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Announcement No. 9-2008

29 April 2008

Profit announcement for the first quarter of 2008

After being appointed CEO of Danware in February 2008, Kurt Groth Bager has launched a number of initiatives aiming to create a streamlined and focused sales organisation and a value-creating and profitable platform for existing and future products rooted in customer needs and general technology developments. Q1 revenue fell short of expectations, but the performance improved towards the end of the quarter. The new initiatives are expected to have a visible effect on revenue and profits over the next three quarterly periods. We retain our guidance for 2008.

- Danware launched two new products in the first quarter, NetOp® School 5.5 and NetOp® Instruct 5.5. The new products were launched in support of recent initiatives to drive Education business area revenues to a substantially higher level.
- Q1 revenue was DKK 16.5m, a 30% drop from DKK 23.4m in Q1 2007. EMEA revenue fell by 34% relative to the year-earlier period, and revenue in the Americas declined by 18%.
- Q1 Desktop Management revenue was DKK 13.5m, as compared with DKK 18.0m in Q1 2007. Q1 Education revenue was DKK 2.9m, as compared with DKK 4.9m in Q1 2007.
- EBITDA was a loss of DKK 12.3m in Q1 2008 against a profit of DKK 0.1m in the same period of last year. EBIT was a loss of DKK 13.8m in Q1 2008 compared with a loss of DKK 1.7m in Q1 of last year. The decline was mainly due to the drop in sales as well as higher staff and marketing costs as well as an increase in external consultants' fees.
- Danware incurred a net loss of DKK 8.9m in Q1 2008 against a DKK 0.7m loss in the year-earlier period.
- We retain the full-year forecast of revenue of DKK 100-110m and an EBITDA loss of about DKK 10m for 2008.

Contact

Kurt Bager, CEO, tel. +45 4590 2525, e-mail kbg@danware.dk

Danware's core business is to develop and market software products based on the NetOp® core technology – a technology enabling swift, secure and seamless transfer of screens, sound and data between two or more computers. The company's two product areas are Desktop Management and Education. The core product in Desktop Management, NetOp® Remote Control, enables remote control of one or more distant computers. NetOp® School, the core product in Education, is a software application for computer-based classroom teaching. All are plug 'n play products offering extensive functionality, flexibility and user-friendliness. Danware's products are sold in more than 80 countries. In 2007, the company generated revenue of DKK 85.3m. Danware's shares are listed on the Copenhagen Stock Exchange and are a component of the Small Cap+ index. Danware operates wholly owned subsidiaries in the United States, the UK and Germany. For more information, go to www.danware.com.

Translation In the event of any inconsistency between this document and the Danish language version, the Danish language version shall be the governing version.



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Financial highlights and key ratios

DKKm	Q1 2008	Q1 2007	2007	
Income statement				
Revenue	16.5	23.4	85.3	
Gross profit	9.9	20.6	65.9	
Operating profit before depreciation and amortisation (EBITDA)	(12.3)	0.1	(20.6)	
Operating profit (EBIT)	(13.8)	(1.7)	(32.0)	
Net financials	2.0	0.7	1.1	
Profit before tax	(11.8)	(1.0)	(30.9)	
Net profit for the period	(8.9)	(0.7)	(31.7)	
Balance sheet, end of period				
Assets	175.1	224.7	183.1	
Assets less cash	100.8	118.8	99.0	
Share capital	19.3	19.3	19.3	
Equity	157.6	208.4	168.6	
Cash flows				
From operating activities	(10.0)	(7.4)	(16.7)	
From investing activities	0.3	0.1	(2.6)	
Of which invested in property, plant and equipment	-	(0.4)	(1.0)	
From financing activities	-	-	(9.5)	
Total cash flows	(9.8)	(7.3)	(29.1)	
Ratios				
Operating margin (EBITDA-margin)	%	(75)	1	(24)
Operating margin (EBIT-margin)	%	(84)	(7)	(38)
Equity ratio, end of period	%	90	93	92
Return on equity, p.a.	%	(22)	(1)	(17)
Earnings per share, EPS		(2.3)	(0.2)	(8.4)
Diluted earnings per share, EPS-D	DKK	(2.3)	(0.2)	(8.4)
Cash flow per share, CFPS	DKK	(2.6)	(1.9)	(4.3)
Net asset value per share	DKK	40.9	54.1	43.8
Avg. number of shares (nominal value of DKK 5) (thousands)		3,850	3,850	3,850
Number of shares, end of period (nominal value of DKK 5) (thousands)		3,850	3,850	3,850
Share price, end of period, DKK		69.0	107.0	73.0
Dividend per share, DKK		-	-	2.5
Price earnings, P/E	DKK	(7.5)	(132.2)	(8.9)
Average number of employees		96	81	84

