



**Asetek A/S**

**Quarterly Report**

Quarter ended March 31, 2016

Published April 27, 2016

## Key figures

Figures in USD (000's)	Q1 2016	Q1 2015	2015
<b>Total Company:</b>	<i>Unaudited</i>	<i>Unaudited</i>	
Revenue	10,404	5,538	35,982
Gross profit	4,062	2,028	12,412
Gross margin	39.0%	36.6%	34.5%
Operating profit	620	(2,159)	(2,323)
<b>Reconciliation from IFRS to EBITDA adjusted:</b>			
Operating profit	620	(2,159)	(2,323)
Add: Depreciation and amortization	615	486	2,390
Add: Share based compensation	5	93	321
EBITDA adjusted (unaudited)	1,240	(1,580)	388
<b>By Segment (Unaudited):</b>			
<b>Desktop:</b>			
<i>Desktop revenue</i>	9,414	5,387	34,121
<i>Desktop gross margin</i>	38.8%	36.4%	34.1%
<i>Desktop EBITDA adjusted</i>	2,809	760	7,229
<b>Datacenter:</b>			
<i>Datacenter revenue</i>	990	151	1,861
<i>Datacenter gross margin</i>	41.7%	45.0%	41.8%
<i>Datacenter EBITDA adjusted</i>	(952)	(1,488)	(5,890)
<b>Headquarters:</b>			
<i>Headquarters costs*</i>	(617)	(852)	(951)

\*Headquarters costs include intellectual property defense, HQ admin costs, litigation settlement received. Excludes share based comp.

## Highlights

- |                              |   |
|------------------------------|---|
| <b>Summary</b>               | <ul style="list-style-type: none"><li>• <b>Strong revenue growth in desktop DIY market</b></li><li>• <b>Data center revenue ramped up on shipments to new customers</b></li><li>• <b>Third consecutive quarter of net profit and positive EBITDA</b></li></ul>  |
| Financial results            | <ul style="list-style-type: none"><li>• Asetek reported revenue of \$10.4 million in the first quarter 2016, representing growth of 88% versus the same period last year. The growth consisted of 75% increase in desktop revenue driven by shipments in the DIY market. Data center revenue grew over five times the revenue achieved in first quarter 2015, as a result of shipments to new customers.</li><li>• Gross margins for the first quarter were 39%, an increase from both the prior quarter (36%) and the first quarter 2015 (37%).</li><li>• Revenue growth and cost savings resulted in group net income of \$0.4 million and positive EBITDA of \$1.2 million in the first quarter 2016, both reflecting significant improvement from losses incurred in the same period last year.</li></ul> |
| Operations                   | <ul style="list-style-type: none"><li>• Asetek shipped 188,000 desktop units in the first quarter. Total shipments of sealed loop coolers since the Company's inception has now surpassed three million.</li><li>• Initial shipments of data center products to a new customer, Penguin Computing, generated revenue of \$0.8 million in the first quarter 2016.</li></ul>  |
| Financial results by segment | <ul style="list-style-type: none"><li>• Operating profits from the desktop segment were \$2.8 million for the first quarter 2016, an increase from \$0.8 million in the same period last year, due to the increase in DIY product sales.</li><li>• Operating losses from the data center segment were \$1.0 million for the first quarter 2016 compared with losses of \$1.5 million in the same period last year. The results reflect continued implementation of Asetek's data center strategy with investments in technology development, product marketing and sales activities.</li></ul>  |
| Outlook                      | <ul style="list-style-type: none"><li>• Asetek reaffirms its annual outlook for the full year 2016, anticipating moderate growth in the desktop business and significant revenue growth in the data center segment, when comparing to the record revenue level achieved in 2015.</li></ul>  |

## Financial review

*The figures below relate to the consolidated accounts for the first quarter 2016, which comprise activities within the two segments Desktop and Data Center. The figures are unaudited.*

### Income Statement (Consolidated)

---

Asetek reported revenue of \$10.4 million in the first quarter of 2016, an 88% increase from the same period last year (\$5.5 million). The growth came from a 75% increase in revenue from desktop products, particularly in the do-it-yourself (DIY) market, and a significant increase in data center revenue following shipments to new customers.

Sales unit volumes for the first quarter were 188,000, a 59% increase from the same period of 2015 (118,000). Average selling prices (ASP) per unit for the quarter increased compared with the first quarter of 2015, reflecting the sale of newer, higher performing DIY products.

