Asetek

ANNUAL REPORT

2016 2017 2018 2019

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Claus Berner Møller
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Maria Hjorth

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CEO

Peter Dam Madsen
CFO

COMPENSATION COMMITTEE
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2020 certainly looks interesting for Asetek, and we welcome you to join us on the journey.

MESSAGE FROM THE CEO

SOWING SEEDS FOR THE FUTURE

DEAR READER,

The year 2019 was truly an exciting, groundbreaking, and – as often before – challenging year for Asetek. We disrupted our own beliefs, steered toward new, exciting directions and hopefully also sowed the right seeds for future successes for our company's unique water-cooling technology for PC's and data centers.

Our fantastic engineering team moved us many important steps forward by developing new market-relevant products and updates to existing products. Our handle on the expanding gaming and enthusiast market got stronger, placing us in an excellent position for future profitability.

Also in 2019, our hard-working sales and marketing team sowed the seeds to land our most important data center agreement to date in early 2020.This is the company's first ever design win with a true global server OEM and an important, significant step in maturing our data center business. Energy efficiency, density and waste heat recovery is increasingly on the data center agenda and now we will be able to reach a broad range of end-customers worldwide. For now, we must keep the name of this new global OEM to ourselves.

CHALLENGES FROM CHINA

Among the challenges we felt were the fear of global recession. And with our manufacturing located in China, we clearly felt the U.S.-China trade conflict, which resulted in tariffs that impacted our ability to compete. We could see how our customers were challenged with their cash flows as they were charged with 25% tariffs.

CONNECTED TO CITY OF AALBORG'S DISTRICT HEATING UTILITY COMPANY

As you can read further in this annual report, Asetek and I have – after careful consideration – begun working on the political scene. We are now trying to build acceptance and support for the idea that the European Community require data centers to recapture the vast amounts of waste heat for reuse in the heating infrastructure. Actually, all households in eleven of the EU's largest capitals could be heated year-round from just the excess heat from data centers in the EU, if they integrated Asetek's liquid cooling. With this technology, Asetek can deliver 60C hot water without a need for external heat pumps. Asetek technology can deliver the results that all politicians should pursue in their desire to minimize global CO2 emissions.

Asetek's own demonstration data center in Aalborg, Denmark, takes center stage in working to create this political understanding. In late 2019, the Asetek data center was connected to the local district heating systems and thus joined the circular economy. The district heating company is under the City of Aalborg, and the inauguration garnered significant attention from politicians, city and government officials, scientists and media; because it solidified how Asetek's climate-relevant technology is reliable and profitable in a real-life application.

Asetek's small datacenter, built with Asetek's own InRackCDU's which liquid cool up to 80 servers, now heat up 5-10 households in Aalborg year-round. Think about what the CO2 impact could be if, Google, Facebook, Apple and others started using the same integrated technology.

On Asetek's new website, www.greenerdatacenters.com, please watch the short video about the district heating project in Aalborg, where the mayour of City of Aalborg speaks positively about its potential. There is also a short animation video, which we use to create political interest around Asetek's liquid cooling technologies from a climate perspective.

2020 certainly looks interesting for Asetek, and we welcome you to join us on the journey.

Best regards,

André S. Eriksen,
CEO and Founder of Asetek

CEO André Sloth Eriksen (right),
and CFO Peter Dam Madsen

MANAGEMENT REPORT

THE YEAR 2019 OUTLINED

// **Revenue of $54.3 million in softer market, 19% decline from record level in 2018**

// **Gross margins grew to 42% from 39% in 2018**

// **Adjusted EBITDA of $6.2 million compared with $9.4 million in 2018**

// **Asetek strengthened its position in the gaming and enthusiast market in 2019 through rebranding, co-marketing with key customers and reaching out to the gaming community**

// Revenue in 2019 totaled $54.3 million, a decline of 19.3% from the record level in 2018 ($67.3 million).

/ Gaming and Enthusiast revenue of $51.8 million in 2019 ($63.0 million), reflecting the uncertainties relating to the U.S.-China trade relations, macroeconomic headwinds across other markets, and one OEM customer's reduction in purchases affecting the Gaming and Enthusiast segment.

