Asetek A/S

Half Year Report

Second Quarter and Six Months Ended June 30, 2014

Published August 13, 2014

Key figures

Figures in USD (000's)	Q2 2014	Q2 2013	H1 2014	H1 2013	2013
Total Company:	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	
Revenue	*5,405*	*5,335*	*10,805*	*10,260*	20,729
Gross profit	2,213	2,000	4,457	3,878	8,049
Gross margin	*40.9%*	*37.5%*	*41.2%*	*37.8%*	38.8%
Operating profit	*(2,434)*	*(1,880)*	*(4,176)*	*(3,379)*	(7,759)
Reconciliation from IFRS to EBITDA adjusted:					
Operating profit	(2,434)	(1,880)	(4,176)	(3,379)	(7,759)
Add: Depreciation and amortization	403	356	816	904	2,030
Add: Share based compensation	272	40	601	77	593
EBITDA adjusted (unaudited)	(1,759)	(1,484)	(2,759)	(2,398)	(5,136)
By Segment (Unaudited):					
Desktop:					
Desktop revenue	*4,830*	*5,335*	*9,691*	*10,224*	*19,925*
*Desktop gross margin**	*41.7%*	*38.4%*	*42.6%*	*38.7%*	*40.9%*
Desktop EBITDA adjusted	*738*	*1,113*	*1,847*	*2,224*	*4,299*
Datacenter:					
Datacenter revenue	*575*	*-*	*1,114*	*36*	*804*
*Datacenter gross margin**	*37.9%*	*0.0%*	*33.0%*	*0.0%*	*20.5%*
Datacenter EBITDA adjusted	*(1,316)*	*(1,980)*	*(2,624)*	*(3,297)*	*(6,396)*
Headquarters:					
*Headquarters costs***	*(1,181)*	*(617)*	*(1,982)*	*(1,325)*	*(3,039)*

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

***Headquarters costs include intellectual property defense, financing, HQ admin costs. Excludes share based compensation.*

Highlights

Financial results

- Revenues in the first half 2014 increased 5% over first half 2013 due principally to progress achieved on a data center contract with the U.S. Department of Defense. Revenues in Q2 2014 were flat compared with Q2 2013, due to effects of business model changes and normal variances in desktop do-it-yourself market offsetting an increase in data center revenues.
- Gross margins of 41% in 2014 reflect increases of over three percentage points in both the first half and second quarter 2014 compared with the respective periods of last year.

By segment

- Operating profits from the desktop segment were $1.8 million for the first half and $0.7 million in the second quarter, decreasing from the same periods of prior year principally due to the decreases in revenue and increases in development expense.
- Operating loss in the data center segment was $2.6 million for the first half and $1.3 million for the second quarter, both improved from last year due to increases in revenue and costs capitalized as assets. Data center spending reflects continued investment in development and marketing, including business development, equipment and tools.

Operations

- Asetek received and shipped the largest single order to date for RackCDU™, to be used by a U.S. Federal Government National Laboratory at a facility that will be one of the world's largest data center liquid cooling installations.
- Asetek's desktop business secured a new strategic design win in the Workstation market and was selected by AMD to liquid cool their newly launched high-speed graphics card.
- The U.S. Patent and Trademark Office (USPTO) issued a notice of allowance on Asetek's patent claims on its RackCDU direct cooling technology for data centers.
- The Company continued progress on the contract for the U.S. Department of Defense at the Redstone Arsenal data center, carrying a total value of over $2 million.

Financial review

The figures below relate to the consolidated accounts for the second quarter and first half 2014, which comprise activities within the two segments Desktop and Data Center. The quarterly figures are unaudited.

Income Statement (Consolidated)

Asetek reported revenues of $5.4 million in the second quarter of 2014, relatively flat with the same period of 2013 ($5.3 million). Revenue in the first half 2014 was $10.8 million, an increase of five percent over the same period of 2013 ($10.3 million). The increases reflect growth in shipments of data center products, but are partly offset by modest demand in the desktop do-it-yourself ("DIY") market compared with last year.

Desktop sales unit volumes for the second quarter 2014 were 109,000, representing a five percent decrease from the same period of last year (114,000). Unit shipments for the first half 2014 represented a two percent decrease compared with first half 2013. The decline in unit shipments resulted from modest demand in the DIY market. Average selling prices per unit for the quarter and first half also declined compared to the same periods of 2013, resulting principally from a change in business model.

