



Asetek A/S

CVR No. 34880522

Half Year Report

Second Quarter and Six Months Ended June 30, 2016

Published August 17, 2016

Key figures

Figures in USD (000's)	Q2 2016	Q2 2015*	1H 2016	1H 2015*	2015
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	
Total Company:					
Revenue	8,356	8,010	18,760	13,548	35,982
Gross profit***	3,176	2,194	7,238	9,326	12,412
Gross margin	38.0%	27.4%	38.6%	31.2%	34.5%
Operating profit	(477)	(242)	143	(2,401)	(2,323)
Reconciliation from IFRS to EBITDA adjusted:					
Operating profit	(477)	(242)	143	(2,401)	(2,323)
Add: Depreciation and amortization	700	525	1,315	1,011	2,390
Add: Share based compensation	120	57	125	150	321
EBITDA adjusted (unaudited)	343	340	1,583	(1,240)	388
By Segment (Unaudited):					
Desktop:					
Desktop revenue	7,585	7,679	16,999	13,066	34,121
Desktop gross margin***	38.3%	26.7%	38.5%	30.7%	34.1%
Desktop EBITDA adjusted	2,168	772	4,977	1,532	7,230
Datacenter:					
Datacenter revenue	771	331	1,761	482	1,861
Datacenter gross margin	35.4%	42.9%	39.0%	43.6%	41.8%
Datacenter EBITDA adjusted	(1,251)	(1,626)	(2,203)	(3,114)	(5,890)
Headquarters:					
Headquarters (costs) benefit**	(574)	1,194	(1,191)	342	(952)

*Interim 2015 results have been restated as described in Note 5 to the quarterly financial statements.

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

***Desktop cost of sales in Q2 2015 included a one-time quality cost of \$0.8 million.

Highlights

- Summary**
- **Desktop segment revenue as expected, data center segment growing**
 - **Positive EBITDA and cash flow last 4 quarters**
 - **Largest OEM order to date received from Fujitsu for data center installation in Japan**
- Financial results**
- Asetek reported total revenue of \$8.4 million in the second quarter of 2016, representing growth of 4% from the same period last year. First half 2016 revenue amounted to \$18.8 million, equal to growth of 38% compared with the first half of 2015.
 - Gross margins were 38% and 39% for the second quarter and first half of 2016, respectively, increasing from both comparable periods in 2015 (27.4% and 31.2%).
 - Cost savings and revenue growth resulted in positive adjusted EBITDA of \$0.3 million and total cash flow of \$0.8 million in the second quarter of 2016, the fourth consecutive quarter of positive cash flow. In the first half of 2016, adjusted EBITDA was \$1.6 million and total cash flow was \$2.5 million.
- By segment**
- Desktop revenue was \$7.6 million in the second quarter, a decline of 1% from the same period last year. First half revenue was \$17.0 million, an increase of 30% from the first half of 2015. Operating profit from the desktop segment was \$2.2 million for the second quarter and \$5.0 million for the first half, both reflecting improvement over the respective periods of 2015 due to an increase in gross margins and reduced operating expenses.
 - Data center revenue grew to \$0.8 million in the second quarter, from \$0.3 million in Q2 2015. Revenue in the first half of 2016 rose to \$1.8 million compared with \$0.5 million in the same period of 2015. While Asetek continued to invest in this segment, operating losses from the segment amounted to \$1.3 million for the second quarter and \$2.2 million for the first half. Expenditures relate to technology development, product marketing and sales activities with data center partners and OEM customers.
- Operations**
- In April, Asetek received an order from Fujitsu for a total of 70 Rack CDU™ for installation at the Joint Center for Advanced High Performance Computing (JCAHPC) in conjunction with University of Tokyo and Tsukuba University. This is Asetek's largest single installation purchase order to date from an OEM partner. The order is expected to generate revenue of \$1.0 to \$1.5 million in 2016. In June, the Company received a repeat order from an OEM for a customer installation in Europe.
 - In June, the Company announced RackCDU D2C™ liquid cooling for the NVIDIA® Tesla® P100 GPU accelerator, a new platform enabling HPC servers to deliver higher levels of performance for intensive workloads. Asetek's liquid cooling for the P100 will allow for increased density and reduced cooling costs.
 - Asetek launched its InRackCDU™ data center cooling solution in June, a new space-saving offering which provides RackCDU cooling mounted within the server rack.
- Outlook**
- Asetek's expectation for full year 2016 revenue within the desktop segment has solidified through the first half and into the second half of 2016. The company now expects desktop segment revenue above \$37m, equal to more than 10% revenue growth. Asetek has previously in 2016 stated that it expected desktop revenue to grow modestly from a record \$34m level in 2015.
 - Asetek reaffirms its expectation of significant revenue growth in the data center segment in 2016 from \$1.9m in 2015.

