Asetek A/S

Quarterly Report

Three Months Ended September 30, 2014

Published October 22, 2014

Key figures

Figures in USD (000's)	Q3 2014	Q3 2013	YTD Q3 2014	YTD Q3 2013	2013
Total Company:	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	
Revenue	*5,479*	*4,357*	*16,284*	*14,617*	20,729
Gross profit	2,439	1,746	6,896	5,624	8,049
Gross margin	*44.5%*	*40.1%*	*42.3%*	*38.5%*	38.8%
Operating profit	(2,128)	(2,027)	(6,304)	(5,406)	(7,759)
Reconciliation from IFRS to EBITDA adjusted:					
Operating profit	(2,128)	(2,027)	(6,304)	(5,406)	(7,759)
Add: Depreciation and amortization	545	573	1,361	1,477	2,030
Add: Share based compensation	204	30	805	107	593
EBITDA adjusted (unaudited)	(1,379)	(1,424)	(4,138)	(3,822)	(5,136)
By Segment (Unaudited):					
Desktop:					
Desktop revenue	*5,226*	*4,192*	*14,917*	*14,416*	*19,925*
*Desktop gross margin**	*43.5%*	*40.2%*	*42.9%*	*39.1%*	*40.9%*
Desktop EBITDA adjusted	*1,000*	*768*	*2,847*	*2,992*	*4,299*
Datacenter:					
Datacenter revenue	*253*	*165*	*1,367*	*201*	*804*
*Datacenter gross margin**	*71.5%*	*57.0%*	*40.2%*	*54.7%*	*20.5%*
Datacenter EBITDA adjusted	*(1,275)*	*(1,323)*	*(3,899)*	*(4,620)*	*(6,396)*
Headquarters:					
*Headquarters costs***	*(1,104)*	*(869)*	*(3,086)*	*(2,194)*	*(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 third quarter 2014 increased 26% over the third quarter of 2013 due to increased shipments of desktop products in the do-it-yourself (DIY) market and progress achieved on a data center contract with the U.S. Department of Defense. Revenues for the first nine months of 2014 increased 11% compared with same period of 2013, due principally to an increase in data center revenues.
- Gross margins of 44% in the third quarter and 42% in the first nine months of 2014 reflect increases of over three percentage points in both periods compared with the respective periods of last year. The increase is primarily due to an advantageous product mix change.

By segment

- Operating profits from the desktop segment were $1.0 million for the third quarter increasing from $0.8 million in the same period of 2013 principally due to growth in revenue and gross profit from increased shipments of high-end DIY products.
- Operating loss in the data center segment was $1.3 million for the third quarter and $3.9 million for the first nine months, both improved from last year due to increases in revenue and the sharing of development costs with an OEM partner in 2014. Data center spending reflects continued investment in development and marketing, including business development, equipment and tools.

Operations

- Asetek surpassed the milestone of two million units shipped of sealed loop liquid coolers.
- The Company completed the first phase of its contract with the U.S. Department of Defense at the Redstone Arsenal data center. Server energy savings on this project has exceeded expectations by a factor of two.
- The U.S. Patent and Trademark Office issued a notice of allowance on Asetek's patent claims on its liquid cooling system designed for graphic processing units (GPU's).
- Asetek signed on Johnson Controls as an integrator-Installer for data center products.

Financial review

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

Income Statement (Consolidated)

Asetek reported revenues of $5.5 million in the third quarter of 2014, an increase of 26% over the same period of 2013 ($4.4 million). Revenue in the first nine months of 2014 was $16.3 million, an increase of 11% over the same period of 2013 ($14.6 million). The increases reflect higher shipments of high-end desktop products in the do-it-yourself (DIY) market in the third quarter and progress achieved on a data center contract with the U.S. Department of Defense.

Desktop sales unit volumes for the third quarter 2014 were 110,000, representing a 21% increase from the same period of last year (91,000). Unit shipments for the first nine months of 2014 represented a 5% increase compared with the same period of 2013. The increase in unit shipments resulted from the increase in demand in the DIY market in Q3 2014. Average selling prices per unit for the third quarter also increased compared to Q3 2013, resulting principally from a change in mix of products sold. Average selling prices were slightly lower in the first nine months of 2014 than in 2013, primarily due to a change in business model during the 2nd quarter of 2012, which decreased average selling prices while increasing gross margins on certain products.

