



Asetek A/S
Assensvej 2
DK9220 Aalborg East
Denmark

Interim Report

Fourth Quarter and Year Ended December 31, 2020

Published February 24, 2021

Company Registration (CVR) Number 34 88 05 22

Highlights

- Record quarterly revenue of \$27.9 million, reflecting growth of 78% over Q4 2019
- Gross margin increased to 44% in Q4, from 43% in Q4 2019
- Record quarterly EBITDA adjusted of \$6.9 million in Q4 2020, compared with \$2.6 million in Q4 2019
- Announced two acquisitions strengthening the Gaming and Enthusiast product offering
- Full year revenue grew to a record \$72.8 million with EBITDA adjusted of \$15.6 million compared with \$54.3 million and \$6.2 million, respectively in 2019
- Group revenue growth expectation of 10 to 20% for 2021, with an expected lower gross margin
- Full year 2021 operating income is expected to be between \$9 and \$15 million

Key figures

Figures in USD (000's)	Q4 2020	Q4 2019	2020	2019
	<i>Unaudited</i>	<i>Unaudited</i>		
Summary P&L:				
Revenue	27,850	15,661	72,750	54,334
Gross profit	12,354	6,720	34,194	23,005
Gross margin	44.4%	42.9%	47.0%	42.3%
Operating income	5,590	1,163	10,928	1,048
Reconciliation from IFRS to EBITDA adjusted:				
Operating income	5,590	1,163	10,928	1,048
Add: Depreciation and amortization	1,157	1,140	3,754	4,057
Add: Share based compensation	182	249	918	1,056
EBITDA adjusted (unaudited)	6,929	2,552	15,600	6,161
Liquidity at period end:				
Working capital	32,837	27,919	32,837	27,919
Cash and equivalents	27,099	24,505	27,099	24,505
Long-term debt	2,604	2,774	2,604	2,774

Highlights

Financial results

- Asetek reported record revenue of \$27.9 million in the fourth quarter of 2020, an increase of 78% from the same period of 2019. Revenue in the full year was a record \$72.8 million representing growth of 34% compared with 2019. The change from prior year mainly reflects increased shipments of Gaming and Enthusiast products.
- Gross margin was 44% for the fourth quarter and 47% for the full year, up from 43% and 42% in the respective comparable periods of the prior year. The gross margin increase reflects a richer product mix, higher sales prices for Data center products and Asetek's business model transition for Gaming and Enthusiast OEMs that customize their liquid coolers. A weaker U.S. dollar in the fourth quarter of 2020 tempered the increase in margin from the prior year.
- Operating income totaled \$5.6 million and adjusted EBITDA was \$6.9 million in the fourth quarter of 2020, compared with operating income of \$1.2 million and adjusted EBITDA of \$2.6 million in the fourth quarter of 2019. Operating income in the full year was \$10.9 million and adjusted EBITDA was \$15.6 million, compared with operating income of \$1.0 million and adjusted EBITDA of \$6.2 million in 2019.
- During the fourth quarter, the Company repurchased a total of 187 thousand common shares for a total cost of \$1.9 million, to offset employee option grants. In the full year 2020, the Company repurchased a total of 844 thousand shares for a total cost of \$6.4 million.
- At December 31, 2020, Asetek had working capital of \$32.8 million, of which \$27.1 million was cash and cash equivalents. Long-term debt totaled \$2.6 million.

Operations

- In November 2020, Asetek acquired JMH Gallows Pound Technologies Ltd., a UK-based developer of hardware and software technology and owners of the Ultimate Game Tech brand, for \$1.4 million.
- In January 2021, the Company announced an agreement to acquire intellectual property from Finland-based Granite Devices Inc. for EUR 6.8 million (USD 8.3 million). Asetek will pay EUR 3.4 million in cash and the remainder in newly issued shares of Asetek common stock.
- The assets acquired from the above transactions are expected to strengthen Asetek's intellectual property and product offerings in market opportunities identified within the Asetek eSports Academy.
- During the fourth quarter, the Company announced that Supermicro is deploying Asetek's Direct-to-Chip liquid cooling in a new high-performance computing cluster at Lawrence Livermore National Labs. The integration of Asetek liquid cooling enables the use of high wattage processors in high density configurations to support compute-intensive workloads.
- There was no significant negative impact from the COVID-19 pandemic on revenue, supply chain or overall operations during the quarter.

Outlook

- For 2021, the Company expects revenue to increase by 10% to 20% from 2020, with gross margins anticipated to be lower than 2020, partly due to negative currency effects. Management expects the Company to report operating income of between \$9 and \$15 million in 2021.
- The Company recognizes uncertainty related to potential impact from COVID-19 over time. Any such uncertainty is not included in the expectations for 2021.

Financial review

The figures below relate to the consolidated accounts for the fourth quarter and full year 2020, which comprise activities within the two segments Gaming and Enthusiast and Data Center.

