Asetek A/S

Quarterly Report

Three months ended September 30, 2013

Published November 20, 2013

Highlights

- **New development as of November 19th, 2013**
  - Asetek RackCDU™ D2C™ Liquid Cooling solutions will be available from HP as a Third Party Option (3PO) kit for specific HP ProLiant Servers (initially HP ProLiant SL230s and HP ProLiant DL560 Gen8)
  - HP specific server liquid cooling kits and RackCDU SKUs for these servers are being developed by Asetek
  - Expected to be available for customers to order from HP through their Account Executives 1H 2014

- The Company's total revenues through the first nine months of 2013 were $14.6 million, up slightly from the same period of 2012. Total revenues were $4.4 million in the quarter, a 10% decrease from the third quarter of 2012 and 18% decrease from the second quarter of 2013. Revenue was lower than management's expectations due to a customer's deferral of a large order for graphics cooling products. Asetek forecasts incremental revenue of up to $1.0 million in the fourth quarter of 2013 associated with this order, and as such expects an increase in revenue in Q4 over Q3 and as such the growth target for the year (10%) is maintained
- Gross margins surpassed 40% in the quarter, more than four percentage points better than the same period of last year. Gross margins for the first nine months of 2013 were 38.5%, an increase of over one point from prior year and consistent with management expectations. The increases in gross margins reflect improved cost management as well as an increase in shipments of higher margin products.
- Asetek received its first commercial order for its RackCDU™ data center liquid cooling solution during the quarter. Cray Inc. ordered five systems to install with its CS300 cluster supercomputer, which will serve as the primary high performance computing system for shared research at Mississippi State University's High Performance Computing Collaboratory.
- Per the Company release in October, Asetek executed and began implementation of its first contract for a major data center retrofit with RackCDU™, for the U.S. Department of Defense at the Redstone Arsenal datacenter, carrying a total value of over $2 million. With its initial billing, Asetek recognized $165 thousand in revenue on the three-year contract.
- Asetek entered into an agreement with Signature Technology Group (STG), a large data center service provider, to provide a warranty, service and support program for Asetek liquid cooling-equipped data centers. The agreement enables data center operators, who equip servers with Asetek liquid cooling, to maintain warranty support or enhanced warranty coverage.
- Operating profits from the desktop segment were $0.8 million this quarter, in line with the third quarter of 2012 and a $0.3 million decline from the second quarter of 2013, resulting principally from the decline in revenues.
- Operating losses from the datacenter segment were $1.3 million, up from $1.1 million in the third quarter of 2012 and down from $2.0 million in the second quarter of 2013. The datacenter spending reflects continued investment in development and marketing, including increased engineering personnel, business development resources and equipment/tools. The decrease in datacenter operating loss from the second to third quarter of 2013 is principally due to the capitalization of costs associated with datacenter product development.

Key figures

Figures in USD (000's)	Q3 2013	Q3 2012	YTD Q3 2013	YTD Q3 2012	2012
	Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	
Total Company:					
Revenue	**4,357**	4,850	**14,617**	14,467	18,681
Gross profit	**1,746**	1,726	**5,624**	5,369	6,788
Gross margin	**40.1%**	35.6%	**38.5%**	37.1%	36.3%
EBITDA (unaudited)	**(1,454)**	(795)	**(3,929)**	(908)	(2,820)
Operating profit (loss)	**(2,027)**	(1,360)	**(5,406)**	(2,405)	(4,872)
Total comprehensive income (loss)	**(1,694)**	(1,880)	**(4,325)**	(4,065)	(8,491)
Purchases of property and equipment	**273**	11	**472**	77	88
Sealed loop cooling units shipped (000's)	**91**	107	**310**	314	414
By Segment (Unaudited):					
Desktop:					
Desktop revenue	***4,192***	*4,850*	***14,416***	*14,467*	*18,681*
Desktop gross profit	***1,652***	*1,726*	***5,514***	*5,369*	*6,788*
Desktop gross margin (adjusted)*	***40.2%***	*36.3%*	***39.1%***	*37.9%*	*37.1%*
Desktop EBITDA	***756***	*806*	***2,953***	*3,097*	*3,724*
Datacenter:					
Datacenter revenue	***165***	-	***201***	-	-
Datacenter gross profit	***94***	-	***110***	-	-
Datacenter gross margin (adjusted)*	***57.0%***	-	***54.7%***	-	-
Datacenter EBITDA	***(1,341)***	*(1,148)*	***(4,688)***	*(3,012)*	*(4,663)*
Headquarters:					
*Headquarters costs***	***(869)***	*(453)*	***(2,193)***	*(993)*	*(1,881)*

**Adjusted gross margins are computed excluding depreciation costs that are normally classified as cost of goods sold.*
***Headquarters costs include intellectual property defense, financing, FX and headquarters admin costs.*

Financial review

The figures below relate to the consolidated accounts for the third quarter and first nine months of 2013, which comprise activities within the two segments Desktop and Datacenter. The quarterly and nine month figures are unaudited.