Gross margin was 39.0% for the first quarter 2016, compared with 36.6% for first quarter of 2015. The

increase in gross margin reflects the higher ASP and change in the mix of products sold.

Operating costs decreased 18% compared with first quarter 2015, principally due to lower litigation costs and share based compensation.

Finance expenses during the first quarter 2016 includes foreign exchange loss of \$0.2 million, compared with net foreign exchange loss of \$0.4 million in the same period of 2015.

Asetek achieved total comprehensive income of \$0.6 million in the first quarter of 2016, compared with \$1.9 million total comprehensive loss in the same period of 2015.

### Balance Sheet (Consolidated)

---

Asetek's total assets at March 31, 2016 amounted to \$25.5 million, a \$2.2 million decrease from December 31, 2015. The decrease in assets resulted principally from the usage of positive cash

flows to pay down short-term liabilities during the quarter. Total liabilities decreased \$2.9 million from December 31, 2015. Total cash and cash equivalents was \$14.7 million at March 31, 2016.

### Cash Flow (Consolidated)

---

Net cash provided by operating activities was \$2.0 million for the first quarter 2016, compared with \$1.9 million used in the same period of 2015.

Cash used by investing activities was \$0.6 million, related principally to additions in capitalized development costs and manufacturing equipment. This figure compares to \$0.6 million used in the first quarter 2015.

Cash provided by financing activities was \$15,000 in the first quarter of 2016. In the same period of

2015, cash provided by financing activities totaled \$12.4 million as a result of the Company's private equity financing completed in March 2015.

Net change in cash and cash equivalents was positive \$1.7 million in the first quarter, compared with positive \$10.6 million in the same period of 2015. Not including the private equity transaction, the net change in cash in the first quarter 2015 was negative \$2.0 million.

## Segment breakdown

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

#### First Quarter

Figures in USD (000's)	Desktop		Data center	
	Q1 2016	Q1 2015	Q1 2016	Q1 2015
Revenues	9,414	5,387	990	151
Cost of sales	5,765	3,427	577	83
Gross Profit	3,649	1,960	413	68
Gross Margin	38.8%	36.4%	41.7%	45.0%
Total operating expenses*	840	1,200	1,365	1,556
EBITDA adjusted	2,809	760	(952)	(1,488)
EBITDA margin	29.8%	14.1%	N/A	N/A

\*Operating expenses by segment exclude headquarters costs of \$0.6 million and \$0.9 million for Q1 2016 and Q1 2015, respectively. Significant components of headquarters costs include intellectual property defense of \$0.4 million and \$0.6 million in Q1 2016 and Q1 2015, respectively.

### Desktop financials

#### Desktop revenue and margin development

USD (000's)

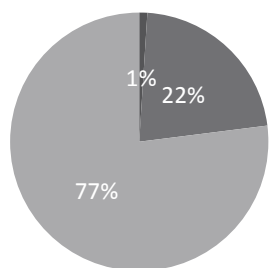


In the first quarter of 2016, Asetek's desktop revenue increased 75% from the first quarter of 2015. As expected, the increase resulted from significant demand in the do-it-yourself (DIY) market, including some spillover shipments that were anticipated in the fourth quarter 2015. First quarter revenue in the Gaming/Performance Desktop PC market also increased from the same period of last year. Revenue in the Workstation market declined. During the first quarter, two new products began shipping in the Gaming/Performance Desktop PC market.

Gross margins in the first quarter of 2016 grew from the same period of the prior year due to increased shipments of new high performance DIY products that carry higher margins.

**Revenue split, Q1 2016**

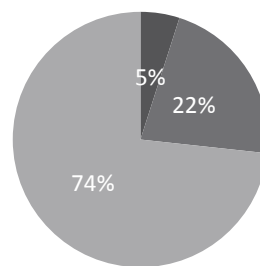
Percent



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

**Revenue split, Q1 2015**

Percent



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

**Desktop market update and outlook**

In the DIY market, which represented 77% of the desktop segment in the first quarter, Asetek expects second quarter 2016 revenue to decline from the level achieved in the second quarter 2015. Revenue variability by quarter is expected to continue, and the Company's expectations for the full year 2016 are unchanged, anticipating overall moderate revenue growth when compared with 2015.

Second quarter revenue in the Gaming/Performance Desktop PC market is expected to increase, while revenue in the Workstation market is expected to decline, when compared with the respective performance levels in the second quarter of 2015.

