



**Asetek A/S**

**Quarterly Report**

The year ended December 31, 2014

Published February 25, 2015

## Key figures

Figures in USD (000's)	Q4 2014	Q4 2013	2014	2013
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	
<b>Total Company:</b>				
Revenue	4,563	6,112	20,847	20,729
Gross profit	1,814	2,425	8,710	8,049
Gross margin	39.8%	39.7%	41.8%	38.8%
Operating profit	(3,504)	(2,353)	(9,808)	(7,759)
<b>Reconciliation from IFRS to EBITDA adjusted:</b>				
Operating profit	(3,504)	(2,353)	(9,808)	(7,759)
Add: Depreciation and amortization	410	553	1,771	2,030
Add: Share based compensation	135	486	940	593
EBITDA adjusted (unaudited)	(2,959)	(1,314)	(7,097)	(5,136)
<b>By Segment (Unaudited):</b>				
<b>Desktop:</b>				
<i>Desktop revenue</i>	4,401	5,509	19,318	19,925
<i>Desktop gross margin*</i>	40.8%	45.5%	42.4%	40.9%
<i>Desktop EBITDA adjusted</i>	432	1,307	3,279	4,299
<b>Datacenter:</b>				
<i>Datacenter revenue</i>	162	603	1,529	804
<i>Datacenter gross margin*</i>	14.8%	9.1%	37.5%	20.5%
<i>Datacenter EBITDA adjusted</i>	(1,630)	(1,775)	(5,529)	(6,396)
<b>Headquarters:</b>				
<i>Headquarters costs**</i>	(1,761)	(846)	(4,847)	(3,039)

\*Segment gross margins are computed excluding depreciation costs that are normally classified as cost of goods sold.

\*\*Headquarters costs include intellectual property defense, financing, HQ admin costs. Excludes share based compensation.

## Highlights

- |                              |   |
|------------------------------|---|
| Revenues                     | <ul style="list-style-type: none"><li>• Total revenues for 2014 were \$20.8 million, on par with 2013. Fourth quarter revenues were \$4.6 million, compared with \$6.1 million the same period last year.</li></ul>   |
| Financing                    | <ul style="list-style-type: none"><li>• Asetek is in process of raising equity capital to strengthen its financial growth platform and partner capacity in response to the Fujitsu OEM agreement announced February 24' 2015.</li></ul>   |
| Intellectual Property        | <ul style="list-style-type: none"><li>• In December, the U.S. District Court unanimously ruled in favor of Asetek on all claims in its patent infringement lawsuit against CMI USA, Inc. The jury awarded Asetek damages of \$0.4 million, representing a 14.5% royalty on CMI's infringing sales since 2012.</li><li>• The patent case with CoolIT Systems Inc. ("CoolIT") was settled in February 2015, with Asetek agreeing to dismiss the case. Any damage amount payable to Asetek will be made public upon the determination such amount by the judge.</li></ul>  |
| Outlook                      | <ul style="list-style-type: none"><li>• In February 2015, Asetek executed an agreement with server manufacturer Fujitsu Technology Solutions GmbH to integrate Asetek's RackCDU liquid cooling technology in its products.</li><li>• In February 2015, The California Energy Commission selected Asetek for a \$3.5 million project to install RackCDU liquid cooling in two large scale data centers.</li><li>• Asetek expect Q1 2015 desktop revenue above Q4 2014, and expect Q2 2015 revenue upwards of 40% higher than the average revenue levels achieved recent quarters.</li><li>• Over time, Asetek anticipates significant data center revenue growth to be derived from RackCDU sales on Fujitsu platforms.</li></ul>  |
| Financial results by segment | <ul style="list-style-type: none"><li>• Operating profits from the desktop segment were \$3.3 million for 2014 and \$0.4 million for the fourth quarter, down from \$4.3 million and \$1.3 million in corresponding periods last year, mainly explained by lower shipments of high margin graphics cooling and workstation products in the fourth quarter 2014.</li><li>• Operating losses from the data center segment were \$5.5 million for 2014 and \$1.6 million for the fourth quarter, compared with losses of \$6.4 million and \$1.8 million in corresponding periods last year. The results reflect continued implementation of Asetek's data center strategy with investments in technology development, product marketing and business development with partners and customers.</li></ul> |
| Operations                   | <ul style="list-style-type: none"><li>• The Company continues progress on its contract for the U.S. Department of Defense at the Redstone Arsenal data center, carrying a total value of over \$2 million.</li><li>• Shipments of products in the Workstation market declined during the fourth quarter 2014 due to HP's decision to remove liquid cooling as an option in its newest line of desktop workstations. However, Asetek expects to regain workstation revenue in future quarters with liquid cooler shipments for Dell workstations.</li></ul>  |

## Financial review

*The figures below relate to the consolidated accounts for the fourth quarter and fiscal 2014, which comprise activities within the two segments Desktop and Data Center. The quarterly figures are unaudited.*

### Income Statement (Consolidated)

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Asetek reported revenues of \$4.6 million in the fourth quarter of 2014. The 25% decrease from the same period of 2013 is principally explained by shipment of a large order of PC graphics cooling products in fourth quarter 2013 and a significant desktop order expected this quarter sliding to first quarter 2015. Also, sales of desktop workstation products declined due to HP's decision to remove liquid cooling as an option on its newest line of high performance workstations. Data center revenues declined compared with the same period of 2013 due to the timing of delivery of third party equipment on a contract with the U.S. Government.

