



# Asetek

**Asetek A/S**

Assensvej 2  
DK9220 Aalborg East  
Denmark

**Interim Report**

Three Months Ended March 31, 2021

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## Highlights

- Record first-quarter revenue of \$25.0 million, reflecting growth of 174% over Q1 2020
- Gross margin of 43% compared with 49% in Q1 2020
- Record first-quarter EBITDA adjusted of \$4.7 million, compared with \$0.2 million in Q1 2020
- Announced entering the fast-growing SimSports gaming market, with the expected launch of new products in late 2021
- 2021 Group revenue expectation updated April 7 to an increase of 20% to 30% over 2020 revenue of \$72.8 million
- Gross margin is expected to decline from 2020 and Asetek expects operating income of about \$11 to \$16 million, up from \$10.9 million in 2020

## Key figures

Figures in USD (000's)	Q1 2021	Q1 2020	2020
	<i>Unaudited</i>	<i>Unaudited</i>	
<b>Summary P&amp;L:</b>			
Revenue	25,015	9,124	72,750
Gross profit	10,731	4,498	34,194
Gross margin	42.9%	49.3%	47.0%
Operating income	3,534	(921)	10,928
<b>Reconciliation from IFRS to EBITDA adjusted:</b>			
Operating income	3,534	(921)	10,928
Add: Depreciation and amortization	982	873	3,754
Add: Share based compensation	172	221	918
EBITDA adjusted (unaudited)	4,688	173	15,600
<b>Liquidity at period end:</b>			
Working capital	28,591	27,408	32,837
Cash and equivalents	24,054	26,159	27,099
Long-term debt	2,316	2,511	2,604

## Summary

- Financial results**
- Asetek reported record first-quarter revenue of \$25.0 million, an increase of 174% from the same period of 2020. The change from prior year mainly reflects increased shipments of Gaming and Enthusiast products.
  - Gross margin was 43% for the first quarter of 2021 compared with 49% in the first quarter of 2020. The decline reflects a change in the mix of product shipments, increases in certain component costs, and a weaker U.S. dollar.
  - Operating income totaled \$3.5 million and adjusted EBITDA was \$4.7 million in the first quarter of 2021, compared with operating loss of \$0.9 million and adjusted EBITDA of \$0.2 million in the first quarter of 2020.
  - During the first quarter, the Company repurchased a total of 163 thousand common shares for a total cost of \$2.1 million to offset employee option grants, completing the buyback program that was launched in October 2020.
  - On April 21, to offset an approved employee option grant, the Board of Directors authorized repurchase of an additional 237 thousand shares for up to \$3.0 million over a 90 business days period.
  - At March 31, 2021, Asetek had working capital of \$28.6 million, of which \$24.1 million was cash and cash equivalents. Long-term debt totaled \$2.3 million.
- Operations**
- In March, Asetek announced its entrance into the fast-growing SimSports gaming market.
  - To support this new venture, the Company acquired intellectual property from Finland-based Granite Devices Inc. for approximately \$8.3 million in January. Asetek paid 50% in cash and the remainder in 348,003 newly issued shares of Asetek common stock.
  - Asetek has invested over \$10 million to advance the development of its SimSports offering, including software, hardware, mechanical designs and operational proficiency when including the acquisition of UK-based JMH Gallows Pound Ltd, owner of the UltimateGameTech brand, in late 2020.
  - Asetek anticipates the launch of new SimSports products in late 2021.
  - During the quarter, the Company announced that Asetek liquid cooling is powering new high-performance product releases from two new Gaming and Enthusiast OEM partners; MSI introduced the SEA HAWK 240mm cooler for its GeForce RTX 30 Series graphics cards and the MPG CORELIQUID K Series premium CPU liquid coolers; and SAPPHIRE Technology released the TOXIC AMD Radeon RX 6900XT 360mm Hybrid GPU cooler.
  - There was no significant negative impact from the COVID-19 pandemic on revenue, supply chain or overall operations during the quarter.
- Outlook**
- On April 7, due to strong demand for Gaming and Enthusiast products, the Company increased its outlook for 2021. Asetek expects revenue to increase by 20% to 30% from 2020, from the previous expectation of an increase in revenue of 10% to 20% year over year. Gross margin is anticipated to be lower than 2020. Management expects the Company to report operating income of between \$11 and \$16 million in 2021, partially reflecting increased overhead costs to facilitate growth, up from previous range of \$9 and \$15 million.
  - 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 first quarter of 2021, which comprise activities within the two segments Gaming and Enthusiast (including SimSports) and Data Center. The figures are unaudited.*

