



Asetek A/S
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Denmark

Half Year Report

Second Quarter and Six Months Ended June 30, 2022

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Company Registration (CVR) Number 34 88 05 22

Highlights

- Q2 revenue of \$16.9 million compared with \$23.2 million in Q2 2021
- Gross margin of 42%, level with Q2 2021
- Q2 EBITDA adjusted of \$1.3 million, compared with \$3.2 million in Q2 2021
- First-half 2022 revenue of \$30.8 million, and EBITDA adjusted of \$0.4 million
- SimSports revenue of \$1.0 million in the first full quarter of sales
- Organizational rightsizing implemented to reduce operating costs and improve efficiency
- Temporary shift of development resources to drive SimSports product development
- Full year guidance temporarily suspended due to reduced visibility on customer demand as rising inflation and interest rates add to a continued uncertain and challenging business climate

Key figures

Figures in USD (000's)	Q2 2022	Q2 2021	1H 2022	1H 2021	2021
	Unaudited	Unaudited	Unaudited	Unaudited	
Summary P&L:					
Revenue	16,868	23,185	30,757	48,200	79,803
Gross profit	7,138	9,841	12,444	20,572	33,373
Gross margin	42.3%	42.4%	40.5%	42.7%	41.8%
Operating income	146	1,911	(1,796)	5,445	779
Reconciliation from IFRS to EBITDA adjusted:					
Operating income	146	1,911	(1,796)	5,445	779
Add: Depreciation and amortization	1,056	951	1,979	1,933	3,750
Add: Share based compensation	116	370	258	542	981
Add: Special item - impairment charge - HPC data center	-	-	-	-	1,713
EBITDA adjusted (unaudited)	1,318	3,232	441	7,920	7,223
Liquidity at period end:					
Working capital	11,816	28,190	11,816	28,190	20,603
Cash and equivalents	11,428	24,731	11,428	24,731	23,296
Long-term debt	1,133	2,141	1,133	2,141	1,540

Summary

- | | |
|-------------------|--|
| Financial results | <ul style="list-style-type: none"> • Asetek reported second-quarter revenue of \$16.9 million, compared with \$23.2 million in the same period of 2021. First-half 2022 revenue was \$30.8 million, compared with \$48.2 million in the same period of 2021. The change in both periods mainly reflects fewer shipments of Gaming and Enthusiast products. • Gross margin was 42% for the second quarter and 40% in the first half of 2022 compared with 42% and 43% in the same periods of 2021. Second quarter margin improved from the first quarter due to the mix of product shipments and reduced cost prices. Margin for the first half was impacted by higher component costs due to continued shortages, changes to exchange rates, increased shipping costs from supply chain disruptions and changed product mix. • Operating income was \$0.1 million and adjusted EBITDA was \$1.3 million in the second quarter of 2022, compared with operating income of \$1.9 million and adjusted EBITDA of \$3.2 million in the second quarter of 2021. First-half 2022 operating loss was \$1.8 million and adjusted EBITDA was positive \$0.4 million, compared with operating income of \$5.4 million and adjusted EBITDA of positive \$7.9 million in the same period of 2021. • At June 30, 2022, Asetek had working capital of \$11.8 million, of which \$11.4 million was cash and cash equivalents. Long-term debt totaled \$1.1 million. During the first half of 2022, the Company invested \$7.0 million in property and equipment, including development of a new headquarters facility, and \$2.0 million in capitalized costs for the development of new products. The Company drew \$4.4 million on a construction credit line in the first half. • To reduce costs and drive efficiencies, the Company recently reduced headcount with an expected annual cost reduction of \$4 to \$5 million with full effect during the second half of 2022. Total reductions across all business lines amount to 52 employees the past year. |
| Operations | <ul style="list-style-type: none"> • The Company announced that both Asus and EVGA will integrate Asetek's high performance liquid cooling technology into new products utilizing NVIDIA's latest Ampere GPU architecture. ASUS' new ROG Strix LC GeForce RTX 3090 Ti OC edition graphics card and EVGA's new GeForce RTX 3090 Ti FTW3 ULTRA HYBRID GAMING graphics card each provide extreme performance and near-silent operation for competitive gamers and enthusiasts. • In March, the Company began shipping orders for the first of its SimSports products – Invicta Sim Racing Pedals, along with its RaceHub software for quick and easy adjustments and calibration. This initial offering, which has received highly positive reviews, provides competitive SimSports gamers with full immersion and the feeling of a real racecar. In April, the Company introduced its new high-performance Forte Throttle and Brake Pedal Set for immersive racing at a lower price point. SimSports revenue totaled \$1.0 million in the second quarter of 2022. • During the quarter, the Company formed a collaboration with Formula One racer Kevin Magnussen as a brand ambassador for Asetek SimSports. The Company also announced a sponsorship agreement with GetSpeed Race Team, a top contender in the 24-hour Nürburgring race. |
| Outlook | <ul style="list-style-type: none"> • The Company has temporarily shifted development resources from Gaming & Enthusiast to drive SimSports product development with the aim to introduce new products later in 2022. • Rising inflation and interest rates have recently added to the continued impact of pandemic lockdowns, supply chain disturbances and general geo-political tensions, delaying a normalization of the business climate. The effects are reduced discretionary consumer spending with decreased demand for the Company's Gaming & Enthusiast products. In addition, the Company is experiencing reduced visibility, caused by significantly increased volatility, in the forecasts provided by OEM customers for the second half of the year. • Due to the increased uncertainty, the Company has suspended its revenue and operating income guidance for 2022, beyond that revenue and operating income will likely be below previously communicated expectations. Previous guiding framed a revenue development in the range between a 5% decrease and 15% increase, and operating income in the range from -\$1 to +\$5 million. The Company will resume guidance when it has a more certain basis for providing full-year expectations. |