Income Statement (Consolidated)

Asetek reported total revenue of \$27.9 million in the fourth quarter of 2020, an increase of 78% from \$15.7 million in the fourth quarter of 2019. Total revenue in the full year 2020 was \$72.8 million compared with \$54.3 million in 2019. Sales unit volumes of sealed loop coolers increased 75% in the fourth quarter and 34% in the full year 2020 when compared with the respective periods of 2019. Average selling price (ASP) per unit in both the fourth quarter and full year 2020 decreased from the prior year periods. The above fluctuations reflect increased demand in the Gaming and Enthusiast market and Asetek's ongoing business model transition. Shipments under the new model have lower ASPs as Asetek moves to delivering only the principal core technology with improved margins, while the customer adds their unique features with ancillary components.

Gross margin improved to 44.4% for the fourth quarter of 2020, from 42.9% in the same period of 2019. Gross margin for the full year 2020 was 47.0% compared with 42.3% in 2019. The new business model, increased prices for Data center products and ongoing cost reductions all contributed to the margin improvement, partly offset by a weaker U.S. dollar and a data center inventory valuation adjustment in the fourth quarter of 2020.

Total operating expense increased to \$6.8 million in the fourth quarter of 2020 from \$5.6 million in the same period of 2019, partly due to recognition of a cancelled project in capitalized development costs. For the full year 2020, operating expense increased to \$23.3 million (\$22.0 million). Operating expense in the second quarter of 2019 was reduced by a positive effect of \$0.8 million related to a favorable patent litigation settlement. During 2020, Asetek increased staffing by 35% to support revenue growth.

Costs incurred for defense of existing intellectual property (IP) and securing new IP totaled \$0.7 million and \$2.4 million in the fourth quarter and full year 2020 (\$0.7 million and \$2.7 million in the respective periods of 2019).

Share-based compensation cost associated with warrants and options issued to employees was \$0.2 million and \$0.9 million in the fourth quarter and full year 2020 (\$0.2 million and \$1.1 million in the respective periods of 2019).

During 2020, the U.S. Dollar, on average, weakened versus the Danish krone by approximately 3% when compared with the average exchange rate in 2019. Finance expenses included net foreign exchange loss of \$0.7 million in the fourth quarter and \$1.4 million loss in the full year 2020, compared with a loss of \$0.4 million and gain of \$0.2 million in the respective periods of 2019.

Asetek reported income before tax of \$4.8 million and \$9.4 million in the fourth quarter and full year 2020, compared with income before tax of \$0.8 million and \$1.5 million for the respective periods of 2019.

Income tax benefit was \$1.3 million in the fourth quarter and income tax expense was \$0.2 million in the full year 2020, compared with \$1.9 million and \$2.1 million of expense in the respective periods of 2019. The decrease in tax expense in 2020 compared with 2019 is due principally to increased utilization of deferred tax assets during the year.

Currency translation adjustment of positive \$1.3 million and positive \$2.4 million is included in other comprehensive income for the fourth quarter and full year 2020, respectively (positive \$0.6 million and negative \$0.4 million in the fourth quarter and full year 2019).

Balance Sheet (Consolidated)

Asetek's total assets at December 31, 2020 were \$71.4 million, compared with \$54.1 million at the end of 2019. The principal components of this change include: trade receivables increased by \$10.0 million as a result of a 78% increase in fourth quarter 2020 revenue compared with the same period of prior year; cash and cash equivalents increased by \$2.6 million due to net income growth partly offset by share repurchases; intangibles increased by \$1.3 million from a business acquisition during the year. In November 2020, the Company acquired JMH Gallows Pound Technologies Ltd. for a sum of GBP 1 million (approximately \$1.4 million).

Total liabilities increased by \$8.8 million in 2020, resulting principally from growth in operating volumes and related incentive compensation for employees. Trade payables, accrued compensation and employee benefits, and accrued liabilities increased by \$5.9 million and \$1.7 million, and \$1.4 million respectively. The increase in trade payables is also partly the result of the Company's proactive management of suppliers and timing of payments.

Working capital (current assets minus current liabilities) totaled \$32.8 million at December 31, 2020, an increase of \$4.9 million from 2019 year-end. Total cash and cash equivalents were \$27.1 million at December 31, 2020.

Cash Flow (Consolidated)

Net cash provided by operating activities was \$11.4 million in 2020 (\$8.9 million provided in 2019). The increase from 2019 was principally due to increased net income in 2020, partly offset by net growth in receivables, inventory and current liabilities associated with higher operating volumes.

Cash used by investing activities was \$4.8 million, related to additions to intangible assets and purchase of property and equipment. The increase from prior year is principally due to the previously mentioned \$1.4 million business acquisition and purchase of equipment for data center manufacturing (\$1.8 million used in 2019).

Cash used by financing activities was \$5.1 million in 2020, including \$6.4 million for the repurchase of Asetek's common shares and \$0.8 million for payments on capitalized leases. The Company also paid down its line of credit by \$0.3 million. These effects were partly offset by \$2.4 million received for shares issued on options exercised by employees. (\$0.6 million used in 2019).

Net change in cash and cash equivalents was an increase of \$2.6 million in the full year 2020, compared with an increase of \$5.9 million in 2019. The Company's cash conversion cycle improved to 6.1 days in 2020 from 11.4 in 2019.

