ASETEK

ANNUAL REPORT 2014

(January 1st - December 31st 2014)

CVR-NR. 34 88 05 22

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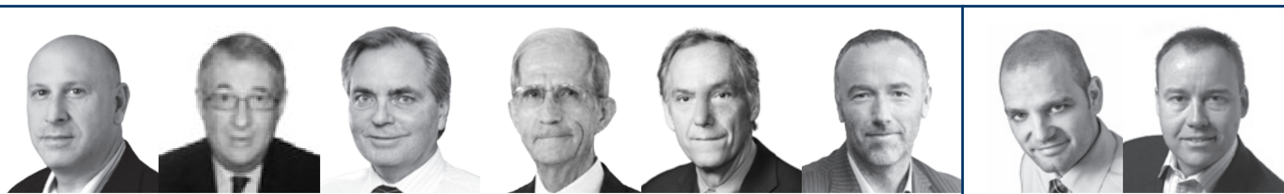
ISIN-Number	DK0060477263



Samuel Szteinbaum | Peter Gross | Bengt Thuresson | Chris Christopher | Jim McDonnell | Knut Øversjøen | André Eriksen | Peter Madsen

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Board of Directors
Samuel Szteinbaum, Chairman
Chris J. Christopher
Jim McDonnell
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Knut Øversjøen
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Nomination Committee
Ib Sønderby
Samuel Szteinbaum
Thomas Vogt

Audit Committee
Knut Øversjøen
Chris J. Christopher

Compensation Committee
Samuel Szteinbaum
Bengt Olof Thuresson

Executive Management
André Sloth Eriksen, CEO
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SHAREHOLDER INFORMATION

Asetek's shares have been listed on Oslo Boers since March 20 2013. 4,000,000 new shares were issued and sold during the initial public offering. As of December 31, 2014, a total of 14,881,311 shares are issued, each with a nominal value of DKK 0.1.

The share is classified in the "Information Technology" sector by the stock exchange, and the ticker mark is ASETEK.

The total market capitalization value at the end of 2014 was NOK 283m (approximately USD 46m) which is 51% lower than the market value at the beginning of 2014.

716,603 shares were held by the Company as per December 31, 2014 as treasury shares, primarily to support an employee stock option program.

Each share provides one vote. The shares are marketable securities and no restrictions have been set for the shares' negotiability. The share register is maintained by DNB Bank ASA - Verdipapirservice, Postboks 1600 Sentrum, 0021 Oslo, Norway.

Ownership

At the end of 2014, Asetek A/S had 300 shareholders, some of whom are nominee accounts covering several individual investors.

Members of Asetek A/S's Board of Directors and Executive Board owned or represented a total of 3.20% of the share capital at the end of 2014.

1 January 2014

Asetek shares opened the year 2014 at NOK 41.50.

31 December 2014

At the last day of the year the Asetek shares closed at NOK 19.00, which was a decline of 54% during the year. The Oslo Stock Exchange (OSE) Benchmark Index advanced 6% in 2014. The OSE Information Technology Index advanced 25% in 2014.

According to Asetek's registrations, the following shareholders have possessions of 5% or above of the share capital as per December 31, 2014:

	Number of Shares	%
Sunstone Technology Ventures, Fund I, Denmark	1,666,341	11.2%
D.E. Shaw Composite Side Pocket Series 12, L.L.C., USA	1,143,469	7.7%
D.E. Shaw Composite Side Pocket Series 13, L.L.C., USA	1,124,410	7.6%
Danske Bank A/S, Denmark	891,970	6.0%
Verdipapirfondet DNB, Norway	850,000	5.7%

Investor Relations

Asetek aims to provide a high and consistent level of information to its shareholders and other interested parties.

It is Asetek's intention to conduct an active dialogue with shareholders, analysts, the press and the public as a whole. Communication with interested parties takes place via the ongoing publication of notifications, investor presentations and individual meetings.

The website www.asetek.com is the primary source of information for interested parties. It is updated continuously with information about Asetek's activities and strategy. Shareholders, analysts, investors, stockbrokers as well as other interested parties who have questions regarding Asetek are requested to inquire via the email address investor.relations@asetek.com, which is monitored by the CFO.

Dividends. Asetek is investing its capital in the development and marketing of its cooling products and values the flexibility to be able to pursue strategic opportunities if they should arise. Asetek will therefore retain within the Company any surplus cash that it generates.

Reporting Calendar for 2015:

Q1 2015 Report:	April 29, 2015
Annual General Meeting:	April 30, 2015
Q2 2015 Report:	August 12, 2015
Q3 2015 Report:	October 28, 2015

Stock Exchange Notices Issued in 2014

Issue Date	Headline
December 18, 2014	Asetek Announces Significant Victory in Intellectual Property Lawsuit
November 17, 2014	The University of Tromsø Expands Use of Asetek's Liquid Cooling
October 31, 2014	OSLO BØRS – RE. TRADES
October 22, 2014	Q3 2014 Progress in both segments
October 15, 2014	Asetek – Invitation to presentation of results for the third quarter 2014
September 10, 2014	Mandatory Notification of Trade
September 4, 2014	Asetek Wins Frost & Sullivan Award for Their Revolutionary Data Center Cooling Solution
August 14, 2014	Issuance of Warrants
August 14, 2014	Asetek Announces Largest Ever Design Win
August 13, 2014	Q2 2014 Strengthened data center market position
August 6, 2014	Invitation to presentation of results for the second quarter and first half year 2014
July 3, 2014	Outcome of extraordinary general meeting
June 26, 2014	Asetek Receives its Largest Order of RackCDU for US Federal Data Center
June 11, 2014	Notice of Extraordinary General Meeting July 3, 2014
June 4, 2014	Asetek Sees Continued Growth With Latest Workstation Design Win
April 24, 2014	Allowed U.S. Patent Claims on its RackCDU D2CT Data Center Liquid Cooling
April 24, 2014	Outcome of annual general meeting
April 24, 2014	Issuance of Warrants
April 24, 2014	Q1 2013 Improved margins and continued data center order inflow
April 16, 2014	Q1 2014 – Invitation to Presentation of First Quarter Results 2014, Postponement of CMD
April 9, 2014	AMD Selects Asetek to Liquid Cool The World's Fastest Graphics Card
April 2, 2014	Termination of market making agreement
April 2, 2014	Notice of Annual General Meeting April 24, 2014
March 26, 2014	Receives Order of RackCDU Liquid Cooling System
March 21, 2014	Mandatory Notification of Trade
March 19, 2014	Mandatory Notification of Trade

Continued:

Issue Date	Headline
March 15, 2014	Mandatory Notification of Trade
March 12, 2014	Capital Markets Day 2014
March 12, 2014	Change in Financial Calendar
March 5, 2014	Mandatory Notification of Trade
February 26, 2014	Annual Report 2013
February 26, 2014	Q4 2013 Strong revenue increase and solid operational development
February 20, 2014	Q4 2013 – Invitation to presentation of fourth quarter results 2013
January 16, 2014	Receives Order of RackCDU Liquid Cooling System
January 4, 2014	Change in the composition of the Nomination Committee

MANAGEMENT REPORT

The Year 2014 Outlined

- Asetek continued its success as the leading supplier of liquid cooling solutions for high-end computing, shipping 425,000 liquid cooling units in 2014. Since inception, the Company has shipped over two million sealed loop liquid coolers to customers worldwide.
- Revenues in 2014 totaled $20.8 million, level with 2013 ($20.7 million).
  - Data center revenues grew to $1.5 million in 2014, a 90% increase over 2013 ($0.8 million).
  - Desktop revenues in 2014 declined slightly to $19.3 million from $19.9 million in 2013. The decline was principally due to the decrease in shipments of desktop graphics cooling and workstation products in 2014.
- Gross margin increased to 41.8% in 2014 from 38.8% in 2013. The increase reflects multiple factors, primarily a change in business model with certain customers resulted in reduction of their sales prices and increases in their gross margins.
- Total Operating losses of $9.8 million ($7.8 million in 2013) increased principally due to costs incurred for the defense of Asetek intellectual property.
  - Operating profit (adjusted EBITDA) from the desktop segment was $3.3 million for the year, a decrease from $4.3 million profit in 2013. The decline was principally due to the increase in development costs associated with the Generation 5 liquid cooling platform in 2014.
  - Operating loss (adjusted EBITDA) from the data center segment was $5.5 million for the year, compared with an operating loss of $6.4 million in 2013. The data center spending reflects continued investment in development and marketing, business development resources and equipment/ tools.

- A jury in the U.S. District Court for the Northern District of California unanimously ruled in favor of Asetek on all claims in its patent infringement lawsuit against CMI USA, Inc. ("CMI", formerly known as Cooler Master USA Inc.). The jury awarded Asetek damages of $0.4 million, representing a 14.5% royalty on CMI's infringing sales since 2012.
- The U.S. Patent and Trademark Office (USPTO) issued a notice of allowance on Asetek's patent claims on its liquid cooling system designed for graphic processing units (GPU's).
- Successful results achieved in Asetek's first installations of RackCDU:
  - University of Tromsø in Norway reduced power consumption and recycled up to 80% of the waste heat from its data center.
  - Mississippi State University reduced capital infrastructure and operating costs of its Cray CS300-LC cluster by eliminating the need to purchase a new chiller system.
  - The U.S. Department of Defense Redstone Arsenal data center has experienced cooling load redu ction of greater than 60% and a reduction in server energy of more than two times the expected savings.
- Achievements in developing the market for liquid cooling:
  - Asetek made progress on multiple business development projects during 2014 – the Company is engaged in discussions with large OEM's to expand the RackCDU customer base, and with a major chip manufacturer to potentially develop a direct-to-chip cooling solution for a next generation platform.
  - The USPTO issued a notice of allowance on the Company's patent claims on the RackCDU direct-to-chip cooling technology.
  - Asetek engaged with Johnson Controls as its first Certified Integrator-Installer Partner (CIIP).

ASETEK'S BUSINESS

Asetek is the world leading provider of energy efficient liquid cooling systems for data centers, servers, workstations, gaming and high performance PCs. Its products are used for reducing power and greenhouse emissions, lowering acoustic noise, and achieving maximum performance by leading OEMs and channel partners around the globe.

Asetek's products are based upon its patented all-in-one liquid cooling technology with more than 2.0 million liquid cooling units deployed in the field. Founded in 2000, Asetek is headquartered in Denmark with offices in USA, China and Taiwan.

FINANCIAL POSITION AND OPERATING RESULTS FOR 2014

Profit and loss

Total revenues for 2014 were $20.8 million, on par with 2013 ($20.7 million). An increase in data center revenues in 2014 more than offset a decrease in revenues from desktop graphics and workstation cooling units. Sealed loop cooling unit volumes for 2014 were 425,000, down marginally from 2013 (426,000). ASP's for the year 2014 were $45.50, a decline of 3% from 2013 ($46.75).

Gross margin increased to 41.8% in 2014 from 38.8% in 2013. The increase reflects multiple factors. A change in business model with certain customers resulted in reduction of their sales prices and increases in their gross margins. Asetek's proactive management of the mix of product offerings and cost savings achieved with certain component suppliers also increased margins. These increases were partly offset by declines in shipments of high margin products for PC graphics cooling and workstations in 2014.

In 2014, operating expenses were $18.5 million, a 17% increase over 2013 ($15.8 million), reflecting principally $3.8 million of legal costs associated with defense of existing intellectual property (IP) and securing new IP ($1.7 million incurred in 2013). The substantial increase in legal costs occurred in part due to the completion of a trial versus CMI USA, Inc. (formerly Cooler Master, USA Inc.), which resulted in a favorable outcome for Asetek. A lawsuit against another competitor, CoolIT Systems, Inc., was settled in February 2015. Operating expenses also reflect share based compensation expense associated with employee option grants totaling $0.9 million ($0.6 million in 2013) and foreign exchange loss of $0.3 million ($0.1 million in 2013).

Finance income and costs in 2014 were not significant. 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. 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, plus $0.3 million of interest charges on debt paid or converted to shares during 2013.

In 2014, income tax benefit associated with credits for research and development in Denmark totaled $1.1 million ($0.4 million in 2013).

As a result of the above, net loss for 2014 increased to $8.8 million from a net loss of $6.3 million in 2013.

Balance sheet

Asetek's total assets at the end of 2014 were $12.8 million, compared with $21.0 million at the end of 2013. The decrease is principally the result of cash payments for operating expenditures, including litigation costs. Cash and cash equivalents on hand at December 31, 2014 was $4.2 million.

Significant changes in specific assets for 2014 were as follows: Cash and cash equivalents decreased $7.5 million due to funding of operations and legal costs. Trade receivables decreased $1.3 million from 2013 principally due to a 29% decrease in sales in the last month of 2014 compared with the last month of 2013. Intangible assets increased $0.5 million due to an increase in capitalizable product development costs. Other receivables increased $0.5 million as a result of tax credits earned but not yet collected.