Gross margin was 44.5% for the third quarter of 2014, an increase of over four percentage points from the same period last year (40.1%). Gross margin for the first nine months of 2014 increased to 42.3% from 38.5% in the first nine months of 2013. The increase in gross margin in both periods reflects Asetek's proactive management of the mix of product offerings, as well as cost savings achieved with certain component suppliers.

Operating costs increased nearly 20% for both the third quarter and first nine months when compared with the respective periods of 2013, reflecting principally increased spending in the protection of intellectual property (IP). Legal costs incurred associated with defense of existing IP and securing new IP were $0.9 million and $2.3 million in the third quarter and first nine months of 2014 ($0.6 million and $1.3 million in the same periods of 2013), respectively. Costs incurred for IP litigation are included in selling general and administrative expense on the income statement. In addition, the Company recorded non-cash stock compensation expense of $0.2 million and $0.8 million in the third quarter and first nine months of 2014 ($30 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 $2.1 million and $6.3 million in the third quarter and first nine months of 2014, compared with $2.0 million and $5.4 million operating losses in the same periods of last year, respectively.

Finance income and cost was not significant in the third quarter or first nine months of 2014. In the first nine months of 2013, finance cost reflected foreign exchange loss. Finance income in the first nine months 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 September 30, 2014 amounted to $14.9 million, a decrease of $6.1 million from December 31, 2013. The decrease in assets resulted principally from cash payments for operating expenditures including ongoing litigation costs. Total cash and cash equivalents was $6.3 million at September 30, 2014.

Cash Flow (Consolidated)

Net cash used by operating activities was $4.0 million for the first nine months of 2014 ($3.2 million used in the same period of 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 $1.8 million, related principally to additions in capitalized development costs. The figure compares with $2.2 million for the first nine months of 2013.

Cash provided by financing activities in the first nine months of 2014 was $0.2 million, compared with $17.7 million provided in the first nine months of 2013. The activity in 2014 represents principally the financing of equipment, offset by payments on finance leases. Last year's financing activities included $21.4 million of net proceeds raised in the Company's IPO in March 2013.

Net change in cash and cash equivalents was negative $5.4 million in first nine months of 2014, compared with an increase of $12.0 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 $5.3 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

Third Quarter

Figures in USD (000's)	Desktop		Data center	
	Q3 2014	Q3 2013	Q3 2014	Q3 2013
Revenues	5,226	4,192	253	165
Cost of sales	2,954	2,508	72	71
Gross Profit	2,272	1,684	181	94
Gross Margin*	43.5%	40.2%	71.5%	57.0%
Total operating expenses**	1,272	916	1,456	1,417
EBITDA adjusted	1,000	768	(1,275)	(1,323)
EBITDA margin	19.1%	18.3%	N/A	N/A

Year to Date at September 30

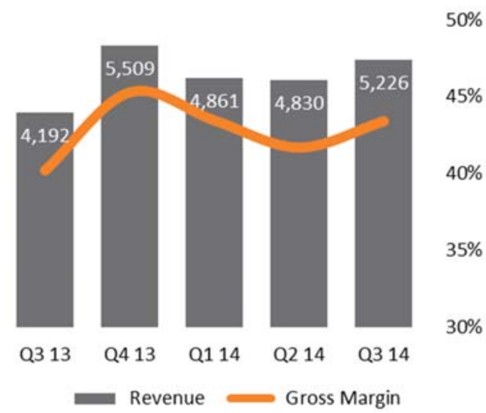
Figures in USD (000's)	Desktop		Data center	
	YTD Q3 2014	YTD Q3 2013	YTD Q3 2014	YTD Q3 2013
Revenues	14,917	14,416	1,367	201
Cost of sales	8,518	8,779	818	91
Gross Profit, adjusted	6,399	5,637	549	110
Gross Margin, adjusted	42.9%	39.1%	40.2%	54.7%
Total operating expenses**	3,552	2,645	4,448	4,730
EBITDA, adjusted	2,847	2,992	(3,899)	(4,620)
EBITDA margin	19.1%	20.8%	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 $1.1 million and $0.9 million for Q3 2014 and Q3 2013, and $3.2 million and $2.2 million for the first nine months 2014 and 2013, respectively. Operating expenses also exclude share based compensation of $0.2 million and $30 thousand in Q3 2014 and Q3 2013, and $0.8 million and $0.1 million for the first nine months of 2014 and 2013, respectively. Significant components of headquarters costs include intellectual property defense of $0.9 million and $0.6 million in Q3 2014 and Q3 2013, and $2.3 million and $1.3 million in the first nine months of 2014 and 2013, respectively.*