Income Tax

Asetek moved from USA to Denmark in 2013. However, USA still considers Asetek A/S a U.S. tax subject, effectively creating a double taxation situation. Asetek has approached both countries' tax authorities with the aim of resolving the situation per the double taxation treaty. However, a determination may take several years, and the authorities are not obligated to resolve it. The Company has made progress in 2020 in working with the tax authorities of Denmark and U.S. to possibly resolve this issue.

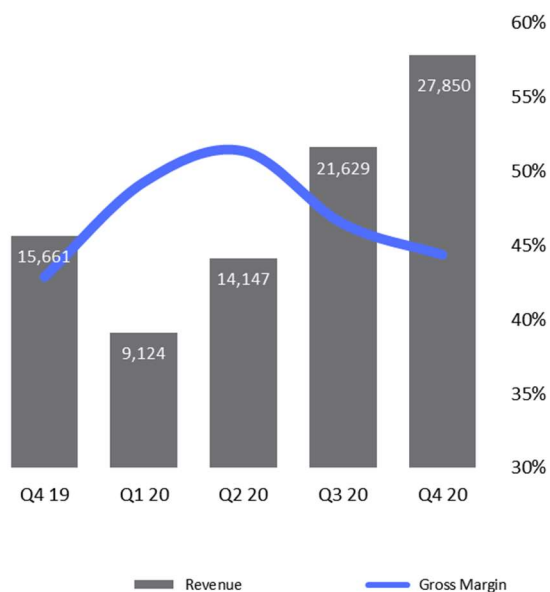
In June 2019, the U.S. released regulation for its Global Intangible Low-Taxed Income (GILTI) inclusion for U.S. taxation, effective beginning with tax year 2018. The GILTI regulation requires U.S. companies to report foreign corporation intangible

income that exceeds 10% return on foreign invested assets. Under prior law, U.S. owners of foreign corporations were able to defer recognizing taxable income until there was a distribution of earnings back to U.S. owners. The impact of the GILTI regulation caused incremental utilization of the Company's available deferred tax assets of approximately \$0.4 million in 2020 and \$1.1 million in 2019 and 2018 combined. Because of Asetek's U.S. tax status as described above, management believes that the impact of the GILTI regulation as it applies to the Company could be reformed in the future; however, such reform is not certain. The Company continues to work with its tax advisors to clarify and address these matters.

Market Update

Group revenue and margin development

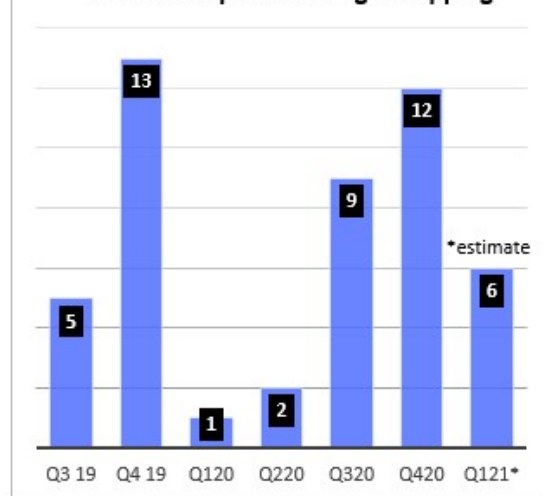
USD (000's)



Gaming and Enthusiast. In November 2020, Asetek acquired JMH Gallows Pound Technologies Ltd. In January 2021, the Company announced an agreement to acquire intellectual property from Finland-based Granite Devices Inc. for EUR 6.8 million (USD 8.3 million). Asetek will pay EUR 3.4 million in cash and the remainder in newly issued shares of Asetek common stock. The assets acquired from these transactions are expected to strengthen Asetek's intellectual property and product offerings within market opportunities identified in the Asetek eSports Academy.

In the second half of 2020, Asetek increased product development activities and the pace of new product releases. During the fourth quarter, twelve new products began shipping, one of which was to a new DIY customer, and one of which was to a new OEM customer. Three of the new products provide liquid cooling for high performance GPUs. In the first quarter of 2021, six new products are expected to begin shipping.

Quantity of new Gaming and Enthusiast products begin shipping



Asetek continues to invest in product development and branding, expanding its reach with key customers on several brand-behind-the-brand initiatives to feature the Asetek logo on box packaging, websites, forums, and packaging inserts. Initiatives also include written features about Asetek on partners' websites, participation in live events and live streams to communicate the commitment to performance, quality and reliability that the "Cooled by Asetek" mark represents.

ADATA web page promoting XPG Levante 360:



Data center. Data center business activity increased in 2020. This effect combined with higher sales prices resulted in a year-over-year increase in financial performance.

During the fourth quarter, the Company announced that Supermicro is deploying Asetek's Direct-to-Chip liquid cooling in a new high-performance computing cluster at Lawrence Livermore National Labs. The integration of Asetek liquid cooling enables the use of high wattage processors in high density configurations to support compute-intensive workloads.

Group Outlook

Global economy and COVID-19. In the second half of 2020, the global response to fight the COVID-19 pandemic continued to adversely affect global markets due to restrictions imposed on businesses and changes in consumer behavior as a result of social distancing and sheltering-in-place. While businesses have been adjusting, the effects of the pandemic continued to have a negative impact on the global economy. To date, the pandemic has not adversely affected Asetek's business; on the contrary, the effects of the global shelter-in-place have instead been a catalyst for growth and resulted in increased demand for Asetek's Gaming and Enthusiast products. However, the extent to which the COVID-19 pandemic ultimately impacts Asetek's future results of operations is highly uncertain and cannot be predicted.

