Asetek A/S

CVR No. 34880522

Quarterly Report

Three Months Ended September 30, 2015

Published October 28, 2015

Key figures

Figures in USD (000's)	Q3 2015	Q3 2014	YTD Q3 2015	YTD Q3 2014	2014
Total Company:	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	
Revenue	9,957	5,479	23,505	16,284	20,847
Gross profit	3,714	2,439	7,936	6,896	8,710
Gross margin	*37.3%*	*44.5%*	*33.8%*	*42.3%*	*41.8%*
Operating profit	141	(1,958)	(4,104)	(6,142)	(9,510)
Reconciliation from IFRS to EBITDA adjusted:					
Operating profit	141	(1,958)	(4,104)	(6,142)	(9,510)
Add: Depreciation and amortization	658	545	1,669	1,361	1,771
Add: Share based compensation	50	204	200	805	940
EBITDA adjusted (unaudited)	849	(1,209)	(2,235)	(3,976)	(6,799)
By Segment (Unaudited):					
Desktop:					
Desktop revenue	*9,440*	*5,226*	*22,506*	*14,917*	19,318
*Desktop gross margin**	*37.8%*	*43.5%*	*33.7%*	*42.9%*	*42.4%*
Desktop EBITDA adjusted	*2,346*	*1,077*	*3,878*	*2,921*	*3,414*
Datacenter:					
Datacenter revenue	*517*	*253*	*999*	*1,367*	1,529
*Datacenter gross margin**	*27.7%*	*71.5%*	*35.3%*	*40.2%*	*37.5%*
Datacenter EBITDA adjusted	*(1,343)*	*(1,182)*	*(4,457)*	*(3,811)*	*(5,366)*
Headquarters:					
*Headquarters costs***	*(154)*	*(1,104)*	*(1,656)*	*(3,086)*	*(4,847)*

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

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

***Note**: In 2015, FX loss/gain is classified as finance expense. In prior periods, FX loss/gain was included as a part of operating expense. Prior period results have been reclassified for comparative purposes.*

Highlights

Summary

- **Another quarter of record-level revenue driven by DIY desktop product sales**
- **Positive net earnings and group EBITDA**
- **New data center OEM provides order for largest server installation to date in October**
- **Expecting fourth quarter 2015 revenues in line with record third quarter level**

Financial results

- In the third quarter of 2015, Asetek reported revenue of $10.0 million, a record level for a second consecutive quarter, with growth of 82% versus the same period of 2014 ($5.5 million). The development reflects $9.4 million in desktop revenue principally from the DIY market, and $0.5 million in revenue from the emerging data center segment. Year to date 2015 revenue totaled $23.5 million, up 44% from the comparable period of 2014.
- Gross margins for the third quarter were 37%, a rebound from the second quarter (27%). The decline from gross margin levels of prior year (45%) reflect the growth in shipments of lower margin DIY products in 2015.
- Revenue growth and cost savings resulted in group net income and positive EBITDA in the third quarter.

By segment

- Operating profits from the desktop segment doubled in the quarter, up to $2.3 million for the third quarter and $3.9 million for the first nine months. Revenue growth in the desktop DIY market was driven by high volume shipments to Asetek's largest customer, Corsair.
- While Asetek continued to invest in its data center segment, operating losses from the segment amounted to $1.3 million for the third quarter and $4.5 million for the first nine months. Expenditures relate to technology development, product marketing and business development activities with data center partners and OEM customers.

Operations

- The Company shipped 207,000 desktop units in the third quarter, a record volume. Total shipments of sealed loop coolers since the Company's inception has surpassed 2.5 million.
- During the quarter, Asetek shipped $0.2 million RackCDU Direct to Chip products against the $0.5 million first order received from Fujitsu, under an OEM purchase agreement executed in the first quarter 2015.
- Asetek began work on its data center cooling contract with the California Energy Commission, with revenue of $0.1 million for products and services. The total value of the two year contract is $3.5 million.

Intellectual Property

- Asetek received $0.5 million in July, and the remaining $1.4 million in October 2015, of the total $1.9 million damages settlement awarded in a patent infringement lawsuit with CoolIT Systems. In the third quarter, $0.5 million is reflected as an offset to general and administrative expense. The $1.4 million received will be reflected in fourth quarter results.
- Management credits the Company's successful patent infringement litigation with having a significant positive impact on the growth in desktop revenues in 2015.