// Gross margin expanded to 42.3% in 2019 from 38.9% in 2018. The growth primarily reflects higher average selling prices (ASPs) on Gaming and Enthusiast product shipments and a stronger U.S. dollar.

// During the year, Asetek earned operating income of $ 1.0 million ($4.4 million) and Adjusted EBITDA of $6.2 million ($9.4 million).

/ Operating profit (adjusted EBITDA) from the Gaming and Enthusiast segment was $14.6 million for the year, a decrease from $20.7 million in 2018.

/ Operating loss (adjusted EBITDA) from the data center segment was $4.3 million for the year, improved from 2018 ($7.3 million). The improved results reflect the Company's planned reduction of segment operating expenses in 2019.

/ Headquarters expenses of $4.5 million were slightly higher than 2018 ($4.4 million) reflecting $0.8 million in awards received from successful patent litigation in 2019, offsetting an increase in patent litigation costs.

// Operational achievements during the year:

/ Asetek continued its success as the leading supplier of liquid cooling solutions for high-end computing, shipping 895 thousand sealed loop liquid cooling units in 2019, compared with $1.1 million shipped in 2018.

/ The Company launched two new high-performance all-in-one liquid coolers:

The 690LX-PN liquid cooler, designed in collaboration with Intel and approved for the Intel Xeon W-3175X processor, features extreme performance to enable overclocking up to 500 watts and provides stable operation for demanding workloads.

The 645LT liquid cooler, a new design for small form factor PC cases. The 645LT combines Asetek's latest generation of pump technology (Gen6) and unique tube design to enable space-saving and ease of installation.

/ Asetek's sixth generation (Gen6) high performance liquid coolers are powering an expanding range of premium gaming gear:

GIGABYTE's new AORUS CPU coolers and the ASUS Republic of Gamers (ROG) Strix LC RGB series.

The 680LS all-in-one CPU cooler debuted in the new Talon gaming PC's built by custom hardware specialist Falcon Northwest. Asetek's Gen6 reliability, superior thermal performance, quiet operation and overclocking potential provide for the optimal gaming experience.

EVGA's new GeForce RTX 2080 Ti K|NGP|N Hybrid GPU cooler. The ultimate solution for hardcore gamers and enthusiasts, providing targeted cooling of ultra high-end GPUs to ensure advanced overclocking capabilities.

In late 2019, Asetek began shipping its most advanced liquid cooling technology to date, the NZXT Kraken Z-3 series and X-3 series CPU coolers. The latest innovations include a new performance-engineered pump and cold plate, advanced temperature sensing, and quieter operation.

// Asetek executed a rebranding to strengthen its Gaming and Enthusiast market position as well as increase awareness of Asetek and its story of innovation in delivering the best in performance, quality and reliability. As part of this rebranding, the Company initiated launch of a redesigned corporate website.

// At its Denmark headquarters, Asetek launched a new gaming/eSports academy outfitted with high-end machines, state-of-the-art gear and high-speed connectivity. The academy enables the Company to connect with its roots and provide ambitious gamers with the technology, tools and comfort to excel in their craft.

// The Company launched coolnation.com, a community forum for gamers, as well as technology enthusiasts and DIY PC builders. The site serves as an online platform for educating and engaging with others in the gaming community. In September, the Company kicked off its first gaming tournament for the Danish eSports community, "CoolNation Master Counter Strike: Global Offensive".

// In efforts to establish EU standards that will reduce permitted energy consumption used for data center cooling, Asetek executives are proactively working with political leaders to create a wider understanding of the significant environmental benefits enabled by liquid cooling.

// Data center sales to Fujitsu Technology Solutions GmbH ("Fujitsu") totaled $1.6 million, including shipments for multiple HPC projects around the globe.