Gaming and enthusiast. In 2020, favorable effects of shelter-in-place restrictions resulted in strong demand in PC gaming and eSports and drove Asetek's Gaming and Enthusiast revenue to a record level. In 2021, Asetek expects to continue to invest in and launch innovative new high-performance products for gamers and enthusiasts. With the recently announced acquisitions – JMH Gallows Pound Technologies Ltd. and Granite Devices Inc., both developers of gaming hardware and software technology – the Company plans to capitalize on opportunities identified within the Asetek eSports Academy. The Company will provide more information regarding the strategic development of these acquisitions in a Capital Markets Update on March 4, 2021. Consistent with prior years, Asetek plans to continue to focus its resources on the Gaming and Enthusiast segment, growing market

In 2020, Asetek's data center line of products grew with the expansion of offerings from global data center OEM Hewlett Packard Enterprise (HPE) as well as global data center partner Supermicro. As a result, the Company has added nearly 20 new server loop designs for production in 2021. Accordingly, the Company has added resources in its development, quality assurance and support teams to manage the increased production volumes and demand.

share of through existing and new OEMs, and building the Asetek brand.

Data center. During 2020 the Company expanded its OEM partners with the additions of HPE and Supermicro, which resulted in the addition of nearly 20 new liquid cooled offerings to its data center line of products. Including Fujitsu, Asetek's long-standing OEM, the Company anticipates growth in shipments of RackCDU™ liquid cooling in 2021.

Asetek's Direct-to-chip liquid cooling enables power savings and CO2 emission reductions from the reuse of data center waste heat. Significant long-term revenue growth is expected, though public standards are needed to trigger wider data center adoption of liquid cooling. Asetek continues to participate in targeted campaigns to influence and educate politicians and support wider understanding of the significant environmental and circular economy benefits enabled by liquid cooling.

Group results. Due to the previously mentioned factors, the Company's consolidated annual results for 2020 exceeded Management's expectations communicated in the prior year annual report.

For 2021, the Company expects revenue to increase by 10% to 20% from 2020, with gross margins anticipated to be lower than 2020, partly due to negative currency effects. Management expects the Company to report operating income of between \$9 and \$15 million for 2021. The Company recognizes continued uncertainty related to potential impact from COVID-19 over time. Any such uncertainty is not included in the expectations for 2021.

Intellectual Property

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

As part of efforts to build and maintain its market share, the Company continues to closely review and assess all competitive offerings for infringement of its patents. The Company has strengthened its intellectual property platform and competitiveness via several positive lawsuit outcomes in prior years.

The Company is involved in various ongoing legal disputes, including the following matters:

In January 2019, Asetek filed a patent infringement lawsuit against CoolIT in the Northern District of California seeking judgment that CoolIT infringes Asetek's U.S. Patent Nos. 8,240,362; 8,245,764; 9,733,681; 10,078,354; and 10,078,355. CoolIT filed counterclaims asserting infringement of four CoolIT patents, which Asetek denies. On September 17, 2020, Asetek filed a related patent infringement lawsuit against Corsair in the Northern District of California seeking judgment that Corsair infringes Asetek U.S. Patent Nos. 10,078,354; 10,078,355; 10,613,601; and 10,599,196. The court consolidated the two cases and set a trial date for February 2022.

Asetek also filed review petitions in the U.S. Patent and Trademark Office (USPTO) to challenge the validity of two of the CoolIT patents asserted in the above litigation, and CoolIT filed review petitions in the USPTO to challenge the validity of three of the five Asetek patents asserted in the litigation. The

USPTO is expected to decide those petitions in 2021. Asetek will vigorously prosecute its challenges to CoolIT's patents and vigorously defend against CoolIT's challenges to Asetek's patents.

In April 2016, Asetek initiated patent infringement proceedings against Cooler Master and Coolergiant before the District Court The Hague, pertaining to commerce in The Netherlands. Following two appeal stages, the Dutch Supreme Court has now confirmed the invalidation of the Dutch part of Asetek's patent in final instance. As a result, Asetek's claims against Cooler Master remain dismissed, and the claims against Coolergiant will be dismissed by the District Court The Hague.

In 2017, Coolergiant GmbH filed suit against Asetek Danmark A/S in Mannheim District Court requesting declaration of non-infringement in Germany of an Asetek patent. The Company disputed the allegations and filed counterclaim motions. In 2018, the Court ruled that the named Coolergiant products infringe on Asetek's patent and granted Asetek claims for injunctive relief, rendering of accounts, recall and destruction. Coolergiant appealed the decision and initiated an action to nullify Asetek's patent. In the nullity proceedings, the German Patent Court revoked the German part of Asetek's patent in February 2020. In September 2020, Asetek initiated its appeal of the decision to the German Supreme Court. The infringement and enforcement proceedings have been stayed until a final decision on the validity of the patent is rendered by the Supreme Court, which is expected by the end of 2022.