Sales unit volumes for the fourth quarter were 100,000, a decline of 14% versus the same period of 2013 (116,000). The decrease is principally the result of a decline in shipment of PC graphics cooling products, and to a lesser extent, workstation products. Average selling prices (ASP) per unit for the quarter declined compared to the fourth quarter of 2013, principally due to the reduction in shipment of premium priced graphics cooling products in 2014.

Total revenues for 2014 were \$20.8 million, on par with 2013 (\$20.7 million). An increase in data center revenues in 2014 more than offset the decrease in desktop revenues. Sealed loop cooling unit volumes for 2014 were 425,000, down marginally from 2013 (426,000). ASP's for the year 2014 were \$45.50, a decline of 3% from 2013 (\$46.75).

Gross margin was 39.8% for the fourth quarter and 41.8% for the full year of 2014, compared with 39.7% and 38.8% for corresponding periods of last year, respectively. The changes in gross margins reflect multiple factors. A change in business model with certain customers resulted in reduction of their sales prices and increases in their gross

margins. Asetek's proactive management of the mix of product offerings and cost savings achieved with certain component suppliers also increased margins during the year. These increases were offset by declines in shipments of high margin products for PC graphics cooling and workstations in the fourth quarter of 2014.

Operating costs increased 11% compared with the fourth quarter of 2013, reflecting principally \$1.5 million of legal costs related to defense of existing intellectual property (IP) and securing new IP (\$0.4 million incurred in fourth quarter 2013). The increase in legal costs are principally a result of the completion in December 2014 of a trial versus CMI USA, Inc. (formerly Cooler Master, USA Inc.), which resulted in a favorable outcome for Asetek. IP legal costs for the year 2014 were \$3.8 million compared with \$1.7 million in 2013.

The Company also continues to invest in the development and marketing of the data center solutions.

Asetek incurred an operating loss of \$3.5 million in the fourth quarter of 2014 (\$2.4 million operating loss in fourth quarter 2013) and \$9.8 million for the year 2014 (\$7.8 million operating loss in 2013).

Finance income and cost was not significant in the fourth quarter or full year 2014. Finance income in 2013 included \$1.6 million of gains associated with the valuation of outstanding debt instruments converted to equity at the time of the IPO.

In the fourth quarter of 2014, the Company recognized \$1.1 million income tax benefit related to credits associated with investment in research and development (\$0.4 million earned in the same period of 2013). The 2014 benefit is recorded as a receivable to be received as cash funds in the second half of 2015.

### Balance Sheet (Consolidated)

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Asetek's total assets at December 31, 2014 amounted to \$12.8 million, an \$8.2 million decrease from December 31, 2013. The decrease in assets resulted principally from cash payments for

operating expenditures and litigation costs. Total cash and cash equivalents was \$4.2 million at December 31, 2014.

### Cash Flow (Consolidated)

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Net cash used by operating activities was \$5.8 million for 2014, compared with \$4.6 million used in 2013. The change was mainly attributed to the increased operating loss.

Cash used by investing activities was \$2.0 million, related principally to additions in capitalized development costs and property and equipment.

Cash provided by financing activities was \$50 thousand in 2014, related principally to financing of equipment. In 2013, cash provided by financing activities was \$17.9 million, principally the result of

inflows associated with the Company's IPO, net of payments of outstanding debt.

Net change in cash and cash equivalents was negative \$7.5 million in 2014, compared with an increase of \$10.4 million in 2013. Not including IPO related transactions, the net change in cash in 2013 was negative \$6.9 million.

## Segment breakdown

Beginning from January 2013, the company is reporting on two distinct segments; the **Desktop** segment and the **Data Center** segment.

The two segments are identified by their specific sets of products and specific sets of customers. The splitting of operating expenses between segments is based on the company's best judgment, and done by using the company's employee/project time tracking system and project codes from the accounting system. Operating expenses that are not divisible by nature (rent, telecommunication expenses, etc.) have been split according to actual time spent on the two businesses, and the company's best estimate for attribution. Costs incurred for intellectual property defense, financing, foreign exchange and headquarters administration have been classified separately as headquarters costs and excluded from segment operating expenses as indicated.