Financial review

The figures below relate to the consolidated accounts for the second quarter and first half of 2022. The figures are unaudited.

Income Statement (Consolidated)

Asetek reported total revenue of \$16.9 million in the second quarter of 2022, compared with \$23.2 million in the second quarter of 2021. Total revenue in the first half of 2022 was \$30.8 million compared with \$48.2 million in the same period of 2021. Sales unit volumes of sealed loop coolers for the second quarter of 2022 were 253,000 compared with 435,000 in the same period of 2021. Unit shipments for the first half were 485,000 compared with 847,000 in the first half of 2021. Revenue and unit shipments reflect decreased shipments of Gaming and Enthusiast products. Average selling price (ASP) per unit in both the second quarter and first half of 2022 increased from the prior year periods. The decrease in revenue from liquid cooling products was partly offset by sales of the new SimSports products.

Gross margin was 42.3% for the second quarter of 2022, compared with 42.4% in the same period of 2021. Gross margin for the first half of 2022 was 40.5% compared with 42.7% in the first half of 2021. The fluctuation in the first half reflects higher component costs due to continued shortages and the effects of unfavorable exchange rates, increasing shipping costs due to global supply chain disruptions, and a change in the mix of product shipments. Though the U.S. dollar has strengthened in the second quarter of 2022 relative to 2021, the majority of the Company's cost of goods sold in the first half reflects the effects of components purchased in prior quarters at less favorable exchange rates.

Total operating expense decreased to \$7.0 million in the second quarter of 2022 from \$7.9 million in the same period of 2021. For the first half of 2022, operating expense decreased to \$14.2 million from \$15.1 million in the first half of 2021. The decreases in both periods reflect principally lower personnel costs and the effects of a stronger U.S. dollar vs. the Danish krone in the first half of 2022.

Costs incurred for defense of existing intellectual property (IP) and securing new IP was \$1.0 million and \$2.3 million in the second quarter and first half

of 2022 (\$1.0 million and \$1.7 million in the respective periods of 2021). Other expense includes \$0.1 million of litigation settlement paid.

Finance expenses included net foreign exchange gain of \$0.7 million in the second quarter and a gain of \$0.8 million in the first half of 2022, compared with loss of \$0.2 million and gain of \$0.3 million for the respective periods of 2021.

Asetek reported income before tax of \$0.8 million in the second quarter of 2022 and loss before tax of \$1.0 million in the first half of 2022, compared with income before tax of \$1.6 million and \$5.6 million for the respective periods of 2021.

Income tax expense was \$0.1 million and \$0.3 million in the second quarter and first half of 2022 compared with \$0.3 million and \$1.2 million in the respective periods of 2021.

During the second quarter and first half of 2022, the U.S. Dollar, on average, strengthened versus the Danish krone. Currency translation adjustment of negative \$1.6 million and negative \$2.0 million is included in other comprehensive income for the second quarter and first half of 2022 (positive \$0.4 million and negative \$0.8 million in the second quarter and first half of 2021).