Gross margin was 40.9% for the second quarter of 2014, an increase of over three percentage points from the same period last year (37.5%). Gross margin for the first half of 2014 increased to 41.2% from 37.8% in the first half 2013. The increase in gross margin in both periods reflects Asetek's proactive management of the mix of product offerings, savings achieved with certain component suppliers, as well as the before mentioned change in business model, which reduced the overall cost per unit.

Operating costs increased nearly 20% for both the second quarter and first half when compared with the respective periods of 2013, reflecting principally increased spending in the defense of intellectual property (IP). Legal costs incurred associated with defense of existing IP and securing new IP were $0.9 million and $1.5 million in the second quarter and first half of 2014 ($0.4 million and $0.7 million in the same periods of 2013), respectively. In addition, the Company recorded non-cash stock compensation expense of $0.3 million and $0.6 million in the second quarter and first half of 2014 ($40 thousand and $0.1 million in the same periods of 2013), respectively. The increases result primarily from warrants granted to employees in the fourth quarter 2013.

Asetek incurred operating losses of $2.4 million and $4.2 million in the second quarter and first half of 2014, compared with $1.9 million and $3.4 million operating losses in the same periods of last year, respectively.

Finance income and cost was not significant in the second quarter or first half of 2014. In the second quarter of 2013, finance cost reflected foreign exchange loss. Finance income for the first half of 2013 included $1.6 million of non-cash gains associated with the revaluation of outstanding debt instruments at the time of the Company's IPO.

Balance Sheet (Consolidated)

Asetek's total assets at June 30, 2014 amounted to $16.9 million, a decrease of $4.0 million from December 31, 2013. The decrease in assets resulted principally from cash payments for operating expenditures. Total cash and cash equivalents was $8.0 million at June 30, 2014.

Cash Flow (Consolidated)

Net cash used by operating activities was $2.4 million for the first half 2014 ($1.9 million used in first half 2013). The operating cash usage was mainly attributed to the net loss and payment of accrued expenses and trade payables.

Cash used by investing activities was $1.3 million, related principally to additions in capitalized development costs. The figure compares with $1.0 million for the first half 2013.

Cash provided by financing activities in the first half 2014 was $0.1 million, compared with $17.3 million provided in the first half 2013. The activity in first half 2014 represents principally the financing of equipment, offset by payments against a line of credit. Last year's financing activities included $21.4 million of net proceeds raised in the Company's successful IPO in March 2013.

Net change in cash and cash equivalents was negative $3.6 million in first half 2014, compared with an increase of $13.8 million in the same period last year. Not including IPO related transactions, the net change in cash in the same period of 2013 was negative $3.5 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

Second Quarter

Figures in USD (000's)	Desktop		Datacenter	
	Q2 2014	Q2 2013	Q2 2014	Q2 2013
Revenues	4,830	5,335	575	-
Cost of sales	2,816	3,288	357	-
Gross Profit	2,014	2,047	218	-
Gross Margin*	41.7%	38.4%	37.9%	N/A
Total operating expenses**	1,276	934	1,534	1,980
EBITDA adjusted	738	1,113	(1,316)	(1,980)
EBITDA margin	15.3%	20.9%	N/A	N/A

First Half

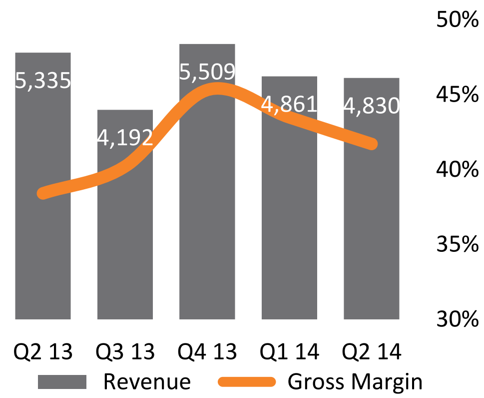
Figures in USD (000's)	Desktop		Datacenter	
	H1 2014	H1 2013	H1 2014	H1 2013
Revenues	9,691	10,224	1,114	36
Cost of sales	5,564	6,271	746	20
Gross Profit, adjusted	4,127	3,953	368	16
Gross Margin, adjusted	42.6%	38.7%	33.0%	N/A
Total operating expenses**	2,280	1,729	2,992	3,313
EBITDA, adjusted	1,847	2,224	(2,624)	(3,297)
EBITDA margin	19.1%	21.7%	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 $1.2 million and $0.6 million for Q2 2014 and Q2 2013, and $2.1 million and $1.3 million for 1H 2014 and 1H 2013, respectively. Operating expenses also exclude share based compensation of $0.3 million and $40 thousand in Q2 2014 and Q2 2013, and $0.6 million and $0.1 million for 1H 2014 and 1H 2013, respectively. Significant components of headquarters costs include intellectual property defense of $0.9 million and $0.4 million in Q2 2014 and Q2 2013, and $1.5 million and $0.7 million in 1H 2014 and 1H 2013, respectively.*