### Income Statement (Consolidated)

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Asetek reported total revenue of \$25.0 million in the first quarter of 2021, an increase of 174% from \$9.1 million in the first quarter of 2020. Sales unit volumes of sealed loop coolers for the first quarter of 2021 were 412,000, compared with 143,000 in the same period of 2020. Revenue and unit growth reflects increased shipments of Gaming and Enthusiast products. The average selling price (ASP) per unit in the first quarter decreased from the prior year periods.

Gross margin was 42.9% for the first quarter of 2021, compared with 49.3% in the same period of 2020. The change from prior year reflects a change in the mix of product shipments, increases in certain component costs, and a weaker US Dollar.

Total operating expense increased to \$7.2 million in the first quarter of 2021 from \$5.4 million in the same period of 2020, reflecting principally investments in the new SimSports line of business, and expenditures to support the Company's revenue growth. In the past year, Asetek has increased staffing by 40%.

Costs incurred for defense of existing intellectual property (IP) and securing new IP totaled \$0.6 million in the first quarter of 2021 (\$0.8 million in the same period of 2020).

Share-based compensation cost associated with warrants and options issued to employees was \$0.2 million in the first quarter of 2021 (\$0.2 million in the same period of 2020).

In the first quarter of 2021, the U.S. Dollar, on average, was weaker versus the Danish Krone by approximately 9% when compared with the average exchange rate in the same period of 2020. Finance expenses included net foreign exchange gain of \$0.5 million in the first quarter (gain of \$0.2 million in first quarter of 2020).

Asetek reported income before tax of \$4.0 million in the first quarter of 2021, compared with loss before tax of \$0.7 million in the same period of 2020.

Income tax expense was \$0.9 million in the first quarter of 2021 compared with zero in the prior year, due to the increase in pre-tax income.

Currency translation adjustment of negative \$1.2 million was included in equity for the first quarter 2021 (\$0.4 million negative translation adjustment in the first quarter of 2020).

## Balance Sheet (Consolidated)

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Asetek's total assets at March 31, 2021 were \$74.9 million, compared with \$71.4 million at the end of 2020. The principal components of the change were as follows: Intangible assets increased by \$7.7 million as a result of the purchase of assets from Granite Devices Inc. Property, plant and equipment increased by \$2.4 million due to the purchase of land for a future headquarters facility. Trade receivables decreased by \$3.7 million due to an increase in customer cash receipts. Cash and equivalents declined by \$3.0 million due to payments made on asset acquisitions and repurchase of common shares in the quarter.

Total liabilities decreased by \$1.3 million in the first quarter of 2021. Accrued compensation and employee benefits decreased by \$1.7 million reflecting payment of 2020 incentive compensation, and Asetek paid down its line of credit balance of \$0.5 million. These changes were partly offset by an increase in trade payables.

Working capital (current assets minus current liabilities) totaled \$28.6 million at March 31, 2021, a decrease of \$4.2 million from 2020 year-end. Total cash and cash equivalents were \$24.1 million at March 31, 2021.

## Cash Flow (Consolidated)

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Net cash provided by operating activities was \$6.9 million in the first quarter of 2021 compared with \$2.5 million provided in same period of 2020. The increase was principally due to higher net income.

