



Asetek A/S

Quarterly Report

Quarter ended March 31, 2014

Published April 24, 2014

Key figures

Figures in USD (000's)	Q1 2014	Q1 2013	2013
	<i>Unaudited</i>	<i>Unaudited</i>	
Total Company:			
Revenue	5,400	4,925	20,729
Gross profit	2,244	1,878	8,049
Gross margin	41.6%	38.1%	38.8%
Operating profit	(1,742)	(1,498)	(7,759)
Reconciliation from IFRS to EBITDA adjusted:			
Operating profit	(1,742)	(1,498)	(7,759)
Add: Depreciation and amortization	413	548	2,030
Add: Share based compensation	329	37	593
EBITDA adjusted (unaudited)	(1,000)	(913)	(5,136)
By Segment (Unaudited):			
Desktop:			
Desktop revenue	4,861	4,889	19,925
Desktop gross margin*	43.5%	39.0%	40.9%
Desktop EBITDA adjusted	1,109	1,111	4,299
Datacenter:			
Datacenter revenue	539	36	804
Datacenter gross margin*	27.8%	44.4%	20.5%
Datacenter EBITDA adjusted	(1,308)	(1,317)	(6,395)
Headquarters:			
Headquarters costs**	(801)	(707)	(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 quarter increased 10% over the same period last year, due to progress achieved on a data center retrofit contract with the U.S. Department of Defense.
 - Gross margin increased over three points from the same period of last year. Datacenter margin impacted by “pass through” equipment revenue with lower margins.
- By segment
 - Operating profits from the desktop segment were \$1.1 million this quarter, level with the \$1.1 million profit earned in the first quarter of 2013.
 - Operating loss in the data center segment was \$1.3 million compared with \$1.3 million loss in the first quarter of 2013. The data center spending reflects continued investment in development and marketing, including increased engineering personnel, business development resources and equipment/tools.
- Operations
 - Received two RackCDU™ orders:
 - A repeat order from a large OEM, which had also placed an order in 2013.
 - An order for a RackCDU pilot system from a leader in quantitative investing and trading.
 - Secured engineering design contract with a major OEM for a modular data center product.
 - Received positive feedback regarding Asetek’s first commercial installation of RackCDU. The system installed at Mississippi State University has enabled the university to reduce capital infrastructure and operating costs.
 - Received initial positive results from a RackCDU evaluation cluster installed at the University of Tromsø in Norway indicating that the system is achieving its objectives, recycling up to 80% of the waste heat from the data center and reducing power consumption.
 - 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 first quarter 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 first quarter of 2014, representing an increase of 10% from the same period of 2013 (\$4.9 million). The increase reflects progress achieved on the data center retrofit contract with the U.S. Department of Defense.

Desktop sales unit volumes for the first quarter 2014 were 106,000, up slightly from the same period of last year (105,000). Average selling prices per unit for the quarter decreased slightly compared to first quarter 2013.

Gross margin was 41.6% for the first quarter of 2014, an increase of over three percentage points from the same period last year (38.1%). The increase in gross margin reflects Asetek's proactive management of the mix of product offerings, as well as cost savings achieved with certain component suppliers.

Operating costs increased 18% compared with first quarter 2013, reflecting expanded activities associated with development and marketing of the Company's data center solutions. In the first

quarter 2014, Asetek incurred \$0.5 million of legal costs associated with intellectual property (IP) related to defense of existing IP and securing new IP (\$0.3 million in first quarter 2013). In addition, the Company recorded non-cash stock compensation expense of \$0.3 million (\$37 thousand in first quarter 2013). The increase results primarily from 671,000 warrants granted to employees in the fourth quarter 2013. Asetek incurred an operating loss of \$1.7 million in the first quarter of 2014, compared with a \$1.5 million operating loss in the same period last year.

Finance income and cost was not significant in first quarter 2014. In the first quarter of 2013, finance income included \$1.6 million of gains associated with the valuation of outstanding debt instruments converted to equity at the time of the IPO in March 2013. Based on the initial trading price of the common shares, the Company recognized \$0.8 million of income on the convertible option on preferred shares and \$0.8 million of income on the convertible loan upon revaluation.

Balance Sheet (Consolidated)

Asetek's total assets at March 31, 2014 amounted to \$18.9 million, a decrease of \$2.0 million from December 31, 2013. The decrease in assets resulted principally from cash payments for

operating expenditures and intangible assets. Total cash and cash equivalents was \$9.4 million at March 31, 2014.