Balance Sheet (Consolidated)

Asetek's total assets at June 30, 2022 were \$66.9 million, compared with \$75.4 million at the end of 2021.

Cash and equivalents declined by \$11.9 million, reflecting payments made on current liabilities and lower cash receipts. Property, plant and equipment increased by \$5.4 million principally due to construction of a future headquarters facility. Trade receivables and other decreased by \$1.8 million due to lower revenue in the second quarter compared with the fourth quarter of 2021.

Total liabilities decreased by \$5.6 million in the first half of 2022. Trade payables decreased by \$6.9

million due to reduced operating volume and normal variations in timing of payments. Short-term debt increased by \$3.9 million related to a line of credit for construction of a future headquarters facility.

Working capital (current assets minus current liabilities) totaled \$11.8 million at June 30, 2022, a decrease of \$8.8 million from 2021 year-end, principally due to investment in long-term assets and lower trade receivables in the first half of 2022. Total cash and cash equivalents were \$11.4 million at June 30, 2022.

Cash Flow (Consolidated)

Net cash used by operating activities was \$6.0 million in the first half of 2022 compared with \$10.3 million provided in same period of 2021. The change was principally due to the net loss, increased payment of current liabilities and reduced collections of receivables in the first half of 2022.

Cash used by investing activities was \$9.0 million in the first half compared with \$9.3 million used in same period of 2021. Activity in the first half of 2022 was principally construction of a new headquarters facility.

Cash provided by financing activities was \$3.9 million in the first half compared with \$3.3 million

used in the same period of 2021. In the first half of 2022, Asetek drew net \$4.1 million on lines of credit principally for new building construction and received \$0.2 million for shares issued on options exercised by employees. These effects were partly offset by \$0.4 million paid on leases.

Net change in cash and cash equivalents was a decrease of \$11.9 million in the first half of 2022, compared with a decrease of \$2.4 million in 2021. The Company's cash conversion cycle decreased to 6.0 days in the second quarter 2022 from 8.0 days in the same period of 2021.

Income Tax

Asetek moved from USA to Denmark in 2013. However, USA still considers Asetek A/S a U.S. tax subject, resulting in double taxation of Group earnings. Asetek has approached both countries' tax authorities with the aim of resolving the situation per an existing double taxation treaty. However, a determination may take several years, and the authorities are not obligated to resolve it. The Company continues to make progress 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 did not materially impact deferred tax asset utilization in 2021. 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 Gross margin development
USD (000's)



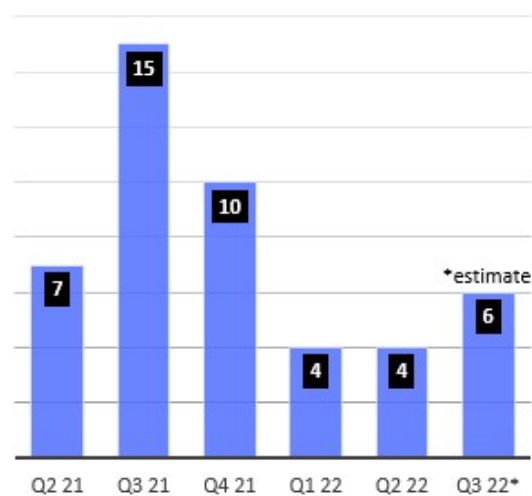
Gaming and Enthusiast. During the quarter, the Company announced that both Asus and EVGA will integrate Asetek's high performance liquid cooling technology into new products utilizing NVIDIA's latest Ampere GPU architecture. ASUS' new ROG Strix LC GeForce RTX 3090 Ti OC edition graphics card and EVGA's new GeForce RTX 3090 Ti FTW3 ULTRA HYBRID GAMING graphics card each provide extreme performance and near-silent operation for competitive gamers and enthusiasts.

Asetek strives to increase the pace of new product releases. During the second quarter, four new products began shipping, two of which were to DIY customers and two to OEM customers. In the third quarter of 2022, six new products are expected to begin shipping. Previously planned product releases have been delayed recently due to current market challenges.

MSI and Asetek co-sponsored promotion:



New Gaming & Enthusiast Products
begin shipping (no. of products)



Asetek continues to build its brand with gamers and enthusiasts. Co-branding with OEM customers has expanded the Company's marketing reach, utilizing 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.

