



ANNUAL REPORT 2015
(January 1st - December 31st 2015)

CVR-NR. 34 88 05 22



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Board of Directors

Samuel Szteinbaum, Chairman
Chris J. Christopher
Jim McDonnell
Jørgen Smidt
Knut Øversjøen
Peter Gross

Nomination Committee

Ib Sønderby
Samuel Szteinbaum
Scott Pagel

Audit Committee

Knut Øversjøen
Chris J. Christopher

Compensation Committee

Samuel Szteinbaum
Jim McDonnell
Jørgen Smidt

Executive Management

André Sloth Eriksen, CEO
Peter Dam Madsen, CFO

Auditor

PwC, State Authorized Public
Accountants
Skelagervej 1A, DK-9000 Aalborg
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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, and an additional 10,480,000 new shares were issued in subsequent offerings during 2015. As of December 31, 2015, a total of 25,361,340 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 2015 was NOK 457m (approximately USD 52m) which was 13% higher than the market value at the beginning of 2015.

538,524 shares were held by the Company as per December 31, 2015 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 2015, Asetek A/S had 396 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 15.2% of the share capital at the end of 2015.

1 January 2015

Asetek shares opened the year 2015 at NOK 19.00.

31 December 2015

At the last day of the year the Asetek shares closed at NOK 18.00, which was a decrease of 5.3% from the beginning of the year. The Oslo Stock Exchange (OSE) Benchmark Index advanced 5.3% in 2015. The OSE Information Technology Index declined 7.6% in 2015.

According to Asetek's registrations, the following shareholders possessed 5% or above of the share capital as per December 31, 2015:

	Number of Shares	%
Sunstone Technology Ventures, Fund I, Denmark	3,186,341	12.6%

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 2016:

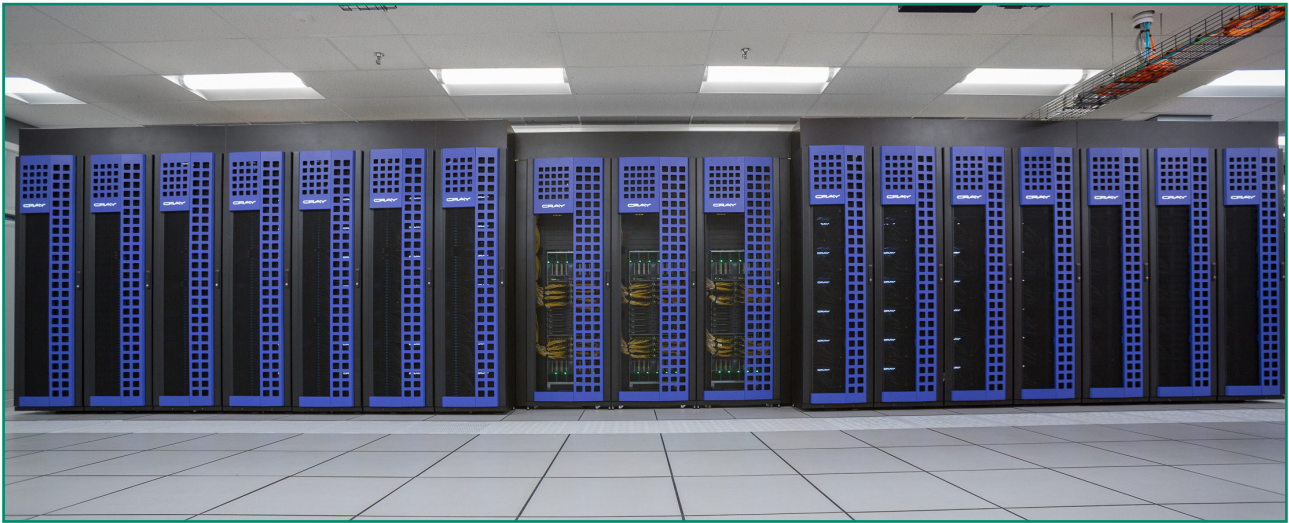
Q1 2016 Report:	April 27, 2016
Annual General Meeting:	April 27, 2016
Q2 2016 Report:	August 17, 2016
Q3 2016 Report:	October 27, 2016



Stock Exchange Notices Issued in 2015

Issue Date	Headline	Issue Date	Headline
November 30, 2015	Asetek Update to Fourth Quarter Guidance	April 22, 2015	Invitation to Presentation of Results for the First Quarter 2015
November 13, 2015	Mandatory Notification of Trade	April 17, 2015	Asetek Share Capital Increase Registered
October 28, 2015	Financial calendar	April 13, 2015	Mandatory Notification of Trade
October 28, 2015	Asetek Q3 2015: Profitability on Continued Revenue Growth	April 13, 2015	Final result of the Subsequent Offering
October 22, 2015	Invitation to Presentation of Results for the Third Quarter 2015	April 10, 2015	Subscription period in the Subsequent Offering expires today, 10 April 2015
October 22, 2015	Asetek Announces Global OEM Purchase Agreement with Penguin Computing	April 8, 2015	Financial calendar
October 20, 2015	Asetek receives Settlement of \$1.4M after Patent Infringement Lawsuit	April 8, 2015	Notice of Annual General Meeting April 30, 2015
October 13, 2015	Asetek receives Order for Largest Server Installation to Date	March 23, 2015	Major Shareholder Announcement
September 23, 2015	Asetek – Court confirms judgement, increases damages award and issues injunction	March 23, 2015	Approved Prospectus
September 22, 2015	Asetek Update to third quarter guidance and investor presentation	March 23, 2015	Share Capital Increase Registered
August 27, 2015	Mandatory Notification of Trade	March 19, 2015	Outcome of Extraordinary General Meeting
August 17, 2015	Asetek Receives Order for RackCDU Liquid Cooling Systems from New OEM Customer	March 16, 2015	Mandatory Notification of Trade
August 17, 2015	Mandatory Notification of Trade	March 2, 2015	AVC Lawsuit Dismissed by Courts
August 13, 2015	Issuance of Warrants	March 2, 2015	Mandatory Notification of Trade
August 12, 2015	Asetek Q2 2015: Revenue Growth	February 27, 2015	Mandatory Notification of Trade
August 5, 2015	Invitation to Presentation of Results for the Second Quarter and First Half Year 2015	February 25, 2015	Notice of Extraordinary General Meeting
June 15, 2015	Asetek Announces Positive Conclusion of Lawsuit with CoolIT Systems, Inc.	February 25, 2015	Mandatory Notification of Trade
June 1, 2015	Asetek Selected to Liquid Cool CIARA's High Frequency Servers	February 25, 2015	Q4 2014: Building Momentum within Data Center Liquid Cooling
May 12, 2015	Mandatory Notification of Trade	February 25, 2015	Ex Subsequent Offering Today
April 30, 2015	Asetek – Jørgen Smidt at Sunstone to Rejoin the Board of Directors	February 25, 2015	Private placement successfully completed
April 30, 2015	Outcome of Annual General Meeting	February 24, 2015	Contemplated private placement
April 29, 2015	Mandatory Notification of Trade	February 24, 2015	Asetek Announces Global OEM Purchase Agreement with Fujitsu
April 29, 2015	Asetek Annual Report 2014	February 18, 2015	Invitation to Presentation of Results for the Fourth Quarter 2014
April 29, 2015	Asetek Q1 2015: Good Operational Development and Data Center Milestone	February 10, 2015	Asetek Selected for \$3.5M USD Project for Two Major California Data Centers
April 23, 2015	Asetek Amended proposal for adoption on AGM April 30, 2015	February 10, 2015	Asetek Settles Lawsuit with PHD Group after Acquiring Two Additional U.S. Patents
April 22, 2015	Asetek Receives its First Production Order of RackCDU from Fujitsu	February 6, 2015	Asetek Announces Settlement of Lawsuit with CoolIT Systems, Inc.
		January 15, 2015	Asetek – Financial Calendar 2015