Outlook

- In October, Asetek announced a new OEM partner, Penguin Computing, who will integrate Asetek's RackCDU Direct to Chip™ technology with Penguin HPC servers in a large deployment for the U.S. National Nuclear Security Administration (NNSA). This project and OEM relationship is expected to generate revenue of $1.0 to $1.5 million in the first year.

Financial review

The figures below relate to the consolidated accounts for the third quarter and first nine months of 2015, which comprise activities within the two segments Desktop and Data Center. The quarterly figures are unaudited.

Income Statement (Consolidated)

Asetek reported total revenue of $10.0 million in the third quarter of 2015, reflecting growth of 82% over the same period of 2014 ($5.5 million). Total revenue in the first nine months of 2015 was $23.5 million, an increase of 44% over the same period of 2014 ($16.3 million). The increases reflect growth in shipments of desktop do-it-yourself ("DIY") products compared with last year.

Desktop sales unit volumes for the third quarter 2015 were 207,000, representing an 88% increase from the same period of last year (110,000). Unit shipments for the first nine months of 2015 represented a 50% increase compared with the same period of 2014. The increase in unit shipments resulted from strong demand in the DIY market. Average selling prices (ASP) per unit in the quarter decreased from the third quarter 2014 due to the significant growth in shipments of DIY products and a shift in product mix. ASP for the first nine months of 2015 was slightly higher than in the same period of 2014.

Gross margin was 37.3% for the third quarter of 2015, a decrease from a record high 44.5% in the same period last year. Gross margin for the first nine months of 2015 decreased to 33.8% from 42.3% in the same period of 2014. The decrease in gross margin in both periods reflects the increase in shipment of lower margin DIY products. The decrease in the year to date margins also reflects a one-time charge in the second quarter 2015 explained by a cost of $0.8 million incurred when Asetek decided to recall, rework and reship a bulk of DIY products as a quality assurance measure.

Operating costs decreased 19% and 8% in the third quarter and first nine months, respectively, when compared with the same periods of 2014, reflecting several factors. In July 2015, the Company received $0.5 million of funds associated with a legal settlement with CoolIT Systems, which offset legal expense. Legal costs incurred associated with defense of existing IP and securing new IP declined to $0.4 million and $1.5 million in the third quarter and first nine months of 2015 ($0.9 million and $2.3 million in the same periods of 2014), respectively. A decline in stock compensation expense also contributed to the reduction in operating expense. Stock compensation expense was $50 thousand and $0.2 million in the third quarter and first nine months of 2015 ($0.2 million and $0.8 million in the same periods of 2014), respectively.

Finance expenses during the third quarter were not material as the Danish krone did not fluctuate significantly versus the U.S. dollar during the period. Currency fluctuation for the first nine months of 2015 resulted in a $0.2 million gain ($0.2 million loss in the same period of 2014). The currency fluctuation also resulted in a positive $0.4 million translation adjustment included in other comprehensive income in the first nine months of 2015 (net positive $0.2 million translation adjustment in the same period of 2014).

Asetek earned total comprehensive income of $0.1 million in the third quarter 2015, and incurred $3.6 million total comprehensive loss for the first nine months of 2015, compared with total comprehensive loss of $2.0 million and $6.2 million in the same periods of 2014, respectively.

Balance Sheet (Consolidated)

Asetek's total assets at September 30, 2015 amounted to $23.7 million, an increase of $10.9 million from December 31, 2014. The increase in assets resulted principally from $12.1 million net proceeds from equity offerings during the first half of 2015. During the first nine months of 2015, inventory, trade receivables and payables increased in line with the Company's revenue growth.

Total inventory was $1.6 million and $1.1 million at September 30, 2015 and 2014, respectively. Based on average ending inventory levels and cost of sales, inventory turns are calculated at 15.4 and 11.4 turns per year for 2015 and 2014, respectively. The increase in 2015 is partly attributable to high volume shipments of two desktop products, enabling more efficient inventory management in the current period.

Total cash and cash equivalents was $12.2 million at September 30, 2015.

Cash Flow (Consolidated)

Net cash used by operating activities was $3.0 million for the first nine months of 2015 ($4.0 million used in first nine months of 2014). The operating cash usage was mainly attributed to the net loss and investments in inventory and trade receivables. Included in cash flow from operations in the third quarter 2015 is $0.5 million partial payment received for settlement of patent litigation.