Total liabilities decreased by $0.8 million in 2014. Trade payables decreased $0.8 million principally due to lower inventory purchases in the fourth quarter of 2014 compared with the same period of 2013. Short-term debt decreased $0.1 million due to net payments on a line of credit. Accrued compensation and benefits decreased $0.1 million due to lower bonuses payable in 2014. These decreases were partly offset by an increase in accrued liabilities of $0.5 million reflecting an increase in accrued legal costs and $0.2 million of liabilities reclassified from long-term to short-term during 2014.

Statement of cash flows

Net cash used by operating activities was $5.8 million for 2014, compared with $4.6 million used in 2013. The change was mainly attributed to the increased operating loss.

Cash used by investing activities was $2.0 million, related principally to additions in capitalized development costs and property and equipment.

Cash provided by financing activities was $0.1 million in 2014, compared with $17.9 million provided in 2013. Funds received in 2014 were principally related to leasing of equipment. The activity in 2013 reflected $21.4 million of net proceeds raised in the company's IPO in the first quarter of 2013, and payments of $4.0 million of outstanding debt, interest and line of credit, net of draws.

Net change in cash and cash equivalents was negative $7.5 million in 2014, compared with an increase of $10.4 million in 2013. Not including IPO related transactions, the net change in cash in 2013 was negative $6.9 million.

Liquidity and financing

Asetek has incurred losses and negative cash flows from operations since its inception. During this time, Asetek has financed operations principally through the issuance of convertible preferred shares and through its initial public offering (IPO) of common shares on the Oslo Stock Exchange in March 2013. As of December 31, 2014, the Company has working capital of $4.4 million and non-current liabilities of $0.3 million.

In February 2015, the Company secured NOK 100 million (approximately $12.4 million) in gross proceeds through a private placement of 10 million new common shares, at an offering price of NOK 10.00 per share. The transaction closed in March 2015, with the Company receiving net proceeds of approximately $11.6 million after expenses. In April 2015, the Company issued an additional 480 thousand new shares in a public offering at NOK 10.00 per share, receiving proceeds of $0.6 million.

While there is no assurance that the Company will generate sufficient revenues or operating profits in the future, Asetek's management estimate that, including the funds raised in the first quarter of 2015, the Company's capital resources are sufficient to fund operating activities through the first half of 2016, based on financial forecasts.

Management will consider meeting Asetek's future funding requirements through a combination of debt and equity offerings, depending on the cost of capital and the status of financial markets at that time.

Historical financial review

Fiscal Year	2014	2013	2012	2011	2010
Financial highlights: ($000's)					
Revenue	20,847	20,729	18,681	15,574	15,749
Gross profit	8,710	8,049	6,788	5,703	4,823
Gross margin %	41.8%	38.8%	36.3%	36.6%	30.6%
EBITDA	(8,037)	(5,729)	(2,820)	(1,918)	(3,170)
Operating loss	(9,808)	(7,759)	(4,872)	(3,707)	(4,215)
Finance income (expenses)	(87)	1,035	(3,693)	1,838	(2,274)
Net income (loss)	(8,757)	(6,281)	(8,558)	(1,877)	(6,499)
Purchases of property and equipment	172	952	88	386	183
Sealed loop units shipped (000's)	425	426	414	333	354
Year-end values ($000's):					
Total assets	12,814	20,983	8,162	8,503	8,751
Total equity	7,422	14,808	(40,642)	(32,294)	(30,613)
Total liabilities	5,392	6,175	48,804	40,797	39,364
Employees at end of year	66	69	60	51	58
Key ratios:					
Average selling price per desktop unit ($)	45.5	46.8	45.1	46.8	44.5
Revenue per employee ($000's)	316	300	311	305	272
Days sales outstanding	52	74	65	48	55
Inventory turns per year	11.2	11.9	12.6	8.1	6.2

EXPECTATIONS FOR 2015

Data center

In February 2015, Asetek announced a major design win with the execution of an agreement with Fujitsu Technology Solutions GmbH to use Asetek's RackCDU liquid cooling technology. RackCDU will enable Fujitsu's High Performance Computing (HPC) customers to implement high efficiency hot water cooling solutions. Asetek anticipates shipments to Fujitsu to commence in the second quarter of 2015, and product launches involving various server models throughout the year. Over time, Asetek anticipates significant revenue growth to be derived from RackCDU sales on Fujitsu platforms.

In February 2015, the Company announced that the California Energy Commission has selected Asetek to install RackCDU D2C liquid cooling in two large scale, supercomputing data centers in California. The project, valued at $3.5 million and expected to span two years beginning mid-2015, will include installation of RackCDU in approximately 90 racks of servers.

The desire for extremely high densities and overclocking in the high frequency stock trading market has resulted in confidential projects with two significant OEMs. Asetek anticipates executing a sales agreement with one or both of these OEMs in 2015.

Efforts progress 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 three major OEMs and the chip manufacturer to support their related development efforts. In addition, a major end-user has been engaged as a potential site for the first major installation using this platform.

As a result of the fully executed integrator-installer partnership agreement between Asetek and Johnson Controls, Johnson Controls continues to leverage the differentiation provided by RackCDU into two Federal data center projects. Both represent major Federal data center energy efficiency upgrades, where it is expected that the installation of RackCDU will allow server consolidation, while cutting cooling energy and IT load energy by significant margins over the current installation.

Phase 1b and Phase 2 installation of the Army's ESTCP system will begin in parallel starting in the first quarter, with data collection initiated by the end of the quarter. Selection of servers and a final timeline for Phase 3 installation will be completed by the Army early in the second quarter.

Asetek anticipates additional HPC demand in the first half of 2015, from repeat orders with existing national laboratory test sites, as well as from newly acquired customers.

Desktop

The Desktop segment is expected to continue to be a profitable part of Asetek's offering. Asetek expects desktop revenue for the first quarter 2015 to increase over the fourth quarter 2014, partly due to the delay of a large order that was expected in the fourth quarter 2014.

In the first quarter of 2015, two new Asetek products are expected to be released by DIY customers, both of which are targeted to fulfill new demand and generate incremental revenue and market share for Asetek. As a result, compared with both the first quarter and fourth quarter of 2014, the Company anticipates strong revenue growth in the DIY market.

Revenue in the Gaming/Performance Desktop PC market is expected to soften slightly in the first quarter. Revenue in the Workstation market will be negatively impacted in the near term quarters as a result of HP's decision to remove liquid cooling as an option on its most recently released line of high performance workstations. However, the Company expects to regain workstation revenue in future quarters with liquid cooler shipments for Dell workstations.

The Company expects continued desktop revenue growth into the second quarter 2015. Based on purchase orders and internal forecasts, the Company expects revenues in the second quarter will be upwards of 40% higher than the average revenue levels achieved in recent quarters. The anticipated increase is primarily due to shifts in the competitive landscape and recent product launches, particularly the Generation 5 liquid cooling platform. Generation 5 products, launched in late fourth quarter 2014, offer improved cooling performance, pump flowrate and overall durability.

While blended gross margins were 42% in the fourth quarter, Asetek expects gross margin to retreat in the first quarter 2015 due to a significant increase in shipment of DIY cooling products, which typically generate lower margins, combined with a decline in shipment of workstation cooling units, which typically generate higher margins. Longer term, management expects blended gross margins to approximate 40%.

The financial results for 2014 were consistent with the Company's expectations. In 2015, the Company plans to continue to invest in the data center business with a focus on long-term growth and scalability. In the short-term, management expects to incur losses while the Company continues to focus on design wins to gain traction with data center OEM's. Overall, the Company expects modest revenue growth for 2015, with comparable levels of spending and continued investment in the data center business. As such, management expects that the Company will report a loss for 2015 comparable to the loss incurred in 2014.

EVENTS AFTER THE REPORTING PERIOD

Other than the following, there have been no events since 31 December 2014 which could significantly affect the evaluation of the Group's financial position and revenues:

In February 2015, the Company secured NOK 100 million (approximately $12.4 million) in gross proceeds through a private placement of 10 million new common shares, at an offering price of NOK 10.00 per share. The transaction closed in March 2015, with the Company receiving net proceeds of approximately $11.6 million after expenses. In April 2015, the Company issued an additional 480 thousand new shares in a public offering at NOK 10.00 per share, receiving proceeds of $0.6 million.

RISK EXPOSURE AND MANAGEMENT

Asetek's potential to realize the company's strategic and operational objectives are subject to a number of commercial and financial risks. Asetek is continuously working on identifying risks that can negatively impact the company's future growth, activities, financial position and results. To the largest extent possible, Asetek tries to accommodate and limit the risks which the company can affect through its own actions.

Below, some of the risk factors management considers as being of special importance to the Group are described in no specific order. Asetek conducts its business with significant focus on continuous risk monitoring and management. The overall goal of risk management is to ensure that the company is run with a level of risk, which is in a sensible ratio to the activity level, the nature of the business, and the company's expected earnings and equity.

Insurance. It is the company's policy to cover all relevant risk areas with commercially available insurance products. This currently includes insurance for product liability, operating material and inventory as well as compulsory coverage, which varies from country to country. Management assessments indicate that the necessary and relevant precautions have been taken to thoroughly cover insurance issues. Asetek's insurance policies and overall coverage approach are reviewed at least annually.

Credit risk. The credit risk is the risk of a counterpart neglecting to fulfill its contractual obligations and in so doing imposing a loss on Asetek. The Group's credit risk originates mainly from receivables from the sale of products as well as deposits in financial institutions. Receivables from the sale of products are split between many customers and geographic areas. A systematic credit evaluation of all customers is conducted, and the rating forms the basis for the payment terms offered to the individual customer. The credit risk is monitored centrally.

Foreign exchange rates. Substantially all of Asetek's revenue is billed in USD. However, many customers resell Asetek products to end users in countries where USD is not the transactional currency. As a result, there is a risk that fluctuations in currency will affect the cost of product to the end user and negatively impact market demand for Asetek products. The USD has appreciated against the DKK, Euro and Japanese Yen by more than 10% since January 2014, with the most significant changes occurring in the last 6 months of 2014, and continuing into 2015. Asetek estimates that about one third of its sold products ultimately are delivered in Europe or Japan, which are the two geographical areas estimated to have the largest potential impact due the USD appreciation.

Asetek's raw materials are predominantly purchased from vendors whose underlying currency is CNY. The USD has been stable versus the CNY during 2014, and Asetek can therefore not expect to pass on a significant portion of its currency risk to its vendors. While Asetek recognizes that a USD appreciation will add negative sales price pressure, Asetek has only seen a very limited reaction from its markets. Asetek believes that other factors in the end users' buying decision play a larger role than a possible 10% price increase on the liquid cooling component. In addition, Asetek believes that competing products will be prone to the same exchange rate scenarios as Asetek.

Approximately 30-40% of Asetek's overhead expenses are denominated in DKK. If the DKK continues at a devaluation of 10% relative to the USD, management expects that the related impact to the Group's overhead expenses compared to prior years would be at the level of 3-4%.

Asetek strives to match expenses against income and liabilities against assets. Furthermore, as many expenses and liabilities as feasible are denominated in USD. Despite this, increased fluctuations in USD vs. DKK and CNY will have an influence on the financial position. The Group has not entered into any forward exchange instruments.

Product innovation and market development. The company's future success, including the opportunities to ensure growth, depends on the ability to continue developing new solutions and products adapted to the latest technology and the clients' needs as well as improving existing solutions and market position. Asetek has in recent years increased its focus and investments on building the market for datacenter liquid cooling products.

Projects and contracts. It is of significant importance to Asetek's overall success that development projects are executed at high quality and at predetermined timeframes and cost prices. Risks are attached to the sale, analysis and design, development and initial manufacturing phases. Asetek has carefully defined the individual phases and the activities contained therein, with a view to active risk management and efficient implementation. Through project reviews and ongoing analyses before, during, and after initiation, Asetek works to ensure that agreements are adhered to and that revenue and margins are as planned.

Employee relations. Asetek is a knowledge-intensive company and in order to continuously offer optimal solutions, develop innovative products, and ensure satisfactory financial results, it is necessary to attract and develop the right employees. Asetek has the goal of being an attractive workplace and achieves this through various programs including an option incentive program, and attractive working conditions. The company seeks to support a company culture founded on individual responsibility and performance as well as team accomplishment.

STATUTORY REPORT ON CORPORATE SOCIAL RESPONSIBILITY

Code of conduct. Asetek's Code of Business Conduct Ethics is the general ethical guideline for business conduct to ensure that Asetek on a global level is dedicated to promote ethical business practices and protect Asetek against corruption and other unethical business behavior. The business conduct guidelines can be found at http://asetek.com/investor-relations/corporate-governance/ethical-guidelines.aspx.