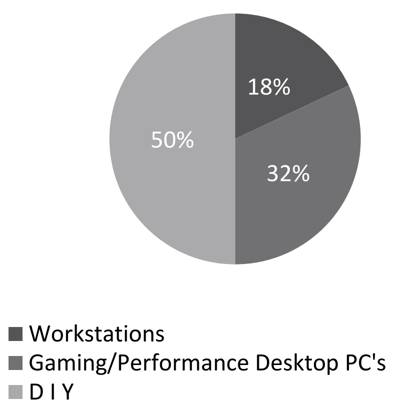
Desktop financials

Desktop revenue and margin development
USD (000's)

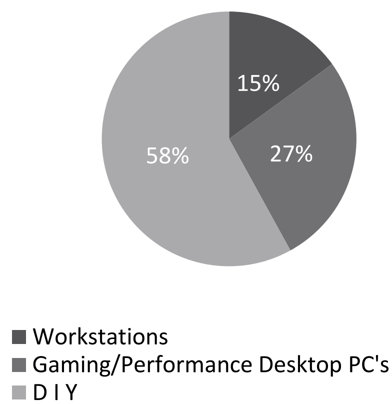


Asetek's desktop revenues in the second quarter and first half 2014 declined from the respective periods of 2013 due to a change in business model on certain products, as well as modest demand in the DIY market. Gross margin has increased by 3.9%-points in 2014 compared with the first half 2013 due to proactive management of product mix and cost savings achieved with certain suppliers. Gross margins spiked in fourth quarter of 2013 due to product mix changes and record high average selling prices.

Revenue split, H1-2014
Percent



Revenue split, H1-2013
Percent



The change in revenue split reflects change in business model on certain products, the modest demand in the DIY market and an increase in the shipment of graphics cooling products in the first half of 2014 compared with the same period of 2013.

Desktop operations and market update

In the second quarter of 2014, Asetek's desktop revenue declined 9% from the second quarter of 2013. As expected, the decline resulted from a change in the business model, which generally lowered the sales price of these products, as well as modest demand in the DIY market compared with the record demand generated in second quarter 2013. There is no predictable seasonality in the DIY segment of the desktop business meaning that spikes and surges are rather normal. Second quarter revenues in the Gaming/Performance Desktop PC and Workstation markets remained fairly level with the same period of last year.

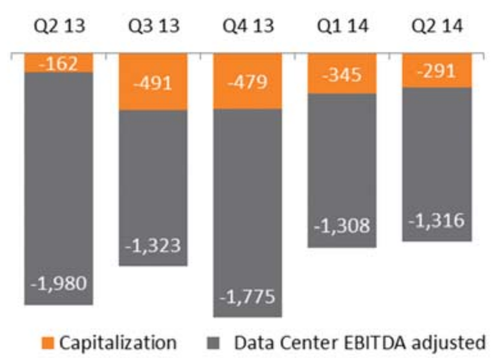
In first half 2014, desktop revenues decreased 5% from first half 2013 due to decline in the DIY revenue. Gaming/Performance Desktop PC revenues increased in the first half 2014 due to increased shipments of graphics cooling products in the first quarter of 2014.

Gross margins in the second quarter and first half 2014 improved from the same periods of last year as a result of Asetek's proactive management of the mix of product offerings, as well as cost savings achieved with certain component suppliers.