Risk Factors

The Company historically incurred operating losses through 2015. Revenue in the Gaming and Enthusiast market is subject to fluctuations and is dependent on Asetek's ability to develop new, high performance products, the popularity in the marketplace of offerings from Asetek's customers, and timely releases of powerful new technologies and high-profile computer games in the PC industry. Asetek's Data center business is in its development stages and revenue growth is dependent on market acceptance of its liquid cooling products, increased demand from existing OEMs and Asetek's ability to obtain and build partnerships with new OEMs.

In 2020, due to accelerated growth in their revenue streams, two customers accounted for 41% and 14% of total revenue. In the event of a decline or loss of either of these customers, replacement of the revenue stream would be difficult for Asetek to achieve in the short term. The Company is actively working with several of its customers to grow their respective market shares and order volumes.

In December 2019, a novel strain of coronavirus (SARS-CoV-2) causing the COVID-19 disease surfaced in Wuhan, China. In March 2020, the World Health Organization declared COVID-19 a global pandemic. The U.S., Denmark and other countries have issued quarantine orders and taken other restrictive measures. The Company's operating sites are complying with regulations and recommendations imposed by local governments for minimizing the virus' spread. If production must be stopped or a critical number of employees become too ill to work, business operations could be adversely affected. If suppliers experience closures or reductions in capacity utilization, Asetek may have difficulty sourcing materials needed to fulfill production requirements. If customers experience adverse business consequences, demand for Asetek's products could decline. The impact of the COVID-19 pandemic is fluid. As a result, management cannot predict the extent to which Asetek's results of operations or financial condition will ultimately be impacted.

The U.S. has imposed a 25% tariff on imports of goods manufactured in China, which include Asetek products. The existence of the tariff has contributed to the uncertainties in the Gaming & Enthusiast

market. The Company continues to work to minimize the impact of the tariff on Asetek and its customers.

The Company has recently announced two business acquisitions. To date, Asetek has principally developed its products internally. Acquiring technology externally represents a new avenue for the Company. The newly acquired assets may be challenging to develop into successful products and integrate into the Company's core line of business.

Asetek relies upon suppliers and partners to supply products and services at competitive prices. Asetek's Gaming and Enthusiast products have been historically assembled in Xiamen, China by a single contract manufacturer which may be difficult to substitute in the short term if the need should arise.

Asetek has filed and defended lawsuits against competitors for patent infringement. While some of the 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 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.

Asetek moved from USA to Denmark in 2013. However, USA still considers Asetek A/S a U.S. tax subject, effectively creating a double taxation situation. Asetek has approached both countries' tax authorities with the aim of resolving the situation per the double taxation treaty. However, a determination may take several years, and the authorities are not obligated to resolve it. In addition, recent U.S. regulations on taxation of foreign earnings have increased Asetek's tax liability. The Company is working with its tax advisors to address these matters.

Asetek operates internationally in Denmark, USA, China, and Taiwan and is subject to foreign exchange risk. Asetek's principal cash holdings are maintained in accounts in USD and Danish krone.

More elaboration on risk factors can be found in the Company's Annual Report for 2020, available from the Company's website: www.asetek.com

Condensed Interim Financial Statements

Consolidated Statement of Comprehensive Income

Figures in USD (000's)	Q4 2020	Q4 2019	2020	2019
	<i>Unaudited</i>	<i>Unaudited</i>		
Revenue	\$ 27,850	\$ 15,661	\$ 72,750	\$ 54,334
Cost of sales	15,496	8,941	38,556	31,329
Gross profit	12,354	6,720	34,194	23,005
Research and development	1,759	1,193	5,718	4,889
Selling, general and administrative	5,005	4,364	17,548	17,821
Other expense (income)	-	-	-	(753)
Total operating expenses	6,764	5,557	23,266	21,957
Operating income	5,590	1,163	10,928	1,048
Foreign exchange (loss) gain	(690)	(371)	(1,361)	218
Finance income (costs)	(65)	29	(141)	188
Total financial income (expenses)	(755)	(342)	(1,502)	406
Income before tax	4,835	821	9,426	1,454
Income tax (expense) benefit	1,305	(1,901)	(231)	(2,082)
Income for the period	6,140	(1,080)	9,195	(628)
<i>Other comprehensive income items that may be reclassified to profit or loss in subsequent periods:</i>				
Foreign currency translation adjustments	1,293	559	2,392	(444)
Total comprehensive income	\$ 7,433	\$ (521)	\$ 11,587	\$ (1,072)
Income per share (in USD):				
Basic	\$ 0.24	\$ (0.04)	\$ 0.36	\$ (0.02)
Diluted	\$ 0.23	\$ (0.04)	\$ 0.35	\$ (0.02)