Transparency and credibility. Asetek is committed to show complete openness towards shareholders, customers, employees, suppliers and other stakeholders. It is essential that their understanding of the business and products is accurate, updated and truthful.

Anti-corruption. Asetek will not tolerate corruption, money laundering, bribery or other illegal or unethical business activity. The Company's performance and competitiveness are strengthened solely through lawful conduct. The group's anti-corruption position has been clearly communicated to all employees. Furthermore, Asetek has implemented an Ethics Website operated by a third party company. Via the website, all stakeholders can keep themselves informed about Asetek's policies as well as report any concern to the company's leadership.

Internal environment and knowledge resources. Asetek recognizes that its employees are its key assets and it is committed to maintaining a stimulating working environment that offers opportunity for both personal and professional development. The Company maintains a team-oriented culture where all employees have the opportunity to contribute significantly to the success of the Company. This is also necessary to continue to attract and retain highly qualified employees within the computer industry. Asetek welcomes applications for employment from all sectors of the community and strives to promote equal opportunity of employment to all. The Group maintains a positive working environment and sick leave and turnaround is not significant. No working accidents or injuries occurred in 2014.

Equal Opportunities. The Board of Directors decided in October 2013 that it is Asetek's goal to have at least 15% female representation at board and management level by 2016. At the end of 2014, the Board of Directors consists of 100% male members and hence the goal has not been met. There have been no open board seats or rotation during 2014 to effectively enable increased equality. When evaluating new potential board members in the future, the Board of Directors will encourage female candidates, while it at the same time will continue to search for relevant experience, which can be quite specific to Asetek. On the management level, there is over 15% female representation, and the goal is met. Women are actively encouraged to apply for open positions in the Company. Asetek expects to be able to increase its female representation in the senior management group by one person.

External environment. Asetek Group operations' effect on the environment is minimal and is typical for a supplier of computer components. The manufacturing operations are outsourced to a commercial manufacturer in China, which is continuously monitored on various factors relating to the environment and other social responsibilities. The principal source of strain on the environment from the business is related to shipment of inventory, which is conducted in accordance with normal routine commerce.

Adherence to Human Rights Principles. Asetek supports the fundamental principles of EICC (Electronic Industry Citizenship Coalition) on human rights, employees' rights, child labor, health and safety, environment and anticorruption. Asetek requires that its suppliers respect and conform to the same principles. Asetek periodically reviews via its supplier review and evaluation process that its suppliers conform to the principles. The principles can be found at http://www.eicc.info/eicc_code.shtml

Social responsibility program. While the Company has not at this point developed a formal program of CSR policies, Asetek complies with the laws and regulations in each of the countries in which it operates.

CORPORATE GOVERNANCE

The work of the board of directors

Asetek's management model and organization are adapted continuously to ensure the Company is equipped to manage all obligations to shareholders, customers, employees, authorities and other stakeholders to the utmost. In this process, Asetek uses the corporate governance recommendations from NASDAQ OMX Copenhagen as an important source of inspiration. The recommendations can be found at www.corporategovernance.dk.

The Board of Directors is fundamentally in full agreement with NASDAQ OMX Copenhagen's recommendations about good company governance. Asetek endeavors to follow the relevant recommendations for the company, which support the business and ensure value for the company's stakeholders. The statutory report on Corporate Governance, cf. section 107b of the Danish Financial Statements Act, is available on the Company's website: http://asetek.com/media/91620/Form-for-reporting-on-the-recommendations-on-corporate-governance-2014.pdf.

Dialogue between the company and its shareholders. The communication between Asetek and shareholders primarily takes place at the company's annual general meeting and via company announcements. Asetek shareholders are encouraged to subscribe to the e-mail service to receive company announcements, interim management statements, interim reports and annual reports as well as other news via e-mail.

The general meeting. The general meeting has the final authority over the company. The Board of Directors emphasize that the shareholders are given detailed information and an adequate

basis for the decisions to be made by the general meeting.
The general meeting elects the Board of Directors, which currently consists of six members. The board members are elected for one year at a time with the option for re-election.

Amendment of Articles of Association. Unless otherwise required by the Danish Companies Act, resolutions to amend the Articles of Association must be approved by at least 2/3 of the votes cast as well as at least 2/3 of the voting share capital represented at the General Meeting.

Board responsibilities. The Board of Directors' main tasks include participating in developing and adopting the Company's strategy, performing the relevant control functions and serving as an advisory body for the executive management. The Board reviews and adopts the Company's plans and budgets. Items of major strategic or financial importance for the Company are items processed by the Board. The Board is responsible for hiring the CEO and defining his or her work instructions as well as setting of his or her compensation. The Board periodically reviews the Company's policies and procedures to ensure that the Group is managed in accordance with good corporate governance principles, upholding high ethics.

Financial reporting. The Board of Directors receives regular financial reports on the Company's business and financial status.

Notification of meetings and discussion of items. The Board schedules regular meetings each year. Ordinarily, the Board meets 4-6 times a year. The meetings are typically conducted in either the facility in Aalborg, Denmark or in San Jose, California. Additional meetings may be convened on an ad hoc basis.

All Board members receive regular information about the Company's operational and financial progress in advance of the scheduled Board meetings.

The Board members also regularly receive operations reports and participate in strategy reviews. The Company's business plan, strategy and risks are regularly reviewed and evaluated by the Board. The Board Members are free to consult the Company's senior executives as needed. Ordinarily, the Chairman of the Board proposes the agenda for each Board meeting. Besides the Board Members, Board meetings are attended by the Executive Board. Other participants are summoned as needed. The Board approves decisions of particular importance to the Company including the strategies and strategic plans, the approval of significant investments, and the approval of business acquisitions and disposals.

Conflicts of interest. In a situation involving a member of the Board personally, this member will exclude him or herself from the discussions and voting on the issue.

Use of Committees. Currently, the Company has a Nomination Committee, an Audit Committee and a Compensation Committee.

- The Nomination Committee is elected directly by the General Meeting. The Committee consists of three members and must be independent from the Board of Directors and the management, however, it is recommended that the chairman of the Board of Directors is a member. The tasks include proposing candidates for the Board of Directors, propose remuneration for the Board of Directors as well as perform the annual assessment of the Board of Directors. Members: Ib Sønderby (chairman), Thomas Vogt and Samuel Szteinbaum.
- The Audit Committee is elected among the members of the Board of Directors and has responsibilities related to financial reporting, the independent auditor, internal reporting and risk management. The Committee consists of two shareholder-elected Board members. The other Board members are entitled to attend if they so desire. Members: Knut Øversjøen (Chairman) and Chris Christopher.
- The Compensation Committee has responsibilities related to developing proposals for the applicable remuneration policy and execution of the Management Board. Members: Samuel Szteinbaum (Chairman) and Bengt Olof Thuresson.

The Board's self-evaluation. The Board's composition, competencies, working methods and interaction are discussed on an ongoing basis and evaluated formally on an annual basis. In this connection, the Board also evaluates its efforts in terms of corporate governance.

The composition of the Board is considered appropriate in terms of professional experience and relevant special competences to perform the tasks of the Board of Directors. The Board of Directors continuously assesses whether the competences and expertise of members need to be updated. At least half of the members elected by the general meeting are independent persons, and none of the Board members participates in the day-to-day operation of the Company.

A comprehensive list of other management positions held by the Board members can be found in note 24.

Risk management. Refer to the Risk Exposure and Management section of the Management Report as well as Note 3 of the consolidated financial statements.

The board's authorization to issue shares

At the general meeting held on August 13, 2013 the Board was authorized to issue shares with a nominal value of up to DKK 80,000 for the period until August 14, 2018 in connection with employee warrant programs.

At the Board of Directors meeting on April 23, 2014 warrants permitting subscription of up to 118,210 shares of a nominal value of DKK 0.10 and at an exercise price of NOK 40.10 per share were issued. The exercise price was established as the share price ("closing price") for the Company's share as of the prior day. The warrants were issued to employees and Board members.

At the Board of Directors meeting on August 12, 2014 warrants permitting subscription of up to 32,970 shares of a nominal value of DKK 0.10 and at an exercise price of NOK 33.90 per share were issued. The exercise price was established as the share price ("closing price") for the Company's share as of the prior day. The warrants were issued to employees and Board members.

In addition to the above, the Board is authorized to buy and sell Company shares to treasury.

Remuneration of the board of directors

Board members representing their Company's ownership interests are not compensated for their services. Independent board members received share option grants in lieu of cash remuneration in 2014. Please see note 24 for further details.

Remuneration of the executive staff

The Remuneration Committee recommends to the Board, and the Board sets, the terms of employment of the members of the Management Board. Each year, the Remuneration Committee undertakes a review of salary and other remuneration to the CEO as well as for other members of the Management Board.

A summary of the agreements between the Company and its management board members pertaining to termination can be found in note 6.

The option program and the allocation of options to the employees and Board members are decided upon by the Board of Directors.

STATEMENT BY MANAGEMENT

The Executive Board and the Board of Directors have today considered and adopted the Annual Report of Asetek A/S for the financial year January 1 to December 31, 2014. The annual report is prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed companies.

In our opinion, the Consolidated Financial Statements and Financial Statements give a true and fair view of the financial position at December 31, 2014 of the Group and the Parent company and of the results of the Group and Parent company operations and cash flows for 2014.

In our opinion, Management's Report includes a true and fair account of the development in the operations and financial circumstances of the Group and the Parent company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Parent company.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Aalborg, Denmark
April 28, 2015

Executive Board

André Sloth Eriksen
Chief Executive Officer

Peter Dam Madsen
Chief Financial Officer

Board of Directors

Samuel Szteinbaum, Chairman

Chris J. Christopher

Jim McDonnell

Bengt Olof Thuresson

Peter Gross

Knut Øversjøen

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Asetek A/S

Report on Consolidated Financial Statements and Parent Company Financial Statements

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Asetek A/S for the financial year 1 January to 31 December 2014, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including summary of significant accounting policies, for the Group as well as for the Parent Company. The Consolidated Financial Statements and the Parent Company Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Management's Responsibility for the Consolidated Financial Statements and the Parent Company Financial Statements

Management is responsible for the preparation of Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies, and for such internal control as Management determines is necessary to enable the preparation of Consolidated Financial Statements and Parent Company Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Consolidated Financial Statements and the Parent Company Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Consolidated Financial Statements and the Parent Company Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements and the Parent Company Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements and the Parent Company Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Consolidated Financial Statements and the Parent Company Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The audit has not resulted in any qualification.

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2014 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2014 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Statement on Management's Report

We have read Management's Report in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Consolidated Financial Statements and the Parent Company Financial Statements. On this basis, in our opinion, the information provided in Management's Report is consistent with the Consolidated Financial Statements and the Parent Company Financial Statements.

Aalborg, April 28, 2015
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Henrik Trangeled Kristensen
State Authorised Public Accountant

Michael Stenskrog
State Authorised Public Accountant

PROFIT & LOSS

Asetek A/S
Consolidated Statement of Comprehensive Income
For the years ended December 31, 2014 and 2013

USD 000's	Note	2014	2013
Revenue	4	20,847	20,729
Cost of sales	8	(12,137)	(12,680)
Gross profit		**8,710**	**8,049**
Research and development		(3,556)	(4,492)
Selling, general and administrative		(14,664)	(11,236)
Foreign exchange (loss)/gain		(298)	(80)
Total operating expenses	8	**(18,518)**	**(15,808)**
Operating loss		**(9,808)**	**(7,759)**
Finance income	9	2	1,865
Finance costs	9	(89)	(830)
Total financial income (expenses)		**(87)**	**1,035**
Loss before tax		**(9,895)**	**(6,724)**
Income tax benefit	10, 11	1,138	443
Loss for the year		**(8,757)**	**(6,281)**
Other comprehensive income items that may be reclassified to profit or loss in subsequent periods:			
Foreign currency translation adjustments		335	52
Total comprehensive loss		**(8,422)**	**(6,229)**
Income per share: (in USD)			
Basic		(0.62)	(0.46)
Diluted		(0.62)	(0.46)

All operations are continuing.

The Notes on the following pages are an integral part of these consolidated financial statements.