MANAGEMENT REPORT



The Year 2015 Outlined

- The year 2015 was full of achievements for Asetek. Asetek continued its success as the leading supplier of liquid cooling solutions for high-end computing, shipping 727,000 sealed loop liquid cooling units in 2015, representing growth of more than 70% from 2014.
- Revenue in 2015 totaled \$36.0 million, a record level for the Company and growth of 73% over 2014 (\$20.8 million).
 - Desktop revenue in 2015 expanded to \$34.1 million, a 77% increase from 2014 (\$19.3 million), fueled by significant growth in shipments to the Do-it-Yourself (DIY) market.
 - Data center revenue was \$1.9 million in 2015, a 22% increase over 2014 (\$1.5 million).
- Gross margin decreased to 34.5% in 2015 from 41.8% in 2014. The decrease primarily reflects the significant growth in shipments of lower margin DIY products in 2015.
- Total operating losses of \$2.3 million improved by 76% from 2014 (\$9.5 million)
 - Operating profit (adjusted EBITDA) from the desktop segment was \$7.2 million for the year, an increase from \$3.3 million profit in 2014. Revenue growth in the desktop DIY market was driven by high volume shipments to Asetek's largest customer, Corsair.
 - Operating loss (adjusted EBITDA) from the data center segment was \$5.9 million for the year, compared with an operating loss of \$5.5 million in 2014. The data center spending reflects continued investment in development, sales and marketing, production resources and equipment/tools.
 - Headquarters expenses of \$1.1 million declined 77% from 2014 (\$4.5 million) due to a reduction of \$2.1 million in legal expenses when compared with 2014, and \$1.9 million received in litigation settlement that is reflected as an offset to general and administrative expense.
- Positive developments with Asetek's intellectual property:
 - A patent case with CoolIT Systems Inc. ("CoolIT") was settled early in the year, with Asetek receiving \$1.9 million in damages from CoolIT.
 - In a patent infringement case against CMI USA, Inc. ("CMI"), which was settled in favor of Asetek in 2014, the court refused additional demands from CMI, issued a permanent injunction barring CMI from selling infringing products in the U.S., and awarded an enhanced royalty rate (25.4%) beginning in 2015.
- Achievements in the emerging data center business:
 - The Company executed an agreement with large server manufacturer Fujitsu Technology Solutions GmbH ("Fujitsu") to integrate Asetek's Rack CDU liquid cooling technology in its products. In 2015, sales to Fujitsu totaled \$0.5 million under this agreement and are expected to grow in the future.
 - Asetek executed an OEM purchase agreement with Penguin Computing, Inc., who will integrate RackCDU products with Penguin HPC servers in a large deployment for the U.S. National Nuclear Security Administration. This project and OEM relationship is expected to generate revenue of \$1.0 to \$1.5 million in the first year.
 - The California Energy Commission selected Asetek for a \$3.5 million, two year project to install Rack CDU liquid cooling in two large scale data centers, one of which resides at Lawrence Livermore National Laboratory. The project began in September 2015 and generated \$0.7 million in revenue for Asetek in 2015.
 - The Company executed a purchase agreement with CIARA, a supplier of high performance servers and expects to generate significant revenue annually from this agreement.



ASETEK'S BUSINESS

Asetek is the world's 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 original equipment manufacturers (OEMs) and channel partners around the globe.

Asetek's products are based upon its patented all-in-one liquid cooling technology with more than 2.8 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 2015

Profit and loss

Total revenue for 2015 was \$36.0 million, representing an increase of 73% from 2014 (\$20.8 million), reflecting significant growth in desktop shipments to the DIY market. Sealed loop cooling unit shipments for 2015 totaled 727,000, a 71% increase over 2014 (425,000). Average Selling Prices (ASPs) for the year 2015 increased to \$46.96, from \$45.50 in 2014.

Gross margin decreased to 34.5% in 2015 from 41.8% in 2014. The decrease reflects two principal factors: A significant increase in shipment of DIY products, which are typically lower margin units; and a one-time charge in the second quarter 2015 explained by a cost of \$0.8 million incurred when Asetek decided to recall, rework and reship a bulk of DIY products as a quality assurance measure.

In 2015, operating expenses were \$14.7 million, a 19% decrease from 2014 (\$18.2 million), reflecting several factors. In 2015, the Company received \$1.9 million associated with a legal settlement with CoolIT Systems. These payments offset administrative expense in the periods received. Legal costs incurred associated with defense of existing IP and securing new IP declined to \$1.7 million in 2015 (\$3.9 million). A decline in stock compensation expense also contributed to the reduction in operating expense. Stock compensation expense was \$0.3 million in 2015 (\$0.9 million).

Foreign currency transactions in 2015 resulted in a \$0.3 million gain (\$0.3 million loss in 2014). Currency fluctuation also resulted in a positive \$0.2 million translation adjustment included in other comprehensive income in 2015 (positive \$0.3 million translation adjustment in 2014).

In 2015, income tax benefit associated with credits for research and development in Denmark totaled \$0.4 million (\$1.1 million in 2014).

Asetek incurred \$1.5 million total comprehensive loss for 2015, compared with total comprehensive loss of \$8.4 million in 2014.

Balance sheet

Asetek's total assets at the end of 2015 were \$27.7 million, compared with \$12.8 million at the end of 2014. The increase in assets resulted principally from \$12.2 million net proceeds from equity offerings during the first half of 2015. Cash and cash equivalents at December 31, 2015 was \$13.1 million, an increase of \$8.9 million from 2014. Trade receivables increased \$5.4 million from 2014 principally due to an increase of \$5.1 million in sales in the last two months of 2015 compared with the same period of 2014.

Total liabilities increased by \$3.8 million in 2015. Trade payables increased \$3.7 million principally due to higher production volumes in the fourth quarter 2015 compared with the same period of 2014. Accrued compensation and benefits increased \$0.4 million due to increased incentive compensation payable associated with improved performance in 2015. These increases were partly offset by a decrease in accrued liabilities of \$0.4 million reflecting a decrease in accrued legal costs.

Statement of cash flows

Net cash used by operating activities was \$1.1 million in 2015 (\$5.8 million used in 2014). The operating cash usage was mainly attributed to the net loss and investments in inventory and trade receivables associated with the significant increase in revenue. Included in cash flow from operations in 2015 is \$1.8 million in payments received for settlement of patent litigation, and \$0.9 million income tax benefit received.

Cash used by investing activities was \$2.4 million, related principally to additions in capitalized development costs. The figure compares with \$2.0 million used in 2014.

Cash provided by financing activities in 2015 was \$12.3 million, compared with \$0.1 million provided in 2014. The activity in 2015 primarily represents funds raised through the offerings of common stock, net of financing costs.

Net change in cash and cash equivalents was positive \$8.9 million in 2015, compared with negative \$7.5 million in the same period last year. Not including equity offering transactions, the net change in cash in 2015 was negative \$3.3 million.

Liquidity and financing

Asetek has incurred losses and negative cash flows from operations since its inception. In prior years, as a private company, Asetek financed operations principally through the issuance of convertible preferred shares. In March 2013, through its initial public offering of common shares on the Oslo Stock Exchange, the Company raised \$21.4 million. In March and April 2015, the Company raised \$12.2 million through the private and public issuance of shares. As of December 31, 2015, the Company has working capital of \$15.4 million and non-current liabilities of \$0.3 million.

While there is no assurance that the Company will generate sufficient revenue or operating profits in the future, Asetek's management estimate that the Company's capital resources are sufficient to fund operating activities through 2017, based on financial forecasts. To the extent necessary, 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	2015	2014	2013	2012	2011
Financial highlights: (\$000's)					
Revenue	35,982	20,847	20,729	18,681	15,574
Gross profit	12,412	8,710	8,049	6,788	5,703
Gross margin %	34.5%	41.8%	38.8%	36.3%	36.6%
EBITDA (unaudited)	67	(7,739)	(5,649)	(2,755)	(1,834)
Operating loss	(2,323)	(9,510)	(7,679)	(4,807)	(3,623)
Finance income (expenses)	238	(385)	955	(3,758)	1,754
Net income (loss)	(1,647)	(8,757)	(6,281)	(8,558)	(1,877)
Purchases of property and equipment	958	172	952	88	386
Sealed loop units shipped (000's) (unaudited)	727	425	426	414	333
Year-end values (\$000's):					
Total assets	27,748	12,814	20,983	8,162	8,503
Total equity	18,646	7,422	14,808	(40,642)	(32,294)
Total liabilities	9,102	5,392	6,175	48,804	40,797
Employees (unaudited)	71	68	69	60	51
Key ratios: (unaudited)					
Average selling price per desktop unit (\$)	47.0	45.5	46.8	45.1	46.8
Revenue per employee (\$000's)	507	307	300	311	305
Days sales outstanding	85	52	74	65	48
Inventory turns per year	13.2	11.2	11.9	12.6	8.1



EXPECTATIONS FOR 2016

Desktop:

The revenue growth within the desktop segment in 2015, up 77% versus 2014, was driven by strong demand for certain products, but also by an extraordinary set of circumstances including lawsuit settlements, which cannot be expected to replicate in 2016. The Company will continue to develop new products and expects to add new customers within the desktop segment. The desktop business is therefore expected to grow modestly in 2016 from a record level in 2015.