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

Consolidated Balance Sheet

Figures in USD (000's)	31 Dec 2020	31 Dec 2019
ASSETS		
<i>Non-current assets</i>		
Intangible assets	\$ 3,217	\$ 1,920
Property and equipment	7,049	6,115
Deferred income tax assets	6,421	5,521
Other assets	605	307
Total non-current assets	17,292	13,863
<i>Current assets</i>		
Inventory	2,531	1,657
Trade receivables and other	24,471	14,080
Cash and cash equivalents	27,099	24,505
Total current assets	54,101	40,242
Total assets	\$ 71,393	\$ 54,105
EQUITY AND LIABILITIES		
<i>Equity</i>		
Share capital	\$ 433	\$ 423
Retained earnings	50,681	38,197
Translation and treasury share reserves	(3,589)	388
Total equity	47,525	39,008
<i>Non-current liabilities</i>		
Long-term debt	2,604	2,774
Total non-current liabilities	2,604	2,774
<i>Current liabilities</i>		
Short-term debt	1,525	1,518
Accrued liabilities	2,429	1,022
Accrued compensation & employee benefits	3,193	1,526
Trade payables	14,117	8,257
Total current liabilities	21,264	12,323
Total liabilities	23,868	15,097
Total equity and liabilities	\$ 71,393	\$ 54,105

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

Consolidated Statement of Changes in Equity

Figures in USD (000's)	Share capital	Translation reserves	Treasury share reserves	Retained earnings	Total
Equity at January 1, 2020	\$ 423	\$ 392	\$ (4)	\$ 38,197	\$ 39,008
Total comprehensive income - year ended December 31, 2020					
Income for the period	-	-	-	9,195	9,195
Foreign currency translation adjustments	-	2,392	-	-	2,392
Total comprehensive income - year ended December 31, 2020	-	2,392	-	9,195	11,587
Transactions with owners - year ended December 31, 2020					
Shares issued	10	-	-	2,371	2,381
Shares repurchased	-	-	(6,369)	-	(6,369)
Share based payment expense	-	-	-	918	918
Transactions with owners - year ended December 31, 2020	10	-	(6,369)	3,289	(3,070)
Equity at December 31, 2020	\$ 433	\$ 2,784	\$ (6,373)	\$ 50,681	\$ 47,525
Equity at January 1, 2019	\$ 422	\$ 836	\$ (4)	\$ 37,704	\$ 38,958
Total comprehensive income - year ended December 31, 2019					
Income for the period	-	-	-	(628)	(628)
Foreign currency translation adjustments	-	(444)	-	-	(444)
Total comprehensive income - year ended December 31, 2019	-	(444)	-	(628)	(1,072)
Transactions with owners - year ended December 31, 2019					
Shares issued	1	-	-	65	66
Share based payment expense	-	-	-	1,056	1,056
Transactions with owners - year ended December 31, 2019	1	-	-	1,121	1,122
Equity at December 31, 2019	\$ 423	\$ 392	\$ (4)	\$ 38,197	\$ 39,008

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

Consolidated Cash Flow Statement

Figures in USD (000's)	2020	2019
Cash flows from operating activities		
Income for the period	\$ 9,195	\$ (628)
Depreciation and amortization	3,754	4,057
Finance income recognized	(51)	(359)
Finance costs recognized	192	171
Finance income, cash received	51	359
Finance costs, cash paid	(112)	(84)
Income tax expense	231	2,082
Cash receipt (payment) for income tax	10	(172)
Share based payments expense	918	1,056
Changes in trade receivables, inventories, other assets	(10,121)	2,234
Changes in trade payables and accrued liabilities	7,363	154
Net cash provided by (used in) operating activities	11,430	8,870
Cash flows from investing activities		
Acquisition of business	(1,316)	-
Additions to intangible assets	(1,571)	(1,441)
Purchase of property and equipment	(1,929)	(713)
Net cash used in investing activities	(4,816)	(2,154)
Cash flows from financing activities		
Funds drawn (paid) against line of credit	(269)	22
Repurchase of common shares	(6,369)	-
Proceeds from issuance of share capital	2,381	64
Principal payments on capitalized leases	(831)	(734)
Net cash provided by (used in) financing activities	(5,088)	(648)
Effect of exchange rate changes on cash and cash equivalents	1,068	(190)
Net changes in cash and cash equivalents	2,594	5,878
Cash and cash equivalents at beginning of period	24,505	18,627
Cash and cash equivalents at end of period	\$ 27,099	\$ 24,505
Supplemental disclosures -		
Property and equipment acquired under leases	\$ 668	\$ 413

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

Notes to the quarterly financial statements

1. General information

Asetek A/S ('the Company'), and its subsidiaries (together, 'Asetek Group', 'the Group' or 'Asetek') designs, develops and markets thermal management solutions used in computers and data center servers. The Group's core products utilize liquid cooling technology to provide improved performance, acoustics and energy efficiency. The Company is based in Aalborg, Denmark with offices in USA, China and Taiwan. The Company's shares trade on the Oslo Stock Exchange under the symbol 'ASTK'.

These condensed consolidated financial statements for the quarter ended December 31, 2020 have been prepared on a historical cost convention in accordance with International Accounting Standard 34 (IAS 34) 'Interim Financial Reporting' as adopted by the European Union (EU) and do not include all of the information and disclosure required in the annual consolidated financial statements. These statements should be read in conjunction with the Asetek A/S 2020 Annual Report.

The accounting policies adopted in preparation of these condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2020.

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

2. Equity

In April and October 2020, the Company announced share buy-back programs to offset employee option grants. The programs in total authorize the purchase of up to 1.4 million Asetek common shares on the open market for a maximum cost of \$8.5 million through March 5, 2021. Under the programs, the Company has repurchased a total of 844 thousand shares for a total cost of \$6.4 million through December 31, 2020.