Cash used by investing activities was \$7.4 million compared with \$0.5 million used in same period of 2020. The increase was principally due to the purchase of intellectual property and other assets from Granite Devices Inc. and purchase of land for a future headquarters facility.

Cash used by financing activities was \$2.2 million in the quarter compared with \$0.2 million used in the

same period of 2020. In the first quarter of 2021, Asetek repurchased 163 thousand common shares for \$2.1 million and paid \$0.7 million on leases and a line of credit. These effects were partly offset by \$0.6 million received for shares issued on options exercised by employees.

Net change in cash and cash equivalents was a decrease of \$3.0 million in the first quarter of 2021, compared with an increase of \$1.7 million in 2020. The Company's cash conversion cycle improved to negative 12.5 days in first quarter 2021 from positive 13.7 days in the same period of 2020.

## Income Tax

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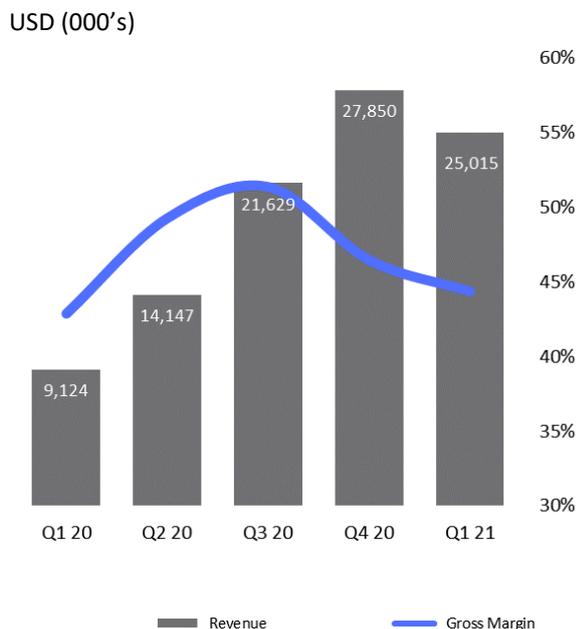
Asetek moved from USA to Denmark in 2013. However, USA still considers Asetek A/S a U.S. tax subject, effectively creating a double taxation situation. Asetek has approached both countries' tax authorities with the aim of resolving the situation per an existing double taxation treaty. However, a determination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

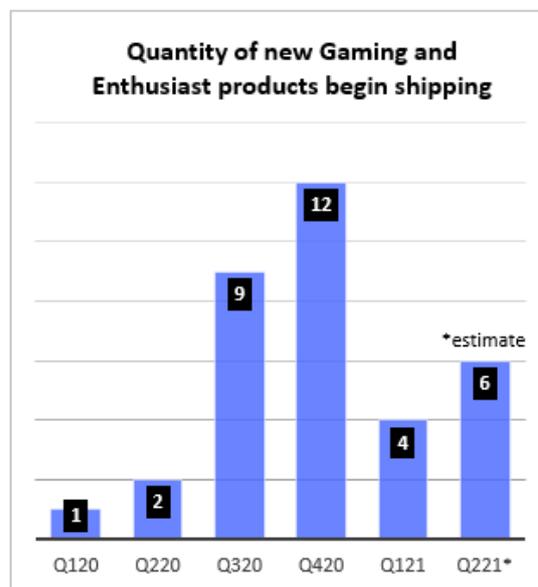
### Group revenue and margin development



**Gaming and Enthusiast.** During the quarter, the Company announced that Asetek liquid cooling is powering new high-performance product releases from two new Gaming and Enthusiast OEM partners. MSI introduced the SEA HAWK 240mm cooler for its GeForce RTX 30 Series graphics cards and the MPG CORELIQUID K Series premium CPU liquid coolers for extreme overclocking. SAPPHIRE Technology released the TOXIC AMD Radeon RX 6900XT 360mm Hybrid GPU cooler for maximum immersive gaming.

In recent quarters, Asetek has increased product development activities and the pace of new product releases. During the first quarter, four new products began shipping, all to DIY customers. In the second quarter of 2021, six new products are expected to begin shipping.