The Q1 interim report is presented in accordance with IAS 34 and additional Danish requirements on the presentation of financial statements by listed companies.

The interim financial statements are unaudited. Ratios have been calculated in accordance with "Recommendations & Financial Ratios 2005" issued by the Danish Society of Financial Analysts.



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Business performance

Revenue was weaker than anticipated at the beginning of the first quarter, in part due to a management and organisational vacuum in sales. The performance improved towards the end of the quarter.

Management changes

Kurt Groth Bager (age 44) was appointed new CEO of Danware in February 2008. Mr Bager had been with US-based IT company EMC since 2000, and prior to joining EMC, he was General Manager of GE Capital IT Solutions.

Mr Bager brings extensive experience from sales and marketing of IT solutions and many years of international management experience from several European countries. He has a solid track record from a number of international corporations in terms of building and developing their country organisations.

Also during the first quarter, sales and marketing management was strengthened substantially through the appointment of four new sales-oriented people.

In the wake of the management changes implemented in Danware, we are now reviewing company matters aiming to implement i) a streamlined and focused sales organisation and ii) a value creating and profitable platform for existing and future products.

Developing the sales and marketing organisation

We are currently working to implement a visible corporate sales culture and sales organisation focused on performance and customers. In achieving that goal, we will strengthen our cold calling and field sales as well as sales to existing profitable customers. The activities include these and other initiatives:

- a review of sales processes with a view to achieving greater efficiency;
- greater head office involvement in the conclusion of major contracts;
- an analysis of Danware's positioning in individual markets in order to capitalise on opportunities in those markets;
- structured and visual sales reporting;
- strengthening profitable Danware partners; and
- enhancing the efficiency of in-house work processes.

These activities will involve the head office and the subsidiaries in the USA, Germany and the UK.

We are also setting up an independent unit (based at head office) that will be in charge of sales to the rest of the world. This new unit will adhere to the same principles as apply to other Danware subsidiaries.

We expect a visible effect of the above initiatives over the next two quarterly periods.

Product development and new product launches

Education

As planned, Danware launched two new products in Education during the first quarter, NetOp® School 5.5 and NetOp® Instruct 5.5.



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The new products were launched in support of recent and planned initiatives to drive Education business area revenues to a substantially higher level.

As part of these initiatives to strengthen the Education business area, we will consider the potential for launching complementary software for this market. The goal is to enhance the value of Danware's overall product portfolio to schools and private businesses with a need for IT-based teaching, professional development and knowledge sharing.

Desktop Management

A new version of Danware's core product NetOp Remote Control (9.1) has been launched in the second quarter. An additional version is expected to be launched in the third quarter. As the underlying components of NetOp Remote Control are core components of most of the other Danware products, future launches will have a big influence on the continued development of these other products.

Following the Remote Control launches will be new versions of the NetOp Mobile Embedded and NetOp On Demand products in markets with attractive prospects and where we are currently evaluating the sales potential. We aim to further strengthen the Desktop Management products by developing value creating and solution-oriented products.

Financial review

Revenue

Danware generated Q1 revenue of DKK 16.5m, compared with DKK 23.4m in Q1 2007. The drop in revenue was attributable to weaker sales of all products.

Exchange rates weakened during the first quarter relative to Q1 2007, having a negative impact on revenue.