Cash used by investing activities was $1.4 million, related principally to additions in capitalized development costs. The figure compares with $1.8 million used in the first nine months of 2014.

Cash provided by financing activities in the first nine months of 2015 was $12.2 million, compared with $0.2 million provided in the first nine months of 2014. The activity in 2015 represents principally funds raised through the offerings of common stock, net of financing costs.

Net change in cash and cash equivalents was positive $8.0 million in first nine months of 2015, compared with negative $5.4 million in the same period last year. Not including equity offering transactions, the net change in cash in the first nine months of 2015 was negative $4.1 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

Third Quarter

Figures in USD (000's)	Desktop		Data center	
	Q3 2015	Q3 2014	Q3 2015	Q3 2014
Revenues	9,440	5,226	517	253
Cost of sales	5,869	2,954	374	72
Gross Profit*	3,571	2,272	143	181
Gross Margin	37.8%	43.5%	27.7%	71.5%
Total operating expenses**	1,225	1,195	1,486	1,363
EBITDA adjusted	2,346	1,077	(1,343)	(1,182)
EBITDA margin	24.9%	20.6%	N/A	N/A

Year-to-date

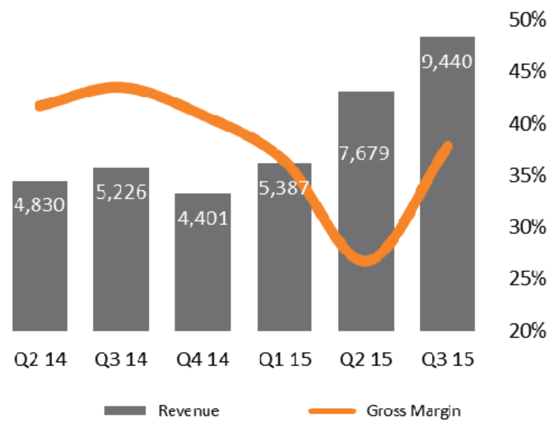
Figures in USD (000's)	Desktop		Data center	
	YTD 2015	YTD 2014	YTD 2015	YTD 2014
Revenues	22,506	14,917	999	1,367
Cost of sales	14,923	8,518	646	818
Gross Profit*	7,583	6,399	353	549
Gross Margin	33.7%	42.9%	35.3%	40.2%
Total operating expenses**	3,705	3,478	4,810	4,360
EBITDA, adjusted	3,878	2,921	(4,457)	(3,811)
EBITDA margin	17.2%	19.6%	N/A	N/A

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

***Operating expenses by segment exclude headquarters costs of $0.2 million and $1.1 million for Q3 2015 and Q3 2014, and $1.7 million and $3.2 million for YTD 2015 and YTD 2014, respectively. Operating expenses also exclude share based compensation of $50 thousand and $0.2 million in Q3 2015 and Q3 2014, and $0.2 million and $0.8 million for YTD 2015 and YTD 2014, respectively. Significant components of headquarters costs include intellectual property defense of $0.4 million and $0.9 million in Q3 2015 and Q3 2014, and $1.5 million and $2.3 million in YTD 2015 and YTD 2014, respectively. Litigation settlement received of $0.5 million is included as an offset to headquarters costs in Q3 2015.*

Desktop financials

Desktop revenue and margin development
USD (000's)



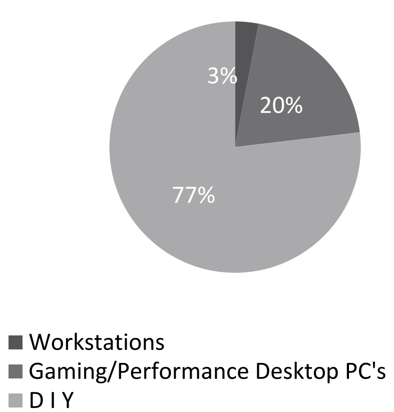
In the third quarter of 2015, Asetek's desktop revenue increased 81% from the third quarter of 2014. As expected, the increase resulted from significant demand in the do-it-yourself (DIY) market compared with more modest demand in the third quarter 2014. Third quarter revenue in the Gaming/Performance Desktop PC market also increased from the same period of last year. Revenue in the Workstation market declined.