SimSports. In March, the Company began shipping orders for the first of its SimSports products – Invicta Sim Racing Pedals – which include a throttle, brake pedal and add-on clutch pedal, along with its RaceHub software for quick and easy adjustments and calibration. This initial offering, which has received highly positive reviews, provides competitive SimSports gamers with full immersion and the feeling of a real racecar. In April, the Company introduced its new high-performance Forte Throttle and Brake Pedal Set for immersive racing at a lower price point. In May, the Company announced a sponsorship agreement with GetSpeed Race Team, a top contender in the 24-hour Nurburgring race and added Formula One racer Kevin Magnussen as a brand ambassador for Asetek SimSports. Revenue from SimSports products in the second quarter of 2022 was \$1.0 million (zero in the prior year period).

Group Outlook

Global economy. The Company's markets are affected by inflationary pressures and rising interest rates which have led to reduced consumer confidence, reduced end-user demand and OEM customers seeking to reduce inventory.

Global chip shortage. The global economy is currently subject to an unprecedented shortage of semiconductor chips due to production constraints and the accelerated digital transformation brought on by the pandemic. This has increased component costs, significantly delayed new product developments in SimSports and negatively impacted demand from OEMs and end users. Asetek's OEM customers waiting for components have limited ability to build products with Asetek coolers, and end users waiting for new GPUs delay purchases of new liquid coolers. This has limited Asetek's revenue growth in the short term. The time and manner in which the global chip shortage may ease is currently unclear.

China economy and COVID-19. While the global response to COVID-19 along with the growth in vaccinations has helped to mitigate the negative economic impact in many countries, effects of the pandemic continue to disrupt commerce in China. Asetek's operations in Denmark and Xiamen, China have been negatively affected by COVID-related shutdowns as well as power outages earlier in the year, hindering sub-suppliers' deliveries of components to the Company and its contract manufacturers and consequently shipments to Asetek's customers. The Company's operations team is closely managing the status of each affected supplier to minimize disruption to Asetek's customer order deliveries. The situation is fluid, and the timing of resolution is not known.

New product development. Asetek will continue to invest in and launch innovative new high-performance liquid coolers for gamers and enthusiasts. The Company plans to invest in the development of its new SimSports offerings for the

foreseeable future with the goal of regular product launches. Consistent with prior years, Asetek will continue to focus its resources on Gaming & Enthusiast products, growing market share through existing and new OEMs, and building the Asetek brand. In conjunction with efforts to build its SimSports business, Asetek plans to enhance its direct sales channels. With limited ability to impact Gaming & Enthusiast OEM customers' end user demand and inventories, the Company has temporarily shifted development resources to SimSports to drive product development and expand the offering with several new products such as pedals, wheelbases and steering wheels later in 2022 and in 2023.

Group results. Rising inflation and interest rates have recently added to the continued impact of pandemic lockdowns, supply chain disturbances and general geo-political tensions, delaying a normalization of the business climate. The effects are reduced discretionary consumer spending with decreased demand for the Company's Gaming & Enthusiast products. In normal times Asetek is subject to limited visibility of OEM customer demand. Currently, Asetek is experiencing even further reduced visibility, caused by significantly increased volatility, in the forecasts provided by OEM customers for the second half of the year.

Due to the increased uncertainty, the Company has suspended its revenue and operating income guidance for 2022, beyond that revenue and operating income will likely be below previously communicated expectations. Previous guiding framed a revenue development in the range between a 5% decrease and 15% increase, and operating income in the range from -\$1 to +\$5 million. The Company will resume guidance when it has a more certain basis for providing full-year expectations.

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, Asetek continues to review and assess all competitive offerings for infringement of its patents. Asetek 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 May 2021, Asetek filed a patent infringement lawsuit against Shenzhen Apaltek Co. Ltd. and Apalcoo (Guangdong Ang Pai Liquid Cooling Technology Co., Ltd.) in the Western District of Texas (WDTX) seeking judgment that Apaltek and Apalcoo infringe Asetek's U.S. Patent Nos. 8,240,362 ("the '362 patent") and 8,245,764 ("the '764 patent"). The case was recently transferred from the WDTX to the Northern District of California (NDCA). No trial date has been set. Apaltek filed a review petition in the U.S. Patent and Trademark Office (USPTO) to challenge the validity of the '362 patent. Asetek will vigorously defend against this petition and any Apaltek petition for USPTO review of the '764 patent (which Apaltek previously stated it would file).