Revenue split by product:

DKKm	Q1 2008	%	Q1 2007	2007
Desktop Management	13.5	81.8	18.0	66.9
Education	2.9	17.6	4.9	17.6
Security	0.1	0.6	0.5	0.8
Total	16.5	100	23.4	85.3

Q1 Desktop Management revenue was DKK 13.5m, as compared with DKK 18.0m in Q1 2007. The drop was caused by weaker sales in the European markets.

Q1 Education revenue was DKK 2.9m, as compared with DKK 4.9m in Q1 2007. The decline was mainly caused by a drop in sales in the US and European markets.

Revenue from Security products was DKK 0.1m.



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Revenue by geographical market:

DKKm	Q1 2008	%	Q1 2007	2007
EMEA	11.3	68.5	17.1	60.5
Americas	4.9	29.7	6.0	23.0
Asia/Pacific	0.3	1.8	0.3	1.8
Total	16.5	100	23.4	85.3

Europe, the Middle East and Africa (EMEA) reported a 34% drop in revenue relative to Q1 2007. The drop was mainly caused by a fall in sales in the European markets.

In the Americas, Q2 revenue was down by about 18% in DKK-terms relative to the year-earlier period.

In the Asia/Pacific region, revenue was stable at DKK 0.3m.

Costs

Costs recognised in individual quarters are subject to the timing of new version launches and translation, among other things, of Danware products. The NetOp® School 5.5 and NetOp® Instruct 5.5 products were launched in the first quarter. In addition, costs incurred during the quarter were driven especially by the growth in the employee headcount in mainly sales and administrative functions.

Total Q1 costs of production, development, distribution and administrative activities were DKK 30.3m, an increase of DKK 5.2m relative to Q1 2007.

Production costs (34% of revenue) were DKK 6.6m in Q1 2008, as compared with DKK 2.8m in Q1 2007. The increase was due to a general increase in staff costs and external consultants' fees

Development costs (20% of revenue) were DKK 5.6m in Q1 2008, compared with DKK 5.9m in Q1 2007.

Distribution costs (61% of revenue) were DKK 10.0m in Q1 2008, compared with DKK 9.4m in Q1 2007.

Administrative expenses (50% of revenue) were DKK 8.1m in Q1 2008, compared with DKK 7.0m in Q1 2007.

Financial results

EBITDA was a loss of DKK 12.3m in Q1 2008 against DKK 0.1m in the same period of last year. EBIT amounted to a loss of DKK 13.8m in Q1 2008 against a loss of DKK 1.7m in Q1 2007.

Net financial items represented an income of DKK 2.0m in Q1 2008 against DKK 0.7m in Q1 2007.

As a result, Danware incurred a Q1 2008 pre-tax loss of DKK 11.8m, compared with a profit of DKK 1.0m in Q1 2007.

Balance sheet

At 31 March 2008, total assets amounted to DKK 175.1m, with cash accounting for DKK 74.3m. Equity stood at DKK 157.6m, corresponding to an equity ratio of 90%.



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Cash flows

Operating activities generated a cash outflow of DKK 10.0m in Q1 2008 compared with a cash outflow of DKK 7.4m in the year-earlier period. Cash flows from ordinary activities before changes in working capital were affected by rising costs. The Q1 cash flow per share (CFPS) was an outflow of DKK 2.6.

There was a cash inflow from *investing activities* of DKK 0.3m in Q1 2008 compared with an outflow of DKK 0.1m in the year-earlier period.

There were no cash flows from *financing activities* in Q1.

Accordingly, there was a total cash outflow of DKK 9.8m in Q1 2008 compared with an outflow of DKK 7.3m in the year-earlier period.

Outlook

Danware's primary goal for 2008 is to reignite revenue growth and to focus particularly on turning its subsidiaries into well-functioning organisations that can execute the planned expansion of Danware's distribution channel – both for Desktop Management and Education.

New versions of the most important Danware products will be launched during 2008 with a view to adapting these versions to Microsoft's new operating system, Vista. Danware also attaches importance to continually offering more comprehensive solutions within the individual business areas, while at the same time seeking to adapt and address its products to new segments offering the strongest growth.

Danware forecasts increased revenue from both Desktop Management and Education during the rest of 2008 based on the sales and marketing activities and on the launch of new versions of Danware's core products. Performance in the US market is subject to greater uncertainty than has been the case in the last couple of years due to the unstable economic conditions.