### Unaudited breakdown of the income statement

#### Fourth Quarter

Figures in USD (000's)	Desktop		Data center	
	Q4 2014	Q4 2013	Q4 2014	Q4 2013
Revenues	4,401	5,509	162	603
Cost of sales	2,606	3,002	138	548
Gross Profit	1,795	2,507	24	55
Gross Margin*	40.8%	45.5%	14.8%	9.1%
Total operating expenses**	1,363	1,200	1,654	1,830
EBITDA adjusted	432	1,307	(1,630)	(1,775)
EBITDA margin	9.8%	23.7%	N/A	N/A

#### Year Ended

Figures in USD (000's)	Desktop		Data center	
	2014	2013	2014	2013
Revenues	19,318	19,925	1,529	804
Cost of sales	11,124	11,781	956	639
Gross Profit, adjusted	8,194	8,144	573	165
Gross Margin, adjusted	42.4%	40.9%	37.5%	20.5%
Total operating expenses**	4,915	3,845	6,102	6,560
EBITDA, adjusted	3,279	4,299	(5,529)	(6,395)
EBITDA margin	17.0%	21.6%	N/A	N/A

\*\*Operating expenses by segment exclude headquarters costs of \$1.8 million, \$0.8 million, \$4.8 million and \$3.0 million for Q4 2014, Q4 2013, FY 2014 and FY 2013, respectively. Significant components of headquarters costs include intellectual property defense of \$1.5 million and \$0.4 million in Q4 2014 and Q4 2013, respectively and \$3.8 million and \$1.7 million in FY 2014 and FY 2013.

## Desktop financials

### Desktop revenue and margin development

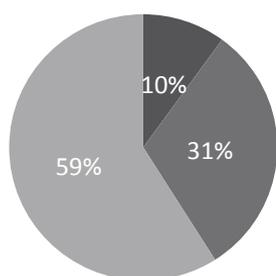
USD (000's)



Asetek's desktop revenues in the fourth quarter 2014 decreased 20% compared with the same period of the prior year principally due to a reduction in shipments of Gaming/Performance Desktop PC products that spiked in the fourth quarter of 2013 when the Company fulfilled a significant order of PC graphics cooling units. Shipments of products in the Workstation market also declined due to HP's decision to remove liquid cooling as an option in its newest line of desktop workstations.

### Revenue split, Q4 2014

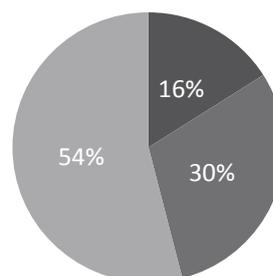
Percent



- Workstations
- Gaming/Performance Desktop PC's
- DIY

### Revenue split, full year 2014

Percent



- Workstations
- Gaming/Performance Desktop PC's
- DIY

## Desktop operations and market update

During the fourth quarter of 2014, Asetek's desktop revenue declined 20% from record levels achieved in the fourth quarter 2013. While revenues in the do-it-yourself (DIY) category grew 10% versus the fourth quarter 2013, shipments of Gaming/Performance Desktop PC products in the fourth quarter of 2014 declined from a spike that occurred in fourth quarter 2013 when the Company fulfilled a large order of graphics cooling units. The fourth quarter decline was expected to be partly offset by a significant new order, but the order was delayed to the first quarter 2015.

Also, sales of Workstation products declined due to HP's decision to remove liquid cooling as an option on its most recently released line of high performance workstations.

For the full year 2014, desktop revenues declined 3% from 2013, due principally to the previously mentioned declines observed in the fourth quarter.

Gross margins in the fourth quarter declined from the same period of 2013 as a result of shipment of a richer mix of high-end products in fourth quarter 2013. Gross margins for the full year 2014 improved from 2013 due to multiple factors. A

change in the business model with certain customers resulted in reduction of their sales prices and increases in their gross margins. Also, Asetek’s proactive management of the mix of product offerings, as well as cost savings achieved with certain component suppliers, assisted in the margin increase.

Desktop operating expenses increased during the quarter due to development of the Company’s Generation 5 platform, the most advanced liquid cooling platform to date. Generation 5 products, launched in late fourth quarter, offer improved

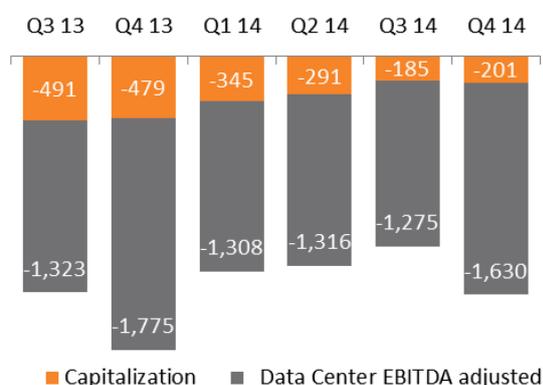
cooling performance, pump flowrate and overall durability.

During the fourth quarter, Dell released to the market its latest generation Alienware Area-51 Gaming Desktop with Asetek liquid cooling. Similar to prior Alienware offerings, the Asetek cooling unit in this release is a high end, high-margin product designed for the Gaming/Performance Desktop PC market.

### Data center financials

#### Financial development

USD (000’s)



While Asetek continues the implementation of its data center strategy initiated in 2012, costs are driven by investments in technology development, product marketing, and business development with data center partners and customers.

