



Asetek A/S

Quarterly Report

The year ended December 31, 2013

Published February 25, 2014

Key figures

Figures in USD (000's)	Q4 2013	Q4 2012	2013	2012
	<i>Unaudited</i>	<i>Unaudited</i>		
Total Company:				
Revenue	6,112	4,214	20,729	18,681
Gross profit	2,425	1,419	8,049	6,788
Gross margin	39.7%	33.7%	38.8%	36.3%
EBITDA (unaudited)	(1,800)	(1,912)	(5,729)	(2,820)
Operating profit	(2,353)	(2,467)	(7,759)	(4,872)
Total comprehensive income	(1,904)	(4,426)	(6,229)	(8,491)
Sealed loop cooling units shipped (000's)	116	99	426	414
By Segment (Unaudited):				
Desktop:				
Desktop revenue	5,509	4,214	19,925	18,681
Desktop gross margin (adjusted*)	45.5%	34.6%	40.9%	37.1%
Desktop EBITDA	1,135	627	4,088	3,724
Datacenter:				
Datacenter revenue	603	-	804	-
Datacenter gross margin (adjusted*)	9.1%	-	20.5%	-
Datacenter EBITDA	(2,004)	(1,651)	(6,692)	(4,663)
Headquarters:				
Headquarters costs**	(931)	(924)	(3,124)	(1,881)

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

**Headquarters costs include intellectual property defense, stock comp, financing, FX and headquarters admin costs.

Highlights

- | | |
|-------------------|--|
| Financial results | <ul style="list-style-type: none"> Revenues in the fourth quarter increased 45% from the same period last year. Total revenues through 2013 were up 11% from 2012, in line with the management's target. Both quarterly and annual revenues were record high for the Company. Gross margins increased nearly six percentage points from the same period of last year. Gross margins for 2013 increased two and one-half points from prior year and consistent with management expectations. |
| By segment | <ul style="list-style-type: none"> Operating profits from the desktop segment were \$1.1 million this quarter, over 80% higher than the profit earned in the fourth quarter of 2012. The significant increase is principally due to the increase in revenues. Operating losses from the data center segment were \$2.0 million compared with \$1.7 million loss in the fourth quarter of 2012. The data center spending reflects continued investment in development and marketing, including increased engineering personnel, business development resources and equipment/tools. |
| Contracts | <ul style="list-style-type: none"> Asetek received its second commercial order for RackCDU. Cray Inc. ordered five systems to install with a clustered supercomputer. The Company continues its contract for the U.S. Department of Defense at the Redstone Arsenal data center, carrying a total value of over \$2 million. |
| Operations | <ul style="list-style-type: none"> An independent rack scale study, performed by Lawrence Berkeley National Labs (LBNL) and supported by Cisco and Intel, validated Asetek's claims of 50% energy savings. The U.S. Patent and Trademark Office (USPTO) allowed a patent on the company's groundbreaking RackCDU In-Server Air Conditioning (ISAC™) liquid cooling technology for data centers. |

Financial review

The figures below relate to the consolidated accounts for the fourth quarter and fiscal 2013, which comprise activities within the two segments Desktop and Data Center. The quarterly figures are unaudited.

Income Statement (Consolidated)

Asetek reported revenues of \$6.1 million in the fourth quarter of 2013, representing an increase of 45% from the same period of 2012. The increase reflects fulfillment of a large order of PC graphics cooling products, as well as progress achieved on the data center retrofit contract with the U.S. Department of Defense.

Sales unit volumes for the fourth quarter increased by 17% over the same period of 2012. The change in unit volume is principally the result of shipment of the PC graphics cooling products. Average selling prices per unit for the quarter increased compared to the fourth quarter of 2012, and remained relatively stable in 2013.

Total revenues for 2013 were \$20.7 million, an 11% increase over 2012 (\$18.7 million).