Financial review

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

Income Statement (Consolidated)

Asetek reported total revenue of \$8.4 million in the second quarter of 2016, reflecting growth of 4% over the same period of 2015 (\$8.0 million). Total revenue in the first half 2016 was \$18.8 million, an increase of 38% over the same period of 2015 (\$13.5 million). The increase in the second quarter reflects the growth in shipment of data center products in 2016. Growth in the first half revenue resulted principally from increased shipments of desktop do-it-yourself (“DIY”) products in the first quarter 2016 compared with the same period last year.

Desktop sales unit volumes for the second quarter 2016 were 162,000, level with the same period of last year (163,000). Unit shipments for the first half 2016 represented a 25% increase compared with first half 2015. The increase in unit shipments in the first half resulted from strong demand in the DIY market. Average selling prices (ASPs) per unit in the quarter declined slightly from the second quarter 2015 due to variability in the mix of products shipped. ASPs in the first half year 2016 increased compared with the same period of 2015, resulting principally from the sale of newer high performing products.

Gross margin was 38.0% for the second quarter of 2016, an increase from 27.4% in the same period last year. Gross margin for the first half of 2016 increased to 38.6% from 31.2% in the first half 2015. The increase in gross margin in both periods reflects a one-time charge of \$0.8 million incurred

in second quarter 2015 when Asetek decided to recall, rework and reship a bulk of DIY products as a quality assurance measure.

Total operating expense increased in the second quarter and first half when compared with the same periods of 2015, reflecting principally a \$1.8 million settlement awarded to Asetek in the second quarter of 2015 for a patent infringement lawsuit with CoolIT Systems (see Note 5 to the quarterly financial statements). Excluding the litigation settlement, operating costs have declined in 2016. Legal costs incurred associated with defense of existing intellectual property (IP) and securing new IP declined to \$0.3 million and \$0.7 million in the second quarter and first half of 2016 (\$0.5 million and \$1.1 million in the same periods of 2015), respectively. The Company also reduced employee compensation costs in the second quarter and first half 2016, when compared with the same periods of the prior year.

Finance expenses during the second quarter include net foreign exchange gain of \$0.1 million and loss of \$0.1 million in the second quarter and first half 2016 (net \$0.6 million gain and \$0.2 million gain in the respective periods of 2015).

Asetek incurred a net loss of \$0.4 million and net income of \$4 thousand for the second quarter and first half of 2016, compared with net income of \$0.3 million and net loss of \$2.2 million in the respective periods of 2015.

Balance Sheet (Consolidated)

Asetek's total assets at June 30, 2016 amounted to \$27.0 million, a decrease of \$0.7 million from December 31, 2015. The decrease in assets resulted principally from the usage of positive cash flows in the first quarter to pay down short-term

liabilities. Total liabilities decreased \$1.0 million in the first half of 2016. Total cash and cash equivalents was \$15.6 million at June 30, 2016.

Cash Flow (Consolidated)

Net cash provided by operating activities was \$3.8 million for the first half of 2016 (\$3.7 million used in first half of 2015). The operating cash provided in the first half of 2016 mainly relates to collection of receivables.

Cash used by investing activities was \$1.4 million, related principally to additions in capitalized development costs. The figure compares with \$1.0 million for the first half of 2015.

Cash used by financing activities in the first half of 2016 was \$18 thousand, compared with \$11.9 million provided in the first half of 2015. The

activity in first half of 2015 represents principally funds raised through the private and public offerings of common stock, net of financing costs.

Net increase in cash and cash equivalents was \$2.5 million in first half of 2016, compared with an increase of \$7.5 million in the same period last year. Excluding equity offering transactions, the net change in cash in the first half of 2015 was negative \$4.6 million.

