,481)
Interest received	-	6	7	12
Interest paid	(388)	(103)	(462)	(208)
Income tax received, net	(34)	(716)	(34)	(716)
Net cash flows from operating activities	2,461	(946)	2,189	(12,975)
Investing activities				
Proceeds from sale of tangible assets	-	-	-	25
Purchase of tangible assets	(269)	(815)	(2,367)	(1,259)
Proceeds from sale of intangible assets	-	3,578	-	3,986
Investments in intangible assets	(8,275)	(6,295)	(17,075)	(13,243)
Investments in leasehold deposits	(40)	56	(40)	52
Net cash used in investing activities	(8,584)	(3,476)	(19,482)	(10,439)
Free cash flow	(6,123)	(4,422)	(17,293)	(23,414)
Financing activities				
Capital increase	-	32	-	32
Share buyback	(264)	(273)	(264)	(273)
Payment of financial lease liabilities	(738)	(808)	(1,486)	(1,760)
Increase of borrowings	11,545	-	26,294	-
Repayment of borrowings	(14)	3,218	(9,170)	718
Net cash flows from financing activities	10,529	2,169	15,374	(1,283)
Net change in cash and cash equivalents	4,406	(2,253)	(1,919)	(24,697)
Net foreign exchange difference	(289)	(233)	(4)	302
Cash and cash equivalents at the beginning of the period	33,409	40,789	39,449	62,698
Cash and cash equivalents at the end of the period	37,526	38,303	37,526	38,303

BALANCE SHEET

ASSETS

DKK'000	Note	30 June 2022	31 Dec. 2021	30 June 2021
Development projects, completed		37,218	26,685	18,204
Development projects, in progress		13,663	15,589	18,606
Patents		2,683	3,016	3,370
Intangible assets	5	53,564	45,290	40,180
Plant and equipment		7,158	6,605	1,600
Right-of-use assets		5,853	6,995	8,486
Leasehold improvements		795	727	732
Tangible assets		13,806	14,327	10,818
Deferred tax asset		9,715	9,715	4,938
Leasehold deposits		1,397	1,357	1,355
Other non-current assets		11,112	11,072	6,293
Non-current assets		78,482	70,689	57,291
Inventories		24,615	24,123	22,462
Trade receivables		24,783	37,514	30,173
Right-of-return asset		37	36	112
Other receivables		14,322	4,915	3,136
Income tax receivable		-	-	47
Cash and cash equivalents		37,526	39,449	38,303
Current assets		101,283	106,037	94,233
Total assets		179,765	176,726	151,524

EQUITY AND LIABILITIES

DKK'000	Note	30 June 2022	31 Dec. 2021	30 June 2021
Share capital	6	20,774	20,774	20,771
Share premium		290,435	290,435	290,378
Treasury shares	7	(264)	-	-
Foreign currency translation reserve		(60)	270	(54)
Other capital reserves		11,027	8,242	7,464
Retained earnings		(204,201)	(186,249)	(216,339)
Equity		117,711	133,472	102,220
Interest-bearing loans and borrowings		9,758	-	-
Other non-current financial liabilities		4,751	4,860	5,597
Non-current lease liabilities		3,315	4,545	5,911
Non-current liabilities		17,824	9,405	11,508
Interest-bearing loans and borrowings		16,536	9,061	13,802
Current lease liabilities		2,804	2,726	2,848
Trade payables		10,497	10,990	3,362
Other payables		12,398	7,931	14,973
Income tax payable		16	16	-
Provisions		267	297	531
Contract liabilities		1,558	2,681	1,863
Refund liabilities		154	147	417
Current liabilities		44,230	33,849	37,796
Total liabilities		62,054	43,254	49,304
Total equity and liabilities		179,765	176,726	151,524