Clip from recent EVGA advertisement:



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, Asetek announced its entrance into the fast-growing SimSports gaming market. The Company plans to further enable a next-level immersive gaming experience by leveraging its core mechatronics, global supply chain and innovation capabilities. To support this new venture, the Company in January acquired intellectual property and other assets from Finland-based Granite Devices, in addition to acquiring the UK-based JMH Gallows Pound Ltd, owner of the UltimateGameTech brand in late 2020. Asetek has invested over \$10 million to advance the development of its SimSports offering, including software, hardware, mechanical designs and operational proficiency. Also, in late 2020, the Company hired an experienced VP/General Manager to lead the new line of business. Operating expenditures for SimSports totaled \$1.4 million in the first quarter, including amortization. Asetek

anticipates the launch of new SimSports products in late 2021.

**Data center.** Data center revenue performance improved in the first quarter of 2021, due to the 2020 expansion of offerings from global data center OEM Hewlett Packard Enterprise (HPE) and global

data center partner Supermicro. To support these customer additions, the Company has added nearly 20 new server loop designs to its server product portfolio in the past year. Accordingly, Asetek has added resources in its development, quality assurance and operations teams to manage the increased number of SKUs and demand.

## Group Outlook

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**Global economy and COVID-19.** In the first quarter of 2021, 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. 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 uncertain.

**Gaming and enthusiast.** Beginning in the second half of 2020 and continuing into early 2021, favorable effects of shelter-in-place restrictions have resulted in strong demand, driving Asetek's Gaming and Enthusiast revenue to record levels. In 2021, Asetek will continue to invest in and launch innovative new high-performance products for gamers and enthusiasts. The Company plans to invest in the development of its new SimSports offering for the foreseeable future and expects to launch the first of its SimSports products in late 2021. Consistent with prior years, Asetek will

continue to focus its resources on the Gaming and Enthusiast segment, growing market share through existing and new OEMs, and building the Asetek brand.

**Data center.** Over the past year the Company has 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.

**Group results.** On April 7, due to strong demand for Gaming and Enthusiast products, the Company increased its outlook for 2021. Asetek expects revenue to increase by 20% to 30% from 2020, with gross margins anticipated to be lower than 2020. Management expects the Company to report operating income of between \$11 and \$16 million in 2021, partially reflecting increased overhead costs to facilitate growth. 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 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 on five Asetek patents and four CoolIT patents.

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 that will be asserted at the trial. 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 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

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 of offerings from Asetek's customers, and timely releases of 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 products, demand from existing OEMs and Asetek's ability to obtain and build partnerships with new OEMs.

In the first quarter of 2021, due to accelerated growth in their revenue streams over the past year, two customers accounted for 43% and 17% 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 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 are quarantined or 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.

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, disruption in supply of materials or components, or extension of lead times could have a material adverse impact on the Company's ability to fulfill customer demand. 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 U.S. Dollar and Danish Krone.

For more information, refer to the Company's Annual Report for 2020, available at the Company's website: [www.asetek.com](http://www.asetek.com)

## Condensed Interim Financial Statements

### Consolidated Statement of Comprehensive Income

Figures in USD (000's)	Q1 2021		Q1 2020		2020
	<i>Unaudited</i>		<i>Unaudited</i>		
Revenue	\$	25,015	\$	9,124	\$ 72,750
Cost of sales		14,284		4,626	38,556
<b>Gross profit</b>		10,731		4,498	34,194
Research and development		1,850		1,167	5,718
Selling, general and administrative		5,347		4,252	17,548
<b>Total operating expenses</b>		7,197		5,419	23,266
<b>Operating income</b>		3,534		(921)	10,928
Foreign exchange (loss) gain		534		212	(1,361)
Finance income (costs)		(52)		9	(141)
<b>Total financial income (expenses)</b>		482		221	(1,502)
<b>Income before tax</b>		4,016		(700)	9,426
Income tax (expense) benefit		(890)		-	(231)
<b>Income for the period</b>		3,126		(700)	9,195
<i>Other comprehensive income items that may be reclassified to profit or loss in subsequent periods:</i>					
Foreign currency translation adjustments		(1,212)		(399)	2,392
<b>Total comprehensive income</b>	\$	1,914	\$	(1,099)	\$ 11,587
<b>Income per share (in USD):</b>					
Basic	\$	0.12	\$	(0.03)	\$ 0.36
Diluted	\$	0.12	\$	(0.03)	\$ 0.35