The Company expects revenues and operating results to fluctuate as it builds partnerships with large OEMs and develops the market for liquid cooling in the data center.

### Data center operations and market update

Asetek continues to make progress in its data center segment, including achieving positive results in its product implementations and increasing the number of prospective customers and partners. Data center revenues were \$0.2 million and \$1.5 million in the fourth quarter and full year 2014, compared with \$0.6 million and \$0.8 million for the corresponding periods of 2013, respectively. The decline in fourth quarter revenue compared with last year is due to fluctuations in timing of delivery of third party equipment on contract with the U.S. Department of Defense.

During the quarter, Asetek made progress on its three-year \$2.4 million contract with the U.S. Department of Defense. Data collection on Phase 1a was completed with positive results: The average cooling load reduction on an HP DL560

server was greater than 60%, consistent with expectations. In addition, a 10.7% reduction in server energy, from reduced internal fan power, was more than two times higher than expected. Customer delays in the third and fourth quarters have resulted in a schedule slip of three months for Phase 2; however the issues have been resolved, and further delays are not expected.

In November 2014, after twelve months of successful pilot testing, the University of Tromsø (UiT) ordered five additional RackCDU systems from Asetek. UiT is expanding its program to reduce energy consumption at its HPC facility, as well as enable waste heat recovery by using the heat from servers to supplement their campus district energy system.

Asetek has increased its focus in High Performance Computing (HPC), hiring business development professionals with deep experience in HPC and end user sales.

In November, the Company showcased its range of RackCDU liquid cooling systems for HPC data

centers at SC14 in New Orleans. New platforms on display included servers from Intel, Supermicro and Penguin computing. The Company displayed liquid cooling solutions in use by multiple customers including the U.S. Government, UiT, and Mississippi State University.

## Intellectual Property

Asetek holds a sizable portfolio of intellectual property (IP) rights including patents providing competitive advantages and high barriers to entry for competitors. As part of the Company's efforts to build and maintain its market share, the Company continues to closely review and assess all competitive offerings for infringement of its patents. Currently the Company has pending patent and utility model applications worldwide, with additional applications under preparation.

In December 2014, upon completion of a trial, the U.S. District Court unanimously ruled in favor of Asetek on all claims in its patent infringement lawsuit against CMI USA, Inc. ("CMI", formerly known as Cooler Master USA Inc.). The jury awarded Asetek damages of \$0.4 million, representing a 14.5% royalty on CMI's infringing sales since 2012.

After the close of the fourth quarter, a patent case with CoolIT Systems Inc. ("CoolIT") was settled in February 2015, with Asetek agreeing to dismiss the case. The specific terms of the settlement are maintained as confidential, though any damage amount payable to Asetek will be made public upon the determination of such amount by the judge.

A patent case with PhD Research Group, Inc. was settled in February 2015, with the Company's acquisition of two patents.

An ongoing case with Asia Vital Components Co. Ltd. is proceeding normally under the court's procedures. Asetek filed a motion with the Delaware court to have the case dismissed for lack of jurisdiction.

## Risk Factors

To date the Company has incurred operating losses and is in the development stages of its data center business. In the event that the Company continues to consume cash at its current rate, Asetek will need to secure funding sources incremental to its current revenue streams within 2015. As indicated previously in this report, Asetek is in the process of raising equity capital to strengthen its financial position.

The Company's revenue growth is dependent on the market acceptance of its new data center products and the release of new products from server OEM customers to facilitate its trial system deployments. Revenue in the desktop segment is subject to fluctuation and is dependent, in part, on the popularity and new releases of end user products by Asetek's customers.

Asetek relies upon suppliers and partners to supply products and services at competitive prices. Asetek's desktop products have been historically assembled by a single contract manufacturer which may be difficult to substitute in the short term if the need should arise. The Company is currently in the process of adding a new contract manufacturer.

Asetek has filed lawsuits against competitors for patent infringement. While some cases have been settled, others may proceed for an extended period, and could potentially lead to an unfavorable outcome to Asetek. Asetek has incurred significant legal costs to proceed with this litigation and may continue to do so in the future to the extent management believes it is necessary to protect intellectual property.



Asetek operates internationally in Denmark, USA, China, and Taiwan and is subject to foreign exchange risk. As of December 31, 2014, its principal cash holdings are maintained in deposit accounts in U.S. dollars and Danish krone.

A more thorough elaboration on risk factors can be found in the Company's annual report for 2013 available from the Company's website: [www.asetek.com](http://www.asetek.com).

## Outlook

### Desktop

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The Desktop segment is expected to continue to be a profitable part of Asetek's offering. Asetek expects desktop revenue for the first quarter 2015 to increase over the fourth quarter 2014, partly due to the delay of a large order that was expected in the fourth quarter 2014.

In the first quarter of 2015, two new Asetek products are expected to be released by DIY customers, both of which are targeted to fulfill new demand and generate incremental revenue and market share for Asetek. As a result, compared with both the first quarter and fourth quarter of 2014, the Company anticipates strong revenue growth in the DIY market.