In June 2021, Cooler Master Co., Ltd. and CMI USA, Inc. filed in the NDCA an action requesting declaratory judgment that certain Cooler Master products do not infringe Asetek's '362 and '764 patents, or Asetek's U.S. Patent Nos. 10,078,354 ("the '354 patent"), 10,078,355 ("the '355 patent"), 10,599,196 ("the '196 patent"), and 10,613,601 ("the '601 patent"). Asetek filed counterclaims that Cooler Master products infringe the '362 and '764 patents and contends that the Court lacks subject matter jurisdiction to adjudicate Cooler Master's claims regarding the other patents. The court recently granted Asetek's motion to stay this case in view of other ongoing proceedings summarized herein.

In January 2019, Asetek filed a patent infringement lawsuit against CoolIT in the NDCA seeking judgment that CoolIT infringed Asetek's '362, '764, '354, '355, and '681 patents. CoolIT filed counterclaims asserting infringement of four CoolIT patents, which Asetek denies. Asetek also contends that CoolIT's asserted patents are invalid. On September 17, 2020, Asetek filed a related patent infringement lawsuit against Corsair in the same court seeking judgment that Corsair infringes Asetek's '354, '355, '196, and '601 patents. The court consolidated the two cases. Asetek also filed review petitions in the USPTO to challenge the validity of two of the CoolIT patents asserted in the above litigation, and the USPTO ruled that certain claims by CoolIT are unpatentable, and that additional evidence is needed for certain claims. CoolIT filed review petitions in the USPTO to challenge the validity of five Asetek patents that will be asserted at the trial. The USPTO found that the challenged claims of the '681 patent are patentable; instituted intellectual property rights on the '601 and '196 patents; and that the challenged claims of the '354 and '355 patents are unpatentable. Asetek is appealing the USPTO's findings for the '354 and '355 patents.

In view of the USPTO and appeal proceedings, the judge has stayed the litigation on one of CoolIT's patents and Asetek's '354, '355, '601 and '196 patents, and in the interim will allow the litigation to proceed on Asetek's '362 patent and the remaining CoolIT patents. A settlement conference is set for September 2022 and a jury trial is set for March 2023.

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 the nullity proceedings, the German Patent Court revoked the German part of Asetek's patent in February 2020, and upon Asetek appeal, the German Supreme Court confirmed revocation in final judgment in May 2022.

Corporate Matters

The Company's annual general meeting was held on April 28, 2022, where the following matters occurred or were reported:

- The Annual Report 2021, as proposed by the Board of Directors, was approved as published.
- The remuneration report for 2021 was adopted and the proposed remuneration to be paid to the members of the Board of Directors was adopted.
- The Board of Directors on April 28, 2022 was comprised of Chairman Jukka Pertola, Vice Chairman Erik Damsgaard, Jørgen Smidt and Maria Hjorth. Mrs. Hjorth is Chairman of the Audit Committee and Mr. Pertola is Chairman of the Remuneration Committee.

- The Nomination Committee is comprised of Chairman Ib Sønderby, Claus Berner Møller and Jukka Pertola.
- The Board of Directors was authorized to acquire the Company's own shares, up to 10% of the Company's nominal share capital.
- PricewaterhouseCoopers, State Authorized Public Accountants, were re-elected as auditors

On June 15, 2022, the Company held an Extraordinary General Meeting, where the proposal to elect Ms. Maja Sand-Grimnitz to the Board of Directors was adopted.

Risk Factors

Asetek's revenue is subject to fluctuations and is dependent on its ability to develop new, high-performance products; the popularity of offerings from Asetek's customers; timely releases and availability of new GPUs and CPUs; and recurring releases of high-profile computer games in the PC industry. The Company's markets are affected by inflationary pressures and rising interest rates which, in recent months, have led to reduced consumer confidence, reduced end-user demand and OEM customers seeking to reduce inventory.

In the first half of 2022, two customers accounted for 24% and 22% 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.

COVID-19. Asetek's operations in Xiamen, China have been negatively affected by COVID-related shutdowns hindering sub-suppliers' deliveries of components to the Company and its contract manufacturers and consequently shipments to Asetek's customers. The Company's operations team has closely managed the situation to minimize

disruption. It is unclear when such disruptions will subside.

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.