ASETEK AT A GLANCE

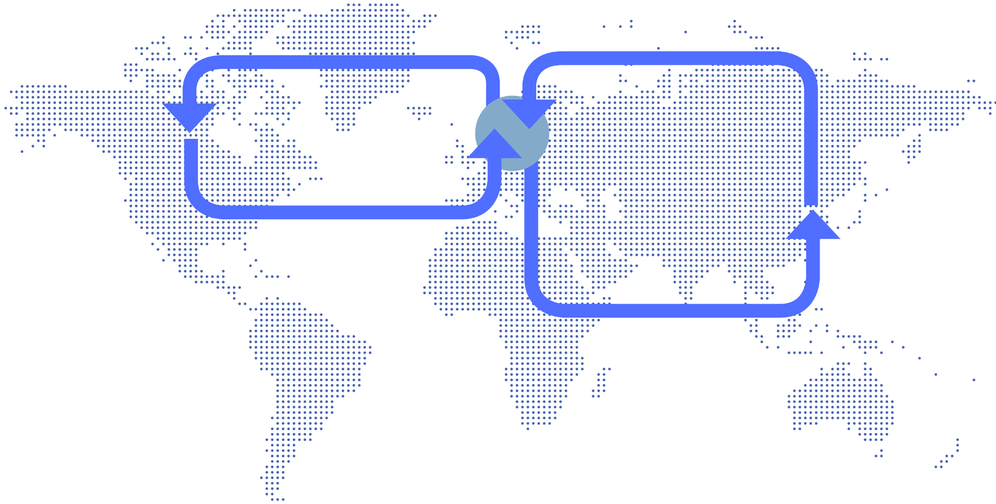
Asetek is a global leader in liquid cooling solutions for computer hardware enthusiasts, gamers, servers and data centers. Asetek's products enable increased performance and provide lower acoustic noise, power savings and improved efficiency when compared with air cooling.

The Company's server products offer direct-to-chip liquid cooling solutions to OEM providers for delivery of cost effective, high performance data center solutions. Asetek's Gaming and Enthusiast products are all-in-one coolers that provide reliable, maintenance-free liquid cooling to gaming and high-performance PC customers.

With over six million liquid cooling units deployed, Asetek's patented technology is being adopted by a growing portfolio of OEMs and channel partners. Founded in 2000, Asetek is headquartered in Demark and has operations in California, Texas, China and Taiwan.

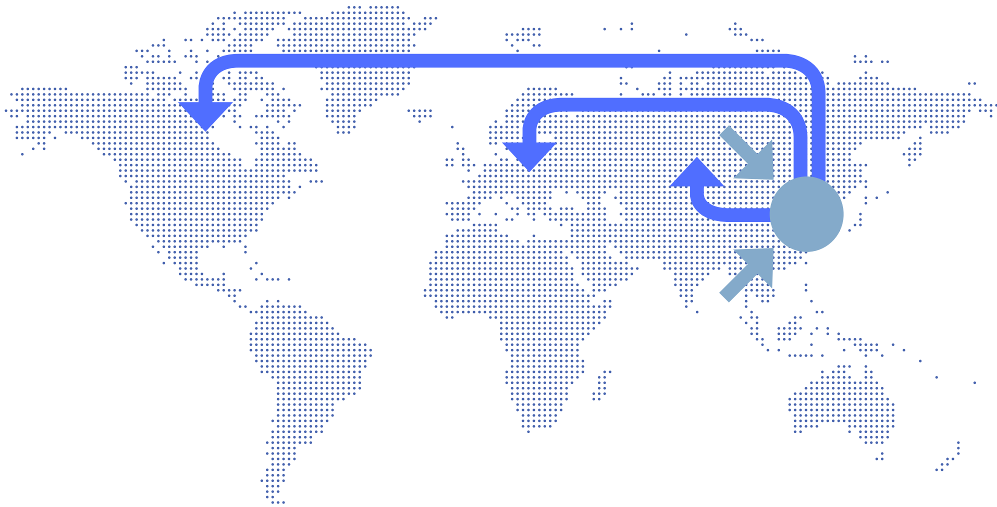
Asetek's business model begins with its research and development team based in Aalborg, Denmark, which manages collaboration with the Company's global customer base to define requirements and develop cutting edge technology. The Aalborg team works with the R&D team in Xiamen, China to identify the optimal sources for the necessary components to fulfill customer requirements.

The sales and marketing team, based principally in USA, oversees the customer relationships to facilitate communication and development, ensuring the developed product meets or exceeds customer demands.