Gross margin was 39.7% for the fourth quarter of 2013, a significant increase over the same period last year (33.7%). Gross margin for the full year 2013 was 38.8%, a healthy increase from 36.3% for 2012. The increases in gross margins reflect improved cost management and targeted development efforts as well as an increase in shipments of higher margin products. The increases are partly offset by the effect of reduced margins on third party data center equipment supplied on the U.S. government contract.

As expected, operating costs increased 23% compared with the fourth quarter of 2012, reflecting expanded activities associated with development and marketing of the company's data center solutions. In the fourth quarter, Asetek

incurred \$0.4 million of legal costs associated with intellectual property (IP) related to defense of existing IP and securing new IP. In addition, the Company recorded non-cash stock compensation expense \$0.5 million, primarily a result of the granting of 671 thousand warrants to employees issued in the quarter. Asetek incurred an operating loss of \$2.4 million in the fourth quarter of 2013, down slightly from \$2.5 million operating loss in the same period last year.

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

Finance income in 2013 included \$1.6 million of gains associated with the valuation of outstanding debt instruments converted to equity at the time of the IPO in the first quarter. Based on the initial trading price of the common shares, the company recognized \$0.8 million income on the convertible option on preferred shares and \$0.8 million income on the convertible loan upon revaluation.

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

In the fourth quarter of 2013, the Company recognized \$0.4 million credit in Denmark income tax associated with investment in research and development.

Balance Sheet (Consolidated)

Asetek's total assets at December 31, 2013 amounted to \$21.0 million, a \$0.6 million increase from September 30, 2013. Total cash and cash equivalents at the end of 2013 was \$11.7 million. A net reduction in cash during the quarter was more than offset by increases in accounts receivable, intangible assets and capital equipment. Liabilities increased from Q3, principally due to increases in trade payables following the higher activity level.

For the full year 2013, total assets increased as a result of the company's IPO, which raised \$21.4 million in net proceeds. All of the company's preferred shares outstanding, carried at approximately \$37.1 million at December 31, 2012,

converted to common shares at the IPO in March 2013.

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

As a result of the above transactions, total liabilities decreased from \$48.8 million at December 31, 2012, to \$6.2 million at December 31, 2013.

Cash Flow (Consolidated)

Net cash used by operating activities was \$4.6 million for 2013, compared with \$3.6 million used in 2012. The change was mainly attributed to the increased operating loss.

Cash used by investing activities was \$3.1 million, related principally to additions in capitalized development costs and property and equipment.

Cash provided by financing activities was \$17.9 million in 2013, compared with \$3.3 million provided in 2012. The change reflects \$21.4 million of net proceeds raised in the company's successful IPO in the first quarter of 2013, and payments of

\$4.0 million of outstanding debt, interest and line of credit, net of draws. The change also includes \$0.2 million received on deposit from a sub-lessee of the Company's new facilities in Denmark.

Net change in cash and cash equivalents was \$10.4 million in 2013, compared with (\$1.4) million in 2012.

Segment breakdown

Beginning from January 2013, the company is reporting 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		Datacenter	
	Q4 2013	Q4 2012	Q4 2013	Q4 2012
Revenues	5,509	4,214	603	-
Cost of sales	3,002	2,758	548	-
Gross Profit, adjusted	2,507	1,456	55	-
Gross Margin, adjusted	45.5%	34.6%	9.1%	N/A
Total operating expenses**	1,372	829	2,059	1,651
EBITDA, adjusted	1,135	627	(2,004)	(1,651)
EBITDA margin	20.6%	14.9%	N/A	N/A