In the first nine months of 2015, desktop revenue increased 51% from the same period of 2014 due to strong growth in the DIY market. Gaming/Performance Desktop PC revenue also increased in the first nine months of 2015 due to growth in the graphics cooling market in the third quarter 2015.

Gross margins in the third quarter 2015 have stabilized when compared with the second quarter 2015.

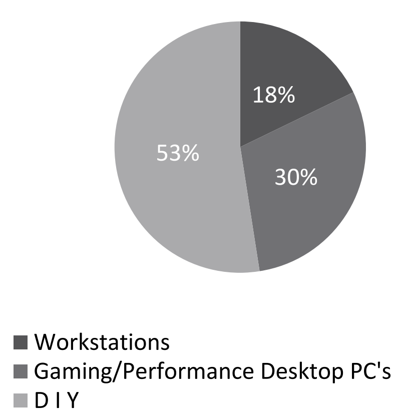
Gross margins in the third quarter of 2015 declined from the same periods of the prior year due to the increase in lower margin DIY revenue. For the first nine months of 2015, gross margins declined from the same period of prior year due to both the increase in DIY revenue and a one-time charge of $0.8 million.

Revenue split, YTD-2015
Percent



The change in revenue split by market segment reflects the strong demand in the DIY market in the second and third quarters of 2015.

Revenue split, YTD-2014
Percent



Desktop market update and outlook

During the third quarter, six new Asetek DIY products and two new products in the Gaming/Performance Desktop PC market began shipping. In the fourth quarter of 2015, three new Asetek DIY products are expected to begin shipping.

Desktop revenue in the fourth quarter is expected to increase significantly above the fourth quarter 2014 level and be in line with the record level achieved in the third quarter, driven by continued momentum within the DIY market.

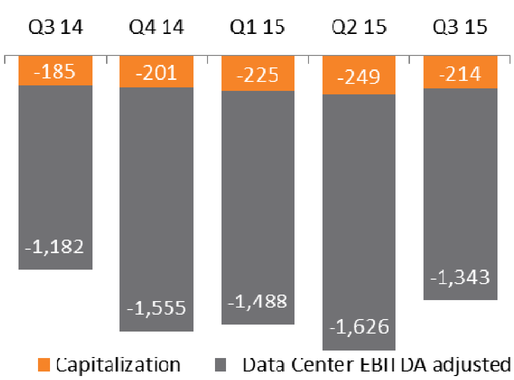
Asetek expects fourth quarter 2015 revenue in the Gaming/Performance Desktop PC market to increase, while revenue in the Workstation market is expected to decline, when compared with their respective performance levels in the fourth quarter of 2014.

Gross margin in the fourth quarter 2015 is expected to be in the 37% to 40% range compared with 40.8% in the fourth quarter 2014, due to the growth of lower margin DIY product shipments.

Data center financials

Financial development

USD (000's)



Asetek's data center revenue was $0.5 million in the third quarter and $1.0 million in the first nine months of 2015, compared with $0.3 million and $1.4 million in the third quarter and first nine months of 2014, respectively. Data center gross margins 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 business development with data center partners and OEM customers.

Data center market update and outlook

Asetek shipped $0.2 million of RackCDU Direct to Chip products to Fujitsu Technology Solutions GmbH (Fujitsu) in the third quarter. This represented deliverables against a $0.5 million first order received under the OEM purchase agreement executed in the first quarter 2015.

In September, Asetek began work on its project with the California Energy Commission, valued at $3.5 million. The Company has finalized the selection of the two installation sites and has begun equipment procurement and manufacturing engineering, with revenue of $0.1 million invoiced in the third quarter. Progress on the project is expected to ramp up in the near term.

Under an agreement executed in the second quarter 2015 with server manufacturer CIARA, Asetek began shipping products in the third quarter to liquid cool CIARA's high frequency server line. Asetek expects to generate future revenue of around $1 million annually from this agreement.

Progress on Asetek's three-year contract with the U.S. Department of Defense (DoD) at the Redstone Arsenal has paused temporarily while the DoD works to relocate the project to a different site. The Stage 2 server installation, originally expected to be completed in the second quarter, is expected to resume early 2016. The Company does not expect this change to affect the total contract value to Asetek.

In August, the Company received a purchase order for its RackCDU™ data center cooling system from a regional OEM provider, FORMAT Sp. Ltd, totaling approximately $0.1 million.