Sales and marketing teams based in Europe and Asia lead or assist efforts with the customers based outside of USA.

The flow of physical product generally commences in Asia. Asetek's manufacturing and logistics team in Xiamen, China select components and suppliers for the finished product to be assembled by the Company's principal contract manufacturer based in Xiamen. Finished products are delivered directly to customer hubs in China, with smaller quantities shipped to Europe and USA. Lower volume, highly complex products and components are manufactured in Asetek facilities in Aalborg.



FIVE-YEAR SUMMARY

FINANCIALS

FISCAL YEAR	2019	2018	2017	2016	2015
COMPREHENSIVE INCOME ($000'S)					
Revenue	54,334	67,314	58,194	50,921	35,982
Gross profit	23,005	26,172	20,969	19,750	12,412
Operating income (loss)	1,048	4,419	2,757	4,669	(2,323)
Operating income before amortization, depreciation and financial items (EBITDA), unaudited	5,105	8,109	5,187	7,119	67
Adjusted EBITDA, unaudited	6,161	9,385	6,784	7,447	388
Financial items, net	406	451	(1,258)	322	238
Income before tax	1,454	4,870	1,499	4,991	(2,085)
Income for the year	(628)	3,672	4,475	9,637	(1,647)
Comprehensive income	(1,072)	3,503	5,728	9,182	(1,466)
BALANCE SHEET ($000'S)					
Total assets	54,105	51,398	49,176	41,164	27,748
Total equity	39,008	38,958	33,394	28,290	18,646
Interest-bearing debt	4,292	1,621	1,867	788	634
Working capital	27,919	25,315	19,028	19,483	15,369
Invested capital	81,949	79,278	79,524	78,445	78,291
Investment in property, plant and equipment, net	6,115	4,103	3,856	1,684	1,188
Investment in intangible assets, net	1,920	2,414	2,754	1,871	1,852
CASH FLOW ($000'S)					
Operating activities	8,870	3,843	6,088	7,806	(1,067)
Investing activities	(2,154)	(3,659)	(4,298)	(2,912)	(2,371)
Financing activities	(648)	455	(2,091)	175	12,330
Total cash flow	5,878	229	788	4,550	8,890

RATIOS & METRICS

FISCAL YEAR	2019	2018	2017	2016	2015
PROFIT & LOSS					
Gross margin	42.3%	38.9%	36.0%	38.8%	34.5%
Operating margin	1.9%	6.6%	4.7%	9.2%	-6.5%
Return on invested capital (ROIC)	-0.8%	4.6%	5.6%	12.3%	-2.1%
Organic growth	-19.3%	15.7%	14.3%	41.5%	72.6%
BALANCE SHEET					
Quick ratio	3.1	2.9	2.1	2.5	2.5
Current ratio	3.3	3.1	2.3	2.5	2.7
Days sales outstanding	88.6	79.0	79.7	92.8	85.1
Inventory turns per year	13.9	15.9	21.4	21.2	13.2
Days payable outstanding	96.2	63.2	99.5	109.7	98.1
Debt to equity	11.0%	4.2%	5.6%	2.8%	3.4%
STOCK MARKET					
Earnings per share, basic (USD)	(0.02)	0.14	0.18	0.39	(0.07)
Earnings per share, diluted (USD)	(0.02)	0.14	0.17	0.38	(0.07)
Shares issued (000's)	25,789	25,785	25,568	25,421	25,361
Treasury shares (000's)	185	245	331	502	539
Share price (NOK)	31.00	40.60	105.00	53.50	18.00
Share price to earnings	-	33.30	75.28	16.33	-
Market capitalization ($000's)	90,205	119,083	322,972	154,661	50,772
BUSINESS DRIVERS					
Sealed loop units shipped (000's)	895	1.119	1.020	949	727
Average selling price per unit, Gaming and Enthusiast (USD)	57.9	56.3	52.2	48.2	47.0
Revenue per employee ($000's)	560	709	626	645	507
Number of employees	97	95	93	79	71