Data center:

Asetek's progress in the data center market in 2015 indicates a broadening acceptance of liquid cooling in the HPC market, and high-power technologies such as Intel's Xeon Phi processor are helping to accelerate this trend. Working closely with ecosystem partners such as Intel, and large OEM's such as Fujitsu, has enabled Asetek to connect with a wide array of companies and institutions exploring the Company's liquid cooling solutions. Furthermore, the significant cost savings and efficiency of Asetek's RackCDU installations in large scale deployments is garnering attention from decision makers across the industry.

Asetek expects significant revenue growth in the data center segment in 2016 compared with 2015. Revenue and operating results are however expected to fluctuate as partnerships with large OEMs are developed.

Consolidated results:

The financial results for 2015 exceeded Company expectations. In 2016, 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 2016, with reduced levels of spending and continued investments in the data center business. As such, management expects that the Company will report improved profitability for 2016 compared to the loss incurred in 2015.

EVENTS AFTER THE REPORTING PERIOD

There have been no events since 31 December 2015 which could significantly affect the evaluation of the Group's financial position and revenue.

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.

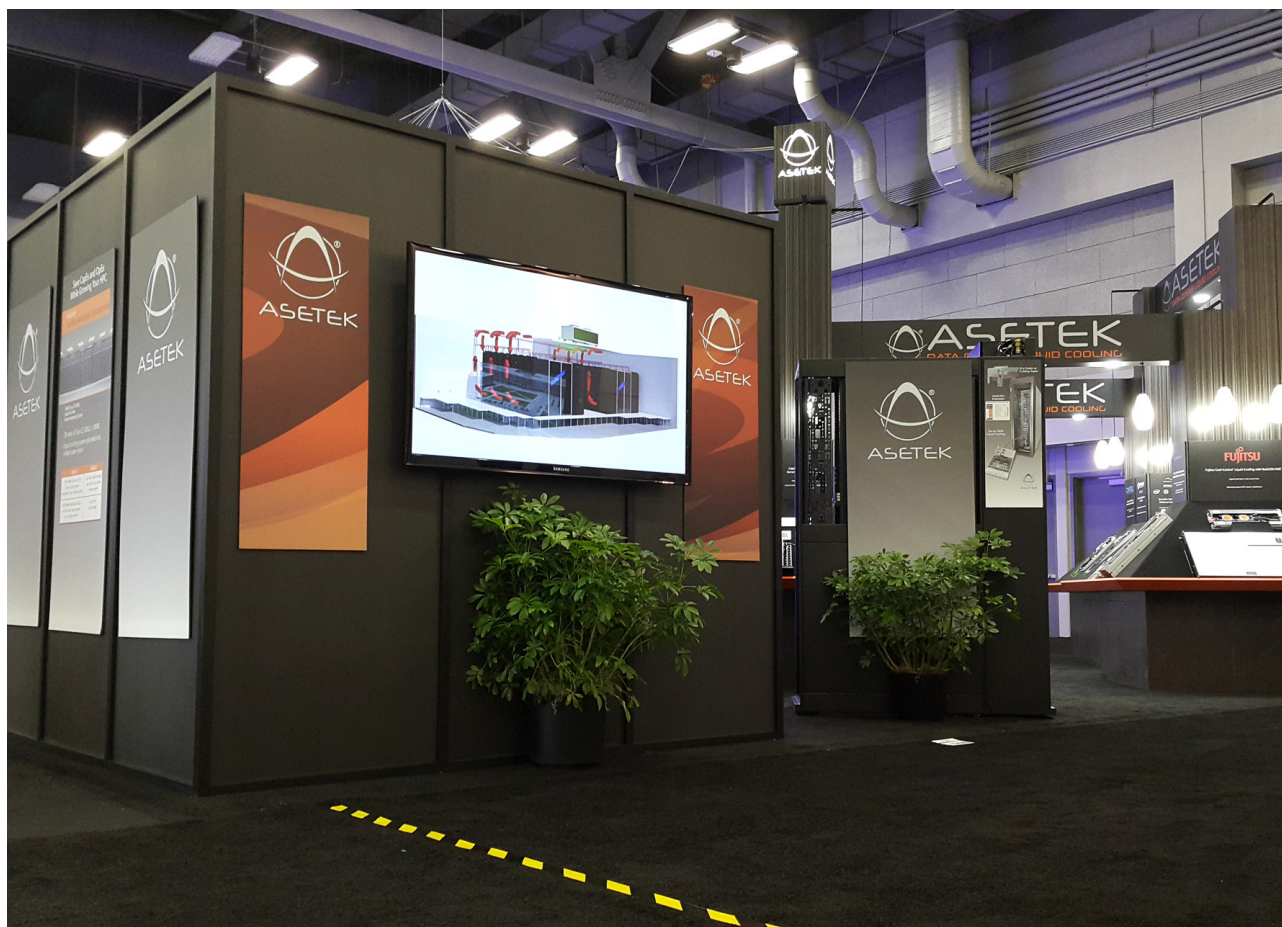
Insurance. It is the Company's policy to cover all relevant risk areas with commercially available insurance products. This currently includes insurance for product liability, operating material and inventory as well as compulsory coverage, which varies from country to country. Management assessments 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.

Intellectual property defense. Asetek has filed and defended lawsuits against competitors for patent infringement. While some of the recent cases have been settled or dismissed, some may continue, and new cases may be initiated. Such cases may proceed for an extended period and could potentially lead to an unfavorable outcome to Asetek. Asetek has historically incurred significant legal costs associated with litigation and may continue to do so in the future to the extent management believes it is necessary to protect intellectual property.

Manufacturing supply. Asetek relies upon suppliers and partners to supply products and services at competitive prices. Asetek's desktop products have been historically assembled by a single contract manufacturer which may be difficult to substitute in the short term if the need should arise. The Company has recently added a new contract manufacturer to assume a portion of the manufacturing volume. Asetek also mitigates the supplier risk with Company-owned supplemental manufacturing lines which can be utilized if necessary.

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. During 2015, the USD strengthened against the DKK and Euro by over 10% and is relatively unchanged against the Japanese Yen. Asetek estimates that about one third of its sold products ultimately are delivered



in Europe or Japan, which are the two geographical areas which could have the largest potential impact due to USD appreciation. Asetek's raw materials are predominantly purchased from vendors whose underlying currency is CNY. The USD has strengthened approximately 5% versus the CNY during 2015, and Asetek therefore does not expect to pass on a significant portion of its currency risk to its vendors. While Asetek recognizes that USD appreciation adds negative sales price pressure, Asetek has only seen a limited reaction from its markets. Asetek believes that other factors in the end users' buying decision play a larger role than price fluctuation on the liquid cooling component. In addition, Asetek believes that competing products will be prone to the same exchange rate scenarios as Asetek.

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 2015.

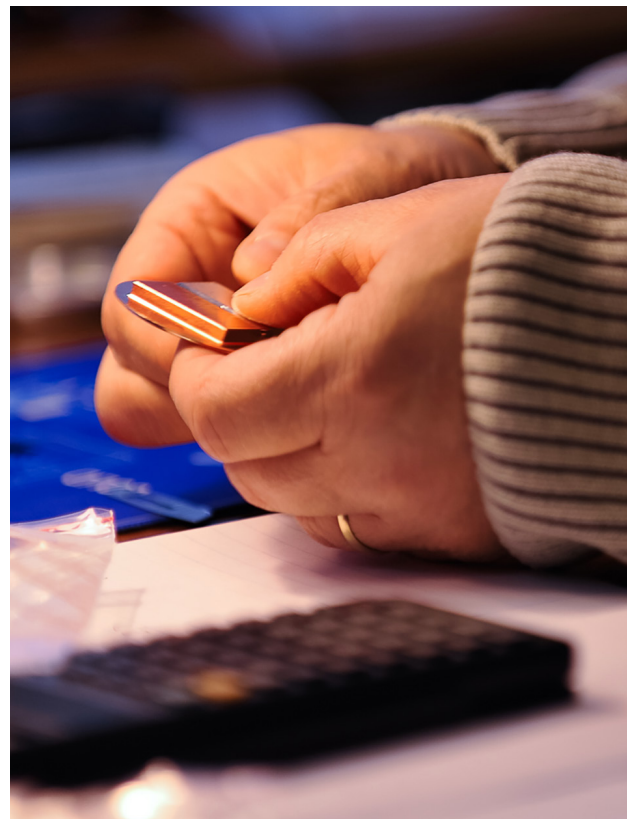
Equal Opportunities. The Board of Directors has set a goal for Asetek to have at least 15% female representation at board and management level by 2016. At the end of 2015, the Board of Directors consists of 100% male members and hence the goal has not been met. When evaluating new potential board members, the Board of Directors will encourage female candidates, while at the same time will continue to search for relevant experience specific to Asetek. During 2015 there was one board seat change in which a male board member was replaced with another male who represents significant ownership interest in the Company and was a member of the Board of Directors from 2012 to 2013. At other management levels, there is 16% female representation at the end of 2015, which is an increase over the year before. During 2015 the Company has continued to actively encourage

woman to apply for open positions as well as it has continued its communication with educational institutions which trains both male and female candidates. The work to further increase the female representation continues into 2016.