On April 21, 2020, the Company granted a total of 320,300 equity options to employees. Each option has an exercise price of NOK38.33 per share and becomes exercisable gradually over a period of four years. Using the Black-Scholes pricing model, the estimated fair value of these options granted is approximately \$0.5 million. The fair value was calculated using the following assumptions: risk-free interest rate of 0.3% to 0.4%; expected volatility of approximately 60%; expected option life of 3.5 to 5.5 years; dividend yield of 0%.

At December 31, 2020, there are 26.4 million common shares issued including 0.9 million shares held in treasury. Treasury shares may be used to fulfill employee options exercised. At December 31, 2020, there were a total of 2.19 million warrants and options outstanding.

Funds received by the Company from employee exercises of warrants and options totaled \$2.4 million 2020 (\$64,000 in 2019). Share based payment expense associated with total warrants and options outstanding was \$0.9 million and \$1.1 million in 2020 and 2019, respectively.

3. Acquisition of business

Business Combination. In November 2020, the Company acquired 100% of the voting shares of JMH Gallows Pound Technologies Ltd. ("JMH"), a UK-based developer of hardware and software technology and the owner of the Ultimate Game Tech brand, for a sum of GBP 1 million (\$1.4 million).

Rationale and synergies. As a result of this acquisition, the Company is expecting to strengthen its intellectual property and product offerings in the Gaming and Enthusiast market. The combination of JMH technology with Asetek's brand and marketing resources is also expected to provide development synergies and key competitive advantages in the marketplace. The Company expects that the acquisition will enable accelerated growth in Asetek's Gaming and Enthusiast revenue as well as provide additional breadth to the Company's product lines.

Consideration, transaction costs, earnings impact. The acquisition of JMH was for cash consideration, paid in three installments over one year. In closing this transaction, the Company incurred \$40,000 of transaction costs

which are included in operating expense in Q4 2020. If the acquisition had occurred on January 1, 2020, the Group's pro forma consolidated revenue and operating income in 2020 would have been \$72.8 million and \$10.7 million, respectively.

Fair value of acquired assets and recognition of goodwill. The acquisition is accounted for according to IFRS 3 Business Combinations. The fair value of the assets acquired is allocated as follows:

(USD 000's)	Fair value at date
Net assets and goodwill recognized:	of acquisition
Customer contracts	256
Developed technology	444
Other, net	11
Net assets acquired	711
Fair value of consideration transferred	(1,316)
Goodwill recognized	605

Goodwill recognized pertains to the expected synergies associated with combining the Asetek brand and marketing resources with the acquired technologies. The goodwill is not deductible for tax purposes. Goodwill is not amortized but reviewed for impairment once a year and also if events or changes in circumstances indicate the carrying value may be impaired. If impairment is established, goodwill is written down to its lower recoverable amount.

Fair value measurement. Material net assets acquired for which significant estimates have been applied in the fair value assessment have been recognized using the following valuation techniques:

Customer contracts. Customer contracts have been measured using a discounted cash flow model in which the present value of estimated future cash flows is computed for JMH's largest contracts. The principal input drivers of the valuation model used are estimated future retention rate, net contribution margin and discount rate. These inputs have been estimated based on management's professional judgment from analysis of the contracts acquired. The value of the customer contracts acquired is being amortized over 24 months.

Developed technology. Developed technology is valued based on management's best estimate of the costs that would have been incurred if Asetek were to internally develop the technologies that were acquired. Significant inputs to these valuations were approximate labor hours and associated costs as estimated by Asetek's product development professionals. The value of the acquired technology is recorded as capitalized development costs. Refer to Note 4 regarding the Company's accounting for capitalized development costs.

4. Intangible assets

The Group's business includes a significant element of research and development activity. Under IAS 38, there is a requirement to capitalize and amortize development spend to match costs to expected benefits from projects deemed to be commercially viable. Costs capitalized are recorded on the balance sheet as intangible assets, net of amortization. In 2020, including technology acquired as discussed in Note 3., the Company capitalized approximately \$2.0 million of development costs and recorded amortization of approximately \$1.6 million (capitalized costs of \$1.4 million and amortization of \$1.9 million in 2019).

5. Earnings (losses) per share

IAS 33 requires disclosure of basic and diluted earnings per share for entities whose shares are publicly traded. Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by adjusting the number of common shares outstanding used in the Basic calculation for the effect of dilutive equity instruments, which include options and warrants to the extent their inclusion in the calculation would be dilutive.