In October, Asetek announced an OEM purchase agreement with Penguin Computing, Inc. As part of the agreement, Penguin will incorporate RackCDU D2C™ liquid cooling into its Tundra™ Extreme Scale (ES) HPC server product line. Simultaneously, Penguin and the U.S. National Nuclear Security Administration (NNSA) announced that the Asetek-enabled Tundra system was selected for the NNSA'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 received a purchase order from Penguin for 21 RackCDU D2C systems to begin the installation and expects future 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 $1.0 to $1.5 million of revenue for Asetek in 2016.

The July 2015 International Supercomputing Conference (ISC'15) held in Frankfurt highlighted the broadening acceptance of liquid cooling in the HPC market, and high-power technologies such as Intel's Xeon Phi processor 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.

The Company expects revenue and operating results to fluctuate as it builds partnerships with large OEMs and develops the market for liquid cooling of data centers. The Company expects revenue growth in the data center segment in the fourth quarter compared with the third quarter, and significant growth in 2016 compared with 2015.

Intellectual Property

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

In February 2015, a patent case with CoolIT Systems Inc. ("CoolIT") was settled, with Asetek agreeing to dismiss the case. In June 2015, the U.S. District Court of Northern California determined that CoolIT shall pay damages to Asetek totaling $1.87 million. This ruling is not appealable by either party. As of October 2015, Asetek has received payment in full. The Company will recognize the payments in the financial statements in the period that the cash is received. The initial payment of $0.47 million was received in July 2015 and is included in the results of the third quarter. The remaining balance of $1.4 million was received in October 2015 and will be included in the results of the fourth quarter.

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. In September 2015, the court refused additional demands from CMI, issued a permanent injunction barring CMI from selling infringing products in the U.S., and awarded an enhanced royalty rate (25.4%) beginning in 2015, because CMI continued to sell infringing products after the verdict. 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 early 2016, and the process is expected to be shorter in duration and less costly than the litigation proceedings thus far. During the appeal, the court's injunction against CMI remains in effect.

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.

In the first nine months of 2015, one customer accounted for 59% 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 has recently added a new 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 September 30, 2015, 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)	Q3 2015	Q3 2014	YTD 2015	YTD 2014	2014
	Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	
Revenue	$ 9,957	$ 5,479	$ 23,505	$ 16,284	$ 20,847
Cost of sales	6,243	3,040	15,569	9,388	12,137
Gross profit	3,714	2,439	7,936	6,896	8,710
Research and development	884	995	2,968	2,676	3,556
Selling, general and administrative	2,689	3,402	9,072	10,362	14,664
Total operating expenses	3,573	4,397	12,040	13,038	18,220
Operating income	141	(1,958)	(4,104)	(6,142)	(9,510)
Foreign exchange (loss) gain	(14)	(170)	218	(162)	(298)
Finance costs	(16)	(20)	(48)	(61)	(87)
Total financial income (expenses)	(30)	(190)	170	(223)	(385)
Income before tax	111	(2,148)	(3,934)	(6,365)	(9,895)
Income tax (expense) benefit	(17)	-	(28)	(4)	1,138
Income for the period	94	(2,148)	(3,962)	(6,369)	(8,757)
Other comprehensive income items that may be reclassified to profit or loss in subsequent periods:					
Foreign currency translation adjustments	(17)	178	361	151	335
Total comprehensive income	$ 77	$ (1,970)	$ (3,601)	$ (6,218)	$ (8,422)
Income per share (in USD):					
Basic	$ 0.00	$ (0.15)	$ (0.18)	$ (0.45)	$ (0.62)
Diluted	$ 0.00	$ (0.15)	$ (0.18)	$ (0.45)	$ (0.62)

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

Consolidated Balance Sheet

Figures in USD (000's)		30 Sept 2015		31 Dec 2014
ASSETS		*Unaudited*		
Non-current assets				
Intangible assets	$	2,048	$	2,334
Property and equipment		810		730
Other assets		426		292
Total non-current assets		3,284		3,356
Current assets				
Inventory		1,590		1,102
Trade receivables and other		6,609		4,186
Cash and cash equivalents		12,216		4,170
Total current assets		20,415		9,458
Total assets	$	23,699	$	12,814
EQUITY AND LIABILITIES				
Equity				
Share capital	$	416	$	264
Share premium		76,496		64,451
Accumulated deficit		(61,069)		(57,307)
Translation and other reserves		377		14
Total equity		16,220		7,422
Non-current liabilities				
Long-term debt		289		309
Total non-current liabilities		289		309
Current liabilities				
Short-term debt		373		300
Accrued liabilities		542		1,255
Accrued compensation & employee benefits		992		882
Trade payables		5,283		2,646
Total current liabilities		7,190		5,083
Total liabilities		7,479		5,392
Total equity and liabilities	$	23,699	$	12,814