Please refer to the Definitions of Ratios and Metrics on page 70 of this Report


EVGA
XC
HYBRID
GEFORCE RTX
2070 SUPER

Overall, the Kraken Z73 is among the best AIO coolers you can buy. The same goes for the Z63

UNIQUE ASETEK COOLERS WITH RAVING REVIEWS

During 2019, the Asetek engineering team worked intensively on NZXT Kraken X- and Z-series liquid coolers. And we were thrilled when the impressive, positive reviews given by international PC-media started rolling in. Just read:

"It's built by Asetek, and let's be fair, they've built millions and millions of coolers. They know what they're doing, and this being their 7th Gen pump design, it's their quietest, most efficient and coolest to date" -eTeknix

"I do see both the new X and Z - series coolers becoming very popular..." -Optimum Tech

"Overall, the Kraken Z73 is among the best AIO coolers you can buy. The same goes for the Z63" -Windows Central

The Kraken Z63 is an all-in-one cooler developed by Asetek together with NZXT. "The product is aimed at gamers and PC-enthusiasts, who want to liquid cool their hardworking CPU. It utilizes our latest technology and is market leading on performance. At the same time - as a brand-new feature - the cooler has an on-board LCD monitor, allowing pretty much everything to be presented on the top of cooler. From gif's and animations to nicely presented data such as continuously updated temperature figures," explains Thomas Ditlev, Asetek's VP, Global R&D.

THE EVANGELIST IS THE VOICE OF THE END-USER.

"That the technology evangelist is the voice to be heard is, of course, very much at the center of attention for both Asetek and our collaboration partners. We relate to that when planning for the future" Thomas Ditlev continues. He has an extensive engineering background with Danish pump manufacturer Grundfos. Prior to joining Asetek, Thomas worked with large-scale infrastructure pump installations as opposed to miniature pumps for gaming computers. So, when it comes to development of competitive products specifically for the PC- and server-markets, Asetek looks to its two technology evangelists, Shawn Sanders in California and Dennis V. Hampe in Denmark. They both have extensive PC-enthusiast background and close relations within the community. They truly are the voice of the end-users at Asetek.

"Obviously," Mr. Ditlev summarizes, "it would make no sense for us Asetek technicians to develop a new fancy gadgetry product, if the end-user is not interested."

Finally, we close with a quote from a German review:

"The NZXT Kraken Z73 literally outclasses the Enermax LiqmaxIII 240RGB, because the temperatures are excellent even at 25%!" -OCInside.de

VP, Global R&D Thomas Ditlev and Technology
Evangelist Dennis V. Hampe

PERFORMANCE IN 2019

PROFIT AND LOSS

Total revenue for 2019 was $54.3 million, representing a decrease of 19.3 % from the record level in 2018 ($67.3 million). Sealed loop cooling unit shipments for 2019 totaled 895 million, a 20% decrease over 2018 (1.1 million). Average Selling Prices (ASP) for the year 2019 increased to $57.88 from $56.34 in 2018, principally resulting from shipment of new high-end Gaming and Enthusiast products.

Gross margin increased to 42.3 % in 2019 from 38.9% in 2018. The increase reflects higher ASPs on Gaming and Enthusiast products as well as a stronger U.S. dollar in 2019.

In 2019, total operating expense was $22.0 million, a 0.9% increase from 2018 ($21.8 million), reflecting various offsetting factors.

Legal cost incurred associated with defense of existing IP and securing new IP was $2.7 million in 2019 ($2.1 million). Fiscal 2019 operating expense included an offset of $0.8 million for settlements awarded to Asetek in patent infringement lawsuits.

The average exchange rate of USD to DKK during 2019 was 6% higher than the average rate in 2018. Approximately 78% of the Company's operating expense in 2019 was denominated in DKK (71% in 2018), resulting in a favorable impact to operating expense in 2019.

Share-based compensation cost associated with warrants and options issued to employees was $1.1 million in 2019 ($1.3 million).

On January 1, 2019, the Company adopted IFRS 16 Leases, which requires the recognition of operating leases on the balance sheet. The accounting change resulted in depreciation recorded of $0.6 million in 2019 that was previously considered other operating expense. Refer to Note 20 to the Financial Statements.