Full Year

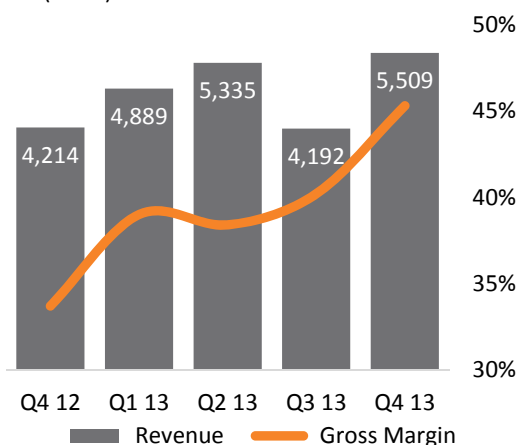
Figures in USD (000's)	Desktop		Datacenter	
	2013	2012	2013	2012
Revenues	19,925	18,681	804	-
Cost of sales	11,781	11,748	639	-
Gross Profit, adjusted	8,144	6,933	165	-
Gross Margin, adjusted	40.9%	37.1%	20.5%	N/A
Total operating expenses**	4,056	3,209	6,857	4,663
EBITDA, adjusted	4,088	3,724	(6,692)	(4,663)
EBITDA margin	20.5%	19.9%	N/A	N/A

**Operating expenses by segment exclude headquarters costs of \$0.9 million, \$0.9 million, \$3.1 million and \$1.9 million for Q4 2013, Q4 2012, FY 2013 and FY 2012, respectively. Significant components of headquarters costs include intellectual property defense of \$0.4 million and \$0.3 million in Q4 2013 and Q4 2012, respectively and \$1.7 million in FY 2013.

Desktop financials

Desktop revenue and margin development

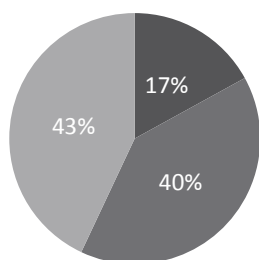
USD (000's)



Asetek's desktop revenues in the fourth quarter increased 31% compared to the same period of 2012 due to fulfillment of a large order for PC graphics cooling products. Desktop revenues for 2013 increased 7% over 2012.

Revenue split, Q4 2013

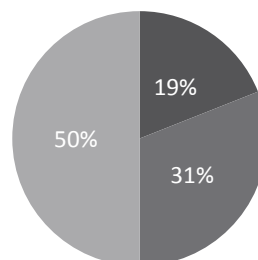
Percent



- Workstations
- Gaming/Performance Desktop PC's
- DIY

Revenue split, full year 2013

Percent



- Workstations
- Gaming/Performance Desktop PC's
- DIY

Desktop operations and market update

During the fourth quarter of 2013, Asetek's desktop revenue reached record levels for the Company, growing over 31% from the fourth quarter of 2012. The increase was partly due to shipments of graphics cooling products on a significant order received in Q3 that were deferred to Q4. These shipments drove record revenues in the Gaming/Performance Desktop PC market. In the DIY market, strong demand for liquid coolers released in the 2nd half of 2013 drove revenue growth in Q4.

The Workstation market continued to show demand in the fourth quarter comparable to the levels in the prior quarters of 2013.

Gross margins continued to increase in the fourth quarter of 2013 as a result of improved cost management, targeted development efforts and continued strong demand for higher performance liquid coolers.

In addition to the above, Desktop highlights from 2013 include release of the H90 and H110 low noise, high performance CPU coolers from Corsair earlier in the year. Also during the year, Asetek

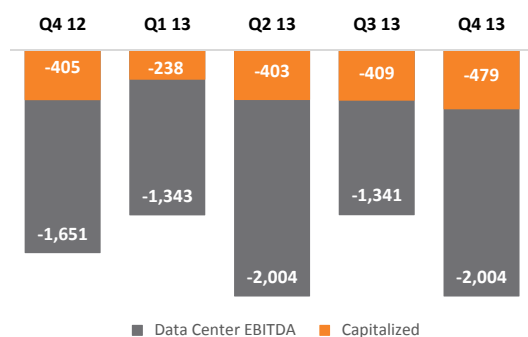
successfully launched with Dell a cooling upgrade on the Alienware Aurora high-end gaming machine. This new product has a higher average

sales price than the previous product, generating potential uplift in both revenue and margins.

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.

Data center operations and market update

The following events occurred in the fourth quarter of 2013:

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

Asetek secured its second commercial order of RackCDU. An OEM partner ordered a total of five racks with 385 compute nodes for a High Performance Computing (HPC) cluster to be installed at an undisclosed university in Japan. Delivery of the liquid-cooled cluster is expected to be completed in the first quarter of 2014.