External environment. Asetek Group operations' effect on the environment is minimal and is typical for a supplier of computer components. The principal 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, the Board of Directors is in the process of developing such a program. 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 for 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://www.asetek.com/scgs2015>

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 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 at either the facility in Aalborg, Denmark or in San Jose, California. Additional meetings may be convened on an ad hoc basis. During 2015, the Board met five times.

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), Scott Pagel and Samuel Szejnbaum. The Committee met two times during 2015.
- 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 Committee met four times during 2015.
- The Compensation Committee has responsibilities related to developing proposals for the applicable remuneration policy and execution of the Management Board. Members: Samuel Szejnbaum (Chairman), Jim McDonnell and Jørgen Smidt. The Committee met three times during 2015.



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.

At the general meeting held on April 30, 2015 the Board was authorized to issue new shares under the warrant program up to a nominal value of DKK 200,000 through April 30, 2020.

At the Board Meeting on August 11, 2015, warrants permitting subscription of up to 700,000 shares of a nominal value of DKK 0.10 and at an exercise price of NOK 10.50 per share were issued. The exercise price was established as the share price ("closing price") for the Company's share as of August 12, 2015. 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 a combination of cash compensation and long termed stock option based incentives during 2015. 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, 2015. 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.

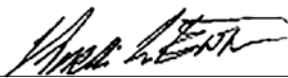
In our opinion, the Consolidated Financial Statements and Financial Statements give a true and fair view of the financial position at December 31, 2015 of the Group and the Parent company and of the results of the Group and Parent company operations and cash flows for 2015.

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
February 23, 2016

Executive Board

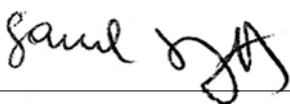


André Sloth Eriksen
Chief Executive Officer



Peter Dam Madsen
Chief Financial Officer

Board of Directors



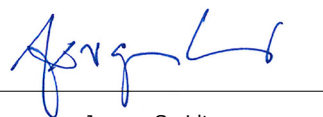
Samuel Szeinbaum, Chairman



Chris J. Christopher



Jim McDonnell



Jørgen Smidt



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 2015, 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 2015 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 2015 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Statement on Management's Report

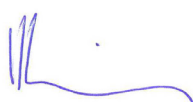
We have read Management's Report in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Consolidated Financial Statements and the Parent Company Financial Statements. On this basis, in our opinion, the information provided in Management's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

Aalborg, February 23, 2016

PricewaterhouseCoopers

CVR No. 33 77 12 31

Statsautoriseret Revisionspartnerselskab



Henrik Trangeled Kristensen
State Authorised Public Accountant



Line Borregaard
State Authorised Public Accountant

PROFIT & LOSS

Asetek A/S

Consolidated Statement of Comprehensive Income

For the years ended December 31, 2015 and 2014

USD 000's	Note	2015	2014
Revenue	4	35,982	20,847
Cost of sales	8	(23,570)	(12,137)
Gross profit		12,412	8,710
Research and development		(3,938)	(3,556)
Selling, general and administrative		(10,797)	(14,664)
Total operating expenses	8	(14,735)	(18,220)
Operating loss		(2,323)	(9,510)
Foreign exchange (loss)/gain	9	305	(298)
Finance costs	9	(67)	(87)
Total financial income (expenses)		238	(385)
Loss before tax		(2,085)	(9,895)
Income tax benefit	10, 11	438	1,138
Loss for the year		(1,647)	(8,757)
Other comprehensive income items that may be reclassified to profit or loss in subsequent periods:			
Foreign currency translation adjustments		181	335
Total comprehensive loss		(1,466)	(8,422)
Income per share: (in USD)			
Basic		(0.07)	(0.62)
Diluted		(0.07)	(0.62)

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, 2015 and 2014

USD 000's	Note	2015	2014
ASSETS			
Non-current assets			
Intangible assets	14	1,852	2,334
Property and equipment	15	1,188	730
Other assets		496	292
Total non-current assets		3,536	3,356
Current assets			
Inventory	17	1,786	1,102
Trade receivables and other	16	9,366	4,186
Cash and cash equivalents		13,060	4,170
Total current assets		24,212	9,458
Total assets		27,748	12,814
EQUITY AND LIABILITIES			
Equity			
Share capital	18	416	264
Share premium	18	76,665	64,451
Accumulated deficit		(58,633)	(57,307)
Translation and other reserves		198	14
Total equity		18,646	7,422
Non-current liabilities			
Long-term debt	19	259	309
Total non-current liabilities		259	309
Current liabilities			
Short-term debt	19	375	300
Accrued liabilities		862	1,255
Accrued compensation and employee benefits		1,272	882
Trade payables		6,334	2,646
Total current liabilities		8,843	5,083
Total liabilities		9,102	5,392
Total equity and liabilities		27,748	12,814

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, 2015 and 2014

USD 000's	Note	2015	2014
Cash flows from operating activities			
Loss for the year		(1,647)	(8,757)
Depreciation and amortization	14, 15	2,390	1,771
Finance costs (income)	9	67	87
Income tax expense (income)	10, 11	(438)	(1,138)
Impairment of intangible assets		-	36
Cash receipt (payment) for income tax		934	204
Share based payments expense	7	321	940
Changes in trade receivables, inventories, other assets		(6,937)	1,264
Changes in trade payables and accrued liabilities		4,243	(230)
Net cash used in operating activities		(1,067)	(5,823)
Cash flows from investing activities			
Additions to intangible assets	14	(1,489)	(1,873)
Purchase of property and equipment	15	(882)	(172)
Net cash used in investing activities		(2,371)	(2,045)
Cash flows from financing activities			
Cash received for finance of previously purchased equipment		-	279
Funds drawn (paid) against line of credit		90	(141)
Proceeds from issuance of share capital	18	13,148	96
Cash paid for fees related to financing	18	(832)	-
Principal and interest payments on finance leases		(76)	(145)
Net cash provided by financing activities		12,330	89
Effect of exchange rate changes on cash and cash equivalents		(2)	286
Net changes in cash and cash equivalents		8,890	(7,493)
Cash and cash equivalents at beginning of period		4,170	11,663
Cash and cash equivalents at end of period		13,060	4,170
Supplemental disclosure - non-cash transactions			
Property and equipment acquired on finance leases		76	-

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, 2015 and 2014

(USD 000's)	Share capital	Share premium	Translation reserves	Other reserves	Accumulated deficit	Total
Equity at January 1, 2014	264	64,357	(309)	(14)	(49,490)	14,808
Total comprehensive income 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
Total comprehensive income for 2015						
Loss for the year	-	-	-	-	(1,647)	(1,647)
Foreign currency translation adjustments	-	-	181	-	-	181
Total comprehensive loss for 2015	-	-	181	-	(1,647)	(1,466)
Transactions with owners in 2015						
Shares issued	152	12,993	-	3	-	13,148
Less: issuance costs	-	(779)	-	-	-	(779)
Share based payment expense	-	-	-	-	321	321
Transactions with owners in 2015	152	12,214	-	3	321	12,690
Equity at December 31, 2015	416	76,665	207	(9)	(58,633)	18,646

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

NOTES

I. 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'.

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. Certain prior period amounts have been reclassified to conform to current period presentation.

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. 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, 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, 2015, 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, 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.

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 the granting of equity 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, weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate. 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. 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.

2.15. Revenue recognition and other income

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 and California state 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 from government agencies and other customers 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.

Income received as a result of patent litigation settlement is recorded as an offset to administrative expense in the period the funds are received.

2.16. 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.

2.17. 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.

2.18. 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.

2.19. Segment reporting

Business segmentation. 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 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.

2.20. Cash flow statement

The cash flow statement is prepared using the indirect method.

2.21. 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 revenue 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.

2.22. 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, 2015, there have been no contributions made to the Plan by the Company.