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, 2015	$ 264	$ 64,451	$ 26	$ (12)	$ (57,307)	$ 7,422
Total comprehensive income - nine months ended Sept 30, 2015						
Loss for the period	-	-	-	-	(3,962)	(3,962)
Foreign currency translation adjustments	-	-	361	-	-	361
Total comprehensive income - nine months ended Sept 30, 2015	-	-	361	-	(3,962)	(3,601)
Transactions with owners - nine months ended Sept 30, 2015						
Shares issued	152	12,874	-	2	-	13,028
Less: issuance costs	-	(829)	-	-	-	(829)
Share based payment expense	-	-	-	-	200	200
Transactions with owners - nine months ended Sept 30, 2015	152	12,045	-	2	200	12,399
Equity at September 30, 2015	$ 416	$ 76,496	$ 387	$ (10)	$ (61,069)	$ 16,220

Unaudited

Equity at January 1, 2014	$ 264	$ 64,357	$ (309)	$ (14)	$ (49,490)	$ 14,808
Total comprehensive income - nine months ended Sept 30, 2014						
Loss for the period	-	-	-	-	(6,369)	(6,369)
Foreign currency translation adjustments	-	-	151	-	-	151
Total comprehensive income - nine months ended Sept 30, 2014	-	-	151	-	(6,369)	(6,218)
Transactions with owners - nine months ended Sept 30, 2014						
Shares issued	1	92	-	2	-	95
Share based payment expense	-	-	-	-	805	805
Transactions with owners - nine months ended Sept 30, 2014	1	92	-	2	805	900
Equity at September 30, 2014	$ 265	$ 64,449	$ (158)	$ (12)	$ (55,054)	$ 9,490

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

Consolidated Cash Flow Statement

Figures in USD (000's)	Nine months YTD 2015	Nine months YTD 2014	2014
	Unaudited	*Unaudited*	
Cash flows from operating activities			
Income (loss) for the period	$ (3,962)	$ (6,369)	$ (8,757)
Depreciation and amortization	1,669	1,361	1,771
Finance costs (income)	48	62	87
Income tax expense (income)	28	4	(1,138)
Impairment of intangible assets	-	37	36
Cash receipt (payment) for income tax	(5)	(4)	204
Share based payments expense	200	805	940
Changes in trade receivables, inventories, other assets	(3,380)	588	1,264
Changes in trade payables and accrued liabilities	2,355	(505)	(230)
Net cash used in operating activities	(3,047)	(4,021)	(5,823)
Cash flows from investing activities			
Additions to intangible assets	(1,111)	(1,629)	(1,873)
Purchase of property and equipment	(332)	(139)	(172)
Net cash used in investing activities	(1,443)	(1,768)	(2,045)
Cash flows from financing activities			
Cash received for leasing of previously purchased equipment	-	279	279
Funds drawn (paid) against line of credit	80	(5)	(141)
Proceeds from issuance of share capital	13,028	95	96
Cash paid for fees related to financing	(829)	-	-
Principal and interest payments on finance leases	(53)	(121)	(145)
Net cash provided by financing activities	12,226	248	89
Effect of exchange rate changes on cash and cash equivalents	310	130	286
Net changes in cash and cash equivalents	8,046	(5,411)	(7,493)
Cash and cash equivalents at beginning of period	4,170	11,663	11,663
Cash and cash equivalents at end of period	$ 12,216	$ 6,252	$ 4,170
Supplemental disclosure - non-cash items			
Equipment acquired under finance lease	$ 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 and nine months ended September 30, 2015 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 2014 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, 2014.

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 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.

In August, 2015, the Company granted a total of 700,000 warrants to management and board members. Each warrant has an exercise price of NOK 10.50 per share and becomes exercisable gradually over a period of one or four years.

As of September 30, 2015, there are 24.8 million common shares outstanding and 0.6 million shares in treasury. Treasury shares may be used to fulfill share options and warrants outstanding totaling approximately 1.7 million. Share based payment expense associated with total warrants and options outstanding was $0.2 million and $0.8 million in the nine months ended September 30, 2015 and 2014, respectively.