An independent study, funded by the California Energy Commission, performed by Lawrence Berkeley National Labs (LBNL) and supported by Cisco and Intel was released and presented at the Silicon Valley Leadership Group conference. The study validated Asetek's claims of 50% and higher reductions in data center cooling costs with RackCDU D2C products. Asetek anticipates this

third party validation and subsequent white paper will accelerate RackCDU market adoption.

Asetek executed a Master Service Agreement (MSA) with Johnson Controls Building Automation Systems LLC. (a subsidiary of Johnson Controls Federal Systems Inc.), a major defense systems integration prime contractor. The MSA officially allows Johnson Controls to provide sales, integration and installation services on RackCDU for the US Department of Defense (DoD) and other government agencies. The parent company also services a large commercial customer base for energy efficiency solutions, providing an expanded market opportunity for RackCDU.

Asetek announced that the U.S. Patent and Trademark Office allowed a patent on the company's groundbreaking RackCDU™ In-Server Air Conditioning (ISAC™) liquid cooling technology for data centers. Asetek unveiled ISAC at the Super Computing 2013 Conference.

Asetek received numerous awards and public recognition. RackCDU was named the winner of "Future Thinking & Design Concepts" at the 2013 Datacenter Dynamics EMEA Awards. At the 2013 HPCwire Readers' and Editors' Choice Awards, Asetek was awarded the "Best Application of Green Computing in HPC" for Asetek's liquid

cooling data center retrofit at the U.S. Department of Energy's National Renewable Energy Laboratory (NREL).

Asetek continues its three-year contract with the Department of defense (DoD) to retrofit a major US Army data center under the Energy Security Technology Certification Program (ESTCP). Progress in the fourth quarter included procurement and configuration of HPC clusters with RackCDU solutions generating revenue of \$585 thousand. This program represents Asetek's first large DoD installation and the first demonstration of RackCDU for a server virtualization workload and data center consolidation.

Events after the end of the period: In the first quarter of 2014, the company received an evaluation purchase order for a rack scale pilot test system from an undisclosed leader in quantitative investing and trading. The order includes the retrofitting of HP Proliant SL230 servers with a mixed system of liquid cooling for CPUs and memory. Asetek expects the system to be deployed, and testing to be initiated, in Q1. The evaluation has the potential to develop into a significantly larger retrofit of an entire data center in 2014, as well as new installations, using RackCDU.

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. In the fourth quarter of 2013, Asetek filed one international application. Currently the group has more than two dozen pending patent and utility model applications worldwide, with additional applications under preparation.

In 2012 and 2013, Asetek filed lawsuits in the U.S. District Court against two competitors, Cooler Master USA Inc. (“Cooler Master”) and CoolIT

Systems Inc. (“CoolIT”) for infringing Asetek’s U.S. patents relating to integrated pump technology, as well as utility model rights in Germany relating to CPU cooling by water. The cases are proceeding normally under the Court’s patent case rules. The trials are set to begin in the fourth quarter of 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.

Risk Factors

To date the company has incurred operating losses and is in the development stages of its data center business. The company’s revenue growth is dependent on the market acceptance of its new data center products and the release of new products from server OEM customers to facilitate its trial system deployments. Revenue in the desktop segment is subject to fluctuation and is dependent, in part, on the popularity and new releases of end user products by Asetek’s customers.

Asetek relies upon suppliers and partners to supply products and services at competitive prices. Asetek’s products are assembled by a single contract manufacturer which may be difficult to substitute in the short term if the need should arise.

Asetek has filed lawsuits against competitors for patent infringement. Litigation is pending, may proceed for an extended period, and could potentially lead to an unfavorable outcome to Asetek. Asetek has incurred significant legal costs to proceed with this litigation and may continue to do so in the future to the extent management believes it is necessary to protect intellectual property.