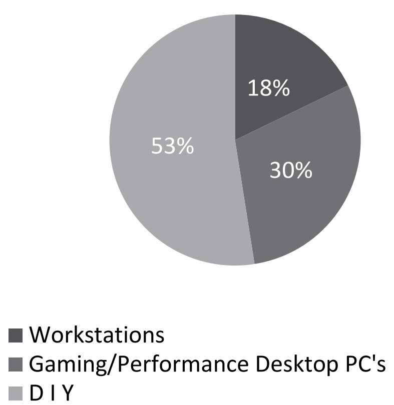
Desktop financials

Desktop revenue and margin development
USD (000's)

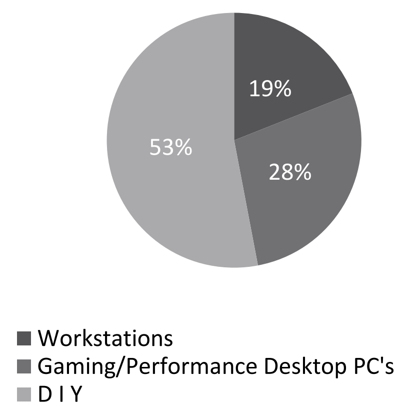


Asetek's desktop revenues increased in the third quarter as a result of increased shipments of DIY products. Gross margins generally increased in 2014 compared with 2013 due to the change in the business model, proactive management of the product mix and cost savings achieved with certain suppliers. Gross margins spiked in fourth quarter of 2013 due to product mix changes and record high average selling prices.

Revenue split, First Nine Months-2014
Percent



Revenue split, First Nine Months-2013
Percent



The change from last year in the revenue split by market reflects the higher growth achieved in the Gaming/Performance Desktop PC segment, particularly in the first quarter of 2014. However, in broad terms, the split between the segments is quite stable.

Desktop operations and market update

In the third quarter of 2014, Asetek's desktop revenue increased 25% from the same period of 2013 due to a combination of strong demand in the DIY market in 2014 compared with an unusually soft third quarter for DIY in 2013. There is no predictable seasonality in the DIY segment of the desktop business meaning that spikes and surges are rather normal. Third quarter revenues in the Gaming/Performance Desktop PC market remained fairly stable compared to the same period of last year while the Workstation market declined. During the third quarter, Asetek surpassed a milestone of two million units shipped of sealed loop liquid coolers.

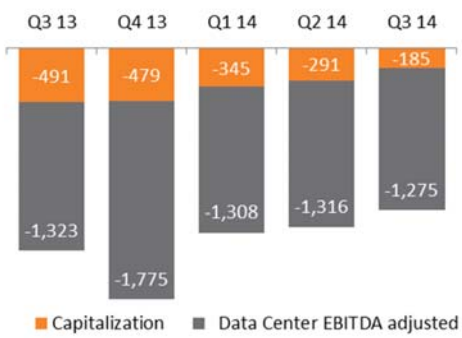
In the first nine months of 2014, desktop revenues increased 3% from the same period of 2013 due to the increase in DIY revenues in the third quarter 2014 and an increase in shipments of graphics cooling products in the first quarter of 2014. These increases in the first and third quarters more than offset a year-over-year decline in DIY revenues that occurred in the first half of 2014.

Gross margins in the third quarter and first nine months 2014 improved from the same periods of last year due to multiple factors. A change in the business model with certain customers resulted in reduction of their sales prices and increases in their gross margins. Also, Asetek's proactive management of the mix of product offerings, as well as cost savings achieved with certain component suppliers assisted in the margin increase.