Cash Flow (Consolidated)

Net cash used by operating activities was \$1.8 million for the first quarter 2014 (\$1.1 million used in first quarter 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 \$0.7 million, related principally to additions in capitalized development costs.

Cash provided by financing activities in the current period was \$0.3 million, compared with \$20.4 million provided in the first quarter 2013. The activity in first quarter 2014 represents principally

the financing of previously acquired equipment. 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 \$2.3 million in first quarter 2014, compared with an increase of \$18.7 million in the same period last year.

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

Figures in USD (000's)	Desktop		Datacenter	
	Q1 2014	Q1 2013	Q1 2014	Q1 2013
Revenues	4,861	4,889	539	36
Cost of sales	2,748	2,983	389	20
Gross Profit	2,113	1,906	150	16
Gross Margin*	43.5%	39.0%	27.8%	44.4%
Total operating expenses**	1,004	795	1,458	1,333
EBITDA adjusted	1,109	1,111	(1,308)	(1,317)
EBITDA margin	22.8%	22.7%	N/A	N/A

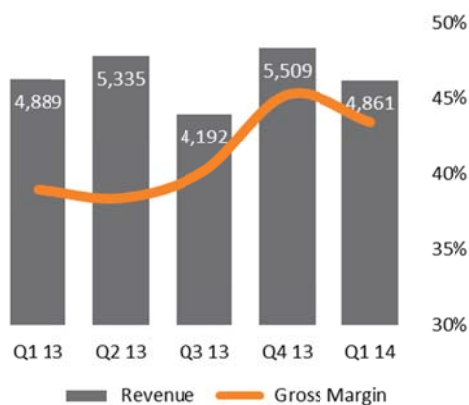
*Gross margins are computed excluding depreciation costs that are normally classified as cost of goods sold.

**Operating expenses by segment exclude headquarters costs of \$0.9 million and \$0.7 million for Q1 2014 and Q1 2013, and exclude share based compensation of \$0.3 million and \$37 thousand in Q1 2014 and Q1 2013, respectively. Significant components of headquarters costs include intellectual property defense of \$0.5 million and \$0.3 million in Q1 2014 and Q1 2013, respectively.

Desktop financials

Desktop revenue and margin development

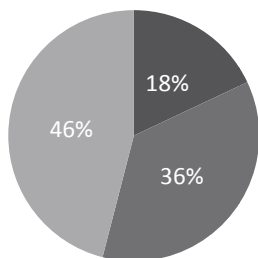
USD (000's)



Asetek's desktop revenues in the first quarter 2014 were level with the same period of 2013. An increase in shipments of graphics cooling units was offset by decreased demand in the DIY market. Gross margin decreased from the fourth quarter of 2013 due to product mix changes and record high average selling prices in the prior quarter.

Revenue split, Q1 2014

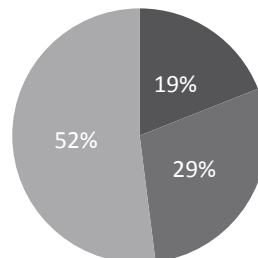
Percent



- Workstations
- Gaming/Performance Desktop PC's
- D I Y

Revenue split, Q1 2013

Percent



- Workstations
- Gaming/Performance Desktop PC's
- D I Y

Desktop operations and market update

In the first quarter of 2014, Asetek's desktop revenue remained level with the first quarter of 2013. Shipments of graphics cooling products increased over last year, resulting in another strong quarter in the Gaming/Performance Desktop PC market. Offsetting this increase was a decrease in revenues in the DIY market, which was consistent

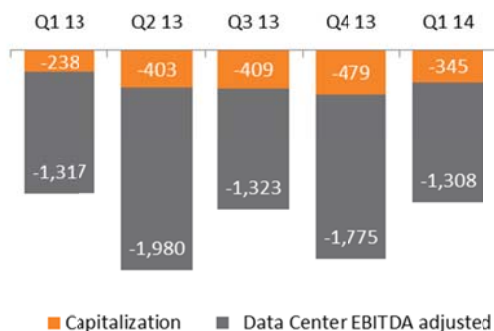
with management's expectations. Revenues in the Workstation market also declined.

Gross margins in the first quarter of 2014 improved from 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.