Asetek operates internationally in Denmark, USA, China, and Taiwan and is subject to foreign exchange risk. As of December 31, 2013, its principal cash holdings are maintained in deposit accounts in U.S. dollars, Danish krone and Norwegian krone.

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

Outlook

Desktop

Asetek expects modest growth in revenues in the first quarter of 2014 compared with the first quarter of 2013, though a decrease from the record revenues seen in Q4 2013. Gross margins in the first quarter are expected to be comparable to the levels achieved in 2013.

In the first quarter of 2014, two new Asetek products are expected to be released by DIY customers, though revenue in the DIY market is expected to decline from the level achieved in the fourth quarter of 2013.

With the majority of shipments on a significant order for graphics cooling products fulfilled in Q4, revenues in the Gaming/Performance Desktop PC market are expected to decline in the first quarter of 2014.

Revenues in the Workstation market are not expected to change significantly in the first quarter.

Data center

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

OEM design-in efforts are continuing with various Tier 1 server OEMs. The launch of RackCDU on a new OEM server platform is anticipated in 2014.

Initial test results are anticipated in the first quarter of 2014 from a RackCDU evaluation cluster at the University of Tromso in Norway. This pilot award was announced previously in 2013.

Asetek intends to formalize a Certified Installation and Integration Program (CIIP), allowing third parties to install and service RackCDU.

In 2014, Asetek will launch an initiative into the modular data center markets to expand its reach

and program offering into in the commercial and high performance computing markets.

Marketing business development professionals and data center solutions engineers hired in 2H 2013 in the US and Europe will continue to focus on building data center end user demand for RackCDU, thus facilitating greater OEM adoption.

The company anticipates additional purchase orders from major Federal Laboratories and Academic High Performance Computing Centers in the first quarter of 2014.

The company expects to enter into a paid R&D project with a Tier 1 OEM.

Interim Financial Statements

Consolidated Statement of Comprehensive Income

Figures in USD (000's)	Q4 2013	Q4 2012	2013	2012
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	
Revenue	\$ 6,112	\$ 4,214	\$ 20,729	\$ 18,681
Cost of sales	3,687	2,795	12,680	11,893
Gross profit	2,425	1,419	8,049	6,788
Research and development	1,341	1,104	4,492	3,717
Selling, general and administrative	3,393	2,687	11,236	7,878
Foreign exchange loss (gain)	44	95	80	65
Total operating expenses	4,778	3,886	15,808	11,660
Operating income	(2,353)	(2,467)	(7,759)	(4,872)
Finance income	-	-	1,865	-
Finance costs	(23)	(2,017)	(830)	(3,693)
Total financial income (expenses)	(23)	(2,017)	1,035	(3,693)
Income before tax	(2,376)	(4,484)	(6,724)	(8,565)
Income tax benefit	443	5	443	7
Income for the period	(1,933)	(4,479)	(6,281)	(8,558)
<i>Other comprehensive income items that may be reclassified to profit or loss in subsequent periods:</i>				
Foreign currency translation adjustments	29	53	52	67
Total comprehensive income	\$ (1,904)	\$ (4,426)	\$ (6,229)	\$ (8,491)
Income per share (in USD):				
Basic	\$ (0.14)	\$ (0.33)	\$ (0.46)	\$ (0.62)
Diluted	\$ (0.14)	\$ (0.33)	\$ (0.46)	\$ (0.62)