2.23. Changes in accounting policy and disclosures

Applied new standards and amendments included in Annual Report for 2015. Certain new standards, amendments to standards, and annual improvements to standards and interpretations are effective for annual periods beginning after January 1, 2015, 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 2015.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2015, 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, 2015

Standard	Content	Effective Date
Amendments to IAS 1	Disclosure initiative. The key changes are materiality, disaggregation and subtotals, notes and disclosure of accounting policies, etc.	1-Jan-16
"Annual Improvements to IFRS's (2012-2014)"	<p>"*IFRS 5: clarifies that, when an asset is reclassified from 'held for sale' to 'held for distribution', or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such.</p> <p>*IFRS 7: Financial instruments - Disclosures. There are two amendments to IFRS 7 regarding servicing contracts and interim financial statements.</p> <p>*IAS 19: Clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency in which the liabilities are denominated that is important, not the country where they arise.</p> <p>*IAS 34: Clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the annual report'"</p>	1-Jan-16
Amendments to IAS 27	Equity Method in Separate Financial Statements.	1-Jan-16
Amendments to IAS 16 / IAS 41	Bearer Plants	1-Jan-16
Amendments to IAS 16 / IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization	1-Jan-16
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1-Jan-16

Not endorsed by EU as of December 31, 2015

Standard	Content	Effective Date
IFRS 9: Financial Instruments	The standard replaces IAS 39, Financial instrument, recognition and measurement. It has three classification categories for debt instruments: amortised cost, fair value through other comprehensive income ('FVOCI') and fair value through profit or loss ('FVPL'). Classification under IFRS 9 for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ('SPPI'). Equity investments which do not form part of the trading portfolio can be irrevocable designated at fair value through other comprehensive income. Further, a new impairment model for debt instruments not measured at fair value through profit or loss, based on expected losses. A new hedge accounting model is introduced under which the qualifying criteria are adjusted so as to better align with risk management practices.	1-Jan-18
IFRS 14: Regulatory deferral accounts	IFRS 14 is an interim standard on the accounting for certain balances that arise from rate-regulated activities ('regulatory deferral accounts').	1-Jan-16
IFRS 15: Revenue from Contracts with Customers - Including amendments to IFRS 15	The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The principle is applied to each individual performance obligation identified in the contract.	1-Jan-18
Amendments to IFRS 10	Investment entities - Applying the Consolidation Exception	1-Jan-16
IFRS 16: Leases	IASB has published IFRS 16, Leasing which alters the rules of the accounting treatment of operating leases on the part of the lessee. Therefore, in future, leases are to be recognised in the balance sheet with an asset and a corresponding lease commitment. The EU has not yet approved the standard and it will come into effect regarding financial years beginning on 1 January 2019 or later. Asetek expects to implement the standard when it comes into effect. Asetek is examining the effect of the standard which cannot yet be determined.	1-Jan-19

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 and subsequent equity offerings in 2015. Previously the Group issued convertible preferred shares, convertible debt and notes payable to shareholders, and secured 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, 2015

(USD 000's)	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Line of credit	(288)	-	-	-	(288)
Finance leases	-	(22)	(65)	(259)	(346)
Lease deposit	-	-	(84)	-	(84)
Trade payables and accrued liabilities	-	(7,993)	(391)	-	(8,384)
	(288)	(8,015)	(540)	(259)	(9,102)

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)



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. Transactions that are denominated in Danish kroner result in foreign exchange gains (losses) in the U.S. dollar-based financial statements, and translation of the Denmark entity balance sheet accounts from Danish kroner to U.S. dollars affect the equity balances of the Group. 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, 2015 was 6.83 Danish kroner to one U.S. dollar (6.12 to the U.S. dollar at December 31, 2014). 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 2015 of \$210,000 and comparable decrease in 2014 of \$23,000.

(b) Interest rate risk. As of December 31, 2015, 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, \$288 thousand of which was outstanding at December 31, 2015. The line carries interest at the Danish CIBOR 3 rate plus 4.5 percentage points, which in total was 4.4% at December 31, 2015. 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 data center 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 March 2015, the Company raised \$11.6 million of net proceeds through private placement of 10 million new common shares, at a price of NOK 10.00 per share. In April 2015, the Company issued 480 thousand new shares in a public offering at NOK 10.00 per share, receiving proceeds of \$0.6 million. 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 primarily 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. Historically, bad debt expense has not been significant. Certain customers in the Desktop segment have accounted for a significant portion of the Company's revenues in the years presented, as follows. In 2015, one customer accounted for 60% of revenue. In 2014, two customers accounted for 32% and 18% of revenue, respectively. At December 31, 2015, one customer represented 62% of outstanding trade receivables. At December 31, 2014, three customers represented 36%, 15% and 14% of outstanding trade receivables, respectively. The reserve for uncollectible trade accounts was \$19,000 at December 31, 2015 (2014: \$48,000). 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)	2015	2014
Cash and cash equivalents	13,060	4,170
Trade receivables and other	9,366	4,186
Other assets	496	292
Maximum credit exposure	22,922	8,648

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)		
	2015		
	Revenue	Current assets	Non-current assets
Asia	30,377	7,699	9
Americas	4,216	2,412	835
Europe	1,389	14,101	2,692
Total	35,982	24,212	3,536

	(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

Revenue in Denmark (country of domicile) was \$0.2 million in 2015 (\$0.1 million in 2014). Non-current assets in Denmark were \$2.7 million in 2015 (\$2.7 million in 2014). Revenue in Hong Kong represented 62% of total revenue in 2015 (36% in 2014).

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

The Company reports on two segments, Desktop and 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 2015 and 2014. Income and expense items below adjusted EBITDA, to arrive at income (loss) before tax, are provided as supplemental disclosures.

Condensed income statement - years ended December 31,

(USD 000's)	2015				2014			
	Desktop	Datacenter	Not allo- cable to divisions	Total	Desktop	Datacenter	Not allo- cable to divisions	Total
Revenue	34,121	1,861	-	35,982	19,318	1,529	-	20,847
Cost of goods sold, less depreciation	22,486	1,084	-	23,570	11,124	956	-	12,080
Gross profit	11,635	777	-	12,412	8,194	573	-	8,767
Operating costs	4,405	6,667	2,796	13,868	4,915	6,102	4,549	15,566
Litigation settlement received	-	-	(1,844)	(1,844)	-	-	-	-
Adjusted EBITDA	7,230	(5,890)	(952)	388	3,279	(5,529)	(4,549)	(7,097)
Depreciation in cost of goods	-	-	-	-	57	-	-	57
Depreciation in operating expense	1,005	1,385	-	2,390	622	1,092	-	1,714
Share based compensation	81	127	113	321	320	426	194	940
Financial income (expenses)	-	-	238	238	-	-	(385)	(385)
Income (loss) before tax	6,144	(7,402)	(827)	(2,085)	2,280	(7,047)	(5,128)	(9,895)

Condensed balance sheet - as of December 31,

Total investment	4,255	2,429	11,963	18,646	2,770	1,515	3,138	7,422
Total assets	10,615	3,136	13,997	27,748	4,985	2,273	5,556	12,814
Total liabilities	6,360	708	2,034	9,102	2,215	758	2,419	5,392

Changes in intangible assets - years ended December 31,

Opening balance, intangible assets	936	1,398	-	2,334	602	1,221	-	1,823
Gross additions	548	941	-	1,489	834	1,038	-	1,872
Amortization and other	(819)	(1,152)	-	(1,971)	(500)	(861)	-	(1,361)
Ending balance, intangible assets	665	1,187	-	1,852	936	1,398	-	2,334

6. SALARY COSTS AND REMUNERATIONS

(USD 000's)	2015	2014
Salaries	6,766	6,877
Retirement fund contributions	55	68
Social cost	114	127
Share based payment	321	940
Other expenses	207	250
Total personnel expenses before capitalization	7,463	8,262
Capitalized as development cost	(1,163)	(1,318)
Total personnel expenses in statement of income	6,300	6,944
Average number of employees	71	68

The staff costs are specified as follows:

(USD 000's)	2015	2014
Research and development	1,936	2,521
Selling, general and administrative	5,527	5,741
Total personnel expenses before capitalization	7,463	8,262

Compensation to the Board of Directors and Officers in 2015

(USD 000's)	Remuneration	Options	Total
Board of Directors	50	32	82
Officers	1,079	123	1,202
	1,129	155	1,284

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

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 above remuneration for Officers include \$15,000 and \$5,000 in pension payments in 2015 and 2014, respectively. 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, 2015, The Company's CEO, André Eriksen, held or was in control of 392,512 common shares of the Company and 23,511 options exercisable at \$0.94 or \$0.96 per share, 124,622 warrants exercisable at \$1.30 (NOK10.50) per share, 101,523 warrants exercisable at \$6.11 (NOK36.50) per share and 24,750 warrants exercisable at \$6.70 (NOK40.10) per share. The Company's CFO, Peter Dam Madsen, held 72,741 common shares of the Company and 14,221 options exercisable at \$0.96 or \$0.94 per share, 50,875 warrants exercisable at \$1.30 (NOK10.50) per share, 37,800 warrants exercisable at \$6.11 (NOK36.50) per share, and 10,313 warrants exercisable at \$6.70 (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. 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 \$321,000 and \$940,000 for the years ended December 31, 2015 and 2014, 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, 2015 there is a total of 3,813,166 common shares authorized under the Plan.