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

Asetek's data center revenues were \$0.5 million in the first quarter 2014, up from \$36 thousand in the first quarter 2013. The growth was mainly due to 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 first quarter included continuing configuration and testing of HPC clusters with RackCDU and completion of all infrastructure modifications at the data center. This program represents Asetek's first large DoD installation and the first demonstration of RackCDU for a server virtualization workload as is used commonly in high-utilization commercial data centers.

The following events occurred in the first quarter of 2014:

Asetek received a purchase order for a RackCDU pilot system from an undisclosed leader in quantitative investing and trading. The order includes retrofitting a full rack of HP Proliant SL230 servers with a mixed system of liquid cooling for CPUs and memory. System installation and testing is expected to be initiated early in the second quarter 2014 due to unique customer requirements. The evaluation has the potential to

develop into a significantly larger retrofit of an entire data center in 2015.

The Company also received a purchase order for a total of five RackCDU systems with cooling loops for a total of 280 compute nodes. This order supports the expansion of an HPC cluster with an existing end user. The liquid cooling loops will cool and remove all heat from CPUs, co-processors, and memory. The loops will ensure the cluster maintains maximum energy efficiency and performance while keeping operating costs at a minimum.

Asetek secured an engineering design contract with a major OEM for modular data center product. Asetek anticipates that the resulting high-efficiency modular data centers incorporating RackCDU may be available from the Tier 1 OEM to their customers in the first half of 2015.

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 February, initial test results on a RackCDU cluster installed at the University of Tromsø (UiT) in Norway were published by UiT at the Datacentre Forum Oslo. These results validate RackCDU's

performance and value proposition by recycling up to 80% of the waste heat generated by the IT equipment and reducing overall data center power consumption.

The Company showcased its RackCDU D2C™ and RackCDU ISAC™ cooling systems at two major industry trade shows, Data Centre World in London and Datacenter Dynamics Converged in New York.

HPCWire selected Asetek's CEO, André Eriksen, for their annual list of "People to Watch in 2014." Asetek was also named to the CRN Data Center 100 annual list, which features technology vendors whose solutions are vital for powering today's data center, recognizing RackCDU direct-to-chip data center liquid cooling technology.

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 group has multiple 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 sealed loop liquid coolers, 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.

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.

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 March 31, 2014, 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 Company's annual report for 2013. The document can be downloaded from the Company's website: www.asetek.com.

Outlook

Desktop

Asetek expects a modest decline in desktop revenues in the second quarter of 2014 compared with the high level achieved in second quarter 2013. Gross margins in the second quarter are expected to continue at the level achieved in first quarter 2014, representing significant improvement over the margins achieved in second quarter 2013.

In the second quarter of 2014, three new Asetek products are expected to be released by DIY customers. Revenue in the DIY market is expected to increase from first quarter 2014, but not reach

the same level that was achieved in second quarter 2013.

With the majority of shipments on a significant order for graphics cooling products fulfilled in fourth quarter 2013 and first quarter 2014, revenues in the Gaming/Performance Desktop PC market are expected to decline in second quarter 2014. The company anticipates further orders in the graphics card cooling segment in the future. Revenues in the Workstation market are expected remain relatively level in the second quarter 2014.

Data center

Design-in efforts continue with multiple OEMs and System Integrators (SI's).

The Company expects to launch an ISAC (In-Server Air Conditioning) Intel rack mounted server platform in Europe with a leading SI. The launch of RackCDU on a new server platform and as an OEM design in is anticipated in 2014 with one or more leading OEMs.

Asetek has developed a Certified Installation and Integration Program (CIIP) and expects to execute the first CIIP partner agreement in second quarter 2014, allowing third parties to install and service RackCDU.

The Company's first installation with the DoD at Redstone Arsenal Network Enterprise Center in Huntsville, Alabama is expected to occur early in the second quarter 2014, with testing to be initiated immediately thereafter.

Shipments through the HP Third Party Option (3PO) program were planned to commence in first half 2014 but after thorough investigation into releasing RackCDU as a 3PO on select servers, both parties agree that a 3PO program does not support

the sufficient business model required to integrate direct to chip liquid cooling into the server fabric as well as the datacenter infrastructure. However, while maintaining support of select customers, the parties are exploring other business models as is the case with multiple OEMs.

Asetek has experienced encouraging traction and feedback from early adopters in the educational and laboratory High Performance Computing segments and anticipates additional purchase orders from those segments throughout 2014.

In June, the Company plans to exhibit new RackCDU D2C and ISAC server implementations at the International Supercomputing Conference (ISC14) in Leipzig, Germany.