Revenue in the Gaming/Performance Desktop PC market is expected to soften slightly in the first quarter. Revenue in the Workstation market will be negatively impacted in the near term quarters as a result of HP's decision to remove liquid cooling as an option on its most recently released line of high performance workstations. However, the Company expects to regain workstation revenue in future quarters with liquid cooler shipments for Dell workstations.

The Company expects continued desktop revenue growth into the second quarter 2015. Based on purchase orders and internal forecasts, the Company expects revenues in the second quarter will be upwards of 40% higher than the average revenue levels achieved in recent quarters. The anticipated increase is primarily due to shifts in the competitive landscape and recent product launches, particularly the Generation 5 liquid cooling platform. Generation 5 products, launched in late fourth quarter 2014, offer improved cooling performance, pump flowrate and overall durability.

While blended gross margins were 42% in the fourth quarter, Asetek expects gross margin to retreat in the first quarter 2015 due to a significant increase in shipment of DIY cooling products, which typically generate lower margins, combined with a decline in shipment of workstation cooling units, which typically generate higher margins. Longer term, management expects blended gross margins to approximate 40%.

### Data center

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In February 2015, Asetek announced a major design win with the execution of an agreement with Fujitsu Technology Solutions GmbH to use Asetek's RackCDU liquid cooling technology. RackCDU will enable Fujitsu's High Performance Computing (HPC) customers to implement high efficiency hot water cooling solutions. Asetek anticipates shipments to Fujitsu to commence in the second quarter of 2015, and product launches involving various server models throughout the year. Over time, Asetek anticipates significant

revenue growth to be derived from RackCDU sales on Fujitsu platforms.

In February 2015, the Company announced that the California Energy Commission has selected Asetek to install RackCDU D2C liquid cooling in two large scale, supercomputing data centers in California. The project, valued at \$3.5 million and expected to span two years beginning mid-2015, will include installation of RackCDU in

approximately 90 racks of servers.

The desire for extremely high densities and overclocking in the high frequency stock trading market has resulted in confidential projects with two significant OEMs. Asetek anticipates executing sales agreement with one or both of these OEMs in 2015.

Efforts progress with a major chip manufacturer to develop a RackCDU D2C cooling solution for a next-generation platform. Asetek has entered into 3-way NDAs with three major OEMs and the chip manufacturer to support their related development efforts. In addition, a major end-user has been engaged as a potential site for the first major installation using this platform.

As a result of the fully executed integrator-installer partnership agreement between Asetek and Johnson Controls, Johnson Controls continues to

leverage the differentiation provided by RackCDU into two Federal data center projects. Both represent major Federal data center energy efficiency upgrades, where it is expected that the installation of RackCDU will allow server consolidation, while cutting cooling energy and IT load energy by significant margins over the current installation.

Phase 1b and Phase 2 installation of the Army's ESTCP system will begin in parallel starting in the first quarter, with data collection initiated by the end of the quarter. Selection of servers and a final timeline for Phase 3 installation will be completed by the Army early in the second quarter.

Asetek anticipates additional HPC demand in the first half of 2015, as repeat orders with existing national laboratory test sites, as well as from newly acquired customers.

## Financing

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Asetek is in process of raising equity capital to strengthen its financial growth platform and partner capacity in response to the Fujitsu OEM agreement announced 24 February 2015. Asetek's data center product launches and volume ramp during the second half of 2015 and 2016, including optimization of manufacturing processes and

capabilities, requires financing. In addition, a stronger balance sheet will enable the company to accelerate its data center sales and marketing activities, and OEM adoption. Further details regarding the financing is to be found in separate disclosures.

## Interim Financial Statements

### Consolidated Statement of Comprehensive Income

Figures in USD (000's)	Q4 2014		Q4 2013		2014		2013	
	<i>Unaudited</i>		<i>Unaudited</i>		<i>Unaudited</i>			
Revenue	\$	4,563	\$	6,112	\$	20,847	\$	20,729
Cost of sales		2,749		3,687		12,137		12,680
<b>Gross profit</b>		1,814		2,425		8,710		8,049
Research and development		880		1,341		3,556		4,492
Selling, general and administrative		4,302		3,393		14,664		11,236
Foreign exchange loss (gain)		136		44		298		80
<b>Total operating expenses</b>		5,318		4,778		18,518		15,808
<b>Operating income</b>		(3,504)		(2,353)		(9,808)		(7,759)
Finance income		1		-		2		1,865
Finance costs		(27)		(23)		(89)		(830)
<b>Total financial income (expenses)</b>		(26)		(23)		(87)		1,035
<b>Income before tax</b>		(3,530)		(2,376)		(9,895)		(6,724)
Income tax (expense) benefit		1,142		443		1,138		443
<b>Income for the period</b>		(2,388)		(1,933)		(8,757)		(6,281)
<i>Other comprehensive income items that may be reclassified to profit or loss in subsequent periods:</i>								
Foreign currency translation adjustments		184		29		335		52
<b>Total comprehensive income</b>	\$	(2,204)	\$	(1,904)	\$	(8,422)	\$	(6,229)
<b>Income per share (in USD):</b>								
Basic	\$	(0.17)	\$	(0.14)	\$	(0.62)	\$	(0.46)
Diluted	\$	(0.17)	\$	(0.14)	\$	(0.62)	\$	(0.46)

These financial statements should be read in conjunction with the accompanying notes.