Asetek has recently acquired external assets to support a new venture in the SimSports market. To date, the Company has principally developed its products internally. Acquiring technology externally represents a new avenue for Asetek. The newly acquired assets may be challenging to develop into successful products for the SimSports market.

Asetek relies upon suppliers and partners to supply products and services at competitive prices. Supply constraints, such as the current global chip shortage and disruptions in the global supply chain can have a material adverse impact on the Company's ability to fulfill customer demand. Asetek's Gaming & 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, resulting in double taxation of Group earnings. Asetek has approached both countries'

tax authorities with the aim of resolving the situation per the double taxation treaty. However, the authorities are not obligated to resolve it. In addition, recent U.S. regulations on taxation of foreign earnings impact 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 U.S. Dollar and Danish Krone.

For more information, refer to the Company's Annual Report for 2021, available at the Company's website: www.asetek.com

Condensed Interim Financial Statements

Consolidated Statement of Comprehensive Income

Figures in USD (000's)	Q2 2022	Q2 2021	1H 2022	1H 2021	2021
	Unaudited	Unaudited	Unaudited	Unaudited	
Revenue	\$ 16,868	\$ 23,185	\$ 30,757	\$ 48,200	\$ 79,803
Cost of sales	9,730	13,344	18,313	27,628	46,430
Gross profit	7,138	9,841	12,444	20,572	33,373
Research and development	1,253	1,646	2,333	3,496	7,092
Selling, general and administrative	5,620	6,284	11,788	11,631	24,503
Special items	-	-	-	-	1,713
Other expense (income)	119	-	119	-	(714)
Total operating expenses	6,992	7,930	14,240	15,127	32,594
Operating income	146	1,911	(1,796)	5,445	779
Foreign exchange (loss) gain	710	(238)	840	296	832
Finance income (costs)	(37)	(47)	(82)	(99)	(214)
Total financial income (expenses)	673	(285)	758	197	618
Income before tax	819	1,626	(1,038)	5,642	1,397
Income tax (expense) benefit	(145)	(272)	(279)	(1,162)	(60)
Income for the period	674	1,354	(1,317)	4,480	1,337
<i>Other comprehensive income items that may be reclassified to profit or loss in subsequent periods:</i>					
Foreign currency translation adjustments	(1,599)	440	(2,032)	(772)	(1,709)
Total comprehensive income	\$ (925)	\$ 1,794	\$ (3,349)	\$ 3,708	\$ (372)
Income per share (in USD):					
Basic	\$ 0.03	\$ 0.05	\$ (0.05)	\$ 0.17	\$ 0.05
Diluted	\$ 0.03	\$ 0.05	\$ (0.05)	\$ 0.17	\$ 0.05

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

Consolidated Balance Sheet

Figures in USD (000's)	30 June 2022	31 Dec 2021
ASSETS	<i>Unaudited</i>	
<i>Non-current assets</i>		
Intangible assets	\$ 11,505	\$ 10,938
Property, plant and equipment	17,096	11,732
Deferred income tax assets	5,899	6,293
Other assets	330	362
Total non-current assets	34,830	29,325
<i>Current assets</i>		
Inventory	5,218	5,532
Trade receivables and other	15,403	17,201
Cash and cash equivalents	11,428	23,296
Total current assets	32,049	46,029
Total assets	\$ 66,879	\$ 75,354
EQUITY AND LIABILITIES		
<i>Equity</i>		
Share capital	\$ 444	\$ 442
Retained earnings	57,232	58,077
Translation and treasury share reserves	(12,163)	(10,131)
Total equity	45,513	48,388
<i>Non-current liabilities</i>		
Long-term debt	1,133	1,540
Total non-current liabilities	1,133	1,540
<i>Current liabilities</i>		
Short-term debt	5,572	1,703
Accrued liabilities	1,672	3,157
Accrued compensation & employee benefits	1,395	2,074
Trade payables	11,594	18,492
Total current liabilities	20,233	25,426
Total liabilities	21,366	26,966
Total equity and liabilities	\$ 66,879	\$ 75,354

