Asetek A/S

CVR No. 34880522

Quarterly Report

Three Months Ended December 31, 2015

Published February 24, 2016

Key figures

Figures in USD (000's)	Q4 2015	Q4 2014	2015	2014
Total Company:	*Unaudited*	*Unaudited*		
Revenue	12,477	4,563	35,982	20,847
Gross profit	4,476	1,814	12,412	8,710
Gross margin	*35.9%*	*39.8%*	*34.5%*	*41.8%*
Operating profit	1,781	(3,368)	(2,323)	(9,510)
Reconciliation from IFRS to EBITDA adjusted:				
Operating profit	1,781	(3,368)	(2,323)	(9,510)
Add: Depreciation and amortization	721	410	2,390	1,771
Add: Share based compensation	121	135	321	940
EBITDA adjusted (unaudited)	2,623	(2,823)	388	(6,799)
By Segment (Unaudited):				
Desktop:				
Desktop revenue	*11,615*	*4,401*	*34,121*	*19,318*
*Desktop gross margin**	*34.9%*	*40.8%*	*34.1%*	*42.4%*
Desktop EBITDA adjusted	*3,352*	*493*	*7,230*	*3,279*
Datacenter:				
Datacenter revenue	*862*	*162*	*1,861*	*1,529*
*Datacenter gross margin**	*49.2%*	*14.8%*	*41.8%*	*37.5%*
Datacenter EBITDA adjusted	*(1,433)*	*(1,555)*	*(5,890)*	*(5,529)*
Headquarters:				
*Headquarters benefit (costs)***	*704*	*(1,761)*	*(952)*	*(4,549)*

**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, litigation settlement received. Excludes share based comp.*

***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

- **Third straight quarter of record-level revenue driven by DIY desktop product sales**
- **Full year 2015 revenue of $36 million, up 73% versus 2014**
- **Positive net income and group EBITDA in the fourth quarter**

Financial results

- In the fourth quarter of 2015, Asetek reported revenue of $12.5 million with growth of 173% versus the same period of 2014 ($4.6 million). The development reflects $11.6 million in desktop revenue principally from the DIY market, and $0.9 million in revenue from the emerging data center segment. Full year 2015 revenue totaled $36.0 million, up 73% from 2014. Management credits Asetek's successful patent infringement litigation with having a significant impact on the revenue growth.
- Gross margins for the fourth quarter were 36%, below prior quarter. The decline from the 40% gross margin levels of prior year reflects the growth in shipments of lower margin DIY products in 2015.
- Revenue growth and cost savings resulted in group net income of $2.3 million and positive EBITDA of $2.5 million in the fourth quarter.

By segment

- Operating profits from the desktop segment rose to $3.4 million for the fourth quarter and $7.2 million for the year. Revenue growth in the desktop DIY market was driven by high volume shipments to Asetek's largest customer, Corsair.
- Revenue in the data center segment rose to $1.9 million for the year. While Asetek continued to invest in this segment, operating losses amounted to $1.4 million for the fourth quarter and $5.9 million for the year. Expenditures relate to technology development, product marketing and sales activities with data center partners and OEM customers.

Operations

- The Company shipped 239,000 desktop units in the fourth quarter, a record volume. Total shipments of sealed loop coolers since the Company's inception exceeds 2.8 million.
- Asetek progressed on its data center cooling contract with the California Energy Commission, with revenue of $0.6 million for products and services. The total value of the two year contract is $3.5 million.
- 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.

Intellectual Property

- Asetek received the remaining $1.4 million in October 2015 of the total $1.87 million damages settlement awarded in a patent infringement lawsuit with CoolIT Systems. In the fourth quarter, $1.4 million is reflected as an offset to general and administrative expense.

Outlook

- The revenue growth within the desktop segment in 2015, up 77% versus 2014, was driven by strong demand for certain products, but also by an extraordinary set of circumstances including lawsuit settlements, which cannot be expected to replicate in 2016. Hence, the desktop business is expected to grow modestly in 2016 from a record level in 2015.
- The Company anticipates significant revenue growth in data center segment in 2016 compared with 2015. Revenue and operating results are expected to fluctuate however, as partnerships with large OEM's are developed.