During the second quarter, Asetek announced that its liquid cooling technology will be used to cool AMD's newest and fastest graphics card, the AMD Radeon R9 295X2. Also in the second quarter, Asetek announced a strategic design win in the Workstation market, and DIY customer NZXT Corporation released three new products utilizing Asetek liquid cooling.

Data center financials

Financial development
USD (000's)



Asetek increased its investments in the data center market in mid-2012, representing additional personnel, new technology and prototype development, tradeshow promotion and product marketing. The Company recognized its first commercial revenue in the data center segment during the third quarter 2013. Revenues increased in the second quarter 2014 resulting in improved EBITDA when compared with the prior year.

Data center operations and market update

Asetek's data center revenues were $0.6 million in the second quarter and $1.1 million in the first half of 2014, up from zero and $36 thousand in the second quarter and first half of 2013, respectively. The revenue growth in the second quarter was due mainly to the shipment of a new order of liquid cooling product to be used in a large U.S. Federal HPC data center. In June, Asetek fulfilled a $350,000 order from an OEM customer for 29 RackCDU's that will be used to liquid cool what will be one of the world's largest data centers using warm water liquid cooling. The largest order to date was fulfilled within a very short lead time and allowed the Company to prove out its volume manufacturing capability for data center products. As expected from a first volume order, several minor optimizations are still needed in order to achieve a mass-volume grade gross margin.

The increase in data center revenues in the first half 2014 also resulted from progress achieved on a three-year contract with the U.S. Department of Defense (DoD). Asetek continues its DoD retrofit with Redstone Arsenal Network Enterprise Center in Huntsville, Alabama, under the Energy Security Technology Certification Program (ESTCP). Progress in the second quarter has been focused on completing Phase I testing and on identifying additional applications and outreach to Department of Defense data center locations as required program tasks.

During the second quarter, Asetek provided extensive performance, reliability, safety, and environmental data that met a major OEM's requirements. This could potentially lead to the design-in selection of RackCDU D2C™ on two server platforms. One or both of these server platforms is targeted for public release in 2015 or sooner. Asetek is also developing a RackCDU ISAC™ solution for a leading systems integrator (SI) with product launch expected in 2014.

In April, the U.S. Patent and Trademark Office (USPTO) issued a notice of allowance on the Company's patent claims on the RackCDU direct-to-chip liquid cooling technology. This patent provides additional protection for Asetek's core data center product offering, adding to Asetek's patent portfolio.

In the second quarter, Asetek showcased its RackCDU D2C and RackCDU ISAC cooling systems at three industry conferences – Data Center World Spring 2014 in Las Vegas, International Supercomputing (ISC14) in Leipzig, Germany, and Datacenter Dynamics Converged in Santa Clara. At ISC14, the University of Tromsø (UiT) presented the results of their case study on RackCDU. Key findings include the ability to deliver consistent high temperature water throughout the entire calendar year, thereby meeting the university's energy reuse goals.

Customer feedback regarding the Company's first commercial installation of RackCDU has been positive. The implementation of the Cray CS300-LC cluster at Mississippi State University has allowed the university to reduce capital infrastructure and operational costs by eliminating the need to purchase and operate a new chiller system. In June, the MSU data center was recognized by HPC industry experts as #186 on the list of the Top 500 Supercomputers in the world.

In the first quarter, the Company received two RackCDU orders – a repeat order from a large OEM to support the expansion of an existing HPC cluster using RackCDU, and a new order for a pilot system from a leader in quantitative investing and trading. The Company also secured a second engineering development contract with a major OEM for a modular data center product.

Other noteworthy events

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. Currently the Company has multiple pending patent and utility model applications worldwide, with additional applications under preparation.

Beginning in 2012, 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 sealed loop liquid coolers, its RackCDU product, as well as utility model rights in Germany relating to CPU cooling by water. CoolIT subsequently filed countersuits against Asetek claiming patent infringement. The cases are proceeding normally under the Court's patent case rules. The trial with CoolIT is set to run for two weeks in October 2014. Asetek continues to closely review and assess all competitive offerings for infringement of its patents and is currently evaluating legal action against certain competitors.