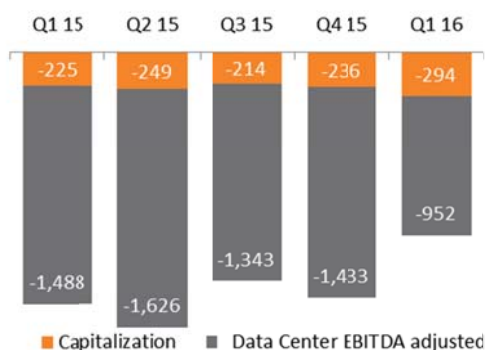
Gross margin in the second quarter 2016 is expected to be comparable to gross margin in the first quarter 2016.

Overall, the desktop market continues to thrive despite the challenges facing the PC industry. The growth in high performance and gaming PC's is driven in part by customers' desire for a more immersive gaming experience, which is increasing demand for new technologies such as 4K screen resolution and virtual reality capability. These new technologies in turn require high performing graphics processors (GPUs), which also demand advanced cooling. As a result, Asetek's total available desktop market, which includes GPUs as well as CPUs, is expanding – a high performance PC now typically needs two liquid coolers instead of only one. Asetek has grown its revenue from GPU cooling products in recent quarters and plans to continue to advance this market segment in the future.

## Data center financials

### Financial development

USD (000's)



Asetek’s data center revenue was \$1.0 million in the first quarter 2016, compared with \$0.2 million in the same period of 2015. The increase in 2016 was driven principally by shipments to new customers.

Data center gross margins decreased in the first quarter 2016 compared with the same period of 2015, and have fluctuated in part due to variability in deliverables on government contracts.

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

## Data center market update and outlook

Asetek continues to invest in its data center segment based on increasing global interest in high performing, energy and cost efficient data centers. Expenditures relate to technology development, product marketing and sales activities with data center partners and OEM customers.

During the quarter, Asetek shipped \$0.8 million of product under an OEM purchase agreement with Penguin Computing, Inc. As part of the agreement, Penguin is incorporating RackCDU D2C™ liquid cooling into its Tundra™ Extreme Scale (ES) HPC server product line. One of the end users of these solutions will be the U.S. National Nuclear Security Administration’s CTS-1 systems deployment at three major national laboratories. The resulting deployment will be one of the world’s largest Open Compute-based installations. Asetek expects total orders on this project to result in shipment of over 100 RackCDU in the first year and 300 RackCDU within the first three years. The CTS-1 project and the OEM relationship with Penguin is anticipated to result in \$1.5 to \$2.0 million of total revenue for Asetek in 2016.

During the first quarter, Asetek continued activities on its \$3.5 million contract with the California Energy Commission. The Company generated revenue of \$0.1 million, principally from engineering associated with converting the CAB

supercomputer at Lawrence Livermore National Laboratory to liquid cooling. This is the first of two data centers scheduled to be converted to liquid cooling during this two year project. Asetek expects a substantial increase in revenue on this project during the balance of 2016.

Progress on Asetek’s three-year contract with the U.S. Department of Defense (DoD) at the Redstone Arsenal paused temporarily while the DoD relocated the project to a different site. The new site was secured during the first quarter and is being prepared for server installation, which is expected to occur mid-2016. The Company does not expect this change to affect the total contract value to Asetek.

Asetek’s progress in the data center market indicates a broadening acceptance of liquid cooling in the HPC market, and high-power technologies such as Intel’s family of Xeon Phi processors are helping to accelerate this trend. Working closely with ecosystem partners such as Intel, and large OEM’s such as Fujitsu, has enabled Asetek to connect with a wide array of companies and institutions exploring the Company’s liquid cooling solutions. Furthermore, the significant cost savings and efficiency of Asetek’s RackCDU installations in large scale deployments is garnering attention from decision makers across the industry.

Asetek's strategy in the data center market is to increase end-user adoption within existing OEM customers, and to add new OEM customers. The Company plans to achieve this by continuing to develop and defend its market leading technology and leverage the successful performance achieved at its installed base of universities, enterprises and

government entities. The Company expects significant revenue growth in the data center segment in 2016 compared with 2015. Revenue and operating results are however expected to fluctuate as partnerships with large OEMs are developed.

## Intellectual Property

Asetek holds a portfolio of intellectual property (IP) rights including patents providing competitive advantages and high barriers to entry for competitors. Currently Asetek has pending patent and utility model applications worldwide, with additional applications under preparation.

As part of efforts to build and maintain its market share, the Company continues to closely review and assess all competitive offerings for infringement of its patents. The Company has strengthened its intellectual property platform and competitiveness via several positive lawsuit outcomes in prior years.