Financial review

The figures below relate to the consolidated accounts for the fourth quarter and full year 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 $12.5 million in the fourth quarter of 2015, reflecting growth of 173% over the same period of 2014 ($4.6 million). Total revenue in 2015 was $36.0 million, an increase of 73% over 2014 ($20.8 million). The increases reflect growth in shipments of desktop do-it-yourself ("DIY") products.

Desktop sales unit volumes for the fourth quarter 2015 were 239,000, representing a 139% increase from the same period of last year (100,000). Unit shipments for the full year 2015 represented a 71% increase compared with 2014. The increase in unit shipments resulted from strong demand in the DIY market. Average selling prices (ASP) per unit in the quarter increased from the fourth quarter 2014 due to growth in shipment of new high-end DIY products in 2015. ASP for the full year 2015 was slightly higher than 2014.

Gross margin was 35.9% for the fourth quarter of 2015, a decrease from 39.8% in the same period last year. Gross margin for the full year 2015 decreased to 34.5% from 41.8% in 2014. The decrease in gross margin in both periods reflects the increase in shipment of lower margin DIY products. The decrease in the full year 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 48% and 19% in the fourth quarter and full year 2015, respectively, when compared with the same periods of 2014, reflecting several factors: In October 2015 and July 2015, the Company received $1.4 million and $0.5 million, respectively, associated with a legal settlement with CoolIT Systems. These payments offset administrative expense in the periods received. Legal costs incurred associated with defense of existing IP and securing new IP declined to $0.3 million and $1.7 million in the fourth quarter and full year 2015 ($1.5 million and $3.9 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 $0.1 million and $0.3 million in the fourth quarter and full year 2015 ($0.1 million and $0.9 million in the same periods of 2014), respectively.

Foreign exchange transactions during the fourth quarter resulted in a gain of $0.1 million ($0.1 million loss in the same period of 2014). Currency fluctuation for the full year 2015 resulted in a $0.3 million gain ($0.3 million loss in 2014). Currency fluctuation also resulted in a positive $0.2 million translation adjustment included in other comprehensive income in the full year 2015 (positive $0.3 million translation adjustment in 2014).

Asetek earned income tax benefit totaling $0.4 million in the fourth quarter and full year 2015 compared with $1.1 million benefit in the same periods of 2014. The decrease in benefit is related to the reduction in operating loss in 2015.

Asetek earned total comprehensive income of $2.1 million in the fourth quarter 2015, and incurred $1.5 million total comprehensive loss for the full year 2015, compared with total comprehensive loss of $2.2 million and $8.4 million in the same periods of 2014, respectively.

Balance Sheet (Consolidated)

Asetek's total assets at December 31, 2015 amounted to $27.7 million, an increase of $14.9 million from December 31, 2014. The increase in assets resulted principally from an increase in cash and cash equivalents (net proceeds from equity offerings during the first half of 2015), as well as inventory, trade receivables and payables increasing in line with the Company's revenue growth.

Total inventory was $1.8 million and $1.1 million at December 31, 2015 and 2014, respectively. Based on average ending inventory levels and cost of sales, inventory turns are calculated at 13.2 and 11.2 turns per year for 2015 and 2014, respectively. The increase in 2015 is partly attributable to high volume shipments of certain desktop products, enabling more efficient inventory management in the current period.

Total cash and cash equivalents was $13.1 million at December 31, 2015.

Cash Flow (Consolidated)

Net cash used by operating activities was $1.1 million in 2015 ($5.8 million used in 2014). The operating cash usage was mainly attributed to the net loss and investments in inventory and trade receivables associated with the significant increase in revenue. Included in cash flow from operations in 2015 is $1.8 million in payments received for settlement of patent litigation, and $0.9 million cash received for income tax benefit related to 2014.

Cash used by investing activities was $2.4 million, related principally to additions in capitalized development costs. The figure compares with $2.0 million used in 2014.