In April 2014, a complaint was filed in the U.S. District Court by PhD Research Group, Inc. alleging patent infringement by Asetek. In the complaint, PhD Research Group, Inc. claims that two of its patents associated with heat sink technology have been infringed upon and therefore is entitled to receive royalty compensation. Asetek considers the complaint to be without merit and will contest it vigorously. PhD Research Group, Inc. also contacted Asetek in 2013 in an attempt to get Asetek to pay a license or buy the patents.

Corporate Matters

At a meeting held on April 23, 2014, the Board of Directors approved grants totaling 118,210 warrants.

The Company's annual general meeting was held on April 24, 2014. The meeting approved the annual report 2013 as published and proposed by the Board of Directors. In advance of the annual general meeting, Board members Alex Wong and Joergen Smidt, both representing long time venture capital ownership interests, stepped down from the Board. At the publication of this report, both venture capital firms maintain their ownership position in the Company.

At an extraordinary general meeting held on July 3, 2014, Messrs. Peter Gross and Jim McDonnell were elected to the Board of Directors. The Board felt it desirable to add industry experience from the data center field to the boards' skillset.

Mr. Gross has over thirty years of experience in the engineering and design of power systems as applied to data centers, trading floors, command and control centers, and telecommunication and broadcasting facilities. Mr. Gross is the recipient of 2010 Data Center Dynamics "Outstanding Contribution to the Industry" award.

Mr. McDonnell brings the insights from his 36 years career of growth and accomplishment at Intermec Technologies, Hewlett-Packard and General Electric Co. where he has held leadership roles in sales and marketing. Mr. McDonnell brings strategic and hands-on experience in global sales, marketing, customer engagement, channel, and enterprise management to Asetek.

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 event that the Company continues to consume cash at its current rate, Asetek will need to secure funding sources incremental to its current revenue streams within the next year.

Asetek relies upon suppliers and partners to supply products and services at competitive prices. Asetek's desktop 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 June 30, 2014, 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 annual report for 2013. The document can be downloaded from the Company's website: www.asetek.com.

Outlook

Desktop

Desktop revenues in the third quarter of 2014 are expected to be comparable or modestly higher than the second quarter of 2014, representing an increase over the revenues achieved in the third quarter 2013. Gross margins in the third quarter are expected to continue at the level achieved in second quarter 2014, representing significant improvement over the margins achieved in third quarter 2013.

In the third quarter of 2014, two new Asetek products are expected to be released by DIY customers. Revenue in the DIY market in the third quarter 2014 is expected to increase from the levels achieved in the second quarter 2014.

Asetek expects third quarter 2014 revenues in the Gaming/Performance Desktop PC market to increase, while revenues in the Workstation market are expected to remain relatively level, when compared with their respective performance levels in the second quarter of 2014.

Data center

Design-in efforts continue with multiple OEMs and system integrators, with product announcements possible in the first half of 2015. If successful, these releases are anticipated to provide increased penetration into the European and Asia-Pacific High Performance Computing (HPC) markets.

Asetek expects to continue to execute its modular data center engineering development with a major OEM, with thermal testing and evaluation to be conducted in the third quarter along with design efforts on a new server platform.

Asetek has also entered into a project with a major chip manufacturer to develop a RackCDU D2C cooling solution for a next-generation platform. Asetek anticipates release of products based on this platform beginning late 2015 and early 2016. A successful outcome of this project would validate the long-term viability of RackCDU.

Asetek design-in efforts with an undisclosed major OEM continue according to plan with contract negotiation in process.

Phase I testing at the DoD Redstone Arsenal Network Enterprise Center in Huntsville, Alabama is expected to be completed in 2014 with efforts initiated on Phase II server retrofits. Efforts to attract additional DoD data center sites will continue in parallel. In addition, during 2014 Asetek expects to obtain modifications to increase the total ESTCP contract value by approximately $0.4 million.

Asetek has developed a Certified Installation and Integration Program (CIIP) and expects to execute the first CIIP partner agreement with a major U.S. federal prime contractor during 2014. Asetek plans to partner with this prime contractor in efforts to include the Company's data center products in future government bids. Asetek anticipates that additional third parties may participate in its CIIP to meet the anticipated demand for new installations.

In 2014, University of Tromsø (UiT) plans to bring online a new 2MW data center and intends to reuse waste heat on a campus-wide basis. When integrated with large-scale district heating systems, RackCDU enables data center waste heat recycling even above the Arctic Circle. Over the next year, Asetek expects to secure orders for additional RackCDU systems from UiT and other early adopters in the educational and laboratory HPC segments.