BALANCE SHEET

Asetek A/S
Consolidated Balance Sheet
As of December 31, 2014 and 2013

USD 000's	Note	2014	2013
ASSETS			
Non-current assets			
Intangible assets	14	2,334	1,823
Property and equipment	15	730	1,096
Other assets		292	330
Total non-current assets		**3,356**	**3,249**
Current assets			
Inventory	17	1,102	1,074
Trade receivables and other	16	4,186	4,997
Cash and cash equivalents		4,170	11,663
Total current assets		**9,458**	**17,734**
Total assets		**12,814**	**20,983**
EQUITY AND LIABILITIES			
Equity			
Share capital	18	264	264
Share premium	18	64,451	64,357
Accumulated deficit		(57,307)	(49,490)
Translation and other reserves		14	(323)
Total equity		**7,422**	**14,808**
Non-current liabilities			
Long-term debt	18, 19	309	243
Other long-term liabilities	19	-	232
Total non-current liabilities		**309**	**475**
Current liabilities			
Short-term debt	19	300	420
Accrued liabilities		1,255	802
Accrued compensation and employee benefits		882	995
Trade payables		2,646	3,483
Total current liabilities		**5,083**	**5,700**
Total liabilities		**5,392**	**6,175**
Total equity and liabilities		**12,814**	**20,983**

The Notes on the following pages are an integral part of these consolidated financial statements.

CASH FLOWS

Asetek A/S
Consolidated Cash Flow Statement
For the years ended December 31, 2014 and 2013

USD 000's	Note	2014	2013
Cash flows from operating activities			
Loss for the year		(8,757)	(6,281)
Depreciation and amortization	14, 15	1,771	2,030
Finance costs (income)	9	87	(1,035)
Income tax expense (income)	10, 11	(1,138)	(443)
Impairment of intangible assets		36	62
Cash receipt (payment) for income tax		204	222
Share based payments expense	7	940	593
Changes in trade receivables, inventories, other assets		1,264	(1,109)
Changes in trade payables and accrued liabilities		(230)	1,406
Net cash used in operating activities		**(5,823)**	**(4,555)**
Cash flows from investing activities			
Additions to intangible assets	14	(1,873)	(2,128)
Additions to other assets		-	(314)
Purchase of property and equipment	15	(172)	(631)
Net cash used in investing activities		**(2,045)**	**(3,073)**
Cash flows from financing activities			
Cash received for finance of previously purchased equipment		279	-
Long-term deposit received from sub-lessee		-	234
Cash payments on long-term debt	18, 19	-	(3,621)
Funds drawn (paid) against line of credit		(141)	57
Cash payments for interest on long-term debt		-	(461)
Proceeds from issuance of share capital	18	96	25,099
Cash paid for fees related to IPO	18	-	(3,405)
Principal and interest payments on finance leases		(145)	(42)
Net cash provided by financing activities		**89**	**17,861**
Effect of exchange rate changes on cash and cash equivalents		286	182
Net changes in cash and cash equivalents		**(7,493)**	**10,415**
Cash and cash equivalents at beginning of period		11,663	1,248
Cash and cash equivalents at end of period		**4,170**	**11,663**
Supplemental disclosure - non-cash transactions			
Property and equipment acquired on finance leases	15	-	321

The Notes on the following pages are an integral part of these consolidated financial statements.

EQUITY

Asetek A/S
Consolidated Statement of Changes in Equity
For the years ended December 31, 2014 and 2013

(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 for 2013						
Loss for the year	-	-	-	-	(6,281)	(6,281)
Foreign currency translation adjustments	-	-	52	-	-	52
Total comprehensive loss for 2013	-	-	52	-	(6,281)	(6,229)
Transactions with owners in 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 in 2013	**262**	**60,838**	**-**	**(14)**	**593**	**61,679**
Equity at December 31, 2013	**264**	**64,357**	**(309)**	**(14)**	**(49,490)**	**14,808**
Total comprehensive income for 2014						
Loss for the year	-	-	-	-	(8,757)	(8,757)
Foreign currency translation adjustments	-	-	335	-	-	335
Total comprehensive loss for 2014	**-**	**-**	**335**	**-**	**(8,757)**	**(8,422)**
Transactions with owners in 2014						
Shares issued	-	94	-	2	-	96
Share based payment expense	-	-	-	-	940	940
Transactions with owners in 2014	**-**	**94**	**-**	**2**	**940**	**1,036**
Equity at December 31, 2014	**264**	**64,451**	**26**	**(12)**	**(57,307)**	**7,422**

The Notes on the following pages are an integral part of these consolidated financial statements.

NOTES

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 datacenter 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, China and Taiwan. 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 did not have a material effect on the Group's operating results or consolidated equity. The Group's results for 2013 and 2014 are therefore presented on a comparative basis in this report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1. Basis of preparation

The consolidated financial statements have been prepared on a historical cost convention, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the supplementary Danish information requirements for class D publicly listed companies.

2.2. Consolidation

The consolidated financial statements comprise the Company and its consolidated subsidiaries. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Intercompany transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from the intercompany transactions that are recognized in assets are also eliminated. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the income statement.

2.3. Foreign currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of the Company's operations in the United States of America, Denmark and China are the U.S. dollar, Danish kroner, and Chinese Yuan Renminbi, respectively. The consolidated financial statements are presented in U.S. dollars, which is the Group's presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized as operating expense in the income statement in foreign exchange (loss)/gain. Group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates;

- All resulting exchange differences are recognized in other comprehensive income

2.4. Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is provided over the estimated useful lives of the depreciable assets, generally three to five years, using the straight-line method. The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized as operating expenses in the consolidated income statement. Property and equipment is grouped as follows:

Group	Estimated Useful Life
Leasehold improvements	Lesser of 5 years or lease term
Plant and machinery	5 years
Tools, equipment, fixtures	3 to 5 years

2.5. Research and development

Research costs are expensed as incurred. Costs directly attributable to the design and testing of new or improved products to be held for sale by the Group are recognized as intangible assets within development projects when all of the following criteria are met:

- It is technically feasible to complete the product so that it will be available for sale;
- management intends to complete the product and use or sell it;
- there is an ability to use or sell the product;
- it can be demonstrated how the product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
- the expenditure attributable to the product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the product include the employee costs associated with development and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognized as expense when incurred. Development costs previously recognized as expense are not recognized as an asset in a subsequent period. Development costs recognized as assets are amortized on a straight-line basis over their estimated useful lives, which generally range between three and forty-eight months. Amortization expense related to capitalized development costs is included in research and development expense.

2.6. Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of 1) an asset's fair value less costs to sell or 2) its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that previously suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7. Financial assets

Recognition and Measurement. The Group determines the classification of its financial assets at initial recognition. Financial assets within the scope of IAS 39 are classified as follows:

- 'Financial assets at fair value through profit or loss' are financial assets held for trading, and are classified as current if they are expected to be settled within twelve months.
- 'Loans and receivables' are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets except when they have maturities of twelve months or more from the balance sheet date.
- 'Available-for-sale financial assets' are all others that are designated in this category or not classified in the other categories.

For all years presented, the Group's financial assets include only 'loans and receivables'.

Impairment of financial assets. For financial assets carried at amortized cost, the Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated income statement. As of December 31, 2014, the Company has not incurred any impairment losses on financial assets.

2.8. Financial liabilities

Recognition and measurement. Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or other liabilities. The Group determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognized initially at fair value less, in the case of other liabilities, directly attributable transaction costs. The measurement of financial liabilities depends on their classification as follows:

- 'Financial liabilities at fair value through profit or loss' are liabilities entered into that do not meet the hedge accounting criteria as defined by IAS 39. Gains or losses on liabilities held for trading are recognized in profit and loss.
- 'Other liabilities' – After initial recognition, interest bearing debt is subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the amortization process. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.
- 'Trade payables' are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Trade payables are classified as current liabilities if payment is due within one year or less.
- Redeemable convertible preferred shares and convertible debt are accounted for as specified in Note 2.14

Offsetting of financial instruments. Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2.9. Inventories

Inventories are stated at the lower of actual cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) method. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale. Adjustments to reduce the cost of inventory to its net realizable value, if required, are made for estimated excess, obsolescence, or impaired balances.

2.10. Trade receivables

Trade receivables are amounts due from customers for product sold in the ordinary course of business. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less any provision for impairment. If collection is expected in one year or less, trade receivables are classified as current assets.

2.11. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits with banks, overdrafts and other short-term highly liquid investments with original maturities of three months or less.

2.12. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.13. Share-based payments

The Company issues options (or warrants) that allow management and key personnel to acquire shares in the Company. Through equity-settled, share-based compensation plans the Company receives services from employees as consideration for equity instruments options to purchase shares in the Company at a fixed exercise price. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions. The grant date fair value of options granted is recognized as an employee expense with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options (vesting period). The fair value of the options granted is measured using the Black-Scholes model, taking into account the terms and conditions as set forth in the share option program. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on historical volatility of comparable companies with publicly available share prices), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on the U.S. Treasury yield curve). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value. At each reporting date, the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. The impact of the revision to original estimates, if any, is recognized in the Statement of Comprehensive Income, with a corresponding adjustment to equity.

2.14. Redeemable convertible preferred shares and convertible debt

In 2012 the Company had redeemable convertible preferred shares and convertible debt outstanding that was converted to share capital in the Company's initial public offering of common shares ('IPO') in March 2013. See Note 18.

Redeemable convertible preferred shares. The redeemable preferred shares were recognized initially upon issuance at the difference between the net proceeds of the instrument as a whole and the fair value of the equity conversion option. Because the holders' ability to redeem these shares upon change in control generates an unavoidable obligation to deliver cash, the host instrument and equity conversion option were each classified as a current liability on the balance sheet prior to their conversion. Due to the financial protection provided to its holders with regard to subsequent offerings, the equity conversion component was accounted for as a derivative liability and carried at fair value prior to its conversion at the IPO. Changes in the fair value of the equity conversion component were recorded as finance income or cost.

Convertible debt. The Company's convertible debt included terms allowing the holders to convert their portion of the loan to common shares at a discount below the share price in the event of an initial public offering, therefore making it a financial instrument with embedded derivative features. As a result, the Company designated this financial instrument in its entirety to be valued at fair value through profit or loss as allowed under IAS 39. Changes in the fair value of the convertible debt were recorded as finance income or cost.

2.15. Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Management establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.16. Revenue recognition

Revenue represents sale of the Group's products to customers which are principally resellers and original equipment manufacturers. Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, sales tax, returns and after eliminating sales within the Group.

The Group recognizes revenue when shipment or delivery has occurred, the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow to the entity. Customer purchase orders and/or contracts are used as evidence of an arrangement. Delivery occurs when products are shipped to the specified location and the risks of obsolescence and loss have been transferred to the customer. For certain customers with vendor-managed inventory, delivery does not occur until product is acquired by the customer from the vendor-managed inventory location. The Company assesses collectability based primarily on the creditworthiness of the customer as determined by credit checks and customer payment history. Customers do not generally have a right of return.

The Company enters into contracts with the United States government to deliver products and services under time and materials and costs-plus arrangements. Revenue under such contracts is recorded as costs are incurred and includes estimated earned fees in proportion that costs incurred-to-date bear to total estimated costs. The Company also periodically receives funding awards from government agencies to assist with the development and testing of specific technologies. Such awards are recognized over the period that the costs are incurred and are recorded as an offset to research and development expense.

2.17. Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease.

The Group leases certain property and equipment. Leases of property and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases and the asset is accounted for as if it has been purchased outright. The amount initially recognized as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments over the term of the lease.

Finance lease payments are allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. Amounts due within one year are classified as current liabilities. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.18. Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. If the impact of time value is significant, the provision is calculated by discounting anticipated future cash flow using a discount rate before tax that reflects the market's pricing of the present value of money and, if relevant, risks specifically associated with the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2.19. Contingent liabilities

Contingent liabilities are not recognized in the financial statements. Significant contingent liabilities are disclosed, with the exception of contingent liabilities where the probability of the liability occurring is remote.

2.20. Segment reporting

Business segmentation. Beginning in January 2013, the Group is reporting on two distinct segments: Desktop and Datacenter. 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, foreign exchange and headquarters administration have been classified separately as headquarters costs and excluded from segment operating expenses as indicated. The CEO is the Group's chief operating decision-maker. The CEO assesses the performance of each segment principally on measures of revenue, gross margins, and adjusted EBITDA.

Geographical segmentation. Each of the Group's offices in its three principal geographies fulfills a particular function that serves the Asetek Group as a whole. The majority of costs incurred in each of the geographies are generally incurred for the benefit of the entire Group and not to generate revenue in the respective geography. As a result, the financial results of the Group are not divided between multiple geographical segments for key operating decision-making. Revenue and assets by geography is measured and reported in Note 4, Geographical information.

2.21. Cash flow statement

The cash flow statement is prepared using the indirect method.