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

Consolidated Statement of Changes in Equity

Unaudited

	Share capital	Translation reserves	Treasury share reserves	Retained earnings	Total
Figures in USD (000's)					
Equity at January 1, 2022	\$ 442	\$ 1,075	\$ (11,206)	\$ 58,077	\$ 48,388
Total comprehensive income - six months ended June 30, 2022					
Income for the period	-	-	-	(1,317)	(1,317)
Foreign currency translation adjustments	-	(2,032)	-	-	(2,032)
Total comprehensive income - six months ended June 30, 2022	-	(2,032)	-	(1,317)	(3,349)
Transactions with owners - six months ended June 30, 2022					
Shares issued for options exercised	2	-	-	214	216
Share based payment expense	-	-	-	258	258
Transactions with owners - six months ended June 30, 2022	2	-	-	472	474
Equity at June 30, 2022	\$ 444	\$ (957)	\$ (11,206)	\$ 57,232	\$ 45,513
Equity at January 1, 2021	\$ 433	\$ 2,784	\$ (6,373)	\$ 50,681	\$ 47,525
Total comprehensive income - six months ended June 30, 2021					
Income for the period	-	-	-	4,480	4,480
Foreign currency translation adjustments	-	(772)	-	-	(772)
Total comprehensive income - six months ended June 30, 2021	-	(772)	-	4,480	3,708
Transactions with owners - six months ended June 30, 2021					
Shares issued for purchase of assets	6	-	-	4,216	4,222
Shares issued for options exercised	1	-	-	724	725
Shares repurchased	-	-	(3,581)	-	(3,581)
Share based payment expense	-	-	-	542	542
Transactions with owners - six months ended June 30, 2021	7	-	(3,581)	5,482	1,908
Equity at June 30, 2021	\$ 440	\$ 2,012	\$ (9,954)	\$ 60,643	\$ 53,141

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

Consolidated Cash Flow Statement

Figures in USD (000's)	1H 2022	1H 2021	2021
	<i>Unaudited</i>	<i>Unaudited</i>	
Cash flows from operating activities			
Income for the period	\$ (1,317)	\$ 4,480	\$ 1,337
Depreciation and amortization	1,979	1,933	3,750
Gain on sale of property, plant and equipment	-	-	(688)
Special items	-	-	1,713
Finance income recognized	-	(1)	(2)
Finance costs recognized	82	99	216
Finance income, cash received	-	1	2
Finance costs, cash paid	(53)	(59)	(141)
Income tax expense	279	1,162	60
Cash receipt (payment) for income tax	(117)	(228)	(446)
Share based payments expense	257	542	981
Changes in trade receivables, inventories, other assets	649	5,173	2,957
Changes in trade payables and accrued liabilities	(7,781)	(2,784)	4,578
Net cash provided by (used in) operating activities	(6,022)	10,318	14,317
Cash flows from investing activities			
Additions to intangible assets	(1,985)	(4,744)	(5,974)
Purchase of property, plant and equipment	(6,966)	(4,537)	(8,322)
Disposal of property, plant and equipment	-	-	1,092
Net cash used in investing activities	(8,951)	(9,281)	(13,204)
Cash flows from financing activities			
Funds drawn (paid) against line of credit	4,050	(64)	260
Repurchase of common shares	-	(3,581)	(4,833)
Proceeds from issuance of share capital	216	725	865
Principal payments on capitalized leases	(416)	(425)	(928)
Net cash provided by (used in) financing activities	3,850	(3,345)	(4,636)
Effect of exchange rate changes on cash and cash equivalents	(745)	(60)	(280)
Net changes in cash and cash equivalents	(11,868)	(2,368)	(3,803)
Cash and cash equivalents at beginning of period	23,296	27,099	27,099
Cash and cash equivalents at end of period	\$ 11,428	\$ 24,731	\$ 23,296
Supplemental disclosures -			
Assets acquired under leases	\$ 56	\$ -	\$ 108
Shares issued for purchase of assets	\$ -	\$ 4,222	\$ 4,222

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

Notes to the interim financial statements

1. General information

Asetek A/S ('the Company'), and its subsidiaries (together, 'Asetek Group', 'the Group' or 'Asetek') designs, develops and markets liquid cooling solutions used in personal computers, servers and data centers. 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 and first half ended June 30, 2022 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 2021 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, 2021.

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

2. Equity

At June 30, 2022, there are 27.1 million common shares issued including 1.26 million shares held in treasury. Treasury shares may be used to fulfill employee options exercised.

Funds received by the Company from employee exercises of warrants and options totaled \$0.2 million in the first six months of 2022 (\$0.7 million in the same period of 2021). Share based payment expense associated with total warrants and options outstanding was \$0.3 million and \$0.5 million in the six months ended June 30, 2022 and 2021, respectively.