Income Statement (Consolidated)

Asetek reported revenues of $4.4 million in the third quarter of 2013, representing a decrease of 10% from the same period of 2012, and 18% from the second quarter of 2013.

Sales unit volumes for the third quarter decreased by 15% from the same period of 2012. The decrease in unit volume and revenue reflects a customer's delay of receipt of a large graphics cooling order. The decrease was also caused by the previously announced termination of two customers – Antec Inc. and Zalman USA Inc.. Average selling prices per unit for the quarter have increased slightly compared to the third quarter of 2012, and have remained relatively stable in 2013.

Total revenues for the first nine months of 2013 were $14.6 million, a small increase over the same period of 2012 ($14.5 million).

Gross margin was 40.1% for the third quarter of 2013, an increase over the same period last year (35.6%) and the second quarter of 2013 (37.5%).

The gross margin for the first nine months of 2013 was 38.5%, an increase from 37.1% for the same period of 2012. The increases in gross margins reflect improved cost management as well as an increase in shipments of higher margin products.

Operating costs increased compared with the third quarter of 2012, reflecting expanded activities associated with development and marketing of the company's datacenter solutions. In addition, Asetek incurred $0.5 million of increased legal costs associated with intellectual property (IP) related to defense of existing IP and securing new IP. The result was an increase in general and administrative expenses of 28% over the same period of 2012. Asetek incurred an operating loss of $2.0 million in the third quarter of 2013, compared with $1.4 million operating loss in the third quarter of 2012.

The Company's cash holdings in NOK were converted to USD during the quarter, resulting in a foreign exchange gain of $0.3 million, which is included in finance income in the third quarter of 2013.

For the first nine months of 2013, activities associated with reorganization and the company's initial public offering (IPO) resulted in increased legal and administrative costs compared with the same period of 2012.

Finance income in the first nine months of 2013 included $1.5 million of gains associated with the valuation of outstanding debt instruments converted to equity at the time of the IPO in the first quarter. Based on the initial trading price of the common shares, the company recognized $0.8 million income on the convertible option on preferred shares and $0.7 million income on the convertible loan upon revaluation.

Finance costs for the first nine months of 2013 include foreign exchange loss of $0.5 million on cash deposits held in NOK in the second quarter. In the first nine months of 2012, the revaluation of preferred shares resulted in finance costs of $1.4 million.

Segment Breakdown

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

Q3 2013

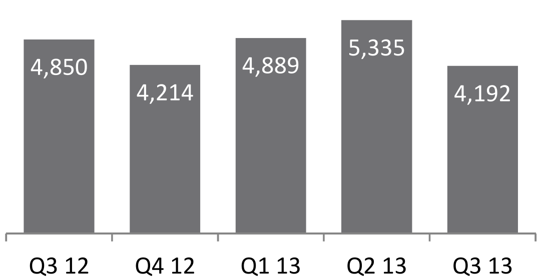
Figures in USD (000's)	Desktop			Datacenter		
	Q3 2013	Q3 2012	FY 2012	**Q3 2013**	Q3 2012	FY 2012
Revenues	**4,192**	4,850	18,681	**165**	-	-
Cost of sales	**2,508**	3,088	11,748	**71**	-	-
Gross Profit, adjusted	**1,684**	1,762	6,933	**94**	-	-
Gross Margin, adjusted	**40.2%**	36.3%	37.1%	**57.0%**	N/A	N/A
Total operating expenses**	**928**	956	3,209	**1,435**	1,148	4,663
EBITDA, adjusted	**756**	806	3,724	**(1,341)**	(1,148)	(4,663)
EBITDA margin	**18.0%**	16.6%	19.9%	**N/A**	N/A	N/A

YTD Q3 2013

Figures in USD (000's)	Desktop			Datacenter		
	YTD Q3 2013	YTD Q3 2012	FY 2012	**YTD Q3 2013**	YTD Q3 2012	FY 2012
Revenues	**14,416**	14,467	18,681	**201**	-	-
Cost of sales	**8,779**	8,990	11,748	**91**	-	-
Gross Profit, adjusted	**5,637**	5,477	6,933	**110**	-	-
Gross Margin, adjusted	**39.1%**	37.9%	37.1%	**54.7%**	N/A	N/A
Total operating expenses**	**2,684**	2,380	3,209	**4,798**	3,012	4,663
EBITDA, adjusted	**2,953**	3,097	3,724	**(4,688)**	(3,012)	(4,663)
EBITDA margin	**20.5%**	21.4%	19.9%	**N/A**	N/A	N/A