2.22. Critical accounting estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Areas where significant judgment has been applied are:

- Capitalization of development costs: 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. The application of this policy involves the ongoing consideration by management of the forecasted economic benefit from such projects compared to the level of capitalized costs, together with the selection of amortization periods appropriate to the life of the associated revenues from the product. If customer demand for products or the useful lives of products vary from management estimates, impairment charges on intangibles could increase.
- Valuation of deferred tax assets: deferred income tax assets are recognized to the extent that the realization of the tax benefit to offset future tax liabilities is considered to be probable. Due to historical losses and uncertainty regarding future taxable profits, the group has not recognized deferred income tax assets since inception. In future periods, management will continue to assess the probability of realization of the assets' value and record or adjust the valuation in accordance with IAS 12.
- Provision for excess/obsolete inventory: management's forecast of revenue by product is a factor in determination of inventory reserves. If future customer demand or ordering patterns vary from management estimates, inventory may be overstated.
- Share based compensation: expenditures related to share based compensation are sensitive to assumptions used in calculation of fair value. If the volatility, expected life or risk-free interest rates differ materially from management's assumptions, the share based compensation expense could fluctuate.

2.23. Defined contribution plan

In 2008, the Company established a defined contribution savings plan (the "Plan") in the U.S. that meets the requirements under Section 401(k) of the U.S. Internal Revenue Code. This Plan covers substantially all U.S. employees who meet the minimum age and service requirements and allows participants to defer a portion of their annual compensation on a pre-tax basis. Company contributions to the Plan may be made at the discretion of the board of directors. Through December 31, 2014, there have been no contributions made to the Plan by the Company.

2.24. Changes in accounting policy and disclosures

Applied new standards and amendments included in Annual Report for 2014. A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2014, and have been applied in preparing these consolidated financial statements. None of these have a significant effect on the consolidated financial statements of the Group.

New standards and amendments not applied in the Annual Report for 2014. A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

EU Endorsed as of December 31, 2014

Standard	Content	Effective date
Amendment to IAS 19: Defined benefit Plans: Employee contributions	The amendment sets out more detailed guidance in respect of measurement of defined benefit plans with employee contributions.	**July 1 2014**
Annual Improvements 2010-2012 cycle	Introduces minor amendments to IFRS 2 Share-based Payment, IFRS 3, Business combinations, IFRS 8, Operating segments, IFRS 13 Fair Value Measurement, IAS 16, Property, plant and equipment, IAS 24, Related party disclosures, IAS 38, Intangible assets.	**July 1 2014**
Annual improvements 2011-2013 cycle	Introduces minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 3, Business combination, IFRS 13 Fair Value Measurement, IAS 40 Investment Property.	**July 1 2014**

Not endorsed by EU as of December 31, 2014

Standard	Content	Effective date
IFRS 9, Financial instruments	Financial assets are classified into three measurement categories: those measured at fair value through profit or loss, fair value through other comprehensive income and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. Changes in fair value of non-derivative financial liabilities which are designated at fair value are recognized in other comprehensive income. The standard introduces a new hedge accounting model that is designed to be more closely aligned with risk management activities. Among other amendments, it introduces the possibility to hedge portions of non-financial items, the possibility to defer recognition of option premiums in cash flows hedges and an option to designate commodity contracts at fair value through profit or loss if this eliminates or significantly reduces an accounting mismatch. Finally, the standard introduces new impairment provisions based on an expected loss model.	**January 1 2018**

3. RISK MANAGEMENT AND DEBT

The group's activities expose it to a variety of risks: liquidity risk, market risk (including foreign exchange risk and interest rate risk) and credit risk. The primary responsibility for Asetek's risk management and internal controls in relation to the financial reporting process rests with executive management. Asetek's internal control procedures are integrated in the accounting and reporting systems and include procedures with respect to review, authorization, approval and reconciliation. Management is in charge of ongoing efficient risk management, including the identification of material risks, the development of systems for risk management, and that significant risks are routinely reported to the board of directors.

Liquidity risk. The Group has incurred losses from operations and negative cash flows from operations since inception. In 2013, the Group secured liquidity through its initial public offering of common shares. Previously the Group has issued convertible preferred shares, convertible debt and notes payable to shareholders, and continues to secure bank lines of credit and trade receivables financing. The Group's corporate finance team monitors risk of a shortage of funds through regular updates and analysis of cash flow projections and maturities of financial assets and liabilities. The finance teams also review liquidity, balance sheet ratios (such as days' sales outstanding, inventory turns) and other metrics on a regular basis to ensure compliance both on a short- and long-term basis.

The following are contractual maturities of financial liabilities, including estimated interest payments on an undiscounted basis.

Debt Maturities

As of December 31, 2014

(USD 000's)	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Line of credit	(223)	-	-	-	(223)
Finance leases	-	(23)	(54)	(309)	(386)
Lease deposit	-	-	(204)	-	(204)
Trade payables and accrued liabilities	-	(4,217)	(362)	-	(4,579)
	(223)	**(4,240)**	**(620)**	**(309)**	**(5,392)**

As of December 31, 2013

(USD 000's)	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Line of credit	(364)	-	-	-	(364)
Finance leases	-	(14)	(42)	(243)	(299)
Lease deposit	-	-	-	(232)	(232)
Trade payables and accrued liabilities	-	(4,880)	(399)	-	(5,280)
	(364)	**(4,894)**	**(441)**	**(475)**	**(6,175)**

Market risk factors. The Group's current principal financial liabilities consist of short-term debt on revolving lines of credit. The Group's financial assets mainly comprise trade receivables, cash and deposits. The Group's operations are exposed to market risks, principally foreign exchange risk and interest rate risk.

(a) Foreign exchange risk. With few exceptions, the Group's inventory purchase and sale transactions are denominated in U.S. dollars. The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures, principally with respect to the Danish kroner. Foreign exchange risk arises from operating results and net assets associated with Denmark-based operations where the Danish krone is the functional currency. The Company's Denmark entity has a revolving line of credit available totaling 2.0 million Danish kroner ($0.3 million). The Group does not enter into derivatives or other hedging transactions to manage foreign exchange risk. Management mitigates this exposure through timely settlement of intercompany operating liabilities.

The ending exchange rate at December 31, 2014 was 6.12 Danish kroner to one U.S. dollar (5.41 to the U.S. dollar at December 31, 2013). The effect of a 10% strengthening (weakening) of the Danish kroner against the U.S. dollar for the reporting period would have resulted in an increase (decrease) in post-tax loss for fiscal year 2014 of $23,000 and comparable increase in 2013 of $287,000.

(b) Interest rate risk. As of December 31, 2014, Asetek had the following debt outstanding that is subject to interest rate risk:

- Line of credit with Sydbank – 2.0 million Danish kroner revolving line of credit available to Asetek A/S. Total line in USD is approximately $0.3 million, $0.2 million of which was outstanding at December 31, 2014. The line carries interest at the Danish CIBOR 3 rate plus 4.5 percentage points, which in total was 4.8% at December 31, 2014. Based on the line's revolving, short-term nature, interest rate risk is not significant.

Capital and debt management. Because the Company is in the relatively early stages of developing its market, its primary focus has been to support its product development initiatives, maintain liquidity through use of financing alternatives, and maximize shareholder value. The Group manages its capital and debt structure with consideration of economic conditions. In March 2013, the Company completed an initial public offering on the Oslo Stock Exchange, raising net $21.4 million, to support its market strategies and liquidity needs. In the first quarter 2015, the Company raised $11.6 million of net proceeds through a private placement of equity. In April 2015, the Company issued an additional 480 thousand new shares in a public offering at NOK 10.00 per share, receiving proceeds of $0.6 million (reference Note 25). With regard to future capital needs, the Company will continue to consider both equity and debt financing strategies.

Credit risk factors. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to credit risk primarily through trade receivables and cash deposits. Management mitigates credit risk through standard review of customer credit-worthiness and maintaining its liquid assets principally with reputable banks, principally Wells Fargo Bank in the U.S. and Sydbank in Denmark. The carrying amount of the financial assets represents the maximum credit exposure. Trade receivables that are deemed uncollectible are charged to expense with an offsetting allowance recorded against the trade receivable. In 2014, two customers accounted for 32% and 18% of revenues, respectively. In 2013, three customers accounted for 26%, 22% and 10% of revenues, respectively. At December 31, 2014, three customers represented 36%, 15% and 14% of outstanding trade receivables, respectively. At December 31, 2013, one customer represented 24% of outstanding trade receivables. The reserve for uncollectible trade accounts was $48,000 at December 31, 2014 (2013: $441,000). The aged trade receivables and bad debt reserve balances for all years presented are provided in Note 16.

The maximum exposure to credit risk at the reporting dates was:

(USD 000's)	2014	2013
Cash and cash equivalents	4,170	11,663
Trade receivables and other	4,186	4,997
Other assets	292	330
Maximum credit exposure	**8,648**	**16,990**

4. GEOGRAPHICAL INFORMATION

The Group operates internationally in several geographical areas mainly in Asia, Europe and the Americas.

The following table presents the Group's revenue and assets in each of the principal geographical areas:

(USD 000's)		2014	
	Revenue	Current assets	Non-current assets
Asia	15,344	2,641	12
Americas	3,697	1,302	609
Europe	1,806	5,515	2,734
Total	**20,847**	**9,458**	**3,356**

(USD 000's)		2013	
	Revenue	Current assets	Non-current assets
Asia	15,801	3,967	19
Americas	2,464	1,450	537
Europe	2,464	12,317	2,693
Total	**20,729**	**17,734**	**3,249**

Revenue in Denmark (country of domicile) was $0.1 million in 2014 ($0.1 million in 2013). Non-current assets in Denmark were $2.7 million in 2014 ($2.7 million in 2013).

For the purpose of the above presentation, the information pertaining to revenue and current assets is calculated based on the location of the customers, whereas information pertaining to non-current assets is based on the physical location of the assets. The information pertaining to current assets is calculated as a summation of assets such as trade receivables and finished goods inventories reasonably attributable to the specific geographical area.

5. SEGMENT INFORMATION

From Company inception through December 2012, all Asetek operations were considered to be one segment: Desktop. Beginning in January 2013, the Group added a second segment: Data center. The Desktop and Data center segments are identified by their specific sets of products and specific sets of customers.

The CEO is the Group's chief operating decision-maker. The CEO assesses the performance of each segment principally on measures of revenue, gross margins, and adjusted EBITDA. The following tables represent the results by operating segment in 2014 and 2013.

Condensed income statement - years ended December 31,	**2014**				**2013**			
(USD 000's)	**Desktop**	**Datacenter**	**Not allocable to divisions**	**Total**	**Desktop**	**Datacenter**	**Not allocable to divisions**	**Total**
Revenue	19,318	1,529	-	20,847	19,925	804	-	20,729
Cost of goods sold, less depreciation	11,124	956	-	12,080	11,781	639	112	12,532
Gross profit	**8,194**	**573**	**-**	**8,767**	**8,144**	**165**	**(112)**	**8,197**
Operating costs	4,915	6,102	4,847	15,864	3,845	6,560	2,928	13,333
Adjusted EBITDA	**3,279**	**(5,529)**	**(4,847)**	**(7,097)**	**4,299**	**(6,395)**	**(3,040)**	**(5,136)**
Depreciation in cost of goods	57	-	-	57	148	-	-	148
Depreciation in operating expense	622	1,092	-	1,714	1,411	471	-	1,882
Share based compensation	320	426	194	940	206	292	95	593
Financial income (expenses)	-	-	(87)	(87)	-	-	1,035	1,035
Income (loss) before tax	**2,280**	**(7,047)**	**(5,128)**	**(9,895)**	**2,534**	**(7,158)**	**(2,100)**	**(6,724)**

Condensed balance sheet - as of December 31,								
Total investment	**2,770**	**1,515**	**3,138**	**7,422**	**3,050**	**2,022**	**9,736**	**14,808**
Total assets	4,985	2,273	5,556	12,814	5,585	2,974	12,424	20,983
Total liabilities	2,215	758	2,419	5,392	2,536	952	2,687	6,175

Changes in intangible assets - years ended December 31,								
Opening balance, intangible assets	**602**	**1,221**	**-**	**1,823**	**1,360**	**88**	**-**	**1,448**
Gross additions	834	1,038	-	1,872	580	1,548	-	2,128
Amortization and other	(500)	(861)	-	(1,361)	(1,338)	(415)	-	(1,753)
Ending balance, intangible assets	**936**	**1,398**	-	**2,334**	**602**	**1,221**	-	**1,823**

6. SALARY COSTS AND REMUNERATIONS

(USD 000's)	2014	2013
Salaries	6,877	6,515
Retirement fund contributions	68	93
Social cost	127	247
Share based payment	940	593
Other expenses	250	18
Total personnel expenses before capitalization	**8,262**	**7,465**
Capitalized as development cost	(1,318)	(1,518)
Total personnel expenses in statement of income	**6,944**	**5,947**
Average number of employees	**68**	**65**

The staff costs are specified as follows:

(USD 000's)	2014	2013
Research and development	2,521	2,788
Selling, general and administrative	5,741	4,677
Total personnel expenses before capitalization	**8,262**	**7,465**

Compensation to the Board of Directors and Officers in 2014

(USD 000's)	Remuneration	Options	Total
Board of Directors	-	160	160
Officers	824	194	1,018
	824	**354**	**1,178**

Compensation to the Board of Directors and Officers in 2013

(USD 000's)	Remuneration	Options	Total
Board of Directors	-	145	145
Officers	1,019	99	1,118
	1,019	**244**	**1,264**

The figures listed include incentive based compensation for management and staff. Incentive based compensation is based on a combination of quarterly cash based rewards and periodic grants of options (or warrants) to buy the Company's common shares. The bonus plan for the CEO is approved by the Board of Directors at the beginning of the year and the bonus payments for the CEO and the upper management are reviewed by the Board of Directors on an annual basis. All bonus plans are structured to include an absolute dollar cap.