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

## Consolidated Balance Sheet

Figures in USD (000's)	31 Mar 2021		31 Dec 2020	
	<i>Unaudited</i>			
<b>ASSETS</b>				
<i>Non-current assets</i>				
Intangible assets	\$	10,906	\$	3,217
Property, plant and equipment		9,428		7,049
Deferred income tax assets		5,369		6,421
Other assets		348		605
<b>Total non-current assets</b>		<b>26,051</b>		<b>17,292</b>
<i>Current assets</i>				
Inventory		2,801		2,531
Trade receivables and other		21,972		24,471
Cash and cash equivalents		24,054		27,099
<b>Total current assets</b>		<b>48,827</b>		<b>54,101</b>
<b>Total assets</b>	\$	<b>74,878</b>	\$	<b>71,393</b>
<b>EQUITY AND LIABILITIES</b>				
<i>Equity</i>				
Share capital	\$	440	\$	433
Retained earnings		58,811		50,681
Translation and treasury share reserves		(6,925)		(3,589)
<b>Total equity</b>		<b>52,326</b>		<b>47,525</b>
<i>Non-current liabilities</i>				
Long-term debt		2,316		2,604
<b>Total non-current liabilities</b>		<b>2,316</b>		<b>2,604</b>
<i>Current liabilities</i>				
Short-term debt		925		1,525
Accrued liabilities		1,978		2,429
Accrued compensation & employee benefits		1,468		3,193
Trade payables		15,865		14,117
<b>Total current liabilities</b>		<b>20,236</b>		<b>21,264</b>
<b>Total liabilities</b>		<b>22,552</b>		<b>23,868</b>
<b>Total equity and liabilities</b>	\$	<b>74,878</b>	\$	<b>71,393</b>

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

## Consolidated Statement of Changes in Equity

*Unaudited*

Figures in USD (000's)	Share capital	Translation reserves	Treasury share reserves	Retained earnings	Total
<b>Equity at January 1, 2021</b>	\$ 433	\$ 2,784	\$ (6,373)	\$ 50,681	\$ 47,525
<b>Total comprehensive income - quarter ended March 31, 2021</b>					
Income for the period	-	-	-	3,126	3,126
Foreign currency translation adjustments	-	(1,212)	-	-	(1,212)
Total comprehensive income - quarter ended March 31, 2021	-	(1,212)	-	3,126	1,914
<b>Transactions with owners - quarter ended March 31, 2021</b>					
Shares issued for purchase of assets	6	-	-	4,216	4,222
Shares issued for options exercised	1	-	-	616	617
Shares repurchased	-	-	(2,124)	-	(2,124)
Share based payment expense	-	-	-	172	172
Transactions with owners - quarter ended March 31, 2021	7	-	(2,124)	5,004	2,887
<b>Equity at March 31, 2021</b>	\$ 440	\$ 1,572	\$ (8,497)	\$ 58,811	\$ 52,326
<b>Equity at January 1, 2020</b>	\$ 423	\$ 392	\$ (4)	\$ 38,197	\$ 39,008
<b>Total comprehensive income - quarter ended March 31, 2020</b>					
Income for the period	-	-	-	(700)	(700)
Foreign currency translation adjustments	-	(399)	-	-	(399)
Total comprehensive income - quarter ended March 31, 2020	-	(399)	-	(700)	(1,099)
<b>Transactions with owners - quarter ended March 31, 2020</b>					
Share activity	-	-	(3)	-	(3)
Share based payment expense	-	-	-	221	221
Transactions with owners - quarter ended March 31, 2020	-	-	(3)	221	218
<b>Equity at March 31, 2020</b>	\$ 423	\$ (7)	\$ (7)	\$ 37,718	\$ 38,127