## Consolidated Balance Sheet

Figures in USD (000's)	31 Dec 2014		31 Dec 2013	
<b>ASSETS</b>	<i>Unaudited</i>			
<i>Non-current assets</i>				
Intangible assets	\$	2,334	\$	1,823
Property and equipment		730		1,096
Other assets		292		330
<b>Total non-current assets</b>		<b>3,356</b>		<b>3,249</b>
<i>Current assets</i>				
Inventory		1,102		1,074
Trade receivables and other		4,186		4,997
Cash and cash equivalents		4,170		11,663
<b>Total current assets</b>		<b>9,458</b>		<b>17,734</b>
<b>Total assets</b>	\$	<b>12,814</b>	\$	<b>20,983</b>
<b>EQUITY AND LIABILITIES</b>				
<i>Equity</i>				
Share capital	\$	264	\$	264
Share premium		64,451		64,357
Accumulated deficit		(57,307)		(49,490)
Translation and other reserves		14		(323)
<b>Total equity</b>		<b>7,422</b>		<b>14,808</b>
<i>Non-current liabilities</i>				
Long-term debt		309		243
Other long-term liabilities		-		232
<b>Total non-current liabilities</b>		<b>309</b>		<b>475</b>
<i>Current liabilities</i>				
Short-term debt		300		420
Accrued liabilities		1,255		802
Accrued compensation & employee benefits		882		995
Trade payables		2,646		3,483
<b>Total current liabilities</b>		<b>5,083</b>		<b>5,700</b>
<b>Total liabilities</b>		<b>5,392</b>		<b>6,175</b>
<b>Total equity and liabilities</b>	\$	<b>12,814</b>	\$	<b>20,983</b>

These financial statements should be read in conjunction with the accompanying notes.

## Statement of Changes in Equity

*Unaudited*

Figures in USD (000's)	Share capital	Share premium	Translation reserves	Other reserves	Accumulated deficit	Total
<b>Equity at January 1, 2014</b>	\$ 264	\$ 64,357	\$ (309)	\$ (14)	\$ (49,490)	\$ 14,808
<b>Total comprehensive income - year ended Dec 31, 2014</b>						
Loss for the period	-	-	-	-	(8,757)	(8,757)
Foreign currency translation adjustments	-	-	335	-	-	335
<b>Total comprehensive income - year ended Dec 31, 2014</b>	-	-	335	-	(8,757)	(8,422)
<b>Transactions with owners - year ended Dec 31, 2014</b>						
Shares issued	-	94	-	2	-	96
Share based payment expense	-	-	-	-	940	940
<b>Transactions with owners - year ended Dec 31, 2014</b>	-	94	-	2	940	1,036
<b>Equity at December 31, 2014</b>	\$ 264	\$ 64,451	\$ 26	\$ (12)	\$ (57,307)	\$ 7,422
<b>Equity at January 1, 2013</b>	\$ 2	\$ 3,519	\$ (361)	\$ -	\$ (43,802)	\$ (40,642)
<b>Total comprehensive income - year ended Dec 31, 2013</b>						
Loss for the period	-	-	-	-	(6,281)	(6,281)
Foreign currency translation adjustments	-	-	52	-	-	52
<b>Total comprehensive income - year ended Dec 31, 2013</b>	-	-	52	-	(6,281)	(6,229)
<b>Transactions with owners - year ended Dec 31, 2013</b>						
Shares issued	75	24,955	-	-	-	25,030
Less: issuance costs	-	(3,423)	-	-	-	(3,423)
Equity exchange to Asetek A/S	25	(25)	-	-	-	-
Issuance of treasury shares	14	-	-	(14)	-	-
Conversion of debt	9	3,110	-	-	-	3,119
Conversion of preferred shares	139	36,221	-	-	-	36,360
Share based payment expense	-	-	-	-	593	593
<b>Transactions with owners - year ended Dec 31, 2013</b>	262	60,838	-	(14)	593	61,679
<b>Equity at December 31, 2013</b>	\$ 264	\$ 64,357	\$ (309)	\$ (14)	\$ (49,490)	\$ 14,808

*These financial statements should be read in conjunction with the accompanying notes.*