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. Orders for up to nine racks of additional RackCDU systems are anticipated from UiT in the second half of 2014.

Interim Financial Statements

Consolidated Statement of Comprehensive Income

Figures in USD (000's)	Q1 2014	Q1 2013	2013
	<i>Unaudited</i>	<i>Unaudited</i>	
Revenue	\$ 5,400	\$ 4,925	\$ 20,729
Cost of sales	3,156	3,047	12,680
Gross profit	2,244	1,878	8,049
Research and development	786	996	4,492
Selling, general and administrative	3,220	2,369	11,236
Foreign exchange loss (gain)	(20)	11	80
Total operating expenses	3,986	3,376	15,808
Operating income	(1,742)	(1,498)	(7,759)
Finance income	-	1,550	1,865
Finance costs	(21)	(232)	(830)
Total financial income (expenses)	(21)	1,318	1,035
Income before tax	(1,763)	(180)	(6,724)
Income tax (expense) benefit	(4)	-	443
Income for the period	(1,767)	(180)	(6,281)
<i>Other comprehensive income items that may be reclassified to profit or loss in subsequent periods:</i>			
Foreign currency translation adjustments	(87)	(132)	52
Total comprehensive income	\$ (1,854)	\$ (312)	\$ (6,229)
Income per share (in USD):			
Basic	\$ (0.13)	\$ (0.01)	\$ (0.46)
Diluted	\$ (0.13)	\$ (0.01)	\$ (0.46)

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

Consolidated Balance Sheet

Figures in USD (000's)	31 Mar 2014	31 Dec 2013
ASSETS	<i>Unaudited</i>	
<i>Non-current assets</i>		
Intangible assets	\$ 2,138	\$ 1,823
Property and equipment	1,012	1,096
Other assets	330	330
Total non-current assets	3,480	3,249
<i>Current assets</i>		
Inventory	1,165	1,074
Trade receivables and other	4,933	4,997
Cash and cash equivalents	9,371	11,663
Total current assets	15,469	17,734
Total assets	\$ 18,949	\$ 20,983
EQUITY AND LIABILITIES		
<i>Equity</i>		
Share capital	\$ 264	\$ 264
Share premium	64,411	64,357
Accumulated deficit	(50,928)	(49,490)
Translation and other reserves	(409)	(323)
Total equity	13,338	14,808
<i>Non-current liabilities</i>		
Long-term debt	415	243
Other long-term liabilities	-	232
Total non-current liabilities	415	475
<i>Current liabilities</i>		
Short-term debt	481	420
Accrued liabilities	1,004	802
Accrued compensation & employee benefits	785	995
Trade payables	2,926	3,483
Total current liabilities	5,196	5,700
Total liabilities	5,611	6,175
Total equity and liabilities	\$ 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 - quarter ended March 31, 2014						
Loss for the period	-	-	-	-	(1,767)	(1,767)
Foreign currency translation adjustments	-	-	(87)	-	-	(87)
Total comprehensive income - quarter ended March 31, 2014	-	-	(87)	-	(1,767)	(1,854)
Transactions with owners - quarter ended March 31, 2014						
Shares issued	-	54	-	1	-	55
Share based payment expense	-	-	-	-	329	329
Transactions with owners - quarter ended March 31, 2014	-	54	-	1	329	384
Equity at March 31, 2014	\$ 264	\$ 64,411	\$ (396)	\$ (13)	\$ (50,928)	\$ 13,338
Equity at January 1, 2013	\$ 2	\$ 3,519	\$ (361)	\$ -	\$ (43,802)	\$ (40,642)
Total comprehensive income - quarter ended March 31, 2013						
Loss for the period	-	-	-	-	(180)	(180)
Foreign currency translation adjustments	-	-	(132)	-	-	(132)
Total comprehensive income - quarter ended March 31, 2013	-	-	(132)	-	(180)	(312)
Transactions with owners - quarter ended March 31, 2013						
Shares issued	70	24,705	-	-	-	24,775
Less: issuance costs	-	(3,412)	-	-	-	(3,412)
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	-	-	-	-	37	37
Transactions with owners - quarter ended March 31, 2013	257	60,599	-	(14)	37	60,879
Equity at March 31, 2013	\$ 259	\$ 64,118	\$ (493)	\$ (14)	\$ (43,945)	\$ 19,925