Cash provided by financing activities in 2015 was $12.3 million, compared with $0.1 million provided in 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 $8.9 million in 2015, compared with negative $7.5 million in the same period last year. Not including equity offering transactions, the net change in cash in 2015 was negative $3.3 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

Fourth Quarter

Figures in USD (000's)	Desktop		Data center	
	Q4 2015	Q4 2014	Q4 2015	Q4 2014
Revenues	11,615	4,401	862	162
Cost of sales	7,563	2,606	438	138
Gross Profit*	4,052	1,795	424	24
Gross Margin	34.9%	40.8%	49.2%	14.8%
Total operating expenses**	700	1,302	1,857	1,579
EBITDA adjusted	3,352	493	(1,433)	(1,555)
EBITDA margin	28.9%	11.2%	N/A	N/A

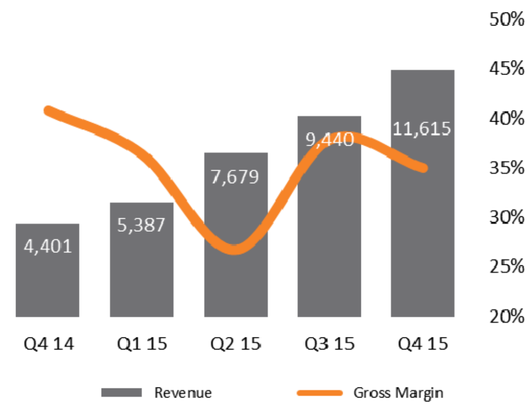
Full Year

Figures in USD (000's)	Desktop		Data center	
	2015	2014	2015	2014
Revenues	34,121	19,318	1,861	1,529
Cost of sales	22,486	11,124	1,084	956
Gross Profit*	11,635	8,194	777	573
Gross Margin	34.1%	42.4%	41.8%	37.5%
Total operating expenses**	4,405	4,915	6,667	6,102
EBITDA, adjusted	7,230	3,279	(5,890)	(5,529)
EBITDA margin	21.2%	17.0%	N/A	N/A

***** *Operating expenses by segment exclude headquarters related benefit of $0.7 million in Q4 2015, and costs of $1.8 million for Q4 2014; and headquarters costs of $1.0 million and $4.5 million for FY2015 and FY2014, respectively. Operating expenses also exclude share based compensation of $0.1 million and $0.1 million in Q4 2015 and Q4 2014, and $0.3 million and $0.9 million for FY2015 and FY2014, respectively. Significant components of headquarters costs include intellectual property defense of $0.3 million and $1.5 million for Q4 2015 and Q4 2014, and $1.7 million and $3.9 million for FY2015 and FY2014, respectively. Also included as an offset to headquarters costs is litigation settlement received of $1.4 million in Q4 2015 and $1.8 million in FY2015.*

Desktop financials

Desktop revenue and margin development
USD (000's)

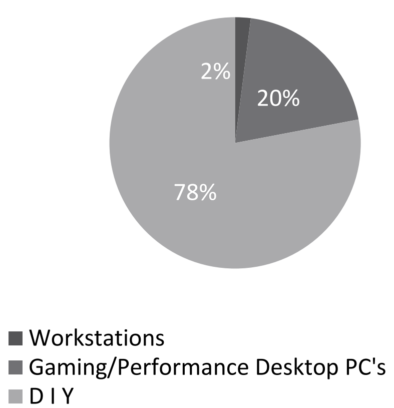


In the fourth quarter of 2015, Asetek's desktop revenue increased 164% from the fourth quarter of 2014. As expected, the increase resulted from significant demand in the do-it-yourself (DIY) market compared with more modest demand in the fourth quarter 2014. Fourth quarter revenue in the Gaming/Performance Desktop PC market also increased from the same period of last year. Revenue in the Workstation market declined.

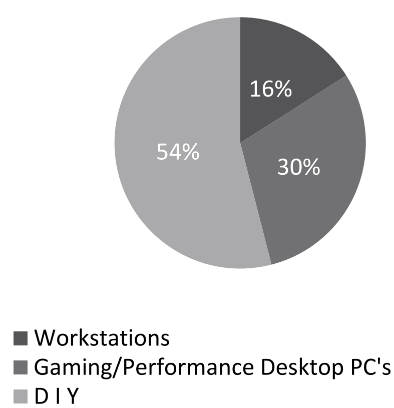
In the full year 2015, desktop revenue increased 77% from 2014 due to strong growth in the DIY market. Gaming/Performance Desktop PC revenue also increased in 2015 due to growth in the graphics cooling market, particularly in the third quarter 2015.

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

Revenue split, 2015
Percent



Revenue split, 2014
Percent



The change in revenue split by market segment reflects the strong demand in the DIY market in 2015.

Desktop market update and outlook

During the fourth quarter, two new products and three refreshes of existing products began shipping in the DIY market.