During the third quarter, one new DIY product and two new Asetek-branded liquid cooling products were released to the market. The Asetek-branded products are directed at the Company's system integrators to facilitate growth in sales to new and existing customers. All three of the releases are high end, high-margin designs that augment the Company's robust set of product offerings.

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. Year-over-year revenue growth in each of the first three quarters of 2014 has resulted in improved EBITDA when compared with the prior year.

Data center operations and market update

Asetek continues to make progress in its data center segment, including achieving positive results in its product implementations and increasing the number of prospective customers and partners. Asetek's data center revenues were $0.3 million and $1.4 million in the third quarter and the first nine months of 2014, up from $0.2 million and $0.2 million in the same periods of 2013, respectively.

The increase in revenue was driven by Asetek's completion of the first phase of its three-year $2.4M contract with the U.S. Department of Defense (DoD) at Redstone Arsenal Network Enterprise Center in Huntsville, Alabama, under the Energy Security Technology Certification Program (ESTCP). Johnson Controls Federal Systems, a business unit of Johnson Controls Inc., performed system design and installation, which included energy management controls, performance monitoring and the facility heat rejection system. The three phase project includes installation, measurement and comparison of Asetek liquid cooling performance to air cooling on a small sample of new servers (phase I); retrofit of a larger group of existing servers with liquid cooling (phase II); and deployment of liquid cooling on an estimated 18 racks (approximately 350 servers), including both new servers and retrofits (phase III). The phase I installation is complete and data collection is ongoing. Results received thus far indicate a cooling load reduction of the HP DL560 servers greater than 60%, consistent with expectations. Energy savings at server level was more than 2x higher than expected. These exceptional results have prompted Redstone to accelerate their plans for the phase III server installation, in order to take advantage of these savings. The phase II retrofit is ongoing with servers identified for deployment.

In addition to their joint efforts at Redstone Arsenal, Asetek and Johnson Controls executed an agreement to establish Johnson Controls as Asetek's first Certified Integrator-Installer Partner (CIIP). Supplementing its authorization to sell, install and service RackCDU liquid cooling systems for Federal and commercial data center markets, Johnson Controls will also offer data center design-build services using RackCDU systems.

In the third quarter, Asetek was honored with the 2014 Global Frost & Sullivan award for New Product Innovation Leadership. This award was based on Frost and Sullivan's extensive recent analysis of the data center cooling solutions market. The well-known market research firm recognized Asetek for its innovations in warm water, server level, direct-to-chip, liquid cooling systems for servers with RackCDU.

Asetek has increased its focus in High Performance Computing (HPC), hiring business development professionals with deep experience in HPC and end user sales. In September, Asetek exhibited its RackCDU products at the HPC for Wall Street conference in New York City.

Other noteworthy events

Competition and Intellectual Property

Asetek holds a sizable portfolio of intellectual property (IP) rights including patents providing competitive advantages and high barriers to entry for competitors. Currently the Company has pending patent and utility model applications worldwide, with additional applications under preparation.

Ongoing patent cases with Cooler Master USA Inc., CoolIT Systems Inc. ("CoolIT") and PhD Research Group, Inc. are proceeding normally under the courts' patent case rules. The CoolIT trial has been rescheduled to mid-2015.

In September 2014, Asia Vital Components Co. Ltd. ("AVC") filed a complaint in the U.S. District Court claiming that two of Asetek's patents for liquid cooling are invalid, unenforceable and not infringed by AVC. Asetek considers the complaint to be without merit.

Asetek continues to closely review and assess all competitive offerings for infringement of its patents.

Corporate Matters

At an extraordinary general meeting held on July 3, 2014, the Company's shareholders elected two new members of the Board of Directors, Messrs. Peter Gross and Jim McDonnell. The Board felt it desirable to add their significant 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. 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.

The Company's revenue growth is dependent on the market acceptance of its new data center products and the release of new products from server OEM customers to facilitate its trial system deployments. Revenue in the desktop segment is subject to fluctuation and is dependent, in part, on the popularity and new releases of end user products by Asetek's customers.