The Company's CEO has an agreement of six months' severance pay in case of termination or termination in connection with change of control. The Company's CFO has an agreement of six months' severance pay in case of termination and paid relocation to Denmark. Except for the Company's CEO and CFO, no member of the administrative, management or supervisory bodies has contracts with the Company or any of its subsidiaries providing for benefits upon termination of employment.

As of December 31, 2014, The Company's CEO, André Eriksen, held 391,862 common shares of the Company and 14,688 options exercisable at $0.96 per share, 96,167 warrants exercisable at NOK36.50 per share and 24,750 warrants exercisable at NOK40.10 per share. The Company's CFO, Peter Dam Madsen, held 64,441 common shares of the Company and 14,221 options exercisable at $0.96 or $0.94 per share, 37,800 warrants exercisable at NOK36.50 per share, and 10,313 warrants exercisable at NOK40.10 per share.

7. SHARE BASED PAYMENT

Asetek's Equity Incentive Plan ('the Plan') is a share option program where the employees and other parties that deliver services to the Group have been granted share options (or warrants). The options, if vested and executed, will be settled in common shares of the Company.

The options are granted at the time of employment and, at the discretion of the Board of Directors, under other circumstances. The options are granted with exercise prices equaling the fair market value of the underlying security. Prior to initial public offering (IPO) of the Company's shares on the Oslo Stock Exchange, the fair market value of the shares was estimated based on valuations prepared periodically by external valuation experts.

Subsequent to the IPO, the exercise prices of option grants are determined based on the closing market price of the shares on the day of the grant. Share based compensation expense was $940,000 and $593,000 for the years ended December 31, 2014 and 2013, respectively.

The Plan was adopted by the Board of Directors in 2008 and has the following purpose:

- To attract and retain the best available personnel for positions of substantial responsibility;
- to provide additional incentive to employees, directors and consultants, and
- to promote the success of the Company's business.

As of December 31, 2014 there is a total of 1,848,187 common shares authorized under the Plan.

Date of authorization	Number of options
March 2013	1,048,187
August 2013	800,000
Total number of options authorized	**1,848,187**

In August, 2014, 32,970 warrants were granted with exercise prices of NOK33.90 ($5.50) per share. In April 2014, 118,210 warrants were granted with exercise prices of NOK40.10 ($6.70) per share. In October 2013, 670,728 warrants were granted with exercise prices of NOK 36.50 ($6.11) per share. In January 2013, 20,000 options were granted with exercise prices of $0.96 per share. Movements in the number of share options outstanding and their related weighted average exercise price are as follows:

		Weighted Average Exercise		Weighted Average Exercise
Option activity - exercise prices of $0.94 and $0.96	**2014**	**Price**	**2013**	**Price**
Outstanding on January 1	597,461	0.95	946,783	0.95
Options/warrants granted	-	-	20,000	0.96
Options/warrant adjustment to granted	-	-	(33,500)	0.96
Options/warrants exercised	(99,758)	0.94	(333,172)	0.94
Options/warrants forfeited	(11,630)	0.96	(2,650)	0.94
Outstanding on December 31	**486,073**	**0.95**	**597,461**	**0.95**
Exercisable on December 31	**445,258**	**0.95**	**476,960**	**0.95**

		Weighted Average Exercise		Weighted Average Exercise
Option activity - exercise prices of $5.50 to $7.12	**2014**	**Price**	**2013**	**Price**
Outstanding on January 1	691,874	6.14	-	-
Adjustment for beginning outstanding	-	-	39,146	7.12
Options/warrants granted	151,180	6.44	670,728	6.11
Options/warrants exercised	(1,917)	6.11	-	-
Options/warrants forfeited	(76,158)	6.34	(18,000)	7.12
Outstanding on December 31	**764,979**	**6.18**	**691,874**	**6.14**
Exercisable on December 31	**290,323**	**6.18**	**83,213**	**6.37**

Of the options and warrants outstanding at December 31, 2014, 268,416 have an exercise price of $0.94 per share, 217,657 options have an exercise price of $0.96 per share, 26,626 warrants have an exercise price of $5.50 per share, 620,143 warrants have an exercise price of $6.11 per share, 118,210 warrants have an exercise price of $6.70 per share and zero warrants have an exercise price of $7.12 per share. The weighted average remaining contractual term is 4.75 years. The Company calculated the fair value of each option award on the date of grant using the Black-Scholes option pricing model. The warrants granted in 2014 have an estimated total value of $346,000. The options and warrants granted in 2013 have an estimated total value of $1,311,000. The following weighted average assumptions were used for the period indicated.

Valuation assumptions	2014	2013
Risk-free interest rate	1.0% - 1.6%	0.9% - 1.3%
Dividend yield	0.0%	0.0%
Expected life of options (years)	3.5 - 4.6	3.5 - 4.6
Expected volatility	33% - 55%	45% - 57%

Prior to the Company's IPO in March 2013, the fair value of common shares underlying the share options and equity awards has historically been determined by management with input from independent third-party valuation firms. All options are intended to be exercisable at a price per share not less than the per share fair market value of the common shares underlying those options on the date of grant.

8. EXPENSES BY NATURE

(USD 000's)	2014	2013
Inventories recognized as cost of sales (Note 17)	12,080	12,532
Personnel expenses (Note 6)	8,262	7,465
Depreciation and amortization	1,771	2,030
Legal, patent, consultants and auditor	6,270	4,158
Facilities and infrastructure	1,204	1,218
Other expenses	2,941	3,213
Total operating expenses before capitalization	**32,528**	**30,616**
Less: capitalized costs for development projects (Note 14)	**(1,873)**	**(2,128)**
Total expenses	**30,655**	**28,488**

Depreciation and amortization expense by classification on the income statement is as follows:

(USD 000's)	2014	2013
Depreciation and amortization included in:		
Cost of sales	57	148
Research and development	907	1,689
Selling, general and administrative	807	193
Total	**1,771**	**2,030**

9. FINANCE COSTS AND INCOME

(USD 000's)	2014	2013
Income (loss) on fair value of convertible preferred shares	-	848
Income (loss) on fair value of convertible loan	-	821
Non-cash items included in finance costs and income	**-**	**1,670**
Interest cost on line of credit, note payable	(12)	(369)
Income (loss) on foreign currency translation of cash deposits, net	-	(267)
Interest cost on finance lease	(22)	(3)
Other bank fees and income, net	(53)	4
Total finance (costs) / income	**(87)**	**1,035**

The income (loss) on fair value of convertible preferred shares and the loss on convertible loan in 2013 were non-cash transactions resulting from recording the instruments at fair value at period end. Income on the conversion of preferred shares and convertible loan outstanding was recognized as a result of the Company's IPO in March 2013.

10. INCOME TAXES

Tax on profit/loss for the year is specified as follows:

(USD 000's)	2014	2013
Current income tax benefit	1,138	443
Deferred income tax	-	-
Tax benefit	**1,138**	**443**

The tax benefit for 2014 represents principally credits realized in Denmark associated with investment in research and development. The tax benefit on the group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

(USD 000's)	2014	2013
Loss before tax	**(9,895)**	**(6,724)**
Tax benefit calculated at domestic rates applicable to profits/losses in respective countries	2,722	2,154
Tax effects of:		
Expenses not deductible for tax purposes	(169)	(107)
Tax losses for which no asset was recognized	(1,415)	(1,604)
Tax benefit	**1,138**	**443**

11. DEFERRED INCOME TAX

Deferred income tax assets are recognized to the extent that the realization of the related tax benefit is probable. Due to uncertainty in realizability, the group did not recognize deferred income tax assets of $15,201 thousand (2013: $14,762 thousand), in respect of losses amounting to $68,080 thousand (2013: $67,124 thousand) that can be carried forward against future taxable income. Losses of the U.S. parent company and the U.S. subsidiary will begin to expire in 2017 and losses of the Denmark subsidiary do not expire.

The group did not recognize deferred tax liabilities resulting to temporary differences of $428 thousand (2013: $322 thousand) in respect of costs deducted in taxation but not in bookkeeping amounting to $2,201 thousand (2013: $1,717 thousand).

In accordance with IAS 12, because of the history of recent losses, the Company recognizes deferred tax assets arising from unused tax losses or tax credits only to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilized by the Company. As of December 31, 2014 and 2013, no deferred tax assets have been recorded by the Company.

12. 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.

	2014	2013
Loss attributable to equity holders of the Company (USD 000's)	(8,757)	(6,281)
Weighted average number of common shares outstanding (000's)	14,123	13,795
Basic loss per share	**(0.62)**	**(0.46)**
Diluted loss per share	**(0.62)**	**(0.46)**

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 2013 has been adjusted to reflect the IPO and conversion of shares that occurred in 2013, as if the IPO and conversion of shares had occurred on January 1, 2013.

13. FINANCIAL INSTRUMENTS CATEGORY AND FAIR VALUE ESTIMATION

The Company uses the following valuation methods for fair value estimation of its financial instruments:

- Quoted prices (unadjusted) in active markets (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

All of the Company's financial assets as of December 31, 2014 are classified as 'loans and receivables' having fixed or determinable payments that are not quoted in an active market (Level 3). As of December 31, 2014, all of the Company's financial liabilities are carried at amortized cost.

The Company believes that book value approximates fair value for all financial instruments as of December 31, 2014. The values of the Group's assets and liabilities are as follows:

As of December 31, 2014

Assets as per balance sheet: (USD 000's)	Loans and receivables
Trade receivables and other	4,186
Cash and cash equivalents	4,170
	8,356

As of December 31, 2014

(USD 000's)	Liabilities at fair value through profit and loss	Other financial liabilities at amortized cost	Total
Liabilities as per balance sheet:			
Long-term debt	-	309	309
Short-term debt	-	300	300
Trade payables and accrued liabilities	-	4,783	4,783
	-	**5,392**	**5,392**

14. INTANGIBLE ASSETS

The Group routinely incurs costs directly attributable to the design and testing of new or improved products to be held for sale. These costs are capitalized as intangible assets and amortized over the estimated useful lives of the products, typically three to forty eight months. The following table presents a summary of these development projects.

(USD 000's)	2014	2013
Cost:		
Balance at January 1	5,611	4,171
Additions	1,873	2,128
Deletions - completion of useful life	(2,443)	(384)
Impairment loss	(175)	(304)
Balance at December 31	**4,866**	**5,611**
Accumulated amortization and impairment losses:		
Balance at January 1	(3,788)	(2,723)
Amortization for the year	(1,326)	(1,692)
Amortization associated with deletions	2,443	384
Amortization associated with impairment losses	139	243
Balance at December 31	**(2,532)**	**(3,788)**
Carrying amount	**2,334**	**1,823**

Impairment tests are performed on completed assets whenever there are indications of a need for write-offs and for assets still in development regardless of whether there have been indications for write downs. If the value of expected future free cash flow of the specific development project is lower than the carrying value, the asset is written down to the lower value. The booked value includes capitalized salary expenses and other net assets for the cash flow producing project. Expected future free cash flow is based on budgets and anticipations prepared by management. The main parameters are the development in revenue, EBIT and working capital.

15. PROPERTY AND EQUIPMENT

The following table presents a summary of property and equipment activity.