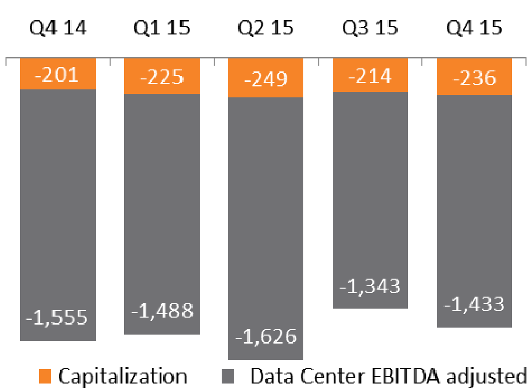
The revenue growth within the desktop segment in 2015, up 77% versus 2014, was driven by strong demand for certain products, but also by an extraordinary set of circumstances including lawsuit settlements, which cannot be expected to replicate in 2016. The Company will continue to develop new products and expects to add new customers within the desktop segment. The desktop business is therefore expected to grow modestly in 2016 from a record level in 2015.

By market segment, Asetek expects first quarter 2016 revenue in the DIY market to decline from the record sales level in the fourth quarter 2015, but increase when compared with the revenue achieved in first quarter 2015. Gaming/Performance Desktop PC market is expected to increase, while revenue in the Workstation market is expected to decline, when compared with their respective performance levels in the first quarter of 2015.

Gross margin in the first quarter 2016 is expected to be comparable to gross margin in the fourth quarter 2015.

Data center financials

Financial development
USD (000's)



Asetek's data center revenue was $0.9 million in the fourth quarter and $1.9 million in the full year 2015, compared with $0.2 million and $1.5 million in the fourth quarter and full year 2014, respectively. The increases in 2015 were driven principally by shipments to new customers and increased activity under government contracts.

Data center gross margins increased significantly in the fourth quarter 2015 compared with prior quarters, and have fluctuated in part due to variability in deliverables on government contracts.

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

Data center market update and outlook

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

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 expects total orders on this project to result in shipment of over 100 RackCDU in the first year and 300 RackCDU within the first three years. The CTS-1 project and the OEM relationship with Penguin is anticipated to result in $1.0 to $1.5 million of revenue for Asetek in 2016

During the quarter, the Company generated revenue of $0.1 million from shipment of RackCDU™ data center cooling products to a regional OEM provider, FORMAT Sp. Ltd.

Under an agreement executed in the second quarter 2015 with server manufacturer CIARA, Asetek shipped $0.1 million of product in the second half of 2015 to liquid cool CIARA's high frequency server line. The Company expects significant growth in revenue from this agreement in 2016.

During the fourth quarter, Asetek increased activities on its $3.5 million contract with the California Energy Commission. The Company generated revenue of $0.6 million, principally from equipment procurement, manufacturing and engineering. The project continues in the first quarter 2016 with the retrofitting of the CAB supercomputer at Lawrence Livermore National Laboratory to liquid cooling. This will be the first of two data centers scheduled to be converted to liquid cooling during this two year project.

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 2015, is expected to resume mid-2016. The Company does not expect this change to affect the total contract value to Asetek.

Asetek's progress in the data center market in 2015 indicates a 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.

Asetek 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. The Company will provide a more in-depth description of its data center business outlook at its capital markets update to be held on February 29, 2016.

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 during 2015.

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 has recognized the payments in the financial statements in the period that the cash was received. The final payment of $1.4 million was received in October 2015 and is 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, and the court subsequently 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 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 2015, one customer accounted for 60% 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 December 31, 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)	Q4 2015	Q4 2014	2015	2014
	Unaudited	*Unaudited*		
Revenue	$ 12,477	$ 4,563	$ 35,982	$ 20,847
Cost of sales	8,001	2,749	23,570	12,137
Gross profit	4,476	1,814	12,412	8,710
Research and development	970	880	3,938	3,556
Selling, general and administrative	1,725	4,302	10,797	14,664
Total operating expenses	2,695	5,182	14,735	18,220
Operating income	1,781	(3,368)	(2,323)	(9,510)
Foreign exchange (loss) gain	87	(136)	305	(298)
Finance costs	(19)	(26)	(67)	(87)
Total financial income (expenses)	68	(162)	238	(385)
Income before tax	1,849	(3,530)	(2,085)	(9,895)
Income tax (expense) benefit	466	1,142	438	1,138
Income for the period	2,315	(2,388)	(1,647)	(8,757)
Other comprehensive income items that may be reclassified to profit or loss in subsequent periods:				
Foreign currency translation adjustments	(180)	184	181	335
Total comprehensive income	$ 2,135	$ (2,204)	$ (1,466)	$ (8,422)
Income per share (in USD):				
Basic	$ 0.09	$ (0.17)	$ (0.07)	$ (0.62)
Diluted	$ 0.09	$ (0.17)	$ (0.07)	$ (0.62)