For the 2008 financial year, we continue to forecast overall revenue in the range of DKK 100-110m. The revenue forecast is based on a DKK-USD exchange rate of 5.0. A DKK 0.1 change in the DKK/USD exchange rate would have a DKK 0.5m impact on revenue.

Costs are expected to increase by about 10% in 2008, as costs in subsidiaries take full effect. Remaining costs are expected to be at the same level as in 2007.

The anticipated revenue increase is expected to improve earnings by a substantial margin and we project an operating loss before depreciation and amortisation of goodwill (EBITDA) of approximately DKK 10m.

Forward-looking statements

The above forward-looking statements, including in particular the forecasts of future revenue and operating profit, reflect management's current expectations for future events and are subject to risk. Several factors, some of which will be beyond Danware's control, may cause actual developments and results to differ materially from the expectations expressed. Such factors include, but are not limited to, general economic developments and developments in the financial markets, technology innovation, changes and amendments to legislation and regulations governing Danware's markets, changes in the demand for Danware products, competition, and the integration of company acquisitions.



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Investor presentation

Danware will host an investor and analyst presentation on Wednesday, 30 April 2008 at 9:00 am, at Gudme Raaschou, Børsgade 4-8, DK-1215 Copenhagen K. Representing Danware will be Kurt Groth Bager, CEO, and Claus Finderup Grove, CFO. To register for the presentation, contact Anette Rundstrøm on tel. +45 3344 9060 or by e-mail to anr@gr.dk

Announcements in 2008

25 January	Financial calendar 2008
05 February	Change in management and adjustment of 2007 profit forecast
11 February	New version of NetOp® School launched
26 February	Danware appoints new CEO
26 February	New version of NetOp® Instruct launched
11 March	Annual Report 2007
28 March	Articles of association of Danware A/S

2008 Financial calendar

30 April	Annual General Meeting
19 August	Profit announcement for the second quarter of 2008
18 November	Profit announcement for the third quarter of 2008
31 December	End of financial year

Appendices

The financial statements of the Danware Group comprise the parent company Danware A/S and the wholly owned subsidiaries Danware Data A/S and Danware Security A/S.

Statement by the Executive Board and the Board of Directors
Income statement
Balance sheet
Statement of changes in equity
Cash flow statement
Quarterly income statement



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Statement by the Board of Directors and the Management Board

The Board of Directors and the Management Board today considered and approved the interim report of Danware A/S for the three months ended 31 March 2008.

The interim report is presented in accordance with IAS 34 on interim financial reporting and additional Danish disclosure requirements for listed companies. The interim report is presented in accordance with the same accounting policies as were applied in the 2007 annual report, including with the International Financial Reporting Standards as adopted by the EU.

We consider the accounting policies to be adequate, the accounting estimates to be reasonable and the overall presentation of the interim report to be appropriate. In our opinion, the interim report gives a true and fair view of the Group's assets and liabilities and financial position at 31 March 2008 and of the results of the Group's operations and cash flows for the period 1 January – 31 March 2008.

The interim report is unaudited.

Birkerød, 29 April 2008

Management Board

Kurt Bager
CEO

Board of Directors

Ib Kunøe
Chairman

Charlotte Hellested Brøbeck

Ole Haag

Henning Hansen

Claus True Hougesen

Peter Grøndahl

Per Rank



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Income statement

DKK '000	Q1 2008	Q1 2007	2007
Net revenue	16,460	23,368	85,303
Production costs	(6,586)	(2,770)	(19,447)
Gross profit	9,874	20,598	65,856
Development costs	(5,559)	(5,859)	(20,914)
Distribution costs	(9,982)	(9,440)	(47,357)
Administrative expenses	(8,174)	(7,042)	(29,591)
Operating profit (EBIT)	(13,841)	(1,743)	32,006
Share of net profit in associates	-	-	(467)
Financial income	2,213	994	5,208
Financial expenses	(174)	(277)	(3,594)
Profit from ordinary activities before tax	(11,802)	(1,026)	(30,859)
Tax for the period	2,941	327	(875)
Net profit for the period	(8,861)	(699)	(31,734)