(USD 000's)	Leasehold improvements	Machinery	Other fixtures, fittings, tools, equipment	Total
Cost:				
Balance at January 1, 2013	133	1,205	359	1,697
Additions	170	659	125	954
Disposals	(35)	(28)	(34)	(97)
Exchange rate difference	7	56	16	79
Balance at December 31, 2013	**275**	**1,892**	**466**	**2,633**
Balance at January 1, 2014	275	1,892	466	2,633
Additions	25	98	49	172
Disposals	(1)	(67)	(37)	(105)
Exchange rate difference	(22)	(162)	(43)	(227)
Balance at December 31, 2014	**277**	**1,761**	**435**	**2,473**
Acccumulated depreciations				
Balance at January 1, 2013	(59)	(905)	(293)	(1,257)
Disposals	35	28	34	97
Depreciations for the year	(34)	(255)	(50)	(339)
Exchange rate differences	(1)	(26)	(11)	(38)
Balance at December 31, 2013	**(59)**	**(1,158)**	**(320)**	**(1,537)**
Balance at January 1, 2014	(59)	(1,158)	(320)	(1,537)
Disposals	-	67	36	103
Depreciations for the year	(58)	(319)	(65)	(442)
Exchange rate differences	4	99	30	133
Balance at December 31, 2014	**(113)**	**(1,311)**	**(319)**	**(1,743)**
Carrying amount at December 31, 2013	**216**	**734**	**146**	**1,096**
Carrying amount at December 31, 2014	**164**	**450**	**116**	**730**

At December 31, 2014, property and equipment includes leased equipment at a gross value of approximately $505,000 which had accumulated amortization of $197,000. (2013: gross value of $352,000 and accumulated amortization of $31,000).

16. TRADE RECEIVABLES AND OTHER

Trade receivables are non-interest bearing and are generally on payment terms of Net 30 days.

(USD 000's)	2014	2013
Gross trade receivables	3,040	4,721
Provision for uncollectible accounts	(48)	(441)
Net trade receivables	**2,992**	**4,280**
Other receivables and assets	1,194	717
Total trade receivables and other	**4,186**	**4,997**

The aging of trade receivables as of the reporting date is as follows:

(USD 000's)	Total	0 to 30 days	31 to 60 days	61 to 90 days	Over 90 days
December 31, 2014	3,040	1,923	863	152	102
December 31, 2013	4,721	3,304	1,174	193	50

The trade receivables of Asetek Danmark A/S carry a general lien of 4 million Danish krone ($0.7 million), representing collateral on Sydbank's engagement with the Company. The carrying amount of trade receivables is approximately equal to fair value due to the short term to maturity. Regarding credit risks, refer to Note 3.

A summary of the activity in the provision for uncollectible accounts is as follows:

(USD 000's)	2014	2013
Balance at January 1	(441)	(162)
Additions	(48)	(441)
Reversals	441	162
Balance at December 31	**(48)**	**(441)**

Other receivables. Other receivables at December 31, 2014 include $1.0 million of income tax benefit receivable. Refer to Note 10.

Included in other receivables at December 31, 2013 was an award from the Danish government of 1.82 million Danish krone ($336,000). This receivable represented a subsidy awarded to fund the development and testing of a prototype solution for sealed server cooling, and was collected in full by the Company in April 2014. Amounts received under this grant were recorded as a reduction to research and development expense. There are no receivables outstanding related to this project at December 31, 2014.

17. INVENTORIES

(USD 000's)	2014	2013
Raw materials	551	572
Work in process	-	-
Finished goods	629	597
Total gross inventories	**1,180**	**1,169**
Less: provision for inventory reserves	(78)	(95)
Total net inventories	**1,102**	**1,074**
(USD 000's)	**2014**	**2013**
Inventories recognized as cost of sales during the period	(12,080)	(12,532)
Write-down of inventories to net realizable value	(80)	(95)

A summary of the activity in the provision for inventory reserves is as follows:

(USD 000's)	2014	2013
Balance at January 1	(95)	(98)
Additions	(80)	(95)
Write-offs	97	98
Balance at December 31	**(78)**	**(95)**

18. SHARE CAPITAL, REORGANIZATION, INITIAL PUBLIC OFFERING AND DEBT CONVERSION

In February 2013, Asetek Group reorganized when 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. The reorganization resulted in a $25 thousand increase in par value of common shares and corresponding decrease in share premium at the exchange date.

In March 2013, the Company completed an initial public offering (IPO) of 4.0 million new common shares offered by Asetek A/S 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.

Conversion of preferred shares. In March 2013, 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 recognized $0.8 million income on the revaluation of the preferred shares at the time of conversion. After conversion of these shares, the Company now has one class of shares outstanding.

Conversion of loan. In October 2012, the Company entered into an unsecured convertible loan agreement with seven investors to raise $3.0 million to be used for working capital in preparation for an IPO. Interest accrued from the loan date at a stated annual rate of 10% and was due to be paid quarterly beginning in September 2014. At the time of the IPO in March 2013, $2.4 million of the principal value of the loan was converted to common shares at a discount of 20% below the IPO share price. In the first half of 2013, the remaining $0.6 million of principal was repaid by the Company, plus interest and a 5% repayment fee. As a result of these transactions, the Company recognized $0.8 million non-cash income on conversion of the loan in 2013.

At the time of the reorganization, the Company reserved 1,150 thousand shares (8% of total shares, nominal value DKK 115 thousand) for future exercises of options. In 2014, a total of 102 thousand options (0.7% of total shares, nominal value DKK 10 thousand) were exercised resulting in $0.1 million funds received by the Company. In 2013, a total of 333 thousand options (2% of total shares, nominal value DKK 33 thousand) were exercised resulting in $0.3 million funds received by the Company.

As of December 31, 2014, there are 14,165 thousand common shares outstanding with a nominal value of 0.10 DKK per share and 717 thousand shares (4.9% of total shares, nominal value DKK 73 thousand) held in treasury. Included in equity is a reserve for treasury shares of approximately $12,000 at December 31, 2014.

The following table summarizes common share activity in the years presented:

Refer to 'Shareholder information' in this report for information on the composition of Asetek shareholders.

(000's)	2014	2013
Common shares outstanding - January 1	14,064	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
Options exercised	101	333
Common shares outstanding - December 31	**14,165**	**14,064**

Refer to 'Shareholder information' in this report for information on the composition of Asetek shareholders.

19. NOTE PAYABLE, LINES OF CREDIT, OTHER DEBT

The following is a summary of the Company's outstanding and net debt:

(USD 000's)	2014	2013
Line of credit	(223)	(364)
Finance leases - due within one year	(77)	(56)
Sublease deposit	(204)	-
Debt included in current liabilities	**(504)**	**(420)**
Sublease deposit - reclassed to short-term in 2014	-	(232)
Finance leases - due after one year	(309)	(243)
Total debt	**(813)**	**(895)**
Less: cash and equivalents	4,170	11,663
Net debt	**3,357**	**10,768**

Asetek A/S Danmark line of credit. In September 2012, the Company entered into a revolving line of credit agreement with Sydbank. The line is collateralized by the trade receivables of Asetek Danmark A/S and is payable on demand. At December 31, 2014, the total line was 2.0 million Danish kroner, which equates to $327 thousand at December 31, 2014. Interest on the line is payable monthly at the Danish CIBOR 3 rate plus 4.5 percentage points, which in total was 4.8% at December 31, 2014. As of December 31, 2014, the Company had 1.36 million Danish kroner ($223 thousand) outstanding on the line. (1.97 million Danish kroner outstanding at December 31, 2013).

Note payable paid off in 2013. In 2010, the Company executed a promissory note to a preferred shareholder in return for $3.0 million of operating funds. The promissory note had a stated interest rate of 10%, with interest payments due annually on December 31, and was collateralized by the total assets of the Company. The Note, including accrued interest and fees, was paid in full by the Company in March 2013.

20. LEASES

Operating leases. The Company leases some of its facilities under noncancelable operating leases. In August 2013, the Company entered into a lease agreement for new office space in Aalborg, Denmark for occupancy to August 2020 or later. The Company subleases a portion of this facility to another tenant and under the sublease agreement received 0.1 million Danish kroner per month in rent through December 31, 2014. In November 2013, the Company renewed and extended the lease for its San Jose, California office through December 2018. Future minimum operating lease payments are as follows as of the balance sheet date:

(USD 000's)	2014	2013
Minimum operating lease payments due:		
In the following year	517	556
In the second year	522	565
In the third year	524	570
In the fourth year	529	572
In the fifth year and thereafter	621	1,273
	2,712	**3,535**

Finance leases. The Company has finance leases outstanding for manufacturing, engineering and test equipment and the leases generally have terms of 60 months. There are no lease commitments beyond five years. Future minimum lease payments under finance leases are as follows as of the respective balance sheet date:

(USD 000's)	2014	2013
Minimum finance lease payments as of December 31	406	334
Less: Amount representing interest	(20)	(35)
Total obligations under finance leases	**386**	**299**
Obligations under finance leases due within one year	77	56
Obligations under finance leases due after one year	309	243
	386	**299**

21. TRANSACTIONS WITH RELATED PARTIES

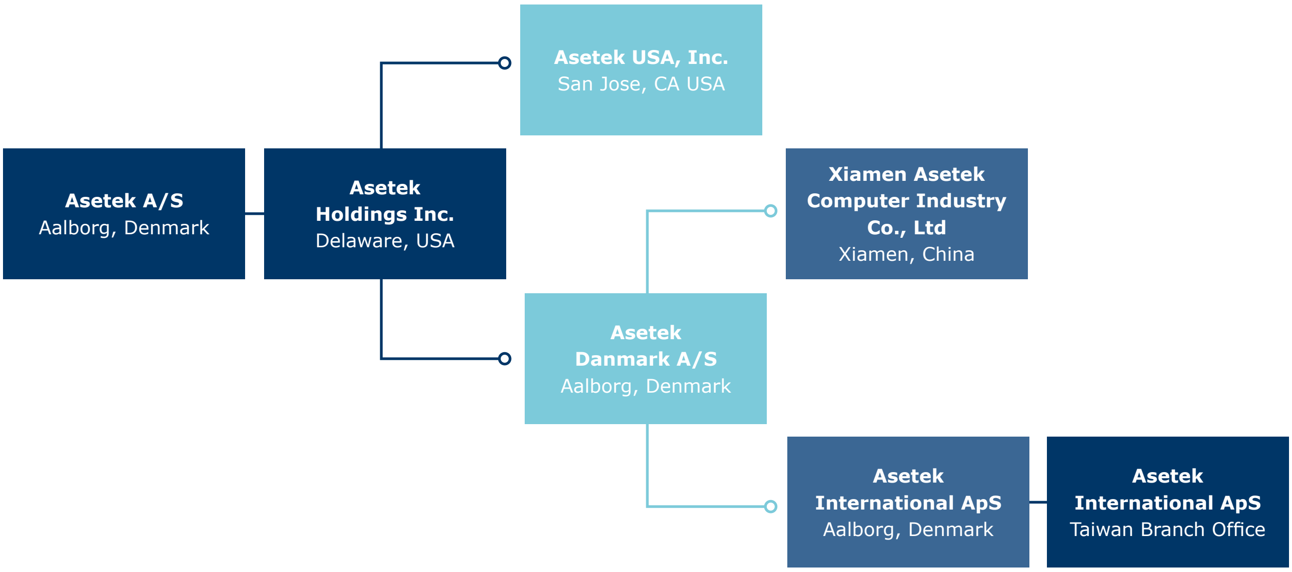
The Company's chairman is a member of the board of directors of a reseller of Company products. During the years ended December 31, 2014 and 2013, the Company had sales of inventory to the reseller of $6.7 million and $5.5 million, respectively. As of December 31, 2014 and 2013, the Company had outstanding trade receivables from the reseller of $1.1 million and $1.0 million, respectively.

The Company's CEO serves as Chairman of the Board for a vendor that supplies information technology services to the Company. In 2014, the Company purchased services totaling approximately $0.2 million ($0.3 million in 2013) from this vendor. At December 31, 2014 and 2013, the Company had outstanding payables to this vendor of $4,000 and $17,000, respectively.

22. SUBSIDIARIES

The following subsidiaries are included in the consolidated accounts:

Company	Domicile	Stake	Voting Share	Activity
Asetek Holdings, Inc.	USA	100%	100%	Inactive
Asetek USA, Inc.	USA	100%	100%	Trading
Asetek Danmark A/S	Denmark	100%	100%	Trading
Xiamen Asetek Computer Industry Co., Ltd.	China	100%	100%	Trading
Asetek International ApS	Denmark	100%	100%	Trading
Asetek International ApS - Branch Office	Taiwan	100%	100%	Trading



23. AUDIT FEES

The Group's principal auditors perform audits for all of Asetek's entities except for the Xiamen, China subsidiary, which is audited by a local firm. The Group's principal auditors received a total fee of $197,000 and $354,000 in 2014 and 2013, respectively.
The fee is distributed between these services:

(USD 000's)	2014	2013
Statutory audit	103	150
Other assurance services	63	31
Tax services	30	91
Other services	1	82
Total	**197**	**354**

24. BOARD OF DIRECTORS

The members of the Board of Directors have reported, that they had the below listed other director positions as of the date of this filing. For the year 2014, the board members have been compensated as listed below.