Segment breakdown

The Company reports 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

Operations - Second Quarter

Figures in USD (000's)	Desktop		Data center	
	Q2 2016	Q2 2015	Q2 2016	Q2 2015
Revenues	7,585	7,679	771	331
Cost of sales	4,682	5,627	498	189
Gross Profit	2,903	2,052	273	142
Gross Margin	38.3%	26.7%	35.4%	42.9%
Total operating expenses	735	1,280	1,524	1,768
EBITDA adjusted	2,168	772	(1,251)	(1,626)
EBITDA margin	28.6%	10.1%	N/A	N/A

Operations - First Half

Figures in USD (000's)	Desktop		Data center	
	1H 2016	1H 2015	1H 2016	1H 2015
Revenues	16,999	13,066	1,761	482
Cost of sales	10,447	9,054	1,075	272
Gross Profit	6,552	4,012	686	210
Gross Margin	38.5%	30.7%	39.0%	43.6%
Total operating expenses	1,575	2,480	2,889	3,324
EBITDA, adjusted	4,977	1,532	(2,203)	(3,114)
EBITDA margin	29.3%	11.7%	N/A	N/A

Headquarters Costs

Figures in USD (000's)	Q2 2016	Q2 2015*	1H 2016	1H 2015*
Litigation costs	(292)	(478)	(661)	(1,098)
Litigation settlement received	-	1,844	-	1,844
Other headquarters costs	(282)	(172)	(530)	(404)
Total headquarters (costs) benefit	(574)	1,194	(1,191)	342

*Interim 2015 results have been restated as described in Note 5 to the quarterly financial statements.

See reconciliation to consolidated statement of comprehensive income in Key Figures table on page 1.

Desktop financials

Desktop revenue and margin development

USD (000's)

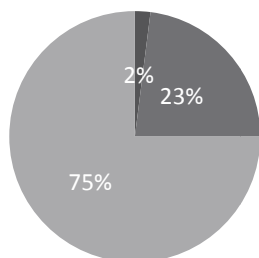


Asetek's desktop revenue was \$7.6 million in the second quarter and \$17.0 million in the first half of 2016, compared with \$7.7 million and \$13.1 million in the second quarter and first half of 2015, respectively. Asetek's desktop revenue retreated in the second quarter following record revenue in 2015 and early 2016 due to an extraordinary strong demand for do-it-yourself (DIY) products.

Desktop gross margin has remained relatively stable in the past four quarters. Gross margin was unusually low in Q2 2015 due to a one-time cost of \$0.8 million incurred when the Company decided to recall, rework and reship a bulk of DIY products as a quality assurance measure.

Revenue split, H1-2016

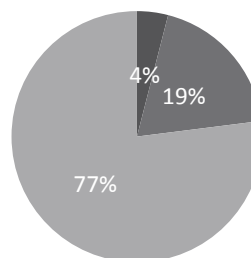
Percent



- Workstations
- Gaming/Performance Desktop PC's
- D I Y

Revenue split, H1-2015

Percent



- Workstations
- Gaming/Performance Desktop PC's
- D I Y

The change in revenue split reflects the increased demand in the Gaming/Performance Desktop PC market in the first half 2016.

Desktop market update and outlook

In the second quarter of 2016, Asetek's desktop revenue declined 1% from the second quarter of 2015. As expected, the decrease resulted from lower demand in the DIY market in the second quarter 2016 compared with the same period of 2015. This decrease was partly offset by an increase in demand in the Gaming/Performance Desktop PC market. During the second quarter, Asetek began shipping four new products, including one for a DIY customer and three in the Gaming/Performance Desktop PC market.

In first half of 2016, desktop revenue increased 30% from first half of 2015 due to strong growth in the DIY market in the first quarter of 2016. Gaming/ Performance Desktop PC revenue also increased in the first half of 2016.

Asetek's expectation for full year 2016 revenue within the desktop segment has solidified through the first half and into the second half of 2016. The company now expects desktop segment revenue above \$37m, equal to more than 10% revenue

growth. Asetek has previously in 2016 stated that it expected desktop revenue to grow modestly from a record \$34m level in 2015.

Revenue variability by quarter is expected to continue.

Gross margins in the second quarter and first half of 2016 increased from the same periods of the prior year due to a one-time \$0.8 million cost incurred for quality measures in the second quarter of 2015. Gross margins in the third quarter of 2016 are expected to approximate margins achieved in the second quarter of 2016.