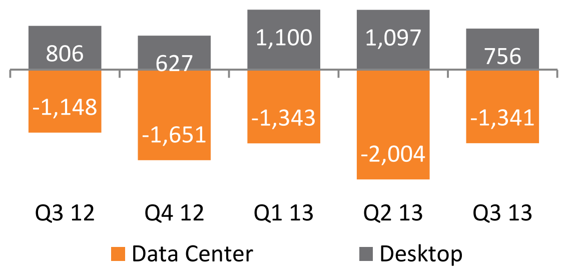
**Operating expenses by segment exclude headquarters costs of $0.9 million, $0.5 million and $1.9 million, for Q3 2013, Q3 2012 and FY 2012, respectively. Significant components of headquarters costs include intellectual property defense of $0.6 million in Q3 2013 and $0.4 million in FY 2012.

Desktop revenue development USD (000's)



Asetek's desktop revenues in the third quarter declined 21% compared to last quarter due to two customer transitions to in-house liquid cooling solutions and delay of receipt by a customer on a large graphics cooling order. Desktop revenues for the first nine months of 2013 were level with the same period of 2012. Q4 2013 revenues are expected to increase from Q3. Refer to the Outlook section of this report for more details.

EBITDA development USD (000's)



Asetek increased its investments in the Datacenter market in mid-2012, representing principally technology and prototype development, tradeshow promotion and product marketing. The Company has also continued to incur costs to defend its intellectual property.

Balance Sheet

Asetek's total assets at September 30, 2013 amounted to $20.4 million, a reduction of $1.2 million from June 30, 2013. The principal change in assets related to operating expenses associated with development and marketing of the company's datacenter solutions, but was offset by increases in capital equipment and intangible assets. Other assets increased by $0.3 million in the third quarter as a result of a deposit paid on a new building lease in Denmark. Other long-term liabilities increased by $0.2 million related to a deposit received from a sublessee of the new facility.

In the first nine months of 2013, total assets increased as a result of the company's IPO, which raised $21.4 million in net proceeds. All of the company's preferred shares outstanding, carried at approximately $37.1 million at December 31, 2012, converted to common shares at the IPO in March 2013.

Of the $4.4 million in convertible debt held by Asetek at the beginning of 2013, $3.1 million was converted to common shares and $0.6 million was repaid. The remaining $0.7 million was recognized as a gain at the IPO date, based on the initial trading price of the common shares.

As a result of the above transactions, total liabilities decreased from $48.8 million at December 31, 2012, to $4.4 million at September 30, 2013.

Cash Flow

Net cash used by operating activities was $3.2 million in the first nine months of 2013, compared with $1.6 million used in the same period of 2012. The change is principally due to the increase in operating expenditures in 2013.

Cash used by investing activities in the first nine months of 2013 was $2.2 million, compared with $0.9 million used in the same period of 2012. The increase related principally to additions in capitalized costs associated with datacenter product development.

Cash provided by financing activities was $17.7 million in the first nine months of 2013, compared with $0.9 million provided by financing activities in the same period of 2012. The change reflects $21.4 million of net proceeds raised in the company's successful IPO in the first quarter of 2013, offset by payments of $4.0 million of outstanding debt, interest and line of credit, net of draws. The change also includes $0.2 million received on deposit from a sublessee of the Company's new facilities in Denmark.

Net change in cash and cash equivalents was $12.0 million in the first nine months of 2013, compared with ($1.5) million in the same period of 2012.

Operational review and market update

Desktop

During the third quarter of 2013, Asetek's desktop revenue declined, largely due to the effect of two customer terminations – Antec, Inc. and Zalman USA Inc. Asetek's policy is to not compete with its customers; consequently, Asetek stopped selling to these two customers, resulting in a decrease in revenues from the second quarter. As per the Company release on September 8, 2013, Asetek expected to offset this revenue decline with shipments on a large order of graphics cooling products. The customer deferred delivery of most of the units to later dates.

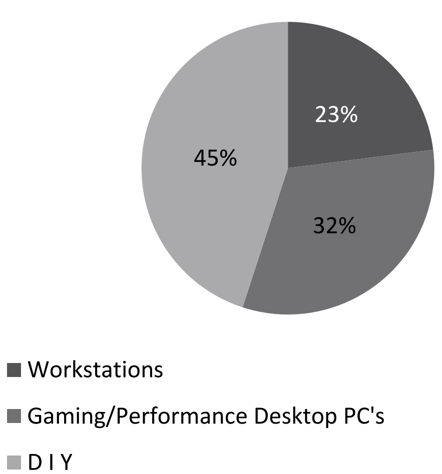
During the third quarter, Asetek began shipping three new liquid coolers in the DIY market, each of which we expect will be launched by their respective company's brands in the fourth quarter. DIY products are typically sold to computer enthusiasts at traditional retail stores or through online retailers.