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Balance sheet, assets

DKK '000	31 Mar 2008	31 Dec 2007	30 Sep 2007	30 Jun 2007	31 Mar 2007
Acquired licences	10,951	11,992	12,706	13,324	14,214
Goodwill	14,956	14,956	19,271	19,271	19,271
Leasehold improvements	258	279	302	342	358
Development costs	152	153	229	305	381
Development projects in progress	7,264	7,264	5,597	5,597	5,574
Intangible assets	33,581	34,644	38,105	38,839	39,798
Land and buildings	29,545	29,820	30,095	30,369	30,644
Other fixtures and fittings, tools and equipment	2,492	2,992	3,407	3,815	4,192
Property, plant and equipment	32,037	32,812	33,502	34,184	34,836
Investments in associates	398	398	865	865	865
Deferred tax asset	-	357	1,437	1,312	1,346
Other non-current assets	398	755	2,302	2,177	2,211
Non-current assets	66,017	68,211	73,909	75,200	76,845
Trade receivables	24,443	23,889	26,617	31,697	29,155
Other receivables	1,719	1,656	1,449	1,775	1,808
Income taxes receivable	8,007	4,844	12,120	9,140	9,453
Prepayments	634	377	377	450	1,535
Receivables	34,803	30,766	40,563	43,062	41,951
Cash	74,298	84,114	88,290	101,207	105,872
Current assets	109,101	114,880	128,853	144,269	147,823
Total assets	175,119	183,091	202,762	219,469	224,668



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Balance sheet, equity and liabilities

DKK '000	31 Mar 2008	31 Dec 2007	30 Sep 2007	30 Jun 2007	31 Mar 2007
Share capital	19,252	19,252	19,252	19,252	19,252
Exchange adjustment reserve	-	(119)	437	3	44
Retained earnings	138,325	148,609	171,215	181,450	179,479
Proposed dividend	-	-	-	-	9,626
Equity	157,577	167,742	190,904	200,705	208,401
Deferred tax	832	-	-	-	-
Debt, acquisition of group enterprises	-	-	2,157	2,157	2,164
Long-term liabilities	832	-	2,157	2,157	2,164
Debt relating to purchase of group enterprises	775	775	-	-	275
Trade payables	10,839	7,277	2,484	9,164	5,924
Other payables	4,760	6,701	6,595	6,556	6,724
Income taxes payable	-	-	-	-	-
Estimated tax charge for the period	-	-	-	548	-
Deferred income	335	596	622	339	1,180
Short-term liabilities	16,710	15,349	9,701	16,607	14,103
Total liabilities	17,542	15,349	11,858	18,764	16,267
Total equity and liabilities	175,119	183,091	202,762	219,469	224,668



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Statement of changes in equity

DKK '000	Share capital	Exchange adjustment reserve	Retained earnings	Proposed dividend	Total
Equity at 1 January 2007	19,252		180,094	9,626	208,972
Net profit for the year		(119)	(31,734)		(31,853)
Share-based payment			146		146
Share options exercised			(61)		(61)
Sale of treasury shares			37		37
Proposed dividend	-		127	(9,626)	(9,499)
Equity at 1 January 2008	19,252	(119)	148,609	-	167,742
Net profit for the period		(1,304)	(8,861)		(10,165)
Share-based payment					
Share options exercised					
Sale of treasury shares					
Equity at 31 March 2008	19,252	(1,423)	139,748	-	157,577