In December 2014, the U.S. District Court unanimously ruled in favor of Asetek on all claims in a patent infringement lawsuit against CMI USA,

Inc. ("CMI"). The jury awarded Asetek damages of \$0.4 million, representing a 14.5% royalty on CMI's infringing sales since 2012, and the court issued a permanent injunction barring CMI from selling infringing products in the U.S. In October 2015, CMI filed an appeal with the Federal Circuit U.S. Court of Appeals. The appeal is expected to be addressed by the court in 2016. During the appeal, the court's injunction against CMI remains in effect. In January 2016, the U.S. District Court denied a motion by CMI to suspend the injunction.

In April 2016, Asetek initiated patent infringement proceedings against Cooler Master before the District Court The Hague in the Netherlands. The proceedings pertain to European Patent EP 1 923 771 owned by Asetek.

## Risk Factors

The Company has historically incurred operating losses and is in the development stages of its data center business.

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

In first quarter 2016, one customer accounted for 52% of total revenue. In the event of a decline or loss of this significant customer, replacement of this revenue stream would be difficult for Asetek to achieve in the short term. Asetek is actively pursuing strategies to broaden its customer base in efforts to mitigate this risk.

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 recently added a second contract manufacturer to assume a portion of the manufacturing volume. Asetek also mitigates the supplier risk with Company-owned supplemental manufacturing lines which can be utilized if necessary.

Asetek has filed and defended lawsuits against competitors for patent infringement. While some of the recent cases have been settled or dismissed, some may continue, and new cases may be initiated. Such cases may proceed for an extended period and could potentially lead to an unfavorable outcome to Asetek. Asetek has incurred significant legal costs associated with 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 March 31, 2016, 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 prospectus dated March 23, 2015, available from the Company's website: [www.asetek.com](http://www.asetek.com).

## Interim Financial Statements

### Consolidated Statement of Comprehensive Income

Figures in USD (000's)	Q1 2016	Q1 2015	2015
	<i>Unaudited</i>	<i>Unaudited</i>	
Revenue	\$ 10,404	\$ 5,538	\$ 35,982
Cost of sales	6,342	3,510	23,570
<b>Gross profit</b>	<b>4,062</b>	<b>2,028</b>	<b>12,412</b>
Research and development	707	1,017	3,938
Selling, general and administrative	2,735	3,170	10,797
<b>Total operating expenses</b>	<b>3,442</b>	<b>4,187</b>	<b>14,735</b>
<b>Operating income</b>	<b>620</b>	<b>(2,159)</b>	<b>(2,323)</b>
Foreign exchange (loss) gain	(202)	(378)	305
Finance costs	(14)	(15)	(67)
<b>Total financial income (expenses)</b>	<b>(216)</b>	<b>(393)</b>	<b>238</b>
<b>Income before tax</b>	<b>404</b>	<b>(2,552)</b>	<b>(2,085)</b>
Income tax (expense) benefit	(13)	(5)	438
<b>Income for the period</b>	<b>391</b>	<b>(2,557)</b>	<b>(1,647)</b>

*Other comprehensive income items that may be reclassified to profit or loss in subsequent periods:*

Foreign currency translation adjustments	249	628	181
<b>Total comprehensive income</b>	<b>\$ 640</b>	<b>\$ (1,929)</b>	<b>\$ (1,466)</b>

#### **Income per share (in USD):**

Basic	\$ 0.02	\$ (0.11)	\$ (0.07)
Diluted	\$ 0.02	\$ (0.11)	\$ (0.07)

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

## Consolidated Balance Sheet

Figures in USD (000's)	31 Mar 2016	31 Dec 2015
<b>ASSETS</b>		
<i>Non-current assets</i>		
Intangible assets	\$ 1,852	\$ 1,852
Property and equipment	1,215	1,188
Other assets	513	496
<b>Total non-current assets</b>	<b>3,580</b>	<b>3,536</b>
<i>Current assets</i>		
Inventory	1,471	1,786
Trade receivables and other	5,678	9,366
Cash and cash equivalents	14,734	13,060
<b>Total current assets</b>	<b>21,883</b>	<b>24,212</b>
<b>Total assets</b>	<b>\$ 25,463</b>	<b>\$ 27,748</b>
<b>EQUITY AND LIABILITIES</b>		
<i>Equity</i>		
Share capital	\$ 416	\$ 416
Share premium	76,680	76,665
Accumulated deficit	(58,237)	(58,633)
Translation and other reserves	447	198
<b>Total equity</b>	<b>19,306</b>	<b>18,646</b>
<i>Non-current liabilities</i>		
Long-term debt	247	259
<b>Total non-current liabilities</b>	<b>247</b>	<b>259</b>
<i>Current liabilities</i>		
Short-term debt	403	375
Accrued liabilities	1,027	862
Accrued compensation & employee benefits	751	1,272
Trade payables	3,729	6,334
<b>Total current liabilities</b>	<b>5,910</b>	<b>8,843</b>
<b>Total liabilities</b>	<b>6,157</b>	<b>9,102</b>
<b>Total equity and liabilities</b>	<b>\$ 25,463</b>	<b>\$ 27,748</b>