Interim financial statements

Consolidated Statement of Comprehensive Income

Figures in USD (000's)	Q2 2014	Q2 2013	H1 2014	H1 2013	2013
	Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	
Revenue	$ 5,405	$ 5,335	$ 10,805	$ 10,260	$ 20,729
Cost of sales	3,192	3,335	6,348	6,382	12,680
Gross profit	2,213	2,000	4,457	3,878	8,049
Research and development	895	1,234	1,681	2,230	4,492
Selling, general and administrative	3,740	2,666	6,960	5,036	11,236
Foreign exchange loss (gain)	12	(20)	(8)	(9)	80
Total operating expenses	4,647	3,880	8,633	7,257	15,808
Operating income	(2,434)	(1,880)	(4,176)	(3,379)	(7,759)
Finance income	1	43	1	1,593	1,865
Finance costs	(21)	(549)	(42)	(781)	(830)
Total financial income (expenses)	(20)	(506)	(41)	812	1,035
Income before tax	(2,454)	(2,386)	(4,217)	(2,567)	(6,724)
Income tax (expense) benefit	-	-	(4)	-	443
Income for the period	(2,454)	(2,386)	(4,221)	(2,567)	(6,281)
Other comprehensive income items that may be reclassified to profit or loss in subsequent periods:					
Foreign currency translation adjustments	60	68	(27)	(64)	52
Total comprehensive income	$ (2,394)	$ (2,318)	$ (4,248)	$ (2,631)	$ (6,229)
Income per share (in USD):					
Basic	$ (0.17)	$ (0.17)	$ (0.30)	$ (0.19)	$ (0.46)
Diluted	$ (0.17)	$ (0.17)	$ (0.30)	$ (0.19)	$ (0.46)

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

Consolidated Balance Sheet

Figures in USD (000's)	30 Jun 2014	31 Mar 2014	31 Dec 2013
ASSETS	*Unaudited*	*Unaudited*	
Non-current assets			
Intangible assets	$ 2,423	$ 2,138	$ 1,823
Property and equipment	929	1,012	1,096
Other assets	327	330	330
Total non-current assets	3,679	3,480	3,249
Current assets			
Inventory	1,308	1,165	1,074
Trade receivables and other	3,932	4,933	4,997
Cash and cash equivalents	8,040	9,371	11,663
Total current assets	13,280	15,469	17,734
Total assets	$ 16,959	$ 18,949	$ 20,983
EQUITY AND LIABILITIES			
Equity			
Share capital	$ 265	$ 264	$ 264
Share premium	64,413	64,411	64,357
Accumulated deficit	(53,110)	(50,928)	(49,490)
Translation and other reserves	(349)	(409)	(323)
Total equity	11,219	13,338	14,808
Non-current liabilities			
Long-term debt	391	415	243
Other long-term liabilities	-	-	232
Total non-current liabilities	391	415	475
Current liabilities			
Short-term debt	348	481	420
Accrued liabilities	1,540	1,004	802
Accrued compensation & employee benefits	889	785	995
Trade payables	2,572	2,926	3,483
Total current liabilities	5,349	5,196	5,700
Total liabilities	5,740	5,611	6,175
Total equity and liabilities	$ 16,959	$ 18,949	$ 20,983

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, 2014	$ 264	$ 64,357	$ (309)	$ (14)	$ (49,490)	$ 14,808
Total comprehensive income - six months ended June 30, 2014						
Loss for the period	-	-	-	-	(4,221)	(4,221)
Foreign currency translation adjustments	-	-	(27)	-	-	(27)
Total comprehensive income - six months ended June 30, 2014	-	-	(27)	-	(4,221)	(4,248)
Transactions with owners - six months ended June 30, 2014						
Shares issued	1	56	-	1	-	58
Share based payment expense	-	-	-	-	601	601
Transactions with owners - six months ended June 30, 2014	1	56	-	1	601	659
Equity at June 30, 2014	$ 265	$ 64,413	$ (336)	$ (13)	$ (53,110)	$ 11,219