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

## Consolidated Cash Flow Statement

Figures in USD (000's)	Three months ended		2020
	31 Mar 2021	31 Mar 2020	
	Unaudited	Unaudited	
<b>Cash flows from operating activities</b>			
Income for the period	\$ 3,126	\$ (700)	\$ 9,195
Depreciation and amortization	982	873	3,754
Finance income recognized	(1)	(49)	(51)
Finance costs recognized	53	40	192
Finance income, cash received	1	49	51
Finance costs, cash paid	(32)	(21)	(112)
Income tax expense	890	-	231
Cash receipt (payment) for income tax	-	-	10
Share based payments expense	172	221	918
Changes in trade receivables, inventories, other assets	1,336	6,490	(10,121)
Changes in trade payables and accrued liabilities	415	(4,425)	7,363
<b>Net cash provided by (used in) operating activities</b>	<b>6,942</b>	<b>2,478</b>	<b>11,430</b>
<b>Cash flows from investing activities</b>			
Acquisition of business	-	-	(1,316)
Additions to intangible assets	(4,109)	(357)	(1,571)
Purchase of property, plant and equipment	(3,320)	(109)	(1,929)
<b>Net cash used in investing activities</b>	<b>(7,429)</b>	<b>(466)</b>	<b>(4,816)</b>
<b>Cash flows from financing activities</b>			
Funds drawn (paid) against line of credit	(525)	(4)	(269)
Repurchase of common shares	(2,124)	-	(6,369)
Proceeds from issuance of share capital	617	-	2,381
Principal payments on capitalized leases	(215)	(226)	(831)
<b>Net cash provided by (used in) financing activities</b>	<b>(2,247)</b>	<b>(230)</b>	<b>(5,088)</b>
Effect of exchange rate changes on cash and cash equivalents	(311)	(128)	1,068
<b>Net changes in cash and cash equivalents</b>	<b>(3,045)</b>	<b>1,654</b>	<b>2,594</b>
Cash and cash equivalents at beginning of period	27,099	24,505	24,505
<b>Cash and cash equivalents at end of period</b>	<b>\$ 24,054</b>	<b>\$ 26,159</b>	<b>\$ 27,099</b>
<b>Supplemental disclosures -</b>			
Property and equipment acquired under leases	\$ -	\$ -	\$ 668

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 March 31, 2021 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 January 2021, the Company issued 348,003 of new common shares to Granite Devices Inc. for purchase of intellectual property and other assets. Refer to Note 3.

In April and October 2020, the Company announced share buy-back programs to offset employee option grants. The programs in total authorized 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 repurchased a total of 1.0 million shares for a total cost of \$8.5 million.

At March 31, 2021, there are 26.9 million common shares issued including 1.1 million shares held in treasury. Treasury shares may be used to fulfill employee options exercised. At March 31, 2021, there were a total of 2.0 million warrants and options outstanding.

Funds received by the Company from employee exercises of warrants and options totaled \$0.6 million in the first quarter of 2021 (none in the first quarter of 2020). Share-based payment expense associated with total warrants and options outstanding was \$0.2 million in both the first quarter of 2021 and 2020.

### 3. Asset purchase

In January 2021, the Company purchased intellectual property and other assets from Finland-based Granite Devices Inc. for a total of \$8.3 million. Asetek paid \$4.1 million in cash and the remainder in 348,003 newly issued shares of Asetek common stock. The assets acquired do not meet the definition of a business combination under IFRS 3. The transaction is accounted for under IFRS 2 Share-based payments, which requires that share transactions with non-employees be measured at fair value of the assets received. The asset purchase included intangible assets with estimated fair value of approximately \$7.8 million, the majority of which are in development. At the time they are placed in service, the assets will be amortized over their estimated useful lives ranging from 6 to 10 years.