Date of authorization	Number of options
March 2013	1,048,187
August 2013	764,979
April 2015	2,000,000
Total number of options authorized	3,813,166

In August, 2015, 700,000 warrants were granted with exercise prices of \$1.30 (NOK10.50) per share. In August, 2014, 32,970 warrants were granted with exercise prices of \$5.50 (NOK33.90) per share. In April 2014, 118,210 warrants were granted with exercise prices of \$6.70 (NOK40.10) per share. Movements in the number of share options outstanding and their related weighted average exercise price are as follows:

Option activity - exercise prices of \$0.94, \$0.96 and \$1.30	2015	Weighted Average	2014	Weighted Average
		Exercise		Exercise
		Price		Price
Outstanding on January 1	486,073	0.95	597,461	0.95
Options/warrants granted	700,000	1.30	-	-
Options/warrants exercised	(181,399)	0.95	(99,758)	0.94
Options/warrants forfeited	(6,741)	0.96	(11,630)	0.96
Outstanding on December 31	997,933	1.20	486,073	0.95
Exercisable on December 31	368,648	1.02	445,258	0.95

The weighted average market price per share on the date of exercise for the above shares was \$1.48 in 2015 and \$5.78 in 2014.

Option activity - exercise prices of \$5.50 to \$7.12	2015	Weighted Average	2014	Weighted Average
		Exercise		Exercise
		Price		Price
Outstanding on January 1	764,979	6.18	691,874	6.14
Options/warrants granted	-	-	151,180	6.44
Options/warrants exercised	-	-	(1,917)	6.11
Options/warrants forfeited	(119,454)	6.19	(76,158)	6.34
Outstanding on December 31	645,525	6.18	764,979	6.18
Exercisable on December 31	418,277	6.18	290,323	6.18

The weighted average market price per share on the date of exercise for the above shares was \$6.52 in 2014.

Of the options and warrants outstanding at December 31, 2015, 138,162 have an exercise price of \$0.94 per share, 160,186 have an exercise price of \$0.96 per share, 699,585 have an exercise price of \$1.30 (NOK10.50) per share, 26,626 have an exercise price of \$5.50 (NOK33.90) per share, 516,859 have an exercise price of \$6.11 (NOK36.50) per share, 102,040 have an exercise price of \$6.70 (NOK40.10) per share and zero warrants have an exercise price of \$7.12 per share. The weighted average remaining contractual term is 5.15 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 2015 have an estimated total value of \$241,000. The warrants granted in 2014 have an estimated total value of \$346,000. The following weighted average assumptions were used for the period indicated.

Valuation assumptions	2015	2014
Risk-free interest rate	1.18%-1.42%	1.0% - 1.6%
Dividend yield	0.0%	0.0%
Expected life of options (years)	3.75-4.6	3.5-4.6
Expected volatility	31% - 53%	33%-55%

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)	2015	2014
Inventories recognized as cost of sales (Note 17)	23,570	12,080
Personnel expenses (Note 6)	7,463	8,262
Depreciation and amortization	2,390	1,771
Legal, patent, consultants and auditor	4,413	6,270
Litigation settlement received	(1,844)	-
Facilities and infrastructure	1,387	1,204
Other expenses	2,415	2,941
Total operating expenses before capitalization	39,794	32,528
Less: capitalized costs for development projects (Note 14)	(1,489)	(1,873)
Total expenses	38,305	30,655

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

(USD 000's)	2015	2014
Depreciation and amortization included in:		
Cost of sales	-	57
Research and development	1,388	907
Selling, general and administrative	1,002	807
Total	2,390	1,771

9. FINANCE COSTS AND INCOME

(USD 000's)	2015	2014
Foreign exchange (loss) gain	305	(298)
Interest cost on line of credit	(6)	(12)
Interest cost on finance lease	(14)	(22)
Other bank fees and income, net	(47)	(53)
Total finance (costs) / income	238	(385)

In 2015, Foreign exchange (loss) gain has been reclassified from Operating expense to Finance costs and income on the Consolidated Statement of Comprehensive Income, because the account activity has principally resulted from treasury transactions. The relevant figures for 2014 have been reclassified for comparative purposes.

IO. INCOME TAXES

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

(USD 000's)	2015	2014
Current income tax benefit	438	1,138
Deferred income tax	-	-
Tax benefit	438	1,138

The tax benefit for 2015 and 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)	2015	2014
Loss before tax	(2,085)	(9,895)
Tax benefit calculated at domestic rates applicable to profits/losses in respective countries	422	2,722
Tax effects of:		
Expenses not deductible for tax purposes	(152)	(169)
Temporary differences between book and tax	168	(1,415)
Tax benefit	438	1,138

II. 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 \$13,907 thousand (2014: \$15,201 thousand), in respect of losses amounting to \$62,093 thousand (2014: \$68,080 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 \$362 thousand (2014: \$428 thousand) in respect of costs deducted in taxation but not in bookkeeping amounting to \$1,963 thousand (2014: \$2,201 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, 2015 and 2014, no deferred tax assets have been recorded by the Company.

12. EARNINGS (LOSSES) PER SHARE

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.

	2015	2014
Loss attributable to equity holders of the Company (USD 000's)	(1,647)	(8,757)
Weighted average number of common shares outstanding (000's)	22,332	14,123
Basic loss per share	(0.07)	(0.62)
Diluted loss per share	(0.07)	(0.62)

Potential dilutive instruments are not included in the calculation of diluted loss per share for the periods presented because the effect of including them would be anti-dilutive and reduce the loss per share.

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, 2015 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, 2015, 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, 2015. The values of the Group's assets and liabilities are as follows:

As of December 31, 2015

Assets as per balance sheet: (USD 000's)	Loans and receivables
Trade receivables and other	9,366
Cash and cash equivalents	13,060
	22,426

As of December 31, 2015

(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	-	259	259
Short-term debt	-	375	375
Trade payables and accrued liabilities	-	8,468	8,468
	-	9,102	9,102



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)	2015	2014
Cost:		
Balance at January 1	4,866	5,611
Additions	1,489	1,873
Deletions - completion of useful life	-	(2,443)
Impairment loss	(15)	(175)
Balance at December 31	6,340	4,866
Accumulated amortization and impairment losses:		
Balance at January 1	(2,532)	(3,788)
Amortization for the year	(1,970)	(1,326)
Amortization associated with deletions	3	2,443
Amortization associated with impairment losses	11	139
Balance at December 31	(4,488)	(2,532)
Carrying amount	1,852	2,334

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, 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
Balance at January 1, 2015	277	1,761	435	2,473
Additions	42	565	351	958
Disposals	-	(64)	(36)	(100)
Exchange rate difference	(19)	(136)	(41)	(196)
Balance at December 31, 2015	300	2,126	709	3,135
Accumulated depreciations				
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)
Balance at January 1, 2015	(113)	(1,311)	(319)	(1,743)
Disposals	-	64	36	100
Depreciations for the year	(44)	(303)	(73)	(420)
Exchange rate differences	5	85	26	116
Balance at December 31, 2015	(152)	(1,465)	(330)	(1,947)
Carrying amount at December 31, 2014	164	450	116	730
Carrying amount at December 31, 2015	148	661	379	1,188

At December 31, 2015, property and equipment includes leased equipment at a gross value of approximately \$527,000 which had accumulated amortization of \$333,000. (2014: gross value of \$505,000 and accumulated amortization of \$197,000).



16. TRADE RECEIVABLES AND OTHER

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

(USD 000's)	2015	2014
Gross trade receivables	8,408	3,040
Provision for uncollectible accounts	(19)	(48)
Net trade receivables	8,389	2,992
Other receivables and assets	977	1,194
Total trade receivables and other	9,366	4,186

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, 2015	8,408	4,753	3,266	249	140
December 31, 2014	3,040	1,971	863	152	54

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.

Other receivables. Other receivables include \$0.4 million and \$1.0 million of income tax benefit receivable as of December 31, 2015 and 2014, respectively. Refer to Note 10.