Asetek relies upon suppliers and partners to supply products and services at competitive prices. Asetek's 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 September 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

The Desktop segment is expected to continue to be a profitable part of Asetek's offering. Desktop revenues in the fourth quarter of 2014 are expected to be lower than in the third quarter just completed due to normal variances. Gross margins in the fourth quarter are expected to decline slightly from the high level achieved in third quarter, achieving a level more comparable to the margins achieved in the fourth quarter 2013.

In the fourth quarter, three new Asetek products are expected to be released by DIY customers, two of which are targeted to fulfill new demand and generate incremental revenue. Revenue in the DIY market in the fourth quarter 2014 is expected to be lower than the high level achieved in the third quarter 2014, due to normal fluctuation.

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

Data center

The market attention towards Asetek's leading data center offering is gaining pace and the outlook for this segment is solidifying with new opportunities. Design-in efforts are progressing with multiple OEMs and system integrators, with product announcements possible in 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.

Ongoing efforts continue with a major chip manufacturer to develop a RackCDU D2C cooling solution for a next-generation platform. Asetek has entered into 3-way NDAs with two major OEMs and the chip manufacturer. A successful outcome of this project would validate the long-term viability of RackCDU.

Asetek is progressing in its modular data center engineering development with a major OEM, with thermal testing and evaluation expected to be completed in the fourth quarter, along with the execution of an R&D program on a new server platform.

As a result of the fully executed CIIP between Asetek and Johnson Controls, Johnson Controls is already leveraging the differentiation provided by RackCDU into two major projects. First is a proposal for a second major Federal data center energy efficiency upgrade, where the RackCDU D2C solution will allow server consolidation, while cutting cooling energy and IT load energy by significant margins over the current installation. The second project will be leveraging the efficiency of RackCDU to support new modular data center systems with simpler, more portable and less costly designs.

Interim financial statements

Consolidated Statement of Comprehensive Income

Figures in USD (000's)	Q3 2014	Q3 2013	YTD Q3 2014	YTD Q3 2013	2013
	Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	
Revenue	$ 5,479	$ 4,357	$ 16,284	$ 14,617	$ 20,729
Cost of sales	3,040	2,611	9,388	8,993	12,680
Gross profit	2,439	1,746	6,896	5,624	8,049
Research and development	995	921	2,676	3,151	4,492
Selling, general and administrative	3,402	2,807	10,362	7,843	11,236
Foreign exchange loss (gain)	170	45	162	36	80
Total operating expenses	4,567	3,773	13,200	11,030	15,808
Operating income	(2,128)	(2,027)	(6,304)	(5,406)	(7,759)
Finance income	-	272	1	1,865	1,865
Finance costs	(20)	(26)	(62)	(807)	(830)
Total financial income (expenses)	(20)	246	(61)	1,058	1,035
Income before tax	(2,148)	(1,781)	(6,365)	(4,348)	(6,724)
Income tax (expense) benefit	-	-	(4)	-	443
Income for the period	(2,148)	(1,781)	(6,369)	(4,348)	(6,281)
Other comprehensive income items that may be reclassified to profit or loss in subsequent periods:					
Foreign currency translation adjustments	178	87	151	23	52
Total comprehensive income	$ (1,970)	$ (1,694)	$ (6,218)	$ (4,325)	$ (6,229)
Income per share (in USD):					
Basic	$ (0.15)	$ (0.13)	$ (0.45)	$ (0.32)	$ (0.46)
Diluted	$ (0.15)	$ (0.13)	$ (0.45)	$ (0.32)	$ (0.46)