Revenue in the OEM market continued to show growth, both over the prior quarter and the third quarter of last year. The growth comes principally from shipment of a portion of the graphics cooling products on the previously mentioned order.

In addition to the above, desktop highlights from the first nine months include release of the H90 and H110 low noise, high performance CPU coolers from Corsair earlier in the year. Also during the year, Asetek successfully launched with Dell a cooling upgrade on the Alienware Aurora high-end gaming machine. This new product has a higher average sales price than the previous product, generating potential uplift in both revenue and margins.

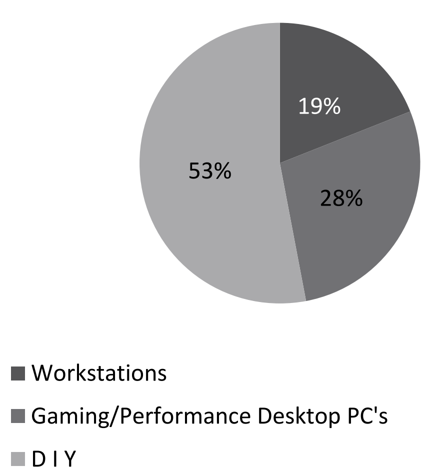
Revenue split, Q3 2013

Percent



Revenue split, First Nine Months 2013

Percent



Datacenter

In the third quarter, Asetek secured its first commercial order of RackCDU from Cray Inc. for a High Performance Computing (HPC) cluster at Mississippi State University. Revenue associated with the liquid-cooled Cray CS300-LC HPC cluster, consisting of five racks with 280 compute nodes, will be recognized in the fourth quarter of 2013. Asetek hardware will cool all heat generated by the CPUs, GPUs and memory modules.

Asetek executed its first contract for a major data center retrofit with RackCDU. This three-year contract with the US Department of Defense (DoD) is part of the previously announced award through the Energy Security Technology Certification Program (ESTCP). The project is being conducted at the Army's Redstone Arsenal facility in Huntsville, Alabama. Work began in the third quarter, with the initial invoice generating $165 thousand in revenue for Q3. This program represents Asetek's first large DoD installation and the first demonstration of RackCDU for a server virtualization workload and data center consolidation. A tier 1 server OEM has provided warranty for servers cooled by RackCDU under this program.

Asetek is partnering with Signature Technology Group (STG), to provide a warranty, service and support program for RackCDU liquid cooling equipped data centers. STG is a large third-party warranty and IT support company, with service staff supporting all major OEM equipment throughout the Americas and Western Europe. Ongoing warranty support is a significant consideration for data center operators. As Asetek's first Certified Warranty, Service and Support provider, STG will enable data center operators who equip newly purchased or previously installed servers with RackCDU to maintain or enhance warranty coverage independent of the server manufacturer.

Asetek received numerous awards and public recognition during the third quarter of 2013, including selection as the 2013 winner of the American Business Awards Gold Award for "Best New Product or Service-Hardware-Computer." The American Business Awards are the nation's premier business awards program open to public and private, for-profit and non-profit, large and small organizations. Asetek was also awarded the 2013 Defense Energy Technology Challenge Award for its design and development of the Internal Server Air Conditioning (ISAC) product. In addition, Asetek was featured in Business Week, Scientific Computing and HPCwire magazines.

RackCDU design and performance enhancements were implemented based on direct user input from major test installations such as Lawrence Berkeley National Labs (LBNL), the National Renewable Energy Laboratory (NREL), and a major European telecommunications provider, during the third quarter.

Competition and Intellectual Property

Asetek holds a sizable portfolio of intellectual property rights including patents providing competitive advantages and high barriers to entry for competitors. In the third quarter of 2013, Asetek filed two national and international applications. Currently the group has more than two dozen pending patent and utility model applications worldwide, with additional applications under preparation.

In 2012 and 2013, Asetek filed lawsuits in the U.S. District Court against two competitors, Cooler Master USA Inc. ("Cooler Master") and CoolIT Systems Inc. ("CoolIT") for infringing Asetek's U.S. patents relating to integrated pump technology, as well as utility model rights in Germany relating to CPU cooling by water. The court previously denied motions by CoolIT to dismiss and stay the litigation against CoolIT. The cases are proceeding normally under the Court's patent case rule.s. No trial dates have been set, but Asetek expects that trial will likely proceed in 2014

Some other companies have products that attempt to imitate proprietary Asetek cooling designs and may be infringing Asetek intellectual property. Asetek is aware of at least two companies that have recently refrained from selling their products in the U.S., likely due to the risk of infringing Asetek's patents. Asetek continues to closely review and assess all competitive offerings for infringement of its patents and is currently evaluating legal action against certain competitors.

