

REMUNERATION REPORT FOR THE FINANCIAL YEAR 2020

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 2020 and comparative figures for 2019. 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 2020 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, 2020. The remuneration policy is available on the Napatech website on 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 2021, an updated version of the Remuneration Policy will be presented for approval.

2 BUSINESS PERFORMANCE IN 2020

2020 was a year defined by COVID-19. As we entered the year, our business plan could not predict the impact of a global pandemic. On the contrary, Napatech's markets were healthy and flourishing as more applications were being deployed as software running on open, standard servers in both the data center and the cloud. Napatech's focus accelerating and securing these applications seemed more needed than ever before, in what was then known as "normal times".

From an execution perspective, we remained focused on research and development enhancing our existing products while building new solutions that are delivering new and future growth. We carefully managed sales and marketing to efficiently get to the right opportunities. We drove our operating cost-structure and product costs, all while delivering record-breaking positive free cash flow and gross margins. From a product perspective, we invested in our unique world-class expertise building high-performance SmartNIC software to improve the way networks are managed. We intensively focused on a three-prong product strategy that is delivering short-term customer benefits while opening pathways for potential long-term growth.

During 2020 we managed to grow revenue significantly while keeping product margins high and improving our internal cost structure. At the same time, we continued to focus our research and development activities on building products for future growth. The revenue growth and operating improvements resulted for the second year in a row in a significant improvement to the operating result and free cash flow in 2020.

3 REMUNERATION TO THE BOARD OF DIRECTORS IN 2020

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 2020 were approved at the annual general meeting on April 16, 2020:

	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
Deputy Chairman	NOK 190,000 (1 x board basic remuneration)	N/A	N/A

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 2020				
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
Total	573,557	132,687	-	706,244

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 2020

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 is 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.

Remuneration of Executive Management for the financial year 2020				
	Ray Smets, CEO		Heine Thorsgaard, CFO	
	DKK	%	DKK	%
Fixed basic salary	2,097,880.78	100%	1,660,219.20	100%
Pension contribution	37,245.36	2%	99,613.15	6%
Other benefits	191,699.44	9%	116,246.33	7%
Cash-based bonus scheme	2,058,296.15	98%	810,000.00	49%
Share-based remuneration	902,930.97	43%	123,746.66	7%
Total	5,288,052.70 DKK		2,809,825.34 DKK	

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 five financial years is summarized in the table below.

Financial Performance	2020	2019
Net result before taxes for the Company	4,166,000 DKK	-14,023,000 DKK
Net result after taxes for the Company	9,241,000 DKK	-11,064,000 DKK
Net result before taxes for the Group	5,081,000 DKK	-14,252,000 DKK
Net result after taxes for the Group	9,595,000 DKK	-13,601,000 DKK
Yearly Change in Remuneration for Board	2020	
Lars Boilesen, Chairman	-12%	
Howard Bubb, Deputy Chairman	-14%	
Henry Wasik, Board member	-14%	
Christian Jebsen, Board member	N/A	
Bjørn Erik Reinseth, Board member until April 2020	-67%	
Yearly Change in Remuneration for Executive Management & Company Employees	2020	
Executive Management	6.1%	
Average remuneration of Company Employees (FTE)	-1.8%	
Average remuneration of Group Employees within the Napatech Group (FTE)	0.9%	

The financial performance of Napatech improved significantly from 2019 with revenues growing and operating costs decreasing. Remuneration for the Board of Directors decreased in 2020 compared to 2019 due to a weakening of the NOK. The Board remuneration is fixed in NOK. Remuneration for the Executive Management grew 6.1% from 2019 to 2020. The growth is primarily related to increased costs of the share-based remuneration due to the development of the Napatech share price. The average remuneration of the employees in Napatech declined from 2019 to 2020. The decline is due to costs in 2019 related to the implementation of a new employees holiday act in Denmark.

Comparative figures for 2019 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 2020	Change in the fiscal year, shares	Market value Dec 30, 2020	
Board				
Lars Boilesen, Chairman	320,000	-	3,840,000 NOK	
Howard Bubb, Deputy Chairman	70,000	-	840,000 NOK	
Henry Wasik, Board member	200,000	-	2,400,000 NOK	
Christian Jebsen, Board member	-	-	-	
Executive Management				
Ray Smets, CEO	380,000	-	4,560,000 NOK	
Heine Thorsgaard, CFO	-	-	-	
	Total number of warrants 1 January 2020	Number of warrants exercised in 2020	Number of warrants granted in 2020	Total number of warrants 31 December 2020
Board				
Lars Boilesen, Chairman	-	-	-	-
Howard Bubb, Deputy Chairman	-	-	-	-
Henry Wasik, Board member	-	-	-	-
Christian Jebsen, Board member	-	-	-	-
Executive Management				
Ray Smets, CEO	1,467,244	-	500,000	1,967,244
Heine Thorsgaard, CFO	155,000	-	100,000	255,000

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 2020 under the Long-Term Incentive Program:

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.

8 COMPLIANCE WITH THE REMUNERATION POLICY

The remuneration of the Board and Executive Management for the financial year 2020 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 2020.

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 25, 2021

Board of Directors



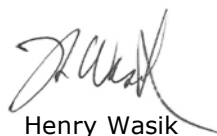
Lars Boilesen, Chairman



Christian Jebsen



Howard Bubb



Henry Wasik

APPENDIX A: COMPARATIVE FIGURES FOR 2019

Remuneration of Board for the financial year 2019				
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	-	-	-	-
Total	751,208	225,362	-	976,570

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

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	2,101,129.45	100%	289,633.66	100%	1,741,859.84	100%
Pension contribution	37,353.41	2%	16,227.00	6%	98,595.84	6%
Other benefits	204,969.85	10%	19,373.00	7%	128,106.50	7%
Cash-based bonus scheme	2,001,075.67	95%	135,000.00	47%	413,333.33	24%
Share-based remuneration	418,759.04	20%	11,851.20	4%	15,612.44	1%
Total	4,763,287.42 DKK		472,084.86 DKK		2,397,507.95 DKK	

Remuneration of Company Employees				
DKK'000	Group		Company	
	2020	2019	2020	2019
Wages and salaries	86,490	89,926	57,428	61,725
Defined contribution schemes	3,933	3,923	3,545	3,550
Share-based payment expense	2,347	1,635	771	569
Social security costs	3,438	3,507	452	530
Total employee benefits expense	96,208	98,991	62,196	66,374
Average number of employees	78	81	62	65
Average remuneration of Employees	1,233	1,222	1,003	1,021

Share-based remuneration of Executive Management - 2019						
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.