## Consolidated Cash Flow Statement

Figures in USD (000's)	<b>2014</b>		<b>2013</b>	
	<i>Unaudited</i>			
<b>Cash flows from operating activities</b>				
Income (loss) for the period	\$	(8,757)	\$	(6,281)
Depreciation and amortization		1,771		2,030
Finance costs (income)		87		(1,035)
Income tax expense (income)		(1,138)		(443)
Impairment of intangible assets		36		62
Cash receipt (payment) for income tax		204		222
Share based payments expense		940		593
Changes in trade receivables, inventories, other assets		1,264		(1,109)
Changes in trade payables and accrued liabilities		(230)		1,406
<b>Net cash used in operating activities</b>		<b>(5,823)</b>		<b>(4,555)</b>
<b>Cash flows from investing activities</b>				
Additions to intangible assets		(1,873)		(2,128)
Addition to other assets		-		(314)
Purchase of property and equipment		(172)		(631)
<b>Net cash used in investing activities</b>		<b>(2,045)</b>		<b>(3,073)</b>
<b>Cash flows from financing activities</b>				
Cash received for leasing of previously purchased equipment		248		-
Long-term deposit received from sub-lessee		-		234
Cash payments on long-term debt		-		(3,621)
Funds drawn (paid) against line of credit		(141)		57
Cash payments for interest on debt		-		(461)
Proceeds from issuance of share capital		96		25,099
Cash paid for fees related to IPO		-		(3,405)
Principal and interest payments on finance leases		(151)		(42)
<b>Net cash provided by financing activities</b>		<b>52</b>		<b>17,861</b>
Effect of exchange rate changes on cash and cash equivalents		323		182
<b>Net changes in cash and cash equivalents</b>		<b>(7,493)</b>		<b>10,415</b>
Cash and cash equivalents at beginning of period		11,663		1,248
<b>Cash and cash equivalents at end of period</b>	<b>\$</b>	<b>4,170</b>	<b>\$</b>	<b>11,663</b>
<b>Supplemental disclosure - non-cash transactions</b>				
Property and equipment acquired on finance leases	\$	-	\$	321

*These financial statements should be read in conjunction with the accompanying notes.*

## Notes to the quarterly financial statements

### 1. General information

Asetek A/S ('the Company'), and its subsidiaries (together, 'Asetek Group', 'the Group' or 'Asetek') designs, develops and markets thermal management solutions used in computers and data center servers. The Group's core products utilize liquid cooling technology to provide improved performance, acoustics and energy efficiency. The Company is based in Aalborg, Denmark with offices in USA and China. The Company's shares trade on the Oslo Stock Exchange under the symbol 'ASETEK'.

These condensed consolidated financial statements for the quarter and nine months ended December 31, 2014 have been prepared on a historical cost convention in accordance with International Accounting Standard 34 (IAS 34) 'Interim Financial Reporting' as adopted by the European Union (EU) and do not include all of the information and disclosure required in the annual consolidated financial statements. These statements should be read in conjunction with the Asetek A/S 2013 Annual Report.

The accounting policies adopted in preparation of these condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2013.

The Group operates in an industry where seasonal or cyclical variations in total sales are not normally experienced during the financial year.

### 2. Common shares, warrants and share based payment expense

In 2014, the Board of Directors granted 151,180 warrants to management and directors. Each warrant has an exercise price at the fair market value of common shares on the grant date (NOK 40.10 or NOK 33.90 per share) and becomes exercisable gradually over a period of one or four years. Following common valuation practices, the total cost related to the warrants granted in 2014 is \$0.3 million over the lifetime of the program. Share based payment expense associated with total warrants and options outstanding was \$0.9 million and \$0.6 million in the years ended December 31, 2014 and 2013, respectively.

At December 31, 2014 there were a total of 14.2 million common shares outstanding and 0.7 million shares in treasury. Treasury shares may be used to fulfill share options and warrants outstanding totaling approximately 1.3 million at December 31, 2014.

### 3. Intangible assets

The Group's business includes a significant element of research and development activity. Under IAS 38, there is a requirement to capitalize and amortize development spend to match costs to expected benefits from projects deemed to be commercially viable. Costs capitalized are recorded on the balance sheet as intangible assets, net of amortization. In 2014, excluding impairment losses and deletion of assets which completed their useful life, the Company capitalized approximately \$1.9 million of development costs and recorded amortization of approximately \$1.3 million (capitalized costs of \$2.1 million and amortization of \$1.7 million in 2013).

#### 4. Earnings (losses) per share

IAS 33 requires disclosure of basic and diluted earnings per share for entities whose shares are publicly traded. Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by adjusting the number of common shares outstanding used in the Basic calculation for the effect of dilutive equity instruments, which include options, warrants and debt or preferred shares that are convertible to common shares, to the extent their inclusion in the calculation would be dilutive.

<b>Fourth Quarter</b>		
	Q4 2014	Q4 2013
Loss attributable to equity holders of the Company (USD 000's)	\$ (2,388)	\$ (1,933)
Weighted average number of common shares outstanding (000's)	14,165	13,847
Basic loss per share	\$ (0.17)	\$ (0.14)
Diluted loss per share	\$ (0.17)	\$ (0.14)

<b>Year Ended</b>		
	2014	2013
Loss attributable to equity holders of the Company (USD 000's)	\$ (8,757)	\$ (6,281)
Weighted average number of common shares outstanding (000's)	14,123	13,795
Basic loss per share	\$ (0.62)	\$ (0.46)
Diluted loss per share	\$ (0.62)	\$ (0.46)

Potential dilutive instruments are not included in the calculation of diluted loss per share for the periods presented because the effect of including them would be anti-dilutive and reduce the loss per share. In accordance with IAS 33, weighted average shares outstanding for 2013 have been adjusted to reflect the IPO and conversion of shares that occurred in 2013, as if the IPO and conversion of shares had occurred as of January 1, 2013.