3. Intangible assets

The Group's business includes a significant element of research and development activity. Under IAS 38, there is a requirement to capitalize and amortize development spend to match costs to expected benefits from projects deemed to be commercially viable. Costs capitalized are recorded on the balance sheet as intangible assets, net of amortization. A reconciliation of intangible assets in the first half of 2022 and 2021 is as follows:

Intangible assets		
Unaudited, USD ('000's)	1H 2022	1H 2021
Balance, January 1	10,938	3,217
Additions to capitalized development costs	1,985	1,213
Intellectual property acquired	-	7,753
Amortization	(774)	(627)
Exchange rate effects and other	(644)	(279)
Balance, June 30	11,505	11,277

4. Property, plant and equipment and Short-term debt

Property plant and equipment (PP&E) totaled \$17.1 million at June 30, 2022 compared with \$11.1 million at December 31, 2021. Additions to PP&E in the first half of 2022 totaled \$7.0 million, of which \$5.7 million pertained to design and construction of a new headquarters facility. As of June 30, 2022, the Company had drawn \$4.4 million against a construction line of credit, which is included in short-term debt on the consolidated balance sheet.

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.

Second Quarter	<i>Unaudited</i>	<i>Unaudited</i>
Unaudited, USD (000's)	Q2 2022	Q2 2021
Income attributable to equity holders of the Company (USD 000's)	\$ 674	\$ 1,354
Weighted average number of common shares outstanding (000's)	25,830	25,812
Basic income per share	\$ 0.03	\$ 0.05
Weighted average number of common shares outstanding (000's)	25,830	25,812
Instruments with dilutive effect:		
Warrants and options	110	1,199
Weighted average number of common shares outstanding, diluted	25,940	27,011
Diluted income per share	\$ 0.03	\$ 0.05

First Half	<i>Unaudited</i>	<i>Unaudited</i>
Unaudited, USD (000's)	1H 2022	1H 2021
Income attributable to equity holders of the Company (USD 000's)	\$ (1,317)	\$ 4,480
Weighted average number of common shares outstanding (000's)	25,773	25,796
Basic income per share	\$ (0.05)	\$ 0.17
Weighted average number of common shares outstanding	25,773	25,796
Instruments with dilutive effect:		
Warrants and options	-	1,241
Weighted average number of common shares outstanding, diluted	25,773	27,037
Diluted income per share	\$ (0.05)	\$ 0.17

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 the first six months of 2022, the Group purchased services totaling approximately \$434,000 (\$455,000 in first six months of 2021) from this vendor. At June 30, 2022 and 2021, the Group had outstanding payables to this vendor of \$46,000 and \$79,000 respectively.

The Company sponsors and occasionally purchases equipment and other services from Valdemar Eriksen Racing A/S ("VER"), an organization partially owned by the Company's CEO. In the six months ended June 30, 2022 and 2021, the Company paid \$75,000 and \$102,000 to VER, respectively, including purchases of equipment, etc. of \$20,000 in the first half of 2021.

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 June 30, 2022, the Company has recorded deferred tax assets of \$5.9 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 2021 Annual Report regarding critical accounting estimates and assumptions.

8. Segment information

In 2021, the Company reported on two operating segments, Gaming & Enthusiast and Data center. In the first half of 2022, the Data center results are not material to the Company's consolidated financial statements, and therefore the Company is reporting as one segment in this interim report.

9. Disaggregated revenue

The Company's revenue is generated through various sales channels. Disaggregation of revenue by sales channel is as follows:

Revenue Disaggregation:

Figures in USD (000's)

	<u>Q2 2022</u>	<u>Q2 2021</u>	<u>1H 2022</u>	<u>1H 2021</u>
OEMs and System Integrators	15,877	23,185	29,602	48,200
Retailers	426	-	513	-
Online webstore	565	-	642	-
Total revenue	16,868	23,185	30,757	48,200

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 – 30 June 2022. 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 2021.

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, which are described in further detail in the Group's Annual Report for 2021. The Interim Report has not been audited or reviewed by the auditors.

Asetek A/S
Aalborg, 11 August 2022

Management:

André S. Eriksen
CEO

Peter Dam Madsen
CFO

Board of Directors:

Jukka Pertola
Chairman

Erik Damsgaard
Vice chairman

Maria Hjorth
Member

Jørgen Smidt
Member

Maja Sand-Grimnitz
Member

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