### 4. Acquisition of business

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). This acquisition will support the Company's entrance into the SimSports market. The acquisition of JMH was for cash consideration, paid in three installments over one year.

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

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

The customer contracts are being amortized over 18 months and the developed technology is being amortized over the estimated useful lives ranging from 18 to 36 months. The 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. For additional information about this transaction, refer to Note 14 of Asetek A/S 2020 Annual Report.

## 5. Intangible assets

The Group's business includes a significant element of research and development activity. Under IAS 38, there is a requirement to capitalize and amortize development spend to match costs to expected benefits from projects deemed to be commercially viable. Costs capitalized are recorded on the balance sheet as intangible assets, net of amortization. In the first quarter of 2021, including assets acquired as described in Note 3, the Company capitalized approximately \$8.4 million of intangible assets and recorded amortization of approximately \$0.6 million (capitalized costs of \$0.4 million and amortization of \$0.3 million in first quarter of 2020).

## 6. 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.

<b>First Quarter</b>	<i>Unaudited</i>	<i>Unaudited</i>
USD (000's)	<b>Q1 2021</b>	<b>Q1 2020</b>
Income attributable to equity holders of the Company (USD 000's)	\$ 3,126	\$ (700)
Weighted average number of common shares outstanding (000's)	25,779	25,604
Basic income per share	\$ 0.12	\$ (0.03)
Weighted average number of common shares outstanding (000's)	25,779	25,604
Instruments with dilutive effect:		
Warrants and options	1,314	-
Weighted average number of common shares outstanding, diluted	27,093	25,604
Diluted income per share	\$ 0.12	\$ (0.03)

## 7. 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 quarter of 2021, the Group purchased services totaling approximately \$206,000 (\$138,000 in first quarter of 2020) from this vendor. At March 31, 2021 and 2020, the Group had outstanding payables to this vendor of \$17,000 and \$15,000 respectively.

The Company provides sponsorship support for Valdemar Eriksen Racing A/S, an organization partially owned by the Company's CEO. In the quarters ended March 31, 2020 and 2020, the Company paid \$102,000 and \$62,000 respectively, to this organization.

## 8. 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 March 31, 2021, the Company has deferred tax assets of \$5.37 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.

## 9. Segment information and disaggregated revenue

The Company reports on two segments, Gaming and Enthusiast (including SimSports) 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:

### First Quarter

Figures in USD (000's)	Gaming and Enthusiast		Data center	
	Q1 2021	Q1 2020	Q1 2021	Q1 2020
Revenue	21,734	8,122	3,281	1,002
EBITDA adjusted	6,461	1,707	(360)	(305)
EBITDA margin	29.7%	21.0%	N/A	N/A

### Reconciliation to Income before tax

Figures in USD (000's)	Q1 2021	Q1 2020
EBITDA, adjusted - Gaming and Enthusiast	6,461	1,707
EBITDA, adjusted - Data center	(360)	(305)
Headquarters costs	(1,413)	(1,229)
Share based compensation	(172)	(221)
Depreciation and amortization	(982)	(873)
Total financial income (expenses)	482	221
Consolidated income before tax	4,016	(700)

### Revenue Disaggregation:

Figures in USD (000's)	Q1 2021	Q1 2020
Gaming and Enthusiast segment:		
Enthusiast/DIY	18,534	6,525
Gaming/Performance PCs	3,200	1,597
Data center segment:		
OEM	3,281	1,002
Total revenue	25,015	9,124

## Statement by the Board of Directors and Management

The Board of Directors and the Management have considered and adopted the Interim Report of Asetek A/S for the period 1 January – 31 March 2021. 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, which are described in further detail in the Group's Annual Report for 2020. The Interim Report has not been audited or reviewed by the auditors.

**Asetek A/S**  
**Aalborg, 21 April 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  
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