Equity at January 1, 2013	$ 2	$ 3,519	$ (361)	$ -	$ (43,802)	$ (40,642)
Total comprehensive income - six months ended June 30, 2013						
Loss for the period	-	-	-	-	(2,567)	(2,567)
Foreign currency translation adjustments	-	-	(64)	-	-	(64)
Total comprehensive income - six months ended June 30, 2013	-	-	(64)	-	(2,567)	(2,631)
Transactions with owners - six months ended June 30, 2013						
Shares issued	70	24,707	-	-	-	24,777
Less: issuance costs	-	(3,423)	-	-	-	(3,423)
Equity exchange to Asetek A/S	25	(25)	-	-	-	-
Issuance of treasury shares	14	-	-	(14)	-	-
Conversion of debt	9	3,110	-	-	-	3,119
Conversion of preferred shares	139	36,221	-	-	-	36,360
Share based payment expense	-	-	-	-	77	77
Transactions with owners - six months ended June 30, 2013	257	60,590	-	(14)	77	60,910
Equity at June 30, 2013	$ 259	$ 64,109	$ (425)	$ (14)	$ (46,292)	$ 17,637

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

Consolidated Cash Flow Statement

Figures in USD (000's)	H1 2014	H1 2013	2013
	Unaudited	*Unaudited*	
Cash flows from operating activities			
Income (loss) for the period	$ (4,221)	$ (2,567)	$ (6,281)
Depreciation and amortization	816	904	2,030
Finance costs (income)	21	(812)	(1,035)
Income tax expense (income)	4	-	(443)
Impairment of intangible assets	36	-	62
Cash receipt (payment) for income tax	(4)	-	222
Share based payments expense	601	77	593
Changes in trade receivables, inventories, other assets	801	448	(1,109)
Changes in trade payables and accrued liabilities	(487)	24	1,406
Net cash used in operating activities	(2,433)	(1,926)	(4,555)
Cash flows from investing activities			
Additions to intangible assets	(1,207)	(773)	(2,128)
Addition to other assets	-	-	(314)
Purchase of property and equipment	(82)	(199)	(631)
Net cash used in investing activities	(1,289)	(972)	(3,073)
Cash flows from financing activities			
Cash received for leasing of previously purchased equipment	248	-	-
Long-term deposit received from sub-lessee	-	-	234
Cash payments on long-term debt	-	(3,621)	(3,621)
Funds drawn (paid) against line of credit	(104)	(63)	57
Cash payments for interest on debt	-	(461)	(461)
Proceeds from issuance of share capital	58	24,835	25,099
Cash paid for fees related to IPO	-	(3,394)	(3,405)
Principal and interest payments on finance leases	(70)	(3)	(42)
Net cash provided by financing activities	132	17,293	17,861
Effect of exchange rate changes on cash and cash equivalents	(33)	(570)	182
Net changes in cash and cash equivalents	(3,623)	13,825	10,415
Cash and cash equivalents at beginning of period	11,663	1,248	1,248
Cash and cash equivalents at end of period	$ 8,040	$ 15,073	$ 11,663
Supplemental disclosure - non-cash transactions			
Property and equipment acquired on finance leases	$ -	$ -	$ 321

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 six months ended June 30, 2014 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 2013 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, 2013.

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

2. Common shares, warrants and share based payment expense

In April 2014, the Board of Directors granted 118,210 warrants to management and directors. Each warrant in this grant has an exercise price of NOK 40.10 per share and becomes exercisable gradually over a period of one or four years. Following common valuation practices, the total cost related to the warrants granted in the second quarter is $0.3 million over the lifetime of the program. Share based payment expense associated with total warrants and options outstanding was $0.6 million and $77 thousand in the first half of 2014 and 2013, respectively.

At June 30, 2014 there were a total of 14.1 million common shares outstanding and 0.8 million shares in treasury. Treasury shares may be used to fulfill share options and warrants outstanding totaling approximately 1.3 million at June 30, 2014.

3. Intangible assets

The Group's business includes a significant element of research and development activity. Under IAS 38, there is a requirement to capitalize and amortize development spend to match costs to expected benefits from projects deemed to be commercially viable. Costs capitalized are recorded on the balance sheet as intangible assets, net of amortization. In the first half of 2014, the Company capitalized approximately $1.2 million of development costs and recorded amortization of approximately $0.6 million (capitalized costs of $0.8 million and amortization of $0.8 million in the first half of 2013).