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Cash flow statement

DKK '000	Q1 2008	Q1 2007	2007
Revenue	16,460	23,368	85,303
Costs and expenses	(28,908)	(23,246)	(105,280)
Cash flows from operating activities before changes in working capital	(12,448)	122	(19,977)
Changes in working capital	326	(5,671)	(653)
Cash flows from operations	(12,122)	(5,549)	(20,630)
Interest income	2,213	930	5,208
Interest expenses	(174)	(277)	(3,594)
Cash flows from ordinary activities	(10,083)	(4,896)	(19,016)
Income taxes paid	-	(2,505)	2,048
Cash flows from operating activities	(10,083)	(7,401)	(16,968)
Additions of intangible assets	-	(253)	(841)
Additions of group enterprises	-	-	(108)
Additions of property, plant and equipment	2	(373)	(1,040)
Disposals of property, plant and equipment	265	705	1,110
Development projects in progress	-	-	(1,690)
Change in investment capital	-	-	-
Cash flows from investing activities	79	79	(2,569)
Repayment of short-term debt	-	-	(16)
Sale of treasury shares	-	37	37
Dividend paid	-	-	(9,499)
Share options exercised	-	(17)	(61)
Cash flows from financing activities	-	20	(9,523)
Net cash flows for the period	(9,816)	(7,302)	(29,060)
Cash and cash equivalents at beginning of period	84,114	113,174	113,174
Cash and cash equivalents at end of period	74,298	105,872	84,114



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Quarterly income statement

Mio. DKK	Q2 06	Q3 06	Q4 06	Q1 07	Q2 07	Q3 07	Q4 07	Q1 08	Q2 07 - Q1 08	Q2 06 - Q1 07	2007
Revenue:											
Desktop management	20.7	11.8	19.7	18.0	23.3	11.5	14.1	13.5	62.4	70.2	66.9
Education	6.5	6.8	10.1	4.9	5.1	3.6	4.0	2.9	15.6	28.3	17.6
Security	0.2	0.5	0.3	0.5	0.3	0.1	-	0.1	0.5	1.5	0.8
Other	-	-	-0.3	-	-	-	-	-	-	(0.3)	-
EMEA	17.3	14.2	22.2	17.1	21.1	10.2	12.1	11.3	54.7	70.8	60.5
Americas	9.4	4.5	7.1	6.0	6.7	4.7	5.6	4.9	21.9	27.0	23.0
Asia/Pacific	0.7	0.4	0.5	0.3	0.9	0.3	0.3	0.3	1.8	1.9	1.8
Total	27.4	19.1	29.8	23.4	28.7	15.2	18.0	16.5	78.4	99.7	85.3
Production costs	(5.5)	(3.3)	(0.7)	(2.8)	(3.9)	(4.6)	(8.2)	(6.6)	(23.4)	(12.3)	(19.5)
Gross profit	21.9	15.8	29.1	20.6	24.8	10.6	9.9	9.9	55.2	87.4	65.9
Development costs	(6.0)	(5.0)	(6.2)	(5.9)	(6.2)	(4.9)	(3.9)	(5.6)	(20.6)	(23.1)	(20.9)
Distribution costs	(10.6)	(11.5)	(10.7)	(9.4)	(10.8)	(12.5)	(14.7)	(10.0)	(48.0)	(42.2)	(47.4)
Administrative costs	(4.5)	(4.5)	(7.7)	(7.0)	(5.9)	(7.9)	(8.8)	(8.2)	(30.8)	(23.7)	(29.6)
Operating profit (EBIT)	0.8	(5.2)	4.5	(1.7)	1.9	(14.7)	(17.5)	(13.8)	(44.1)	(1.6)	(32.0)
<i>EBIT margin</i>	3%	(27%)	15%	(7%)	7%	(97%)	(98%)	(84%)	(56%)	(2%)	(38%)
Share of profit in associates	-	-	(0.7)	-	-	-	-	-	-	(0.7)	(0.5)
Financial income	1.0	1.5	1.1	1.0	0.9	1.2	2.1	2.2	6.4	4.6	5.2
Financial expenses	(1.0)	(0.2)	(1.1)	(0.3)	(0.2)	(0.1)	(3.0)	(0.2)	(3.7)	(2.6)	(3.6)
Profit before tax	0.8	(3.9)	3.8	(1.0)	2.6	(13.6)	(18.9)	(11.8)	(41.7)	(0.3)	(30.9)
Tax on the profit for the period	(0.3)	1.1	(1.7)	0.3	(0.8)	3.4	(3.7)	2.9	1.8	(0.6)	(0.8)
Profit for the period	0.5	(2.8)	2.1	(0.7)	1.8	(10.2)	(22.6)	(8.9)	(39.9)	(0.9)	(31.7)