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

Consolidated Balance Sheet

Figures in USD (000's)		30 Sep 2014		31 Dec 2013
ASSETS		*Unaudited*		
Non-current assets				
Intangible assets	$	2,407	$	1,823
Property and equipment		816		1,096
Other assets		302		330
Total non-current assets		3,525		3,249
Current assets				
Inventory		1,124		1,074
Trade receivables and other		4,023		4,997
Cash and cash equivalents		6,252		11,663
Total current assets		11,399		17,734
Total assets	$	14,924	$	20,983
EQUITY AND LIABILITIES				
Equity				
Share capital	$	265	$	264
Share premium		64,449		64,357
Accumulated deficit		(55,054)		(49,490)
Translation and other reserves		(170)		(323)
Total equity		9,490		14,808
Non-current liabilities				
Long-term debt		340		243
Other long-term liabilities		-		232
Total non-current liabilities		340		475
Current liabilities				
Short-term debt		438		420
Accrued liabilities		1,181		802
Accrued compensation & employee benefits		837		995
Trade payables		2,638		3,483
Total current liabilities		5,094		5,700
Total liabilities		5,434		6,175
Total equity and liabilities	$	14,924	$	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 - nine months ended Sep 30, 2014						
Loss for the period	-	-	-	-	(6,369)	(6,369)
Foreign currency translation adjustments	-	-	151	-	-	151
Total comprehensive income - nine months ended Sep 30, 2014	-	-	151	-	(6,369)	(6,218)
Transactions with owners - nine months ended Sep 30, 2014						
Shares issued	1	92	-	2	-	95
Share based payment expense	-	-	-	-	805	805
Transactions with owners - nine months ended Sep 30, 2014	1	92	-	2	805	900
Equity at September 30, 2014	$ 265	$ 64,449	$ (158)	$ (12)	$ (55,054)	$ 9,490

Equity at January 1, 2013	$ 2	$ 3,519	$ (361)	$ -	$ (43,802)	$ (40,642)
Total comprehensive income - nine months ended Sept 30, 2013						
Loss for the period	-	-	-	-	(4,348)	(4,348)
Foreign currency translation adjustments	-	-	23	-	-	23
Total comprehensive income - nine months ended Sep 30, 2013	-	-	23	-	(4,348)	(4,325)
Transactions with owners - nine months ended Sept 30, 2013						
Shares issued	70	24,713	-	-	-	24,783
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	-	-	-	-	107	107
Transactions with owners - nine months ended Sep 30, 2013	257	60,596	-	(14)	107	60,946
Equity at September 30, 2013	$ 259	$ 64,115	$ (338)	$ (14)	$ (48,043)	$ 15,979

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

Consolidated Cash Flow Statement

Figures in USD (000's)	YTD Q3 2014	YTD Q3 2013	2013
	Unaudited	*Unaudited*	
Cash flows from operating activities			
Income (loss) for the period	$ (6,369)	$ (4,348)	$ (6,281)
Depreciation and amortization	1,361	1,477	2,030
Finance costs (income)	62	(1,058)	(1,035)
Income tax expense (income)	4	-	(443)
Impairment of intangible assets	37	-	62
Cash receipt (payment) for income tax	(4)	-	222
Share based payments expense	805	107	593
Changes in trade receivables, inventories, other assets	588	675	(1,109)
Changes in trade payables and accrued liabilities	(505)	(15)	1,406
Net cash used in operating activities	(4,021)	(3,162)	(4,555)
Cash flows from investing activities			
Additions to intangible assets	(1,629)	(1,427)	(2,128)
Addition to other assets	-	(314)	(314)
Purchase of property and equipment	(139)	(472)	(631)
Net cash used in investing activities	(1,768)	(2,213)	(3,073)
Cash flows from financing activities			
Cash received for leasing of previously purchased equipment	248	-	-
Long-term deposit received from sub-lessee	-	234	234
Cash payments on long-term debt	-	(3,621)	(3,621)
Funds drawn (paid) against line of credit	(5)	97	57
Cash payments for interest on debt	-	(461)	(461)
Proceeds from issuance of share capital	95	24,852	25,099
Cash paid for fees related to IPO	-	(3,405)	(3,405)
Principal and interest payments on finance leases	(121)	(5)	(42)
Net cash provided by financing activities	217	17,691	17,861
Effect of exchange rate changes on cash and cash equivalents	161	(283)	182
Net changes in cash and cash equivalents	(5,411)	12,033	10,415
Cash and cash equivalents at beginning of period	11,663	1,248	1,248
Cash and cash equivalents at end of period	$ 6,252	$ 13,281	$ 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 nine months ended September 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 the first nine months of 2014, the Board of Directors granted 151,180 warrants to management and directors. Each warrant has an exercise price at the fair market value of common shares on the grant date (NOK 40.10 or NOK 33.90 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 first nine months of 2014 is $0.4 million over the lifetime of the program. Share based payment expense associated with total warrants and options outstanding was $0.8 million and $0.1 thousand in the first nine months of 2014 and 2013, respectively.