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 nine months of 2015, the Company capitalized approximately $1.1 million of development costs and recorded amortization of approximately $1.4 million (capitalized costs of $1.6 million and amortization of $1.1 million in the first nine months of 2014).

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.

Third Quarter

		Q3 2015		Q3 2014
Loss attributable to equity holders of the Company (USD 000's)	$	94	$	(2,148)
Weighted average number of common shares outstanding (000's)		24,710		14,132
Basic income (loss) per share	$	0.00	$	(0.15)
Diluted income (loss) per share	$	0.00	$	(0.15)

Year to Date

		YTD 2015		YTD 2014
Loss attributable to equity holders of the Company (USD 000's)	$	(3,962)	$	(6,369)
Weighted average number of common shares outstanding (000's)		21,499		14,109
Basic loss per share	$	(0.18)	$	(0.45)
Diluted loss per share	$	(0.18)	$	(0.45)

Potential dilutive instruments are not included in the calculation of diluted loss per share for the periods with net losses because the effect of including them would be anti-dilutive and reduce the loss per share.

5. Foreign exchange loss (gain) presentation

Beginning in 2015, foreign exchange loss (gain) is included as a component of financial income (expenses). Previously foreign exchange loss (gain) was included as a component of operating expenses. Prior year results have been reclassified for comparative purposes.

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 nine months ended September 30, 2015 and 2014, Asetek had sales of inventory to Corsair of $13.8 million and $5.1 million, respectively. As of September 30, 2015 and 2014, Asetek had outstanding trade receivables from Corsair of $3.1 million and $1.3 million, respectively.

The Company's CEO serves as Chairman of the Board for a vendor that supplies services to the Company. In the nine months ended September 30, 2015 and 2014, the Company purchased services totaling approximately $0.2 million and $0.2 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 $2.0 million on the Company's balance sheet at September 30, 2015 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

Third Quarter

Figures in USD (000's)	Desktop		Data center	
	Q3 2015	Q3 2014	Q3 2015	Q3 2014
Revenues	9,440	5,226	517	253
Cost of sales	5,869	2,954	374	72
Gross Profit*	3,571	2,272	143	181
Gross Margin	37.8%	43.5%	27.7%	71.5%
Total operating expenses**	1,225	1,195	1,486	1,363
EBITDA adjusted	2,346	1,077	(1,343)	(1,182)
EBITDA margin	24.9%	20.6%	N/A	N/A

Year-to-date

Figures in USD (000's)	Desktop		Data center	
	YTD 2015	YTD 2014	YTD 2015	YTD 2014
Revenues	22,506	14,917	999	1,367
Cost of sales	14,923	8,518	646	818
Gross Profit*	7,583	6,399	353	549
Gross Margin	33.7%	42.9%	35.3%	40.2%
Total operating expenses**	3,705	3,478	4,810	4,360
EBITDA, adjusted	3,878	2,921	(4,457)	(3,811)
EBITDA margin	17.2%	19.6%	N/A	N/A

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

***Operating expenses by segment exclude headquarters costs of $0.2 million and $1.1 million for Q3 2015 and Q3 2014, and $1.7 million and $3.2 million for YTD 2015 and YTD 2014, respectively. Operating expenses also exclude share based compensation of $50 thousand and $0.2 million in Q3 2015 and Q3 2014, and $0.2 million and $0.8 million for YTD 2015 and YTD 2014, respectively. Significant components of headquarters costs include intellectual property defense of $0.4 million and $0.9 million in Q3 2015 and Q3 2014, and $1.5 million and $2.3 million in YTD 2015 and YTD 2014, respectively. Litigation settlement received of $0.5 million is included as an offset to headquarters costs in Q3 2015.*

Statement by the board of directors and management

The Board of Directors and the Management have considered and adopted the Third Quarter Report of Asetek A/S for the period 1 January – 30 September 2015. 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 2014.

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, 28 October 2015

Management:

André S. Eriksen
CEO

Peter Dam Madsen
CFO

Board of Directors:

Sam Szteinbaum
Chairman

Joergen Smidt
Member

Chris J. Christopher
Member

Knut Øversjøen
Member

Jim McDonnell
Member

Peter Gross
Member

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