4. Earnings (losses) per share

IAS 33 requires disclosure of basic and diluted earnings per share for entities whose shares are publicly traded. Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by adjusting the number of common shares outstanding used in the Basic calculation for the effect of dilutive equity instruments, which include options, warrants and debt or preferred shares that are convertible to common shares, to the extent their inclusion in the calculation would be dilutive.

Second Quarter

		Q2 2014		Q2 2013
Loss attributable to equity holders of the Company (USD 000's)	$	(2,454)	$	(2,386)
Weighted average number of common shares outstanding (000's)		14,119		13,793
Basic loss per share	$	(0.17)	$	(0.17)
Diluted loss per share	$	(0.17)	$	(0.17)

Half Year

		H1 2014		H1 2013
Loss attributable to equity holders of the Company (USD 000's)	$	(4,221)	$	(2,567)
Weighted average number of common shares outstanding (000's)		14,097		13,767
Basic loss per share	$	(0.30)	$	(0.19)
Diluted loss per share	$	(0.30)	$	(0.19)

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. In accordance with IAS 33, weighted average shares outstanding for the Q1 2013 and H1 2013 have been adjusted to reflect the issuance and conversion of shares that occurred in 2013.

5. Transactions with related parties

In addition to the Company's grant of warrants referenced in Note 2, the following represent additional transactions with related parties. The Company's chairman is a member of the board of directors of Corsair, a customer of the company. During the six months ended June 30, 2014 and 2013, Asetek had sales of inventory to Corsair of $3.6 million and $2.6 million, respectively. As of June 30, 2014 and 2013, Asetek had outstanding trade receivables from Corsair of $0.9 million and $0.3 million, respectively.

6. Segment reporting

Unaudited breakdown of the income statement

Second Quarter

Figures in USD (000's)	Desktop		Datacenter	
	Q2 2014	Q2 2013	Q2 2014	Q2 2013
Revenues	4,830	5,335	575	-
Cost of sales	2,816	3,288	357	-
Gross Profit	2,014	2,047	218	-
Gross Margin*	41.7%	38.4%	37.9%	N/A
Total operating expenses**	1,276	934	1,534	1,980
EBITDA adjusted	738	1,113	(1,316)	(1,980)
EBITDA margin	15.3%	20.9%	N/A	N/A

First Half

Figures in USD (000's)	Desktop		Datacenter	
	H1 2014	H1 2013	H1 2014	H1 2013
Revenues	9,691	10,224	1,114	36
Cost of sales	5,564	6,271	746	20
Gross Profit, adjusted	4,127	3,953	368	16
Gross Margin, adjusted	42.6%	38.7%	33.0%	N/A
Total operating expenses**	2,280	1,729	2,992	3,313
EBITDA, adjusted	1,847	2,224	(2,624)	(3,297)
EBITDA margin	19.1%	21.7%	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 $1.2 million and $0.6 million for Q2 2014 and Q2 2013, and $2.1 million and $1.3 million for 1H 2014 and 1H 2013, respectively. Operating expenses also exclude share based compensation of $0.3 million and $40 thousand in Q2 2014 and Q2 2013, and $0.6 million and $0.1 million for 1H 2014 and 1H 2013, respectively. Significant components of headquarters costs include intellectual property defense of $0.9 million and $0.4 million in Q2 2014 and Q2 2013, and $1.5 million and $0.7 million in 1H 2014 and 1H 2013, respectively.*

Statement by the board of directors and management

The Board of Directors and the Management have considered and adopted the Half Year Report of Asetek A/S for the period 1 January – 30 June 2014. 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 2013.

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, 13 August 2014

Management:

André S. Eriksen
CEO

Peter Dam Madsen
CFO

Board of Directors:

Sam Szteinbaum
Chairman

Bengt Olof Thuresson
Member

Chris J. Christopher
Member

Knut Øversjøen
Member

Jim McDonnell
Member

Peter Gross
Member

Contact:

André S. Eriksen, CEO: +45 2125 7076

Peter Dam Madsen, CFO: +1 408 813 4147

Company Information:

Asetek A/S
Assensvej 2
DK9220 Aalborg East
Denmark

Phone:	+45 9645 0047
Fax:	+45 9645 0048
Web site:	www.asetek.com
Email:	investor.relations@asetek.com