Outcome from General Meeting: Nomination Committee

On August 14, 2013, as a result of the extraordinary general meeting held by the Company, a nomination committee was formed. The nomination committee consists of three members including the Company's Chairman and two independent persons. The principal functions of the nomination committee are to oversee the election, remuneration and self-assessment of the Board of Directors.

Risk Factors

To date the company has 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 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 products are assembled by a single contract manufacturer which may be difficult to substitute in the short term if the need should arise.

Asetek has filed lawsuits against competitors for patent infringement. Litigation is pending, 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 September 30, 2013, its principal cash holdings are maintained in deposit accounts in U.S. dollars, Danish krone and Norwegian krone.

A more thorough elaboration on risk factors can be found in the prospectus issued in connection with the initial public offering in March 2013. The document can be downloaded from the company's website; www.asetek.com.

Outlook and Post Q3 Activities

Desktop

Asetek expects revenues in the fourth quarter of 2013 to increase from the third quarter, due to growth in two of its principal desktop markets. Management expects to achieve year-over-year revenue growth of about 10% in 2013. Gross margins are expected to be comparable to the levels achieved thus far in 2013.

Asetek has strategically chosen to concentrate on the high-end of the DIY market, leaving the majority of the low cost, low margin segment to other suppliers. Demand from continuing DIY customers is expected to partially offset the customer transitions that occurred in the third quarter. DIY revenues are expected to increase in the fourth quarter.

Revenues in the Gaming/Performance Desktop PC market are expected to be driven partially by demand for PC graphics cooling products, up to $1.0 million. Revenues in the Workstation market are not expected to change significantly in the fourth quarter.

Datacenter

Asetek RackCDU™ D2C™ Liquid Cooling solutions will be available from HP as a Third Party Option (3PO) kit for specific HP ProLiant Servers (initially HP ProLiant SL230s and HP ProLiant DL560 Gen8). HP specific server liquid cooling kits and RackCDU SKUs for these servers are being developed by Asetek and are expected to be available for customers to order from HP through their Account Executives. Shipping is expected to start 1H 2014.

Asetek has executed a Memorandum of Understanding (MOU) with a major defense systems integration prime contractor in the fourth quarter of 2013. This MOU provides the foundation for a master services agreement with the prime contractor to provide sales, integration and installation services on RackCDU for U.S. Department of Defense (DoD) and other government agencies. The prime contractor also services a large commercial customer base for energy efficiency solutions, providing an expanded market opportunity for RackCDU.

The California Energy Commission's study of the Asetek RackCDU technology, originally announced in the second quarter, was released in the fourth quarter. This independent rack scale study, performed by Lawrence Berkeley National Labs (LBNL) and supported by Cisco and Intel, validates Asetek's claims of 50% and higher reductions in data center cooling costs with RackCDU D2C™ (Direct-to-Chip) products. Asetek anticipates this third party validation and subsequent white paper will accelerate RackCDU market adoption.

Asetek will establish additional strategic alliances to expand its reach and program offering into Federal Government and commercial sectors.

OEM design-in efforts are continuing, with various tier 1 server OEMs

Efforts to deploy a RackCDU test platform in a hyperscale internet company remain ongoing.

Business development professionals and data center solutions engineers deployed in the US and Europe will continue to build data center end user demand and commitment for rack-scale pilot testing and evaluations. This demand creation will drive a broader level of RackCDU adoption by OEMs and systems integrators in upcoming quarters.

Overall, Management believes the company's development is tracking to its long term expectations for this business unit.

Interim Financial Statements

Consolidated Statement of Comprehensive Income

Figures in USD (000's)	Q3 2013	Q3 2012	YTD Q3 2013	YTD Q3 2012	2012
	Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	
Revenue	**$ 4,357**	$ 4,850	**$ 14,617**	$ 14,467	$ 18,681
Cost of sales	**2,611**	3,124	**8,993**	9,098	11,893
Gross profit	**1,746**	1,726	**5,624**	5,369	6,788
Research and development	**921**	867	**3,151**	2,613	3,717
Selling, general and administrative	**2,807**	2,192	**7,843**	5,191	7,878
Foreign exchange loss (gain)	**45**	27	**36**	(30)	65
Total operating expenses	**3,773**	3,086	**11,030**	7,774	11,660
Operating income (loss)	**(2,027)**	(1,360)	**(5,406)**	(2,405)	(4,872)
Finance income	**272**	-	**1,865**	-	-
Finance costs	**(26)**	(544)	**(807)**	(1,676)	(3,693)
Total financial income (expenses)	**246**	(544)	**1,058**	(1,676)	(3,693)
Income (loss) before tax	**(1,781)**	(1,904)	**(4,348)**	(4,081)	(8,565)
Income tax	**-**	-	**-**	2	7
Income (loss) for the period	**(1,781)**	(1,904)	**(4,348)**	(4,079)	(8,558)
Other comprehensive income items that may be reclassified to profit or loss in subsequent periods:					
Foreign currency translation adjustments	**87**	24	**23**	14	67
Total comprehensive income (loss)	**$ (1,694)**	$ (1,880)	**$ (4,325)**	$ (4,065)	$ (8,491)
Income (loss) per share (in USD):					
Basic	**$ (0.13)**	$ (1.21)	**$ (0.42)**	$ (2.59)	$ (5.43)
Diluted	**$ (0.13)**	$ (1.21)	**$ (0.42)**	$ (2.59)	$ (5.43)