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

Consolidated Balance Sheet

Figures in USD (000's)		31 Dec 2015		31 Dec 2014
ASSETS				
Non-current assets				
Intangible assets	$	1,852	$	2,334
Property and equipment		1,188		730
Other assets		496		292
Total non-current assets		3,536		3,356
Current assets				
Inventory		1,786		1,102
Trade receivables and other		9,366		4,186
Cash and cash equivalents		13,060		4,170
Total current assets		24,212		9,458
Total assets	$	27,748	$	12,814
EQUITY AND LIABILITIES				
Equity				
Share capital	$	416	$	264
Share premium		76,665		64,451
Accumulated deficit		(58,633)		(57,307)
Translation and other reserves		198		14
Total equity		18,646		7,422
Non-current liabilities				
Long-term debt		259		309
Total non-current liabilities		259		309
Current liabilities				
Short-term debt		375		300
Accrued liabilities		862		1,255
Accrued compensation & employee benefits		1,272		882
Trade payables		6,334		2,646
Total current liabilities		8,843		5,083
Total liabilities		9,102		5,392
Total equity and liabilities	$	27,748	$	12,814

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

Statement of Changes in Equity

Figures in USD (000's)	Share capital	Share premium	Translation reserves	Other reserves	Accumulated deficit	Total
Equity at January 1, 2015	$ 264	$ 64,451	$ 26	$ (12)	$ (57,307)	$ 7,422
Total comprehensive income - year ended December 31, 2015						
Loss for the period	-	-	-	-	(1,647)	(1,647)
Foreign currency translation adjustments	-	-	181	-	-	181
Total comprehensive income - year ended December 31, 2015	-	-	181	-	(1,647)	(1,466)
Transactions with owners - year ended December 31, 2015						
Shares issued	152	12,993	-	3	-	13,148
Less: issuance costs	-	(779)	-	-	-	(779)
Share based payment expense	-	-	-	-	321	321
Transactions with owners - year ended December 31, 2015	152	12,214	-	3	321	12,690
Equity at December 31, 2015	$ 416	$ 76,665	$ 207	$ (9)	$ (58,633)	$ 18,646
Equity at January 1, 2014	$ 264	$ 64,357	$ (309)	$ (14)	$ (49,490)	$ 14,808
Total comprehensive income - year ended December 31, 2014						
Loss for the period	-	-	-	-	(8,757)	(8,757)
Foreign currency translation adjustments	-	-	335	-	-	335
Total comprehensive income - year ended December 31, 2014	-	-	335	-	(8,757)	(8,422)
Transactions with owners - year ended December 31, 2014						
Shares issued	-	94	-	2	-	96
Share based payment expense	-	-	-	-	940	940
Transactions with owners -year ended December 31, 2014	-	94	-	2	940	1,036
Equity at December 31, 2014	$ 264	$ 64,451	$ 26	$ (12)	$ (57,307)	$ 7,422