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

## Statement of Changes in Equity

Figures in USD (000's)	Share capital	Share premium	Translation reserves	Other reserves	Accumulated deficit	Total
<b>Equity at January 1, 2016</b>	\$ 416	\$ 76,665	\$ 207	\$ (9)	\$ (58,633)	\$ 18,646
<b>Total comprehensive income - quarter ended March 31, 2016</b>						
Loss for the period	-	-	-	-	391	391
Foreign currency translation adjustments	-	-	249	-	-	249
<b>Total comprehensive income - quarter ended March 31, 2016</b>	-	-	249	-	391	640
<b>Transactions with owners - quarter ended March 31, 2016</b>						
Shares issued	-	15	-	-	-	15
Share based payment expense	-	-	-	-	5	5
<b>Transactions with owners - quarter ended March 31, 2016</b>	-	15	-	-	5	20
<b>Equity at March 31, 2016</b>	\$ 416	\$ 76,680	\$ 456	\$ (9)	\$ (58,237)	\$ 19,306
<b>Equity at January 1, 2015</b>	\$ 264	\$ 64,451	\$ 26	\$ (12)	\$ (57,307)	\$ 7,422
<b>Total comprehensive income - quarter ended March 31, 2015</b>						
Loss for the period	-	-	-	-	(2,557)	(2,557)
Foreign currency translation adjustments	-	-	628	-	-	628
<b>Total comprehensive income - quarter ended March 31, 2015</b>	-	-	628	-	(2,557)	(1,929)
<b>Transactions with owners - quarter ended March 31, 2015</b>						
Shares issued	145	12,267	-	1	-	12,413
Less: issuance costs	-	(753)	-	-	-	(753)
Share based payment expense	-	-	-	-	93	93
<b>Transactions with owners - quarter ended March 31, 2015</b>	145	11,514	-	1	93	11,753
<b>Equity at March 31, 2015</b>	\$ 409	\$ 75,965	\$ 654	\$ (11)	\$ (59,771)	\$ 17,246

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

## Consolidated Cash Flow Statement

Figures in USD (000's)	Q1 2016		Q1 2015		2015
	<i>Unaudited</i>		<i>Unaudited</i>		
<b>Cash flows from operating activities</b>					
Income (loss) for the period	\$	391	\$	(2,557)	\$ (1,647)
Depreciation and amortization		615		486	2,390
Finance costs (income)		14		15	67
Income tax expense (income)		13		5	(419)
Cash receipt (payment) for income tax		(13)		(5)	934
Share based payments expense		5		93	321
Changes in trade receivables, inventories, other assets		4,181		(212)	(6,956)
Changes in trade payables and accrued liabilities		(3,164)		269	4,243
<b>Net cash provided by operating activities</b>		<b>2,042</b>		<b>(1,906)</b>	<b>(1,067)</b>
<b>Cash flows from investing activities</b>					
Additions to intangible assets		(465)		(387)	(1,489)
Purchase of property and equipment		(129)		(178)	(882)
<b>Net cash used in investing activities</b>		<b>(594)</b>		<b>(565)</b>	<b>(2,371)</b>
<b>Cash flows from financing activities</b>					
Funds drawn (paid) against line of credit		23		29	90
Proceeds from issuance of share capital		17		12,413	13,148
Cash paid for fees related to financing		-		-	(832)
Principal and interest payments on finance leases		(25)		(53)	(76)
<b>Net cash provided by financing activities</b>		<b>15</b>		<b>12,389</b>	<b>12,330</b>
Effect of exchange rate changes on cash and cash equivalents		211		640	(2)
<b>Net changes in cash and cash equivalents</b>		<b>1,674</b>		<b>10,558</b>	<b>8,890</b>
Cash and cash equivalents at beginning of period		13,060		4,170	4,170
<b>Cash and cash equivalents at end of period</b>	\$	<b>14,734</b>	\$	<b>14,728</b>	\$ <b>13,060</b>
<b>Supplemental disclosures -</b>					
Unpaid financing fees included in accrued liabilities	\$	-	\$	753	\$ -
Property and equipment acquired under finance leases	\$	-	\$	-	\$ 76

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 ended March 31, 2016 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 2015 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, 2015.