Fourth Quarter	<i>Unaudited</i>	<i>Unaudited</i>
USD (000's)	Q4 2020	Q4 2019
Income attributable to equity holders of the Company (USD 000's)	\$ 6,140	\$ (1,080)
Weighted average number of common shares outstanding (000's)	25,572	25,603
Basic income per share	\$ 0.24	\$ (0.04)
Weighted average number of common shares outstanding (000's)	25,572	25,603
Instruments with dilutive effect:		
Warrants and options	1,356	-
Weighted average number of common shares outstanding, diluted	26,928	25,603
Diluted income per share	\$ 0.23	\$ (0.04)
Full Year	2020	2019
Income attributable to equity holders of the Company (USD 000's)	\$ 9,195	\$ (628)
Weighted average number of common shares outstanding (000's)	25,547	25,582
Basic income per share	\$ 0.36	\$ (0.02)
Weighted average number of common shares outstanding	25,547	25,582
Instruments with dilutive effect:		
Warrants and options	566	-
Weighted average number of common shares outstanding, diluted	26,113	25,582
Diluted income per share	\$ 0.35	\$ (0.02)

6. Transactions with related parties

The Company's CEO serves as Chairman of the Board for a vendor that supplies information technology services to the Company. In 2020, the Group purchased services totaling approximately \$0.7 million (\$0.5 million in 2019) from this vendor. At December 31, 2020 and 2019, the Group had outstanding payables to this vendor of \$30,000 and \$45,000 respectively.

The Company provides sponsorship support for Valdemar Eriksen Racing A/S, an organization partially owned by the Company's CEO. In the years ended December 31, 2020 and 2019, the Company paid \$72,000 and \$62,000 respectively, to this organization.

7. Deferred income tax

The Company recognizes deferred income tax assets only to the extent that the realization of the tax benefit to offset future tax liabilities is considered to be probable. As of December 31, 2020, the Company has deferred tax assets of \$6.42 million, representing the value of the estimated amount of net operating losses that will be utilized to offset future taxable income. In future periods, management will continue to assess the probability of realization of the assets' value and adjust the valuation in accordance with IAS 12. Refer to the Asetek A/S 2020 Annual Report regarding critical accounting estimates and assumptions.

8. Post balance sheet events

On January 1, 2021, the Company announced an agreement to acquire intellectual property from Finland-based Granite Devices, Inc. to support the continued development of the Company's Gaming and Enthusiast offering. The total consideration paid is EUR 6.8 million (approximately \$8.3 million), of which EUR 3.4 million was paid in newly issued common shares of Asetek. The Company's offering of 348,003 shares was completed on January 4, 2021. The accounting for this transaction in 2021 is not yet complete as of the date of this report.

9. Segment information and disaggregated revenue

The Company reports on two segments, Gaming and Enthusiast and Data center. The Group's chief operating decision-maker, the CEO, assesses the performance of each segment principally on measures of revenue and adjusted EBITDA. The following tables present unaudited results by operating segment. Disaggregation of revenue is also presented for the major markets with each segment:

Fourth Quarter

Figures in USD (000's)	Gaming and Enthusiast		Data center	
	Q4 2020	Q4 2019	Q4 2020	Q4 2019
Revenue	24,074	15,199	3,776	462
EBITDA adjusted	8,406	4,528	(215)	(745)
EBITDA margin	34.9%	29.8%	N/A	N/A

Full Year

Figures in USD (000's)	Gaming and Enthusiast		Data center	
	2020	2019	2020	2019
Revenue	64,719	51,791	8,031	2,543
EBITDA, adjusted	21,405	14,606	(1,205)	(4,284)
EBITDA margin	33.1%	28.2%	N/A	N/A

Reconciliation to Income before tax

Figures in USD (000's)	Q4 2020	Q4 2019	2020	2019
EBITDA, adjusted - Gaming and Enthusiast	8,406	4,528	21,405	14,606
EBITDA, adjusted - Data center	(215)	(745)	(1,205)	(4,284)
Headquarters costs	(1,262)	(1,231)	(4,600)	(4,161)
Share based compensation	(182)	(249)	(918)	(1,056)
Depreciation and amortization	(1,157)	(1,140)	(3,754)	(4,057)
Total financial income (expenses)	(755)	(342)	(1,502)	406
Consolidated income before tax	4,835	821	9,426	1,454

Revenue Disaggregation:

Figures in USD (000's)	Q4 2020	Q4 2019	2020	2019
Gaming and Enthusiast segment:				
Enthusiast/DIY	20,460	12,893	54,889	43,312
Gaming/Performance PCs	3,614	2,306	9,830	8,479
Data center segment:				
OEM	3,776	462	8,031	2,233
Government	-	-	-	310
Total revenue	27,850	15,661	72,750	54,334

Statement by the Board of Directors and Management

The Board of Directors and the Management have considered and adopted the Interim Report of Asetek A/S for the period 1 January – 31 December 2020. The Interim Report is presented in accordance with the International Accounting Standard IAS 34 on Interim Financial Reporting and additional Danish disclosure requirements. The accounting policies applied in the Interim Report are unchanged from those applied in the Group's Annual Report for 2020.

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

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

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

Asetek A/S
Aalborg, 23 February 2021

Management:

André S. Eriksen
CEO

Peter Dam Madsen
CFO

Board of Directors:

Jukka Pertola
Chairman

Chris J. Christopher
Vice chairman

Maria Hjorth
Member

Jørgen Smidt
Member

Erik Damsgaard
Member

Contact:

André S. Eriksen, CEO: +45 2125 7076

Peter Dam Madsen, CFO: +45 2080 7200

Company Information:

Asetek A/S
Assensvej 2
DK9220 Aalborg East
Denmark

Phone: +45 9645 0047
Fax: +45 9645 0048
Web site: www.asetek.com
Email: investor.relations@asetek.com