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

Consolidated Cash Flow Statement

Figures in USD (000's)	2015	2014
Cash flows from operating activities		
Income (loss) for the period	$ (1,647)	$ (8,757)
Depreciation and amortization	2,390	1,771
Finance costs (income)	67	87
Income tax expense (income)	(438)	(1,138)
Impairment of intangible assets	-	36
Cash receipt (payment) for income tax	934	204
Share based payments expense	321	940
Changes in trade receivables, inventories, other assets	(6,937)	1,264
Changes in trade payables and accrued liabilities	4,243	(230)
Net cash used in operating activities	(1,067)	(5,823)
Cash flows from investing activities		
Additions to intangible assets	(1,489)	(1,873)
Purchase of property and equipment	(882)	(172)
Net cash used in investing activities	(2,371)	(2,045)
Cash flows from financing activities		
Cash received for leasing of previously purchased equipment	-	279
Funds drawn (paid) against line of credit	90	(141)
Proceeds from issuance of share capital	13,148	96
Cash paid for fees related to financing	(832)	-
Principal and interest payments on finance leases	(76)	(145)
Net cash provided by financing activities	12,330	89
Effect of exchange rate changes on cash and cash equivalents	(2)	286
Net changes in cash and cash equivalents	8,890	(7,493)
Cash and cash equivalents at beginning of period	4,170	11,663
Cash and cash equivalents at end of period	$ 13,060	$ 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 year ended December 31, 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, 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 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 December 31, 2015, there are 24.8 million common shares outstanding and 0.5 million shares in treasury. Treasury shares may be used to fulfill share options and warrants outstanding totaling approximately 1.6 million. Share based payment expense associated with total warrants and options outstanding was $0.3 million and $0.9 million in the year ended December 31, 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 2015, the Company capitalized approximately $1.5 million of development costs and recorded amortization of approximately $2.0 million (capitalized costs of $1.9 million and amortization of $1.3 million in 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.

Fourth Quarter

	Q4 2015	Q4 2014
Income (loss) attributable to equity holders of the Company (USD 000's)	$ 2,315	$ (2,388)
Weighted average number of common shares outstanding (000's)	24,823	14,132
Basic income (loss) per share	$ 0.09	$ (0.17)
Weighted average number of common shares oustanding (000's)	24,823	14,132
Instruments with potentially dilutive effect:		
Warrants and options	1,019	-
Weighted average number of common shares oustanding, diluted	25,842	14,132
Diluted income (loss) per share	$ 0.09	$ (0.17)

Full Year

	2015	2014
Loss attributable to equity holders of the Company (USD 000's)	$ (1,647)	$ (8,757)
Weighted average number of common shares outstanding (000's)	22,332	14,123
Basic loss per share	$ (0.07)	$ (0.62)
Diluted loss per share	$ (0.07)	$ (0.62)

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 year ended December 31, 2015 and 2014, Asetek had sales of inventory to Corsair of $21.6 million and $6.7 million, respectively. As of December 31, 2015 and 2014, Asetek had outstanding trade receivables from Corsair of $5.3 million and $1.1 million, respectively.

The Company's CEO serves as Chairman of the Board for a vendor that supplies services to the Company. In the year ended December 31, 2015 and 2014, the Company purchased services totaling approximately $0.3 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 $1.85 million on the Company's balance sheet at December 31, 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

Fourth Quarter

Figures in USD (000's)	Desktop		Data center	
	Q4 2015	Q4 2014	Q4 2015	Q4 2014
Revenues	11,615	4,401	862	162
Cost of sales	7,563	2,606	438	138
Gross Profit*	4,052	1,795	424	24
Gross Margin	34.9%	40.8%	49.2%	14.8%
Total operating expenses**	700	1,302	1,857	1,579
EBITDA adjusted	3,352	493	(1,433)	(1,555)
EBITDA margin	28.9%	11.2%	N/A	N/A

Full Year

Figures in USD (000's)	Desktop		Data center	
	2015	2014	2015	2014
Revenues	34,121	19,318	1,861	1,529
Cost of sales	22,486	11,124	1,084	956
Gross Profit*	11,635	8,194	777	573
Gross Margin	34.1%	42.4%	41.8%	37.5%
Total operating expenses**	4,405	4,915	6,667	6,102
EBITDA, adjusted	7,230	3,279	(5,890)	(5,529)
EBITDA margin	21.2%	17.0%	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 related benefit of $0.7 million in Q4 2015, and costs of $1.8 million for Q4 2014; and headquarters costs of $1.0 million and $4.5 million for FY2015 and FY2014, respectively. Operating expenses also exclude share based compensation of $0.1 million and $0.1 million in Q4 2015 and Q4 2014, and $0.3 million and $0.9 million for FY2015 and FY2014, respectively. Significant components of headquarters costs include intellectual property defense of $0.3 million and $1.5 million for Q4 2015 and Q4 2014, and $1.7 million and $3.9 million for FY2015 and FY2014, respectively. Also included as an offset to headquarters costs is litigation settlement received of $1.4 million in Q4 2015 and $1.8 million in FY2015.*

Statement by the board of directors and management

The Board of Directors and the Management have considered and adopted the Fourth Quarter Report of Asetek A/S for the period 1 January – 31 December 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, 24 February 2016

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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