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

Consolidated Balance Sheet

Figures in USD (000's)	30 Sept 2013	30 June 2013	31 Mar 2013	31 Dec 2012
ASSETS	*Unaudited*	*Unaudited*	*Unaudited*	
Non-current assets				
Property and equipment	**$ 690**	$ 489	$ 367	$ 440
Intangible assets	**1,638**	1,454	1,428	1,448
Other assets	**323**	-	-	-
Total non-current assets	**2,651**	1,943	1,795	1,888
Current assets				
Inventory	**963**	938	1,019	1,055
Trade receivables and other	**3,455**	3,616	4,203	3,971
Cash and cash equivalents	**13,281**	15,073	19,929	1,248
Total current assets	**17,699**	19,627	25,151	6,274
Total assets	**$ 20,350**	$ 21,570	$ 26,946	$ 8,162
EQUITY AND LIABILITIES				
Equity				
Share capital	**$ 239**	$ 239	$ 239	$ 2
Share premium	**64,644**	64,608	64,577	3,935
Accumulated deficit	**(48,566)**	(46,785)	(44,398)	(44,218)
Translation reserves	**(338)**	(425)	(493)	(361)
Total equity	**15,979**	17,637	19,925	(40,642)
Non-current liabilities				
Long-term debt	**-**	4	5	7,451
Other long-term liabilities	**228**	-	-	-
Total non-current liabilities	**228**	4	5	7,451
Current liabilities				
Redeemable preferred shares	**-**	-	-	29,510
Convertible option on preferred shares	**-**	-	-	7,612
Short-term debt	**412**	253	527	314
Accrued liabilities	**701**	446	3,113	1,393
Accrued compensation and employee benefits	**592**	540	506	534
Trade payables	**2,438**	2,690	2,870	1,990
Total current liabilities	**4,143**	3,929	7,016	41,353
Total liabilities	**4,371**	3,933	7,021	48,804
Total equity and liabilities	**$ 20,350**	$ 21,570	$ 26,946	$ 8,162

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	Accumulated deficit	Total
Equity at January 1, 2013	$ 2	$ 3,935	$ (361)	$ (44,218)	$ (40,642)
Total comprehensive income - nine months ended Sept 30, 2013					
Loss for the period	-	-	-	(4,348)	(4,348)
Foreign currency translation adjustments	-	-	23	-	23
Total comprehensive income - nine months ended Sept 30, 2013	2	3,935	(338)	(48,566)	(44,967)
Transactions with owners - nine months ended Sept 30, 2013					
Shares issued	70	24,800	-	-	24,870
Less: issuance costs		(3,423)	-	-	(3,423)
Equity conversion to Denmark parent	25	(25)	-	-	-
Conversion of debt	9	3,110	-	-	3,119
Conversion of preferred shares	133	36,140	-	-	36,273
Share based payment expense	-	107	-	-	107
Transactions with owners - nine months ended Sept 30, 2013	237	60,709	-	-	60,946
Equity at September 30, 2013	**$ 239**	**$ 64,644**	**$ (338)**	**$ (48,566)**	**$ 15,979**

Equity at January 1, 2012	$ 2	$ 3,792	$ (428)	$ (35,660)	$ (32,294)
Total comprehensive income - nine months ended Sept 30, 2012					
Loss for the period	-	-	-	(4,079)	(4,079)
Foreign currency translation adjustments	-	-	14	-	14
Total comprehensive income - nine months ended Sept 30, 2012	2	3,792	(414)	(39,739)	(36,359)
Transactions with owners - nine months ended Sept 30, 2012					
Shares issued	-	-	-	-	-
Share based payment expense	-	104	-	-	104
Transactions with owners - nine months ended Sept 30, 2012	-	104	-	-	104
Equity at September 30, 2012	$ 2	$ 3,896	$ (414)	$ (39,739)	$ (36,255)