#### 5. Transactions with related parties

In addition to the Company's grant of warrants referenced in Note 2, the following represent additional transactions with related parties.

The Company's chairman is a member of the board of directors of Corsair, a customer of the company. During 2014 and 2013, Asetek had sales of inventory to Corsair of \$6.7 million and \$5.5 million, respectively. As of December 31, 2014 and 2013, Asetek had outstanding trade receivables from Corsair of \$1.1 million and \$1.0 million, respectively.

The Company's CEO serves as Chairman of the Board for a vendor that supplies services to the Company. In 2014, the Company purchased services totaling approximately \$0.2 million (\$0.3 million in 2013) from this vendor.

#### 6. IFRS accounting compared with U.S. GAAP

Since 2011, the Company's annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Previously, the Company's consolidated financial statements were prepared in accordance with U.S. generally accepted accounting principles (GAAP). The following represent the principal effects to Asetek's financial statements as a result of this change:

*Intangible assets.* Capitalization of costs associated with product development is required under IFRS but is not required under GAAP. Intangible assets of \$2.3 million on the Company's balance sheet at December 31, 2014 represent the capitalization of product development costs, net of amortization. The associated amortization over the products' lifecycle is charged as an operating expense.

*Share based compensation.* IFRS requires that each installment of a share based payment award be treated as a separate grant and separately measured and attributed to expense over the vesting

period. As a result, calculation of share based payment expense under IFRS generally results in recognition of a greater amount of expense earlier in the life of the option grant than the comparable calculation under GAAP.

*Conversion of preferred shares.* The Company had convertible preferred shares outstanding prior to its IPO in March 2013. IFRS requires that the conversion feature of the convertible preferred shares be carried at fair value, with changes in the value charged to other income/expense. As a result, non-cash finance income of \$1.6 million was recognized at the time of conversion in March 2013.

## 7. Segment reporting

### Unaudited breakdown of the income statement

#### Fourth Quarter

Figures in USD (000's)	Desktop		Data center	
	Q4 2014	Q4 2013	Q4 2014	Q4 2013
Revenues	4,401	5,509	162	603
Cost of sales	2,606	3,002	138	548
Gross Profit	1,795	2,507	24	55
Gross Margin*	40.8%	45.5%	14.8%	9.1%
Total operating expenses**	1,363	1,200	1,654	1,830
EBITDA adjusted	432	1,307	(1,630)	(1,775)
EBITDA margin	9.8%	23.7%	N/A	N/A

#### Year Ended

Figures in USD (000's)	Desktop		Data center	
	2014	2013	2014	2013
Revenues	19,318	19,925	1,529	804
Cost of sales	11,124	11,781	956	639
Gross Profit, adjusted	8,194	8,144	573	165
Gross Margin, adjusted	42.4%	40.9%	37.5%	20.5%
Total operating expenses**	4,915	3,845	6,102	6,560
EBITDA, adjusted	3,279	4,299	(5,529)	(6,395)
EBITDA margin	17.0%	21.6%	N/A	N/A

\*\*Operating expenses by segment exclude headquarters costs of \$1.8 million, \$0.8 million, \$4.8 million and \$3.0 million for Q4 2014, Q4 2013, FY 2014 and FY 2013, respectively. Significant components of headquarters costs include intellectual property defense of \$1.5 million and \$0.4 million in Q4 2014 and Q4 2013, respectively and \$3.8 million and \$1.7 million in FY 2014 and FY 2013.

## Statement by the Board of Directors and Management

The Board of Directors and the Management have considered and adopted the Interim Report of Asetek A/S for the period 1 January – 31 December 2014. The Interim Report is presented in accordance with the International Accounting Standard IAS 34 on Interim Financial Reporting and additional Danish disclosure requirements. The accounting policies applied in the Interim Report are unchanged from those applied in the Group's Annual Report for 2013.

We consider the accounting policies appropriate, the accounting estimates reasonable and the

overall presentation of the Interim Report adequate. Accordingly, we believe that the Interim Report gives a true and fair view of Asetek's financial position, results of operations and cash flows for the period.

In our opinion, the Interim Report includes a true and fair account of the matters addressed and describes the most significant risks and elements of uncertainty facing Asetek. The Interim Report has not been audited or reviewed by the auditors.

**Asetek A/S**  
**Aalborg, 24 February 2015**

### Management:

André S. Eriksen  
CEO

Peter Dam Madsen  
CFO

### Board of Directors:

Sam Szteinbaum  
Chairman

Bengt Olof Thuresson  
Member

Chris J. Christopher  
Member

Knut Øversjøen  
Member

Jim McDonnell  
Member

Peter Gross  
Member

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