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

(USD 000's)	2015	2014
Balance at January 1	(48)	(441)
Additions	(19)	(48)
Reversals	48	441
Balance at December 31	(19)	(48)

17. INVENTORIES

(USD 000's)	2015	2014
Raw materials	542	551
Finished goods	1,349	629
Total gross inventories	1,891	1,180
Less: provision for inventory reserves	(105)	(78)
Total net inventories	1,786	1,102
(USD 000's)	2015	2014
Inventories recognized as cost of sales during the period	(23,570)	(12,080)
Write-down of inventories to net realizable value	(105)	(80)

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

(USD 000's)	2015	2014
Balance at January 1	(78)	(95)
Additions	(105)	(80)
Write-offs	78	97
Balance at December 31	(105)	(78)

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

In March 2015, the Company raised \$12.4 million in gross proceeds through a private placement of 10 million new common shares, each with a par value of DKK 0.10, at a price of NOK 10.00 per share. In April 2015, the Company raised \$0.6 million in gross proceeds through the public issuance of an additional 480 thousand new shares, each with a par value of DKK 0.10, at a price of NOK 10.00 per share.

The Company has reserved 1,150 thousand shares (4.5% of total shares, nominal value DKK 115 thousand) for future exercises of options. In 2015, a total of 181 thousand options (0.7% of total shares, nominal value DKK 18 thousand) were exercised resulting in \$0.2 million funds received by the Company. 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.

As of December 31, 2015, there are 24,823 thousand common shares outstanding with a nominal value of 0.10 DKK per share and 538 thousand shares (2.1% of total shares, nominal value DKK 54 thousand) held in treasury. Included in equity is a reserve for treasury shares of approximately \$9,000 at December 31, 2015.



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

(000's)	2015	2014
Common shares outstanding - January 1	14,165	14,064
Offerings of new shares	10,480	-
Treasury shares purchased	(3)	-
Options and warrants exercised	181	101
Common shares outstanding - December 31	24,823	14,165

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)	2015	2014
Line of credit	(288)	(223)
Finance leases - due within one year	(87)	(77)
Sublease deposit	(84)	(204)
Debt included in current liabilities	(459)	(504)
Finance leases - due after one year	(259)	(309)
Total debt	(718)	(813)
Less: cash and equivalents	13,060	4,170
Net debt	12,342	3,357

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, 2015, the total line was 2.0 million Danish kroner, which equates to \$293 thousand at December 31, 2015. Interest on the line is payable monthly at the Danish CIBOR 3 rate plus 4.5 percentage points, which in total was 4.4% at December 31, 2015. As of December 31, 2015, the Company had 1.97 million Danish kroner (\$288 thousand) outstanding on the line. (1.36 million Danish kroner outstanding at December 31, 2014).

20. LEASES

Operating leases. The Company leases some of its facilities under noncancelable operating leases. The Company's office space in Aalborg, Denmark is under lease through August 2020 or later. The Company subleases a portion of this facility to another tenant and under the sublease agreement received 1.2 million Danish kroner in rent during the year ended December 31, 2015 (1.3 million in 2014). The Company's office in San Jose, California is under lease through December 2018. Future minimum operating lease payments are as follows as of the balance sheet date:

(USD 000's)	2015	2014
Minimum operating lease payments due:		
In the following year	483	517
In the second year	483	522
In the third year	488	524
In the fourth year	352	529
In the fifth year and thereafter	205	621
	2,011	2,712

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)	2015	2014
Minimum finance lease payments as of December 31	346	406
Less: Amount representing interest	(14)	(20)
Total obligations under finance leases	332	386
Obligations under finance leases due within one year	87	77
Obligations under finance leases due after one year	259	309
	346	386

21. TRANSACTIONS WITH RELATED PARTIES

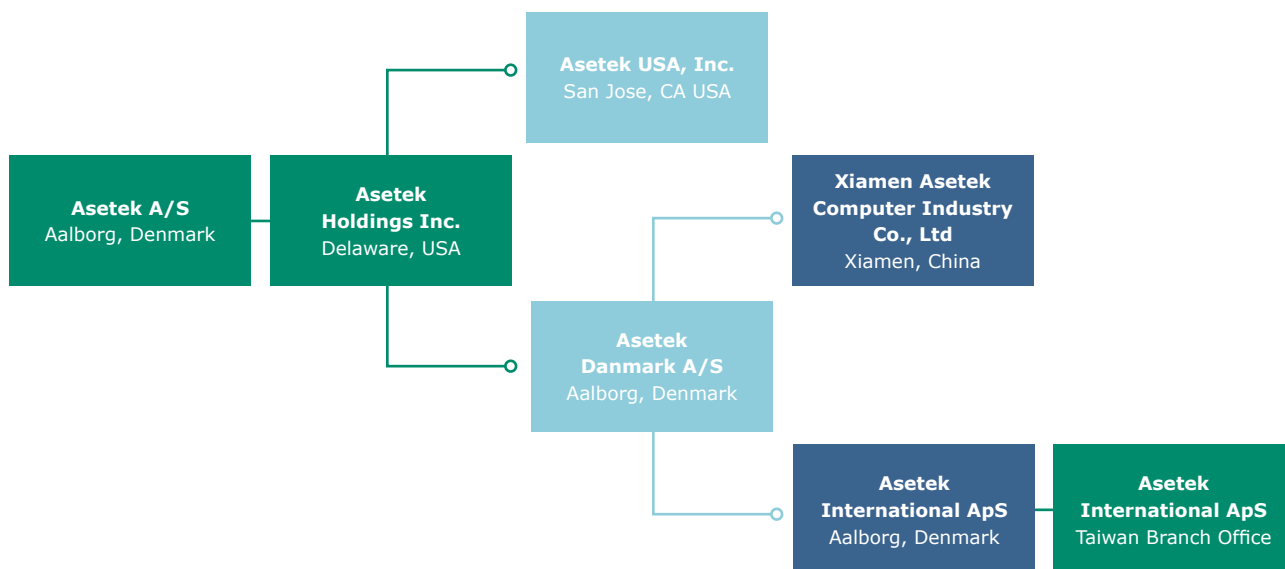
The Company's chairman is a member of the board of directors of a reseller of Company products. During the years ended December 31, 2015 and 2014, the Company had sales of inventory to the reseller of \$21.7 million and \$6.7 million, which represented 60% and 32% of total revenues, respectively. As of December 31, 2015 and 2014, the Company had outstanding trade receivables from the reseller of \$5.2 million and \$1.1 million, respectively.

The Company's CEO serves as Chairman of the Board for a vendor that supplies information technology services to the Company. In 2015, the Company purchased services totaling approximately \$0.3 million (\$0.2 million in 2014) from this vendor. At December 31, 2015 and 2014, the Company had outstanding payables to this vendor of \$5,000 and \$4,000, respectively.

22. SUBSIDIARIES

The following entities are included in the consolidated accounts:

Company	Domicile	Stake	Voting Share	Activity
Asetek A/S	Denmark	100%	100%	Trading
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 \$172,000 and \$197,000 in 2015 and 2014, respectively.

The fee is distributed between these services:

(USD 000's)	2015	2014
Statutory audit	87	103
Other assurance services	51	63
Tax services	34	30
Other services	-	1
Total	172	197

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 2015, the board members have been compensated as listed below.

Name	Current directorships and position	Share compensation from Asetek in 2015 and current holdings
Samuel Szteinbaum	Corsair Components, Inc. - Board member The Wonder Years Inc. - Chairman and CEO	15,654 warrants to buy shares at a price of \$1.30 (NOK10.50). The warrants are vesting over 12 months and are exercisable for 7 years. Also holds 136,600 shares, and 12,822 warrants at \$6.11/share and 11,000 warrants at \$6.70/share from grants in prior years. \$10,000 in cash compensation.
Chris Christopher	Rocky Mountain Innosphere - Board member CloudRegen - Board member	15,654 warrants to buy shares at a price of \$1.30 (NOK10.50). The warrants are vesting over 12 months and are exercisable for 7 years. Also holds 30,840 shares and 17,760 options at \$0.96/share, 12,822 warrants at \$6.11/share, and 11,000 warrants at \$6.70/share from prior year grants. \$10,000 in cash compensation.
Jim McDonnell	None	15,654 warrants to buy shares at a price of \$1.30 (NOK10.50). The warrants are vesting over 12 months and are exercisable for 7 years. Also holds 6,400 shares and 6,408 warrants at \$5.50/share from prior year grants. \$10,000 in cash compensation.
Peter Gross	Glumac, Inc. TBC - Board member I3 Solutions, Inc. - Board member Active Power - Board member	15,654 warrants to buy shares at a price of \$1.30 (NOK10.50). The warrants are vesting over 12 months and are exercisable for 7 years. Also holds 6,408 warrants at \$5.50/share from prior year grants. \$10,000 in cash compensation.
Knut Øversjøen	Nordic Energy AS - Chairman Kov Invest Holding, Chairman and CEO Spond AS - Board member Scandec Systems, Chairman & CEO Falcon Industrial Partners, AS - Chairman Guardian Corporate AS - Board member Aega Yieldco AS - Chairman Reinertsen AS - Board member Scanmar AS - Board member Scansense AS - Board member	15,654 warrants to buy shares at a price of \$1.30 (NOK10.50). The warrants are vesting over 12 months and are exercisable for 7 years. Also holds 24,759 shares and 12,822 warrants at \$6.11/share and 11,000 warrants at \$6.70/share from prior years. \$10,000 in cash compensation.
Jørgen Smidt	CloudMade Ltd. - Board member Flatfrog AB - Board Member Microtask OY- Board Member Cloudscrape ApS - Chairman	None



25. POST BALANCE SHEET EVENTS

The Company has evaluated the period after December 31, 2015 up through the date of the Statement by Management and determined that there were no transactions that required recognition or disclosure in the Company's financial statements.