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

Consolidated Cash Flow Statement

Figures in USD (000's)	YTD Q3 2013	YTD Q3 2012	2012
	Unaudited	*Unaudited*	
Cash flows from operating activities			
Income (loss) for the period	**$ (4,348)**	$ (4,079)	$ (8,558)
Depreciation and amortization	**1,477**	1,497	2,052
Finance costs (income)	**(1,058)**	1,676	3,693
Income tax expense (income)	**-**	(3)	(7)
Impairment of intangible assets	**-**	-	74
Cash payments for income tax	**-**	-	(2)
Share based payments expense	**107**	104	140
Changes in trade receivables, inventories, other assets	**675**	(1,499)	(2,070)
Changes in trade payables and accrued liabilities	**(15)**	742	1,045
Net cash used in operating activities	**(3,162)**	(1,562)	(3,633)
Cash flows from investing activities			
Additions to intangible assets	**(1,427)**	(807)	(1,165)
Addition to other assets	**(314)**	-	-
Purchase of property and equipment	**(472)**	(77)	(88)
Net cash used in investing activities	**(2,213)**	(884)	(1,253)
Cash flows from financing activities			
Proceeds from debt issuance	**-**	-	3,000
Long-term deposit received from sub-lessee	**234**	-	-
Cash payments on long-term debt	**(3,621)**	-	-
Funds drawn (paid) against line of credit	**97**	882	306
Cash payments for interest on debt	**(461)**	(310)	(322)
Proceeds from issuance of share capital	**24,852**	-	3
Cash paid for fees related to IPO	**(3,405)**	-	-
Proceeds from issuance of convertible preferred shares	**-**	364	366
Principal and interest payments on finance leases	**(5)**	(28)	(35)
Net cash provided by financing activities	**17,691**	908	3,318
Effect of exchange rate changes on cash and cash equivalents	**(283)**	22	148
Net changes in cash and cash equivalents	**12,033**	(1,516)	(1,420)
Cash and cash equivalents at beginning of period	**1,248**	2,668	2,668
Cash and cash equivalents at end of period	**$ 13,281**	$ 1,152	$ 1,248

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 datacenter 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'.

In the first quarter of 2013, Asetek Group reorganized as follows: Asetek Holdings, Inc. was the parent company of the Asetek Group from August 2008 until February 2013. Asetek A/S was incorporated in December 2012 and acquired by Asetek Holdings, Inc. in January 2013. Asetek A/S became 100% owner of the Asetek Group through the purchase of all outstanding shares of Asetek Holdings, Inc. from the shareholders, in exchange for new shares in Asetek A/S in February 2013. This reorganization of Asetek Group has no effect on the Group's operating results.

These condensed consolidated financial statements for the quarter and nine months ended September 30, 2013 have been prepared on a historical cost convention in accordance with International Accounting Standard 34 (IAS 34) 'Interim Financial Reporting' 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 Holdings, Inc. 2012 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, 2012.

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

2. Initial public offering, conversion of shares, outstanding debt

In March 2013, the Company completed an initial public offering (IPO) of 4.0 million new common shares offered by the Company on the Oslo Stock Exchange at an offering price per share of 36.00 Norwegian kroner (approximately $6.20 USD per share). The Company raised funds totaling $21.4 million, after deduction of $3.4 million of offering costs. At the time of the IPO, all of the Company's preferred shares outstanding, carried as current liabilities of $37.1 million at December 31, 2012, converted to common shares.

The Company had $4.4 million carrying value of convertible debt at December 31, 2012, of which $0.7 million gain was recognized at the IPO date, $3.1 million converted to common shares, $0.6 million was repaid in the first half of 2013. The Company used $4.1 million of its IPO proceeds to pay off a note payable and related interest. A revolving line of credit with no outstanding balance that Asetek USA maintained with Comerica Bank expired in March 2013 and was not renewed. Asetek Danmark A/S continues to maintain a revolving line of credit with Sydbank totaling 2.2 million Danish krone ($0.4 million) at September 30, 2013.

Finance income of $1.9 million in the first nine months of 2013 includes non-cash gains associated with the revaluation of outstanding debt instruments at the time of the IPO. The company recognized $0.8 million income on the convertible option on preferred shares and $0.7 million income on the convertible loan upon the revaluation of these instruments based on the initial trading price of the common shares.

3. Common shares and post balance sheet event

Common share activity in the first nine months of 2013 is as follows (in thousands):

Common shares outstanding at December 31, 2012	1,578
Offering of new shares in IPO	4,000
Conversion of preferred shares	7,660
Conversion of debt	493
Shares issued in reorganization - exercised options	70
Common shares outstanding at September 30, 2013	13,801
Shares issued in reorganization - in treasury	1,080
Common shares issued at September 30, 2013	14,881

The shares included in treasury may be used to fulfill share options and warrants outstanding totaling approximately 1.0 million at September 30, 2013. At the extraordinary general meeting held on August 14, 2013, the authority of the board of directors to issue warrants or options was increased to a nominal value of 80,000 DKK (800,000 common shares at .10 DKK nominal value per share).