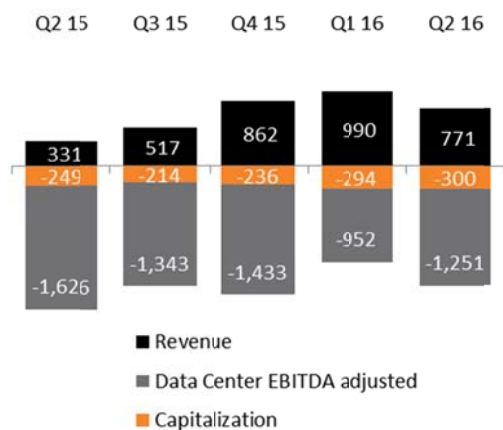
Overall, the desktop market continues to thrive despite the challenges facing the PC industry. The

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 will pursue further advancement of this market segment in the future.

Data center financials

Financial development

USD (000's)



Asetek's data center revenue was \$0.8 million in the second quarter and \$1.8 million in the first half of 2016, compared with \$0.3 million and \$0.5 million in the second quarter and first half of 2015, respectively. The increases in both periods were driven principally by shipments to customers who are new to Asetek in the past year.

Data center gross margins decreased in the second quarter of 2016 compared with the same period of 2015, and have fluctuated principally due to variability in the mix of deliverables on government contracts relative to the volume of product shipments to OEMs.

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

As the high performance computing (HPC) industry struggles with balancing the contrary requirements of increasing performance capacity and reducing energy consumption, the adoption of Asetek's liquid cooling products has accelerated. The Company has major liquid cooling installations at multiple HPC sites in the U.S., Japan and Europe. To drive growth in this market, Asetek continues to invest in technology development, product marketing and sales activities with data center partners and OEM customers.

In the second quarter, Asetek shipped \$0.2 million of RackCDU Direct to Chip™ products to Fujitsu Technology Solutions GmbH (Fujitsu) for installation at the Joint Center for Advanced High Performance Computing (JCAHPC) in conjunction with University of Tokyo and Tsukuba University. When completed, this installation will be the highest performance supercomputer system in Japan. Fujitsu is using Asetek's liquid cooling to remove heat from processors and other high power components in its 8,208 node Fujitsu

PRIMERGY cluster to deliver maximum performance while keeping operating costs at a minimum. The JCAHPC project is expected to generate total revenue of \$1.0 to \$1.5 million for Asetek in 2016.

During the quarter, Asetek shipped \$0.1 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. End customers include the U.S. National Nuclear Security Administration's CTS-1 systems deployment at three national laboratories, which will collectively constitute one of the world's largest Open Compute-based installations. 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 (\$0.9 million of which was generated in first half of 2016).

During the second quarter, Asetek continued activities on its \$3.5 million contract with the California Energy Commission. The Company generated revenue of \$0.2 million, principally from the ongoing conversion of the "Cabernet" supercomputer at Lawrence Livermore National Laboratory to liquid cooling. This is the first of two data centers scheduled to be converted during this two-year contract. Through the second quarter of 2016, Asetek has generated cumulative revenue of \$1.0 million from this contract.

Progress on Asetek's three-year contract with the U.S. Department of Defense (DoD), which

previously paused while the DoD relocated the project to a different site, has restarted. A new site has been selected and facilities work will begin in the third quarter. Revenue is expected to ramp in the second half of 2016.

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 supporting this development. 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.

Corporate Matters

In 2015, the Company recognized \$1.8 million of income from a litigation settlement at the time the payments were received in the third and fourth quarters of 2015. In June 2016, the Danish Business Authority issued an enforcement decision indicating that the income from the settlement should have been recognized in full at the time the settlement was awarded in the second quarter of 2015. As a result, this change is reflected in the 2015 results presented in this Report.

The Company's annual general meeting was held on April 27, 2016, where the following matters occurred or were reported:

- The Annual Report 2015, as proposed by the Board of Directors, was approved as published.
- All existing Board members and Nomination Committee members were re-elected.
- The Board was authorized to acquire the Company's own shares.
- PricewaterhouseCoopers, State Authorized Public Accountants, were re-elected as auditors.

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 half of 2016, one customer accounted for 51% 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 added a second contract manufacturer in 2015 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 June 30, 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.