26. CONTINGENT LIABILITIES

Letter of credit. As of December 31, 2015, the Company had an outstanding letter of credit for \$0.5 million issued to a contract manufacturer.

Joint taxation. 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.

Legal proceedings. In the ordinary course of conducting our business, the Company is involved in various intellectual property proceedings, including those in which it is a plaintiff that are complex in nature and have outcomes that are difficult to predict. Asetek records accruals for such contingencies to the extent that it is probable that a liability will be incurred and the amount of the related loss can be reasonably estimated. The Company's assessment of each matter may change based on future unexpected events. An unexpected adverse judgment in any pending litigation could cause a material impact on the Group's business operations, intellectual property, results of operations or financial position. There are no material updates to matters previously reported on the Asetek 2014 Annual Report, except:

In February 2015, a patent case with CoolIT Systems Inc. ("CoolIT") was settled, with Asetek agreeing to dismiss the case. In June

2015, the U.S. District Court of Northern California determined that CoolIT shall pay damages to Asetek totaling \$1.87 million. This ruling is not appealable by either party. As of October 2015, Asetek has received payment in full of the damages. The Company has recognized the payments in the financial statements in the period that the cash is received.

In December 2014, the U.S. District Court unanimously ruled in favor of Asetek on all claims in a patent infringement lawsuit against CMI USA, Inc. ("CMI"). The jury awarded Asetek damages of \$0.4 million, representing a 14.5% royalty on CMI's infringing sales since 2012. In September 2015, the court refused additional demands from CMI, issued a permanent injunction barring CMI from selling infringing products in the U.S., and awarded an enhanced royalty rate (25.4%) beginning in 2015, because CMI continued to sell infringing products after the verdict. In October 2015, CMI filed an appeal with the Federal Circuit U.S. Court of Appeals. The appeal is expected to be addressed by the court in early 2016, and the process is expected to be shorter in duration and less costly than the litigation proceedings thus far. During the appeal, the court's injunction against CMI remains in effect.

Other significant commitments of the Company are referenced within the respective Notes to these consolidated financial statements.

ANNUAL REPORT 2015 - PARENT COMPANY

For year ended December 31, 2015



CVR-number 3488 0522

Comprehensive Income Statement, Parent Company

USD 000's	Note	2015	2014
Service fees		413	-
Total revenue		413	-
Research and development	3, 4, 5	(51)	(176)
Selling, general and administrative	3, 4, 5	(1,260)	(1,636)
Total operating expenses		(1,311)	(1,812)
Operating loss		(898)	(1,812)
Foreign exchange (loss)/gain		454	(36)
Finance income	6	561	854
Finance costs	6	(38)	(164)
Total financial income		977	654
Income (loss) before tax		79	(1,158)
Income tax	7	(175)	197
Income (loss) for the year		(96)	(961)
<i>Other comprehensive income items that may be reclassified to profit or loss in subsequent periods:</i>			
Foreign currency translation adjustments		-	-
Total comprehensive income (loss)		(96)	(961)

All operations are continuing.

Balance Sheet, Parent Company

For the years ended December 31, 2015 and 2014

USD 000's	Note	2015	2014
ASSETS			
Non-current assets			
Investments in subsidiaries	8	20,100	1,500
Receivables from subsidiaries	9	3,462	16,071
Total non-current assets		23,562	17,571
Current assets			
Other assets		43	150
Cash and cash equivalents		10,570	3,500
Total current assets		10,613	3,650
Total assets		34,175	21,221
EQUITY AND LIABILITIES			
Equity			
Share capital	10	416	264
Share premium	10	33,753	21,539
Accumulated deficit		(448)	(666)
Translation and other reserves		(9)	(12)
Total equity		33,712	21,125
Current liabilities			
Accrued liabilities		463	96
Total current liabilities		463	96
Total liabilities		463	96
Total equity and liabilities		34,175	21,221

Statement of Cash Flows, Parent Company

For the years ended December 31, 2015 and 2014

USD 000's	Note	2015	2014
Cash flows from operating activities			
Loss for the year		(96)	(961)
Share based payments expense	4	314	940
Changes in other current assets		107	(141)
Changes in trade payables and accrued liabilities		421	(4)
Net cash provided by (used in) operating activities		746	(166)
Cash flows from investing activities			
Investment in subsidiaries	8	(18,600)	-
Net loans to subsidiaries	9	12,608	(7,218)
Net cash used in investing activities		(5,992)	(7,218)
Cash flows from financing activities			
Proceeds from issuance of share capital	10	13,148	96
Cash paid for fees related to IPO	10	(832)	-
Net cash provided by financing activities		12,316	96
Net changes in cash and cash equivalents		7,070	(7,288)
Cash and cash equivalents at beginning of period		3,500	10,788
Cash and cash equivalents at end of period		10,570	3,500

Statement of Changes in Equity, Parent Company

(USD 000's)	Share capital	Share premium	Translation reserves	Other reserves	Accumulated deficit	Total
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
Total comprehensive income for 2015						
Income for the year	-	-	-	-	(96)	(96)
Total comprehensive loss for 2015	-	-	-	-	(96)	(96)
Transactions with owners in 2015						
Shares issued	152	12,993	-	3	-	13,148
Less: issuance cost	-	(779)	-	-	-	(779)
Share based payment expense	-	-	-	-	314	314
Transactions with owners in 2015	152	12,214	-	3	314	12,683
Equity at December 31, 2015	416	33,753	-	(9)	(448)	33,712

ASETEK A/S

NOTES TO THE ANNUAL REPORT - PARENT COMPANY

I. 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 2015 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. An impairment test on the investment in subsidiaries is performed if the carrying amount of the subsidiaries' net assets exceeds the carrying value of the Parent Company's investments.

3. TOTAL OPERATING EXPENSES

Operating expenses consisted of the following for the year ended December 31,

(USD 000's)	2015	2014
Personnel expenses (Note 4)	974	1,340
Legal, consultants and auditor	198	401
Other expenses	139	71
Total expenses	1,311	1,812

4. PERSONNEL EXPENSES

Total personnel costs for the year ended December 31,

(USD 000's)	2015	2014
Salaries, pension and other	660	400
Share based payment	314	940
Total personnel expenses	974	1,340

(USD 000's)	2015	2014
Research and development	51	176
Selling, general and administrative	923	1,164
Total personnel expenses	974	1,340

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)	2015	2014
Statutory audit	29	32
Other assurance services	48	39
Tax services	34	15
Total	111	86

6. FINANCIAL INCOME AND COST

(USD 000's)	2015	2014
Foreign currency exchange gain	454	-
Interest income on loans to subsidiaries	561	853
Interest from bank accounts	-	1
Total finance income	1,015	854
Foreign currency exchange loss	-	36
Interest cost on loans from subsidiaries	37	157
Other finance expense	1	7
Total finance cost	38	200

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 31, 2013	1,500
Additions	-
Balance at December 31, 2014	1,500
Additions	18,600
Balance at December 31, 2015	20,100
Carrying amount at December 31, 2013	1,500
Carrying amount at December 31, 2014	1,500
Carrying amount at December 31, 2015	20,100

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)	2015	2014
Asetek Danmark A/S	3,156	15,507
Asetek USA, Inc.	216	(3,246)
Asetek Xiamen	21	-
Asetek Holdings, Inc.	69	3,811
Net receivables from subsidiaries	3,462	16,071
%	2015	2014
Average effective interest rate	5.31%	5.25%

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 executed a guarantee to its Group's principal bank, Sydbank, for all outstanding matters with its wholly owned subsidiary, Asetek Danmark A/S.

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 February 23, 2017.

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