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

Consolidated Cash Flow Statement

Figures in USD (000's)	Q1 2014	Q1 2013	2013
	Unaudited	Unaudited	
Cash flows from operating activities			
Income (loss) for the period	\$ (1,767)	\$ (180)	\$ (6,281)
Depreciation and amortization	413	548	2,030
Finance costs (income)	21	(1,318)	(1,035)
Income tax expense (income)	4	-	(443)
Impairment of intangible assets	20	-	62
Cash receipt (payment) for income tax	(4)	-	222
Share based payments expense	329	37	593
Changes in trade receivables, inventories, other assets	(27)	(292)	(1,109)
Changes in trade payables and accrued liabilities	(811)	102	1,406
Net cash used in operating activities	(1,822)	(1,103)	(4,555)
Cash flows from investing activities			
Additions to intangible assets	(626)	(489)	(2,128)
Addition to other assets	-	-	(314)
Purchase of property and equipment	(39)	(17)	(631)
Net cash used in investing activities	(665)	(506)	(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	-	(3,100)	(3,621)
Funds drawn (paid) against line of credit	26	(308)	57
Cash payments for interest on debt	-	(461)	(461)
Proceeds from issuance of share capital	55	24,825	25,099
Cash paid for fees related to IPO	-	(584)	(3,405)
Principal and interest payments on finance leases	(41)	(2)	(42)
Net cash provided by financing activities	288	20,370	17,861
Effect of exchange rate changes on cash and cash equivalents	(93)	(80)	182
Net changes in cash and cash equivalents	(2,292)	18,681	10,415
Cash and cash equivalents at beginning of period	11,663	1,248	1,248
Cash and cash equivalents at end of period	\$ 9,371	\$ 19,929	\$ 11,663
Supplemental disclosure - non-cash transactions			
Unpaid IPO fees included in accrued liabilities	\$ -	\$ 2,791	\$ -
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 year ended March 31, 2014 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 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 and warrants

Common shares totaled 14.1 million shares outstanding and 0.8 million shares in treasury at March 31, 2014. Treasury shares may be used to fulfill share options and warrants outstanding totaling approximately 1.1 million at March 31, 2014. Associated with warrants and options granted to employees, share based payment expense of \$0.3 million and \$37 thousand was recorded in the first quarter of 2014 and 2013, respectively.

3. Intangible assets

The Group's business includes a significant element of research and development activity. Under IAS 38, there is a requirement to capitalize and amortize development spend to match costs to expected benefits from projects deemed to be commercially viable. Costs capitalized are recorded on the balance sheet as intangible assets, net of amortization. In the first quarter of 2014, the Company capitalized approximately \$0.6 million of development costs and recorded amortization of approximately \$0.3 million (capitalized costs of \$0.5 million and amortization of \$0.5 million in the same period 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.

	Q1 2014	Q1 2013
Loss attributable to equity holders of the Company (USD 000's)	\$ (1,767)	\$ (180)
Weighted average number of common shares outstanding (000's)	14,075	13,729
Basic loss per share	\$ (0.13)	\$ (0.01)
Diluted loss per share	\$ (0.13)	\$ (0.01)

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 Q1 2013 have been adjusted to reflect the issuance and conversion of shares that occurred in 2013.

5. 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 three months ended March 31, 2014 and 2013, Asetek had sales of inventory to Corsair of \$1.7 million and \$1.3 million, respectively. As of March 31, 2014 and 2013, Asetek had outstanding trade receivables from Corsair of \$1.2 million and \$0.9 million, respectively.

6. Segment reporting**Unaudited breakdown of the income statement**

Figures in USD (000's)	Desktop		Datacenter	
	Q1 2014	Q1 2013	Q1 2014	Q1 2013
Revenues	4,861	4,889	539	36
Cost of sales	2,748	2,983	389	20
Gross Profit	2,113	1,906	150	16
Gross Margin*	43.5%	39.0%	27.8%	44.4%
Total operating expenses**	1,004	795	1,458	1,333
EBITDA adjusted	1,109	1,111	(1,308)	(1,317)
EBITDA margin	22.8%	22.7%	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 \$0.9 million and \$0.7 million for Q1 2014 and Q1 2013, and exclude share based compensation of \$0.3 million and \$37 thousand in Q1 2014 and Q1 2013, respectively. Significant components of headquarters costs include intellectual property defense of \$0.5 million and \$0.3 million in Q1 2014 and Q1 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 – 31 March 2014. 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 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, 23 April 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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