At September 30, 2014 there were a total of 14.2 million common shares outstanding and 0.7 million shares in treasury. Treasury shares may be used to fulfill share options and warrants outstanding totaling approximately 1.3 million at September 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 nine months of 2014, the Company capitalized approximately $1.6 million of development costs and recorded amortization of approximately $1.1 million (capitalized costs of $1.4 million and amortization of $1.2 million in the first nine months 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.

Third Quarter

	Q3 2014	Q3 2013
Loss attributable to equity holders of the Company (USD 000's)	$ (2,148)	$ (1,781)
Weighted average number of common shares outstanding (000's)	14,132	13,797
Basic loss per share	$ (0.15)	$ (0.13)
Diluted loss per share	$ (0.15)	$ (0.13)

Year to Date

	YTD Q3 2014	YTD Q3 2013
Loss attributable to equity holders of the Company (USD 000's)	$ (6,369)	$ (4,348)
Weighted average number of common shares outstanding (000's)	14,109	13,777
Basic loss per share	$ (0.45)	$ (0.32)
Diluted loss per share	$ (0.45)	$ (0.32)

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 first nine months of 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 nine months ended September 30, 2014 and 2013, Asetek had sales of inventory to Corsair of $5.1 million and $3.7 million, respectively. As of September 30, 2014 and 2013, Asetek had outstanding trade receivables from Corsair of $1.3 million and $0.9 million, respectively.

6. 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 $2.4 million on the Company's balance sheet at September 30, 2014 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.

Conversion of preferred shares. The Company had convertible preferred shares outstanding prior to its IPO in March 2013. IFRS requires that the conversion feature of the convertible preferred shares be carried at fair value, with changes in the value charged to other income/expense. As a result, non-cash finance income of $1.6 million was recognized at the time of conversion in March 2013.

7. Segment reporting

Unaudited breakdown of the income statement

Third Quarter

Figures in USD (000's)	Desktop		Data center	
	Q3 2014	Q3 2013	Q3 2014	Q3 2013
Revenues	5,226	4,192	253	165
Cost of sales	2,954	2,508	72	71
Gross Profit	2,272	1,684	181	94
Gross Margin*	43.5%	40.2%	71.5%	57.0%
Total operating expenses**	1,272	916	1,456	1,417
EBITDA adjusted	1,000	768	(1,275)	(1,323)
EBITDA margin	19.1%	18.3%	N/A	N/A

Year to Date at September 30

Figures in USD (000's)	Desktop		Data center	
	YTD Q3 2014	YTD Q3 2013	YTD Q3 2014	YTD Q3 2013
Revenues	14,917	14,416	1,367	201
Cost of sales	8,518	8,779	818	91
Gross Profit, adjusted	6,399	5,637	549	110
Gross Margin, adjusted	42.9%	39.1%	40.2%	54.7%
Total operating expenses**	3,552	2,645	4,448	4,730
EBITDA, adjusted	2,847	2,992	(3,899)	(4,620)
EBITDA margin	19.1%	20.8%	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 $1.1 million and $0.9 million for Q3 2014 and Q3 2013, and $3.2 million and $2.2 million for the first nine months 2014 and 2013, respectively. Operating expenses also exclude share based compensation of $0.2 million and $30 thousand in Q3 2014 and Q3 2013, and $0.8 million and $0.1 million for the first nine months of 2014 and 2013, respectively. Significant components of headquarters costs include intellectual property defense of $0.9 million and $0.6 million in Q3 2014 and Q3 2013, and $2.3 million and $1.3 million in the first nine months of 2014 and 2013, respectively.

Statement by the board of directors and management

The Board of Directors and the Management have considered and adopted the Interim Report of Asetek A/S for the period 1 January – 30 September 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, 21 October 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

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