Name	Current directorships and position	Share compensation from Asetek in 2014 and current holdings
Samuel Szteinbaum	Corsair Components, Inc. – Board member The Wonder Years Inc. – Chairman and CEO	11,000 warrants to buy shares at a price of NOK40.10. The warrants are vesting over 12 months and are exercisable for 7 years. Also holds 76,600 shares, and 12,822 warrants at NOK36.50 from grants in prior years.
Chris Christopher	Rocky Mountain Innosphere – Board member CloudRegen – Board member	11,000 warrants to buy shares at a price of NOK40.10. The warrants are vesting over 12 months and are exercisable for 7 years. Also holds 18,640 shares and 17,760 options at $0.96/share, and 12,822 warrants at NOK36.50 from prior year grants.
Jim McDonnell	Intermec Technologies, Inc., SVPTBC	6,408 warrants to buy shares at a price of NOK33.90. The warrants are vesting over 12 months and are exercisable for 7 years. Also holds 6,400 shares.
Peter Gross	Glumac, Inc. TBC – Board member I3 Solutions, Inc. – Board member	6,408 warrants to buy shares at a price of NOK33.90. The warrants are vesting over 12 months and are exercisable for 7 years.
Bengt Olof Thuresson	Piql AS – Board member Nevion Europe AS – Chairman Protan AS – Chairman ICTEC AS – Chairman Kirkenes Bolig 1 AS – Board member Pearl Consulting AS – Chairman Pexip AS – Chairman Likida Invest AS – Chairman	11,000 warrants to buy shares at a price of NOK40.10. The warrants are vesting over 12 months and are exercisable for 7 years. Also holds 12,822 warrants at NOK36.50 from prior years. Also holds 291 shares.
Knut Øversjøen	Nordic Energy AS – Chairman Kov Invest Holding – Chairman and Owner Spond AS – Board member Scandec Systems – Chairman Falcon Industrial Partners, AS – Chairman Guardian Corporate AS – Board member Scandec Systems – Chairman	11,000 warrants to buy shares at a price of NOK40.10. The warrants are vesting over 12 months and are exercisable for 7 years. Also holds 24,759 shares and 12,822 warrants at NOK36.50 from prior years.

25. POST BALANCE SHEET EVENTS

The Company has evaluated the period after December 31, 2014 up through the date of the Statement by Management and determined that there were the following transactions that required recognition or disclosure in the Company's financial statements:

In February 2015, the patent case with CoolIT Systems Inc. ("CoolIT") was settled, with Asetek agreeing to dismiss the case. Any damage amount payable from CoolIT to Asetek will be made public upon the determination of such amount by the judge.

In February 2015, the Company secured NOK 100 million (approximately $12.4 million) in gross proceeds through a private placement of 10 million new common shares, at an offering price of NOK 10.00 per share. The transaction closed in March 2015, with the Company receiving net proceeds of approximately $11.6 million after expenses. In April 2015, the Company issued an additional 480 thousand new shares in a public offering at NOK 10.00 per share, receiving proceeds of $0.6 million. The net proceeds from these financings will be used for data center product launches, business development, and strengthening the balance sheet.

26. CONTINGENT LIABILITIES

Letter of credit. As of December 31, 2014, the Company had an outstanding letter of credit for $0.5 million issued to its principal manufacturer.

The Danish group enterprises are jointly and severally liable for tax on group income subject to joint taxation, as well as for Danish withholding taxes by way of dividend tax, royalty tax, tax on unearned income and any subsequent adjustments to these. Other significant commitments of the Company are referenced within the respective Notes to these consolidated financial statements.

ANNUAL REPORT 2014
- PARENT COMPANY

For year ended December 31, 2014

ASETEK

CVR-number 3488 0522

Comprehensive Income Statement, Parent Company

USD 000's	Note	Year ended December 31, 2014	Period from December 6, 2012 (inception) to December 31, 2013
Revenue		-	-
Cost of sales		-	-
Gross profit		**-**	**-**
Research and development	3, 4, 5	(176)	(114)
Selling, general and administrative	3, 4, 5	(1,636)	(1,297)
Foreign exchange (loss)/gain		(36)	-
Total operating expenses		**(1,848)**	**(1,411)**
Operating loss		**(1,848)**	**(1,411)**
Finance income	6	854	513
Finance costs	6	(164)	(339)
Total financial income (expenses)		**690**	**174**
Loss before tax		**(1,158)**	**(1,237)**
Income tax	7	197	-
Loss for the year		**(961)**	**(1,237)**
Other comprehensive income items that may be reclassified to profit or loss in subsequent periods:			
Foreign currency translation adjustments		-	-
Total comprehensive loss		**(961)**	**(1,237)**

All operations are continuing.

Balance Sheet, Parent Company

As of December 31,

USD 000's	Note	2014	2013
ASSETS			
Non-current assets			
Investments in subsidiaries	8	1,500	1,500
Receivables from subsidiaries	9	16,071	8,853
Total non-current assets		**17,571**	**10,353**
Current assets			
Other assets		150	9
Cash and cash equivalents		3,500	10,788
Total current assets		**3,650**	**10,797**
Total assets		**21,221**	**21,151**
EQUITY AND LIABILITIES			
Equity			
Share capital	10	264	264
Share premium	10	21,539	21,445
Accumulated deficit		(666)	(644)
Translation and other reserves		(12)	(14)
Total equity		**21,125**	**21,051**
Current liabilities			
Accrued liabilities		96	100
Total current liabilities		**96**	**100**
Total liabilities		**96**	**100**
Total equity and liabilities		**21,221**	**21,151**

Statement of Cash Flows, Parent Company

USD 000's	Note	Year ended December 31, 2014	Period from December 6, 2012 (inception) to December 31, 2013
Cash flows from operating activities			
Loss for the year		(961)	(1,237)
Share based payments expense	4	940	593
Changes in other current assets		(141)	(9)
Changes in trade payables and accrued liabilities		(4)	100
Net cash used in operating activities		**(166)**	**(553)**
Cash flows from investing activities			
Investment in subsidiaries	8	-	(1,500)
Net loans to subsidiaries	9	(7,218)	(8,853)
Net cash used in investing activities		**(7,218)**	**(10,353)**
Cash flows from financing activities			
Proceeds from issuance of share capital	10	96	25,100
Cash paid for fees related to IPO	10	-	(3,406)
Net cash provided by financing activities		**96**	**21,694**
Net changes in cash and cash equivalents		**(7,288)**	**10,788**
Cash and cash equivalents at beginning of period		10,788	-
Cash and cash equivalents at end of period		**3,500**	**10,788**

Statement of Changes in Equity, Parent Company

(USD 000's)	Share capital	Share premium	Translation reserves	Other reserves	Accumulated deficit	Total
Equity at December 6, 2012	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the period:						
Loss for the period	-	-	-	-	(1,237)	(1,237)
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**(1,237)**	**(1,237)**
Transactions with owners in the period:						
Issuance of shares at inception	88	-	-	-	-	88
Share capital reduction	(70)	70	-	-	-	-
Exchange of shares with Asetek Holdings, Inc.	157	(157)	-	-	-	-
Issuance of treasury shares	14	-	-	(14)	-	-
Shares issued in IPO	75	24,955	-	-	-	25,030
Less: issuance costs	-	(3,423)	-	-	-	(3,423)
Share based payment expense	-	-	-	-	593	593
Transactions with owners in the period	**264**	**21,445**	**-**	**(14)**	**593**	**22,288**
Equity at December 31, 2013	**264**	**21,445**	**-**	**(14)**	**(644)**	**21,051**
Total comprehensive income for 2014						
Loss for the year	-	-	-	-	(961)	(961)
Total comprehensive loss for 2014	**-**	**-**	**-**	**-**	**(961)**	**(961)**
Transactions with owners in 2014						
Shares issued	-	94	-	2	-	96
Share based payment expense	-	-	-	-	940	940
Transactions with owners in 2014	**-**	**94**	**-**	**2**	**940**	**1,036**
Equity at December 31, 2014	**264**	**21,539**	**-**	**(12)**	**(666)**	**21,125**

ASETEK A/S
NOTES TO THE ANNUAL REPORT – PARENT COMPANY

1. GENERAL INFORMATION

Asetek A/S was incorporated on December 6, 2012 and acquired by Asetek Holdings, Inc. in January 2013. Asetek A/S became the parent and 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 2014 financial statements for Asetek A/S have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by IASB and adopted by the EU.

The financial statements are presented in U.S. Dollars (USD), which is the functional currency.

The accounting policies for the Parent Company are the same as for the Asetek Group, as per Note 2 to the consolidated financial statements, with the exception of the items listed below.

2.1. Dividends on investments in subsidiaries, joint ventures and associates.

Dividends on investments in subsidiaries, joint ventures and associates are recognized as income in the income statement of the Parent Company in the financial year in which the dividend is declared.

2.2. Investments in subsidiaries, joint ventures and associates.

Investments in subsidiaries, joint ventures and associates are measured at the lower of cost, which equals book value, or recoverable amount.

3. TOTAL OPERATING EXPENSES

(USD 000's)	Year ended December 31, 2014	Period from December 6, 2012 (inception) to December 31, 2013
Personnel expenses (Note 4)	1,340	770
Legal, consultants and auditor	401	563
Other expenses	71	78
Total expenses	**1,812**	**1,411**

4. PERSONNEL EXPENSES

(USD 000's)	Year ended December 31, 2014	Period from December 6, 2012 (inception) to December 31, 2013
Salaries	400	177
Share based payment	940	593
Total personnel expenses	**1,340**	**770**

(USD 000's)	Year ended December 31, 2014	Period from December 6, 2012 (inception) to December 31, 2013
Research and development	176	114
Selling, general and administrative	1,164	656
Total personnel expenses	**1,340**	**770**

The figures listed above include a portion of the executive management's cash compensation based on an estimate of the actual resources allocated to the management of the parent company.

Also, the figures include incentive based compensation in the form of share options and warrants granted to employees in the Asetek Group.

Remuneration of the Group Board of Directors is specified in Note 6 to the Consolidated Financial Statements.

The company's share based incentive pay program is described in Note 7 of the Consolidated Financial Statements.

5. AUDIT FEES

(USD 000's)	Year ended December 31, 2014	Period from December 6, 2012 (inception) to December 31, 2013
Statutory audit	32	36
Other assurance services	39	141
Tax services	15	-
Other services	-	-
Total	**86**	**177**

6. FINANCIAL INCOME AND COST

(USD 000's)	Year ended December 31, 2014	Period from December 6, 2012 (inception) to December 31, 2013
Interest income on loans to subsidiaries	853	429
Interest from bank accounts	1	84
Total finance income	**854**	**513**
Interest cost on loans from subsidiaries	157	58
Net foreign exchange loss on deposits	-	264
Interest cost on notes payable	-	10
Other finance expense	7	7
Total finance cost	**164**	**339**

7. INCOME TAX

Reference is made to Note 11 to the Consolidated Financial Statements.

8. INVESTMENT IN SUBSIDIARIES

(USD 000's)	Investment in Asetek Holdings, Inc.
Balance at December 6, 2012	-
Additions	1,500
Balance at December 31, 2013	**1,500**
Additions	**-**
Balance at December 31, 2014	**1,500**
Carrying amount at December 6, 2012	-
Carrying amount at December 31, 2013	1,500
Carrying amount at December 31, 2014	1,500

Asetek A/S acquired 100% of Asetek Holdings, Inc. through the exchange of shares in February 2013. At the time of acquisition, Asetek Holdings, Inc. had negative net equity, resulting in the initial investment to be valued at zero. Asetek Holdings, Inc. represents Asetek A/S's only direct investment in subsidiaries.

9. RECEIVABLES FROM SUBSIDIARIES

As of December 31,

(USD 000's)	2014	2013
Asetek Danmark A/S	15,507	9,337
Asetek USA, Inc.	(3,246)	(2,600)
Asetek Holdings, Inc.	3,811	2,116
Net receivables from subsidiaries	**16,071**	**8,853**

%	2014	2013
Average effective interest rate	**5%**	**5%**

The fair value of receivables corresponds in all material respects to the carrying amount.

10. EQUITY

Reference is made to Note 18 to the Consolidated Financial Statements.

11. TRANSACTIONS WITH RELATED PARTIES

Reference is made to Note 21 to the Consolidated Financial Statements.

12. EVENTS AFTER THE REPORTING PERIOD

Reference is made to Note 25 to the Consolidated Financial Statements.

13. CONTINGENT LIABILITIES

The Danish group enterprises are jointly and severally liable for tax on group income subject to joint taxation, as well as for Danish withholding taxes by way of dividend tax, royalty tax, tax on unearned income and any subsequent adjustments to these.

Asetek A/S has issued a declaration of support to Asetek Danmark A/S confirming its intention and commitment of financial support in the form of loans or capital contributions to the extent necessary to finance its cash obligations through April 28, 2016.

Reference is made to Note 26 to the Consolidated Financial Statements.

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