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

Consolidated Balance Sheet

Figures in USD (000's)	31 Dec 2013	30 Sep 2013	30 Jun 2013	31 Mar 2013	31 Dec 2012
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	
ASSETS					
<i>Non-current assets</i>					
Intangible assets	\$ 1,823	\$ 1,638	\$ 1,454	\$ 1,428	\$ 1,448
Property and equipment	1,096	690	489	367	440
Other assets	330	323	-	-	-
Total non-current assets	3,249	2,651	1,943	1,795	1,888
<i>Current assets</i>					
Inventory	1,074	963	938	1,019	1,055
Trade receivables and other	4,997	3,455	3,616	4,203	3,971
Cash and cash equivalents	11,663	13,281	15,073	19,929	1,248
Total current assets	17,734	17,699	19,627	25,151	6,274
Total assets	\$ 20,983	\$ 20,350	\$ 21,570	\$ 26,946	\$ 8,162
EQUITY AND LIABILITIES					
<i>Equity</i>					
Share capital	\$ 264	\$ 239	\$ 239	\$ 239	\$ 2
Share premium	64,357	64,644	64,608	64,577	3,519
Accumulated deficit	(49,490)	(48,566)	(46,785)	(44,398)	(43,802)
Translation and other reserves	(323)	(338)	(425)	(493)	(361)
Total equity	14,808	15,979	17,637	19,925	(40,642)
<i>Non-current liabilities</i>					
Long-term debt	243	-	4	5	7,451
Other long-term liabilities	232	228	-	-	-
Total non-current liabilities	475	228	4	5	7,451
<i>Current liabilities</i>					
Redeemable preferred shares	-	-	-	-	29,510
Convertible option on preferred shares	-	-	-	-	7,612
Short-term debt	420	412	253	527	314
Accrued liabilities	802	701	446	3,113	1,393
Accrued compensation & employee benefits	995	592	540	506	534
Trade payables	3,483	2,438	2,690	2,870	1,990
Total current liabilities	5,700	4,143	3,929	7,016	41,353
Total liabilities	6,175	4,371	3,933	7,021	48,804
Total equity and liabilities	\$ 20,983	\$ 20,350	\$ 21,570	\$ 26,946	\$ 8,162

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

Statement of Changes in Equity

Unaudited

Figures in USD (000's)	Share capital	Share premium	Translation reserves	Other reserves	Accumulated deficit	Total
Equity at January 1, 2013	\$ 2	\$ 3,519	\$ (361)	\$ -	\$ (43,802)	\$ (40,642)
Total comprehensive income - year ended December 31, 2013						
Loss for the period	-	-	-	-	(6,281)	(6,281)
Foreign currency translation adjustments	-	-	52	-	-	52
Total comprehensive income - year ended December 31, 2013	-	-	52	-	(6,281)	(6,229)
Transactions with owners - year ended December 31, 2013						
Shares issued	75	24,955	-	-	-	25,030
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	-	-	-	-	593	593
Transactions with owners - year ended December 31, 2013	262	60,838	-	(14)	593	61,679
Equity at December 31, 2013	\$ 264	\$ 64,357	\$ (309)	\$ (14)	\$ (49,490)	\$ 14,808
Equity at January 1, 2012	\$ 2	\$ 3,792	\$ (428)	\$ -	\$ (35,660)	\$ (32,294)
Total comprehensive income - year ended December 31, 2012						
Loss for the period	-	-	-	-	(8,558)	(8,558)
Foreign currency translation adjustments	-	-	67	-	-	67
Total comprehensive income - year ended December 31, 2012	-	-	67	-	(8,558)	(8,491)
Transactions with owners - year ended December 31, 2012						
Shares issued	-	3	-	-	-	3
Reclass of prior years share based payment expense	-	(276)	-	-	276	-
Share based payment expense	-	-	-	-	140	140
Transactions with owners - year ended December 31, 2012	-	(273)	-	-	416	143
Equity at December 31, 2012	\$ 2	\$ 3,519	\$ (361)	\$ -	\$ (43,802)	\$ (40,642)