Interim financial statements

Consolidated Statement of Comprehensive Income

Figures in USD (000's)	Q2 2016	Q2 2015*	1H 2016	1H 2015*	2015
	Unaudited	Unaudited	Unaudited	Unaudited	
Revenue	\$ 8,356	\$ 8,010	\$ 18,760	\$ 13,548	\$ 35,982
Cost of sales	5,180	5,816	11,522	9,326	23,570
Gross profit	3,176	2,194	7,238	4,222	12,412
Research and development	849	1,067	1,556	2,084	3,938
Selling, general and administrative	2,804	3,213	5,539	6,383	12,641
Other income	-	(1,844)	-	(1,844)	(1,844)
Total operating expenses	3,653	2,436	7,095	6,623	14,735
Operating income	(477)	(242)	143	(2,401)	(2,323)
Foreign exchange (loss) gain	118	610	(84)	232	305
Finance costs	(9)	(17)	(23)	(32)	(67)
Total financial income (expenses)	109	593	(107)	200	238
Income before tax	(368)	351	36	(2,201)	(2,085)
Income tax (expense) benefit	(19)	(6)	(32)	(11)	438
Income for the period	(387)	345	4	(2,212)	(1,647)
<i>Other comprehensive income items that may be reclassified to profit or loss in subsequent periods:</i>					
Foreign currency translation adjustments	(149)	(250)	100	378	181
Total comprehensive income	\$ (536)	\$ 95	\$ 104	\$ (1,834)	\$ (1,466)
Income per share (in USD):					
Basic	\$ (0.02)	\$ 0.01	\$ 0.00	\$ (0.09)	\$ (0.07)
Diluted	\$ (0.02)	\$ 0.01	\$ 0.00	\$ (0.09)	\$ (0.07)

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

*Interim 2015 results have been restated as described in Note 5.

Consolidated Balance Sheet

Figures in USD (000's)	30 June 2016	31 Dec 2015
ASSETS	<i>Unaudited</i>	
<i>Non-current assets</i>		
Intangible assets	\$ 1,864	\$ 1,852
Property and equipment	1,267	1,188
Other assets	584	496
Total non-current assets	3,715	3,536
<i>Current assets</i>		
Inventory	1,268	1,786
Trade receivables and other	6,443	9,366
Cash and cash equivalents	15,577	13,060
Total current assets	23,288	24,212
Total assets	\$ 27,003	\$ 27,748
EQUITY AND LIABILITIES		
<i>Equity</i>		
Share capital	\$ 416	\$ 416
Share premium	76,686	76,665
Accumulated deficit	(58,504)	(58,633)
Translation and other reserves	298	198
Total equity	18,896	18,646
<i>Non-current liabilities</i>		
Long-term debt	218	259
Total non-current liabilities	218	259
<i>Current liabilities</i>		
Short-term debt	387	375
Accrued liabilities	1,138	862
Accrued compensation & employee benefits	814	1,272
Trade payables	5,550	6,334
Total current liabilities	7,889	8,843
Total liabilities	8,107	9,102
Total equity and liabilities	\$ 27,003	\$ 27,748

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
Equity at January 1, 2016	\$ 416	\$ 76,665	\$ 207	\$ (9)	\$ (58,633)	\$ 18,646
Total comprehensive income - six months ended June 30, 2016						
Income for the period	-	-	-	-	4	4
Foreign currency translation adjustments	-	-	100	-	-	100
Total comprehensive income - six months ended June 30, 2016	-	-	100	-	4	104
Transactions with owners - six months ended June 30, 2016						
Shares issued	-	21	-	-	-	21
Share based payment expense	-	-	-	-	125	125
Transactions with owners - six months ended June 30, 2016	-	21	-	-	125	146
Equity at June 30, 2016	\$ 416	\$ 76,686	\$ 307	\$ (9)	\$ (58,504)	\$ 18,896

Unaudited

Equity at January 1, 2015	\$ 264	\$ 64,451	\$ 26	\$ (12)	\$ (57,307)	\$ 7,422
Total comprehensive income - six months ended June 30, 2015						
Loss for the period*	-	-	-	-	(2,212)	(2,212)
Foreign currency translation adjustments	-	-	378	-	-	378
Total comprehensive income - six months ended June 30, 2015	-	-	378	-	(2,212)	(1,834)
Transactions with owners - six months ended June 30, 2015						
Shares issued	152	12,799	-	1	-	12,952
Less: issuance costs	-	(829)	-	-	-	(829)
Share based payment expense	-	-	-	-	150	150
Transactions with owners - six months ended June 30, 2015	152	11,970	-	1	150	12,273
Equity at June 30, 2015	\$ 416	\$ 76,421	\$ 404	\$ (11)	\$ (59,369)	\$ 17,861