In October 2013, the board of directors issued a total of 670,728 warrants to key employees of the Company. The warrants have an exercise price of NOK 36.50 per common share and will become exercisable over a four year vesting period.

4. Finance income and cost

During the second quarter of 2013, the U.S. dollar (USD) strengthened against the Norwegian krone (NOK), resulting in foreign exchange loss of $0.5 million on cash deposits held in NOK. This charge was recorded as finance cost on the income statement. In August 2013, the Company's cash holdings in NOK were converted to USD, resulting in a foreign exchange gain of $0.3 million which is recorded as finance income in the third quarter of 2013.

5. 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 nine months of 2013, the Company capitalized approximately $1.4 million of development costs and recorded amortization of approximately $1.2 million (capitalized costs of $0.8 million and amortization of $1.2 million in the first nine months of 2012).

6. Earnings (losses) per share

The Company completed a public offering of its common shares in March 2013 and its shares have since been trading publicly on the Oslo Stock Exchange. 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.

Third Quarter

	Q3 2013	Q3 2012	FY 2012
Loss attributable to equity holders of the Company (USD 000's)	$ (1,781)	$ (1,904)	$ (8,558)
Weighted average number of common shares outstanding (000's)	13,797	1,574	1,575
Basic loss per share	$ (0.13)	$ (1.21)	$ (5.43)
Diluted loss per share	$ (0.13)	$ (1.21)	$ (5.43)

First Nine Months

	YTD Q3 2013	YTD Q3 2012	FY 2012
Loss attributable to equity holders of the Company (USD 000's)	$ (4,348)	$ (4,079)	$ (8,558)
Weighted average number of common shares outstanding (000's)	10,291	1,574	1,575
Basic loss per share	$ (0.42)	$ (2.59)	$ (5.43)
Diluted loss per share	$ (0.42)	$ (2.59)	$ (5.43)

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. Losses per share in the current periods presented may not be comparable to prior periods, due to the significant increase in common shares outstanding from the issuance of new shares and conversion of preferred shares and convertible debt in the first quarter of 2013.

7. 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 nine months ended September 30, 2013 and 2012, Asetek had sales of inventory to Corsair of $3.7 million and $0.3 million, respectively. As of September 30, 2013 Asetek had outstanding trade receivables from Corsair of $0.9 million.

8. Segment reporting

Unaudited breakdown of the income statement

Q3 2013

Figures in USD (000's)	Desktop			Datacenter		
	Q3 2013	Q3 2012	FY 2012	**Q3 2013**	Q3 2012	FY 2012
Revenues	**4,192**	4,850	18,681	**165**	-	-
Cost of sales	**2,508**	3,088	11,748	**71**	-	-
Gross Profit, adjusted	**1,684**	1,762	6,933	**94**	-	-
Gross Margin, adjusted	**40.2%**	36.3%	37.1%	**57.0%**	N/A	N/A
Total operating expenses**	**928**	956	3,209	**1,435**	1,148	4,663
EBITDA, adjusted	**756**	806	3,724	**(1,341)**	(1,148)	(4,663)
EBITDA margin	**18.0%**	16.6%	19.9%	**N/A**	N/A	N/A

YTD Q3 2013

Figures in USD (000's)	Desktop			Datacenter		
	YTD Q3 2013	YTD Q3 2012	FY 2012	**YTD Q3 2013**	YTD Q3 2012	FY 2012
Revenues	**14,416**	14,467	18,681	**201**	-	-
Cost of sales	**8,779**	8,990	11,748	**91**	-	-
Gross Profit, adjusted	**5,637**	5,477	6,933	**110**	-	-
Gross Margin, adjusted	**39.1%**	37.9%	37.1%	**54.7%**	N/A	N/A
Total operating expenses**	**2,684**	2,380	3,209	**4,798**	3,012	4,663
EBITDA, adjusted	**2,953**	3,097	3,724	**(4,688)**	(3,012)	(4,663)
EBITDA margin	**20.5%**	21.4%	19.9%	**N/A**	N/A	N/A

** Operating expenses by segment exclude headquarters costs of $0.9 million, $0.5 million and $1.9 million, for Q3 2013, Q3 2012 and FY 2012, respectively. Significant components of headquarters costs include intellectual property defense of $0.6 million in Q3 2013 and $0.4 million in FY 2012.

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 – 30 September 2013. 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 2012.

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, 20 November 2013

Management:

André S. Eriksen CEO	Peter Dam Madsen CFO

Board of Directors:

Sam Szteinbaum Chairman	Alexander Wong Member	Bengt Olof Thuresson Member
Chris J. Christopher Member	Jørgen Smidt Member	Knut Øversjøen Member

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