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

Consolidated Cash Flow Statement

Figures in USD (000's)	2013	2012
	<i>Unaudited</i>	
Cash flows from operating activities		
Income (loss) for the period	\$ (6,281)	\$ (8,558)
Depreciation and amortization	2,030	2,052
Finance costs (income)	(1,035)	3,693
Income tax expense (income)	(443)	(7)
Impairment of intangible assets	62	74
Cash receipt (payment) for income tax	222	(2)
Share based payments expense	593	140
Changes in trade receivables, inventories, other assets	(1,109)	(2,070)
Changes in trade payables and accrued liabilities	1,406	1,045
Net cash used in operating activities	(4,555)	(3,633)
Cash flows from investing activities		
Additions to intangible assets	(2,128)	(1,165)
Addition to other assets	(314)	-
Purchase of property and equipment	(631)	(88)
Net cash used in investing activities	(3,073)	(1,253)
Cash flows from financing activities		
Proceeds from debt issuance	-	3,000
Long-term deposit received from sub-lessee	234	-
Cash payments on long-term debt	(3,621)	-
Funds drawn (paid) against line of credit	57	306
Cash payments for interest on debt	(461)	(322)
Proceeds from issuance of share capital	25,099	3
Cash paid for fees related to IPO	(3,405)	-
Proceeds from issuance of convertible preferred shares	-	366
Principal and interest payments on finance leases	(42)	(35)
Net cash provided by financing activities	17,861	3,318
Effect of exchange rate changes on cash and cash equivalents	182	148
Net changes in cash and cash equivalents	10,415	(1,420)
Cash and cash equivalents at beginning of period	1,248	2,668
Cash and cash equivalents at end of period	\$ 11,663	\$ 1,248
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'.

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

These condensed consolidated financial statements for the quarter and year ended December 31, 2013 have been prepared on a historical cost convention in accordance with International Accounting Standard 34 (IAS 34) 'Interim Financial Reporting' and do not include all of the information and disclosure required in the annual consolidated financial statements. These statements should be read in conjunction with the Asetek Holdings, Inc. 2012 Annual Report.

The accounting policies adopted in preparation of these condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2012.

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

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

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

The Company had \$4.4 million carrying value of convertible debt at December 31, 2012, of which \$0.7 million gain was recognized at the IPO date, \$3.1 million converted to common shares, \$0.6 million was repaid in the first half of 2013. The Company used \$4.1 million of its IPO proceeds to pay off a note payable and related interest. A revolving line of credit with no outstanding balance that Asetek USA maintained with Comerica Bank expired in March 2013 and was not renewed. Asetek Danmark A/S continues to maintain a revolving line of credit with Sydbank totaling 2.0 million Danish krone (\$0.4 million) at December 31, 2013.

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

3. Common shares and warrants

Common share activity in 2013 is as follows (in thousands):

Common shares outstanding at December 31, 2012	1,578
Exchange of outstanding Asetek Holdings, Inc. shares	(1,578)
Issuance of Asetek A/S shares	2,728
Treasury shares	(1,150)
Conversion of preferred shares	7,660
Conversion of debt	493
Offering of new shares in IPO	4,000
Exercised options in 2013	333
Common shares outstanding at December 31, 2013	14,064
Shares remaining in treasury	817
Common shares issued at December 31, 2013	14,881

The shares included in treasury may be used to fulfill share options and warrants outstanding totaling approximately 0.8 million at December 31, 2013. At the extraordinary general meeting held on August 14, 2013, the authority of the board of directors to issue warrants or options was increased to a nominal value of 80,000 DKK (800,000 common shares at .10 DKK nominal value per share).

In October 2013, the board of directors issued a total of 670,728 warrants to employees and board members of the Company. The warrants have an exercise price of NOK 36.50 per common share and will become exercisable over a four year vesting period. Following common valuation practices, the total cost related to the warrants is USD 1.3 million over the lifetime of the program. Share based payment expense of \$486 thousand and \$36 thousand was recorded in the fourth quarter of 2013 and 2012, respectively.

4. Finance income and cost

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

5. Intangible assets

The Group's business includes a significant element of research and development activity. Under IAS 38, there is a requirement to capitalize and amortize development spend to match costs to expected benefits from projects deemed to be commercially viable. Costs capitalized are recorded on the balance sheet as intangible assets, net of amortization. In 2013, the Company capitalized approximately \$2.1 million of development costs and recorded amortization of approximately \$1.6 million (capitalized costs of \$1.2 million and amortization of \$1.9 million in 2012).