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

### 2. Equity

At March 31, 2016, there are 24.8 million common shares outstanding and 0.5 million shares in treasury. Treasury shares may be used to fulfill share options and warrants outstanding totaling approximately 1.6 million. Share based payment expense associated with total warrants and options outstanding was \$5,000 and \$0.1 million in the quarters ended March 31, 2016 and 2015, respectively.

In March 2015, the Company raised \$12.4 million in gross proceeds through a private placement of 10 million new common shares, each with a par value of DKK 0.10, at a price of NOK 10.00 per share. In April 2015, the Company raised \$0.6 million in gross proceeds through the public issuance of an additional 480 thousand new shares, each with a par value of DKK 0.10, at a price of NOK 10.00 per share.

### 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 the first quarter of 2016, the Company capitalized approximately \$0.5 million of development costs and recorded amortization of approximately \$0.5 million (capitalized costs of \$0.4 million and amortization of \$0.4 million in 2015).

#### 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.

	Q1 2016	Q1 2015
Income (loss) attributable to equity holders of the Company (USD 000's)	\$ 391	\$ (2,557)
Weighted average number of common shares outstanding (000's)	24,828	24,184
Basic income (loss) per share	\$ 0.02	\$ (0.11)
Weighted average number of common shares outstanding (000's)	24,828	24,184
Instruments with potentially dilutive effect:		
Warrants and options	940	-
Weighted average number of common shares outstanding, diluted	25,768	24,184
Diluted income (loss) per share	\$ 0.02	\$ (0.11)

Potential dilutive instruments are not included in the calculation of diluted loss per share for the first quarter 2015 because the effect of including them would be anti-dilutive and reduce the loss per share.

#### 5. Transactions with related parties

The Company's chairman is a member of the board of directors of Corsair, a customer of the Company. During the first quarter of 2016 and 2015, Asetek had sales of inventory to Corsair of \$5.5 million and \$3.1 million, respectively. As of March 31, 2016 and 2015, Asetek had outstanding trade receivables from Corsair of \$1.8 million and \$1.2 million, respectively.

The Company's CEO serves as Chairman of the Board for a vendor that supplies services to the Company. In the first quarter 2016, the Company purchased services totaling approximately \$53,000 (\$56,000 in 2015) 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 \$1.85 million on the Company's balance sheet at March 31, 2016 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.

## 7. Segment reporting

### Unaudited breakdown of the income statement

#### First Quarter

Figures in USD (000's)	Desktop		Data center	
	<u>Q1 2016</u>	<u>Q1 2015</u>	<u>Q1 2016</u>	<u>Q1 2015</u>
Revenues	9,414	5,387	990	151
Cost of sales	5,765	3,427	577	83
Gross Profit	3,649	1,960	413	68
Gross Margin	38.8%	36.4%	41.7%	45.0%
Total operating expenses*	840	1,200	1,365	1,556
EBITDA adjusted	2,809	760	(952)	(1,488)
EBITDA margin	29.8%	14.1%	N/A	N/A

\*Operating expenses by segment exclude headquarters costs of \$0.6 million and \$0.9 million for Q1 2016 and Q1 2015, respectively. Significant components of headquarters costs include intellectual property defense of \$0.4 million and \$0.6 million in Q1 2016 and Q1 2015, respectively.



## 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 March 2016. 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 2015.

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, 26 April 2016**

### Management:

André S. Eriksen  
CEO

Peter Dam Madsen  
CFO

### Board of Directors:

Sam Szeinbaum  
Chairman

Joergen Smidt  
Member

Chris J. Christopher  
Member

Knut Øversjøen  
Member

Jim McDonnell  
Member

Peter Gross  
Member

**Contact:**

André S. Eriksen, CEO: +45 2125 7076

Peter Dam Madsen, CFO: +1 408 813 4147

**Company Information:**

**Asetek A/S**  
Assensvej 2  
DK9220 Aalborg East  
Denmark

Phone: +45 9645 0047  
Fax: +45 9645 0048  
Web site: [www.asetek.com](http://www.asetek.com)  
Email: [investor.relations@asetek.com](mailto:investor.relations@asetek.com)