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

**Interim 2015 results have been restated as described in Note 5.*

Consolidated Cash Flow Statement

Figures in USD (000's)	1H 2016	1H 2015*	FY 2015
	<i>Unaudited</i>	<i>Unaudited</i>	
Cash flows from operating activities			
Income (loss) for the period	\$ 4	\$ (2,212)	\$ (1,647)
Depreciation and amortization	1,315	1,011	2,390
Finance costs (income)	23	32	67
Income tax expense (income)	32	11	(438)
Impairment of intangible assets	2	-	-
Cash receipt (payment) for income tax	(32)	(5)	934
Share based payments expense	125	150	321
Changes in trade receivables, inventories, other assets	3,429	(3,801)	(6,937)
Changes in trade payables and accrued liabilities	(1,076)	1,071	4,243
Net cash provided by (used in) operating activities	3,822	(3,743)	(1,067)
Cash flows from investing activities			
Additions to intangible assets	(1,004)	(755)	(1,489)
Purchase of property and equipment	(380)	(277)	(882)
Net cash used in investing activities	(1,384)	(1,032)	(2,371)
Cash flows from financing activities			
Funds drawn (paid) against line of credit	5	(131)	90
Proceeds from issuance of share capital	21	12,951	13,148
Cash paid for fees related to financing	-	(829)	(832)
Principal and interest payments on finance leases	(44)	(43)	(76)
Net cash provided by (used in) financing activities	(18)	11,948	12,330
Effect of exchange rate changes on cash and cash equivalents	97	321	(2)
Net changes in cash and cash equivalents	2,517	7,494	8,890
Cash and cash equivalents at beginning of period	13,060	4,170	4,170
Cash and cash equivalents at end of period	\$ 15,577	\$ 11,664	\$ 13,060
Supplemental disclosures -			
Property and equipment acquired under finance leases	\$ -	\$ -	\$ 76

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

**Interim 2015 results have been restated as described in Note 5.*

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 six months ended June 30, 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

In April, 2016, the Company granted a total of 600,000 warrants to management and board members. Each warrant has an exercise price of NOK 19.50 (USD \$2.40) per share and becomes exercisable gradually over a period of one or four years.

At June 30, 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 2.1 million. Share based payment expense associated with total warrants and options outstanding was \$0.1 million and \$0.2 million in the six months ended June 30, 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 half of 2016, the Company capitalized approximately \$1.0 million of development costs and recorded amortization of approximately \$1.0 million (capitalized costs of \$0.8 million and amortization of \$0.8 million in the first half of 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.

Second Quarter		
	Q2 2016	Q2 2015*
Income (loss) attributable to equity holders of the Company (USD 000's)	\$ (387)	\$ 345
Weighted average number of common shares outstanding (000's)	24,840	24,617
Basic income (loss) per share	\$ (0.02)	\$ 0.01
Weighted average number of common shares outstanding (000's)	24,840	24,617
Instruments with potentially dilutive effect:		
Warrants and options	-	428
Weighted average number of common shares outstanding, diluted	24,840	25,045
Diluted income (loss) per share	\$ (0.02)	\$ 0.01
First Half		
	1H 2016	1H 2015*
Loss attributable to equity holders of the Company (USD 000's)	\$ 4	\$ (2,212)
Weighted average number of common shares outstanding (000's)	24,834	24,679
Basic loss per share	\$ 0.00	\$ (0.09)
Diluted loss per share	\$ 0.00	\$ (0.09)

*Interim 2015 results have been restated as described in Note 5.

Potential dilutive instruments are not included in the calculation of diluted loss per share for the second quarter 2016, first half 2016, and first half 2015 because the effect of including them would be anti-dilutive.

5. Accounting for income from litigation settlement

In 2015, the Company recognized \$1.8 million of income from a litigation settlement at the time the payments were received in the third and fourth quarters of 2015. On June 15, 2016 the Danish Business Authority issued an enforcement decision indicating that the income from the settlement should have been recognized in full at the time the settlement was awarded in the second quarter of 2015, and presented as a separate line item on the financial statements. As a result, this change is reflected in the 2015 results in the consolidated statement of comprehensive income and other affected schedules in this Report. The following tables present the effect of the change:

Summary of change by quarter:

Figures in USD (000's)	Q1 2015	Q2 2015	Q3 2015	Q4 2015	FY 2015
Income (loss) for the period - reported in 2015	\$ (2,557)	\$ (1,499)	\$ 94	\$ 2,315	\$ (1,647)
Change to timing of income from litigation settlement	\$ -	\$ 1,844	\$ (477)	\$ (1,367)	\$ -
Income (loss) for the period - revised	\$ (2,557)	\$ 345	\$ (383)	\$ 948	\$ (1,647)

Summary of change by financial statement line item:**Consolidated Statement of Comprehensive Income**

Figures in USD (000's)	Q2 2015			1H 2015		
	Revised	Original	Change	Revised	Original	Change
Research and development	1,067	1,067	-	2,084	2,084	-
Selling, general and administrative	3,213	3,213	-	6,383	6,383	-
Other income	(1,844)	-	(1,844)	(1,844)	-	(1,844)
Total operating expenses	2,436	4,280	(1,844)	6,623	8,467	(1,844)
Operating income	(242)	(2,086)	1,844	(2,401)	(4,245)	1,844
Income before tax	351	(1,493)	1,844	(2,201)	(4,045)	1,844
Income for the period	345	(1,499)	1,844	(2,212)	(4,056)	1,844
Total comprehensive income	95	(1,749)	1,844	(1,834)	(3,678)	1,844
Income per share - basic (USD)	0.01	(0.06)	0.07	(0.09)	(0.16)	0.07
Income per share - diluted (USD)	0.01	(0.06)	0.07	(0.09)	(0.16)	0.07

Consolidated Balance Sheet

Figures in USD (000's)	As of June 30, 2015		
	Revised	Original	Change
Assets:			
Trade receivables and other	7,095	5,251	1,844
Total current assets	20,439	18,595	1,844
Total assets	23,737	21,893	1,844
Equity and Liabilities:			
Accumulated deficit	(59,369)	(61,213)	1,844
Total equity	17,861	16,017	1,844
Total equity and liabilities	23,737	21,893	1,844

6. 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 the six months ended June 30, 2016 and 2015, Asetek had sales of inventory to Corsair of \$9.7 million and \$8.0 million, respectively. As of June 30, 2016 and 2015, Asetek had outstanding trade receivables from Corsair of \$2.9 million and \$2.2 million, respectively.

The Company's CEO serves as Chairman of the Board for a vendor that supplies services to the Company. In the six months ended June 30, 2016 and 2015, the Company purchased services totaling approximately \$0.1 million and \$0.1 million, respectively, from this vendor.

7. 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 \$1.86 million on the Company's balance sheet at June 30, 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.

8. Segment reporting

Unaudited breakdown of the income statement

Operations - Second Quarter

Figures in USD (000's)	Desktop		Data center	
	Q2 2016	Q2 2015	Q2 2016	Q2 2015
Revenues	7,585	7,679	771	331
Cost of sales	4,682	5,627	498	189
Gross Profit	2,903	2,052	273	142
Gross Margin	38.3%	26.7%	35.4%	42.9%
Total operating expenses	735	1,280	1,524	1,768
EBITDA adjusted	2,168	772	(1,251)	(1,626)
EBITDA margin	28.6%	10.1%	N/A	N/A

Operations - First Half

Figures in USD (000's)	Desktop		Data center	
	1H 2016	1H 2015	1H 2016	1H 2015
Revenues	16,999	13,066	1,761	482
Cost of sales	10,447	9,054	1,075	272
Gross Profit	6,552	4,012	686	210
Gross Margin	38.5%	30.7%	39.0%	43.6%
Total operating expenses	1,575	2,480	2,889	3,324
EBITDA, adjusted	4,977	1,532	(2,203)	(3,114)
EBITDA margin	29.3%	11.7%	N/A	N/A

Headquarters Costs

Figures in USD (000's)	Q2 2016	Q2 2015*	1H 2016	1H 2015*
Litigation costs	(292)	(478)	(661)	(1,098)
Litigation settlement received	-	1,844	-	1,844
Other headquarters costs	(282)	(172)	(530)	(404)
Total headquarters (costs) benefit	(574)	1,194	(1,191)	342

*Interim 2015 results have been restated as described in Note 5 to the quarterly financial statements.

See reconciliation to consolidated statement of comprehensive income in Key Figures table on page 1.

Statement by the board of directors and management

The Board of Directors and the Management have considered and adopted the Half Year Report of Asetek A/S for the period 1 January – 30 June 2016. The Interim Report is presented in accordance with the International Accounting Standard IAS 34 on Interim Financial Reporting as adopted by the European Union 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, 16 August 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

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