6. Earnings (losses) per share

The Company completed a public offering of its common shares in March 2013 and its shares have since been trading publicly on the Oslo Stock Exchange. IAS 33 requires disclosure of basic and diluted earnings per share for entities whose shares are publicly traded.

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

Fourth Quarter			
	Q4 2013		Q4 2012
Loss attributable to equity holders of the Company (USD 000's)	\$	(1,933)	\$ (4,479)
Weighted average number of common shares outstanding (000's)		13,847	13,729
Basic loss per share	\$	(0.14)	\$ (0.33)
Diluted loss per share	\$	(0.14)	\$ (0.33)

Fiscal year			
	FY 2013		FY 2012
Loss attributable to equity holders of the Company (USD 000's)	\$	(6,281)	\$ (8,558)
Weighted average number of common shares outstanding (000's)		13,795	13,729
Basic loss per share	\$	(0.46)	\$ (0.62)
Diluted loss per share	\$	(0.46)	\$ (0.62)

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 Q4 and FY 2012 have been adjusted to reflect the issuance and conversion of shares that occurred in 2013.

7. Transactions with related parties

The Company's chairman is a member of the board of directors of Corsair, a customer of the company. During the years ended 2013 and 2012, Asetek had sales of inventory to Corsair of \$5.5 million and \$1.2 million, respectively. As of December 31, 2013 and 2012, Asetek had outstanding trade receivables from Corsair of \$1.0 million and \$0.5 million, respectively.

8. Segment reporting**Unaudited breakdown of the income statement****Fourth Quarter**

Figures in USD (000's)	Desktop		Datacenter	
	<u>Q4 2013</u>	<u>Q4 2012</u>	<u>Q4 2013</u>	<u>Q4 2012</u>
Revenues	5,509	4,214	603	-
Cost of sales	3,002	2,758	548	-
Gross Profit, adjusted	2,507	1,456	55	-
Gross Margin, adjusted	45.5%	34.6%	9.1%	N/A
Total operating expenses**	1,372	829	2,059	1,651
EBITDA, adjusted	1,135	627	(2,004)	(1,651)
EBITDA margin	20.6%	14.9%	N/A	N/A

Full Year

Figures in USD (000's)	Desktop		Datacenter	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues	19,925	18,681	804	-
Cost of sales	11,781	11,748	639	-
Gross Profit, adjusted	8,144	6,933	165	-
Gross Margin, adjusted	40.9%	37.1%	20.5%	N/A
Total operating expenses**	4,056	3,209	6,857	4,663
EBITDA, adjusted	4,088	3,724	(6,692)	(4,663)
EBITDA margin	20.5%	19.9%	N/A	N/A

**Operating expenses by segment exclude headquarters costs of \$0.9 million, \$0.9 million, \$3.1 million and \$1.9 million for Q4 2013, Q4 2012, FY 2013 and FY 2012, respectively. Significant components of headquarters costs include intellectual property defense of \$0.4 million and \$0.3 million in Q4 2013 and Q4 2012, respectively and \$1.7 million in FY 2013.

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 – 31 December 2013. The Interim Report is presented in accordance with the International Accounting Standard IAS 34 on Interim Financial Reporting and additional Danish disclosure requirements. The accounting policies applied in the Interim Report are unchanged from those applied in the Group's Annual Report for 2012.

We consider the accounting policies appropriate, the accounting estimates reasonable and the

overall presentation of the Interim Report adequate. Accordingly, we believe that the Interim Report gives a true and fair view of Asetek's financial position, results of operations and cash flows for the period.

In our opinion, the Interim Report includes a true and fair account of the matters addressed and describes the most significant risks and elements of uncertainty facing Asetek. The Interim Report has not been audited or reviewed by the auditors.

Asetek A/S
San Jose, 25 February 2014

Management:

André S. Eriksen
CEO

Peter Dam Madsen
CFO

Board of Directors:

Sam Szteinbaum
Chairman

Alexander Wong
Member

Bengt Olof Thuresson
Member

Chris J. Christopher
Member

Jørgen Smidt
Member

Knut Øversjøen
Member



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