STATEMENT OF CHANGES IN EQUITY

DKK'000	Share capital	Share premium	Treasury shares	Foreign currency translation reserve	Share based payment reserve	Retained earnings	Total equity
2022							
Equity at January 1	20,774	290,435	-	270	8,242	(186,249)	133,472
Result for the period	-	-	-	-	-	(17,985)	(17,985)
Total other comprehensive income	-	-	-	(330)	-	-	(330)
Total comprehensive income for the period	-	-	-	(330)	-	(17,985)	(18,315)
Transactions with shareholders							
Share buyback	-	-	(264)	-	-	-	(264)
Reversal, exercised and lapsed options	-	-	-	-	(33)	33	-
Share-based payments	-	-	-	-	2,818	-	2,818
Equity at June 30	20,774	290,435	(264)	(60)	11,027	(204,201)	117,711
H1 2021							
Equity at January 1	20,767	290,330	-	(283)	6,744	(227,790)	89,768
Result for the period	-	-	-	-	-	11,005	11,005
Total other comprehensive income	-	-	-	229	-	-	229
Total comprehensive income for the period	-	-	-	229	-	11,005	11,234
Transactions with shareholders							
Issue of shares	4	28	-	-	-	-	32
Share buyback	-	-	-	-	-	(273)	(273)
Reversal, exercised and lapsed options	-	20	-	-	(739)	719	-
Share-based payments	-	-	-	-	1,459	-	1,459
Equity at June 30	20,771	290,378	-	(54)	7,464	(216,339)	102,220
2021							
Equity at January 1	20,767	290,330	-	(283)	6,744	(227,790)	89,768
Result for the period	-	-	-	-	-	40,228	40,228
Total other comprehensive income	-	-	-	553	-	-	553
Total comprehensive income for the period	-	-	-	553	-	40,228	40,781
Transactions with shareholders							
Issue of shares	7	46	-	-	-	-	53
Share buyback	-	-	-	-	-	(273)	(273)
Reversal, exercised and lapsed options	-	59	-	-	(1,609)	1,586	36
Share-based payments	-	-	-	-	3,107	-	3,107
Equity at December 31	20,774	290,435	-	270	8,242	(186,249)	133,472

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated 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 2021.

The consolidated financial statements for 2021 contain a full description of accounting policies.

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 such control ceases. The interim financial statements of the subsidiaries are prepared for the same reporting period as the parent company's 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, unrealized gains and losses, and dividends.

The interim consolidated financial statements are prepared on a historical cost basis.

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 judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets, and liabilities.

The accounting judgments, estimates, and assumptions that Management makes are the same for these interim consolidated financial statements as for the consolidated financial statements for 2021.

3. OPERATING SEGMENTS

The following tables present revenue and gross profit information about the Group's operating segments for H1 2022 and H1 2021, respectively:

H1 2022			
DKK'000	AMERICAS	ROW	CONSOLIDATED
Revenue			
Total revenue	75,665	12,056	87,721
Cost of goods sold	(32,789)	(3,339)	(36,128)
Segment gross profit	42,876	8,717	51,593

H1 2021			
DKK'000	AMERICAS	ROW	CONSOLIDATED
Revenue			
Total revenue	71,589	21,643	93,232
Cost of goods sold	(22,713)	(4,396)	(27,109)
Segment gross profit	48,875	17,248	66,123

Explanation of abbreviations:

AMERICAS = North & South America

ROW = Rest of the World

The Group's revenue relates to a single product category (SmartNIC products) why Management has assessed that no further firm-wide disclosures according to IFRS 15 are necessary.

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. Non-current assets, current taxes, and deferred taxes are not allocated to individual segments as they are also managed on a group basis.

4. EARNINGS PER SHARE

DKK'000	2nd quarter		YTD June	
	2022	2021	2022	2021
Net profit attributable to equity holders of the parent company for basic earnings and the effect of dilution	(11,398)	5,835	(17,985)	11,005

Thousands	2nd quarter		YTD June	
	2022	2021	2022	2021
Weighted average number of shares for basic earnings per share	83,095	83,086	83,095	83,080
Effect of dilution:				
Share options	4,193	3,425	4,193	3,425
Weighted average number of shares adjusted for the effect of dilution	87,288	86,511	87,288	86,505

5. INTANGIBLE ASSETS

DKK'000	Development projects, completed	Development projects, in progress	Patents	Other intangible assets	Total
Cost at 1 January 2022	276,862	40,807	10,435	2,139	330,243
Additions in the period	-	17,075	-	-	17,075
Transfers	19,001	(19,001)	-	-	-
Cost at 30 June 2022	295,863	38,881	10,435	2,139	347,318
Accumulated amortisation at 1 January 2022	250,177	25,218	7,419	2,139	284,953
Amortisation for the period	8,468	-	333	-	8,801
Accumulated amortisation and impairment 30 June 2022	258,645	25,218	7,752	2,139	293,754
Carrying amount at 30 June 2022	37,218	13,663	2,683	-	53,564

The annual impairment test for the intangible assets will be performed on December 31, 2022. As of June 30, 2022, the Management has assessed that there were no indications of impairment concerning the Group's intangible assets in the reporting period.

6. ISSUED SHARE CAPITAL AND RESERVES

Authorised shares	2022	2021
	Thousands	Thousands
Ordinary shares of DKK 0.25 each at 1 January	83,095	83,068
Increase in ordinary shares DKK 0.25 each	-	16
Ordinary shares of DKK 0.25 each at 30 June	83,095	83,084

7. TREASURY SHARES

Treasury shares have been acquired with the purpose to settle share options in the Group's share option program.

8. COMMITMENTS AND CONTINGENCIES

Collaterals

The Group has issued a floating charge in the amount of DKK 30m secured on receivables, inventories, and equipment as collateral for bank debt.

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