Adjusted EBITDA was $6.2 million in 2019, compared with $9.4 million in 2018. Adjusted EBITDA in 2019 represents operating income of $1.0 million, plus depreciation of $4.1 million, plus share-based compensation of $1.1 million.

Foreign currency transactions in 2019 resulted in a $0.2 million gain ($0.3 million gain in 2018).

Income tax expense of $2.1 million in 2019 ($1.2 million in 2018) reflects the effect of a recently issued U.S. tax regulation on foreign corporation income. The non-cash charge reduced the Company's deferred tax asset.

Asetek's total comprehensive loss was $1.1 million for 2019, compared with total comprehensive income of $3.5 million in 2018. Comprehensive income included a negative $0.4 million translation adjustment in 2019 (negative $0.2 million in 2018).

BALANCE SHEET

Asetek's total assets at the end of 2019 were $54.1 million, compared with $51.4 million at the end of 2018. Cash and cash equivalents increased by $5.9 million and an accounting policy change resulted in $3.2 million of additional capitalized leased assets at the beginning of 2019 (see Note 20 to the Financial Statements). These increases were partially offset by lower deferred tax assets, trade receivables and inventory.

Total liabilities increased by $2.7 million in 2019, resulting from an increase of $3.2 million in capitalized lease liabilities related to an accounting change (see Note 20 to the Financial Statements), partly offset by decreases in accrued liabilities.

STATEMENT OF CASH FLOWS

Net cash provided by operating activities was $8.9 million in 2019 ($3.8 million provided in 2018). The change from 2018 was principally due to net reductions in trade receivables and inventory in 2019 compared with 2018.

Cash used by investing activities was $2.2 million, mainly related to capitalized development and additions of capital equipment. This figure compares to $3.7 million used in 2018.

Cash used by financing activities was $0.6 million in 2019, mainly for payments on capitalized leases. Principal payments on capitalized leases increased as a result of a change in accounting policy (see Note 20 to the Financial Statements) and due to equipment acquired under leases. In 2018, Cash provided by financing activities was $0.5 million, mainly reflecting proceeds from the issuance of shares following the exercise of warrants.

Net change in cash and cash equivalents was positive $5.9 million in 2019, compared with positive $0.2 million in 2018.

LIQUIDITY AND FINANCING

As of December 31, 2019, the Company has working capital of $27.9 million and non-current liabilities of $2.8 million. Since 2016, the Company has generated positive cash flows and net earnings. From 2013 to 2016, Asetek financed operations principally through offerings of common shares on the Oslo Stock Exchange.

While there is no assurance that the Company will generate sufficient revenue or operating profits in the future, Asetek's management estimate that the Company's capital resources are sufficient to fund operating activities in the foreseeable future, based on financial forecasts. To the extent necessary to fund expansion or other liquidity needs, management will consider offerings of debt, equity, or a combination thereof, depending on the cost of capital and the status of financial markets at that time.

EXPECTATIONS FOR 2020

GAMING AND ENTHUSIAST:

In the three years leading up to 2019, the popularity of PC gaming and eSports fueled strong growth in Asetek's DIY and Gaming/Performance PC segments to record revenue levels for the Company. In 2019, the overall PC industry outlook was negatively affected by uncertainties relating to U.S.-China trade relations which included a 25% tariff on U.S. imports from China. The Brexit process and the macroeconomic headwinds across other markets also had a negative impact.

In late 2019, it became apparent that one of Asetek's largest OEM customers had chosen to source liquid cooling products from an alternative supplier. The OEM is expected to continue purchases from Asetek, but at an expected materially lower level than in recent years. These factors, along with potential effects of the coronavirus, continue to influence market developments and visibility in early 2020. The Company expects continued focus of resources to the Gaming and Enthusiast segment, growing market share of new and existing OEMs, the rebranding program and launch of innovative new products to partly mitigate these effects.

Asetek recently evolved its business model to better fit customer requirements and to increase margins. Under the new model, customers can purchase the core liquid cooler and then develop and implement their own unique features and industrial design for both the product and packaging. This change will help ensure Asetek's products stay competitive in the market.

This new business model will over time reduce ASPs and revenue as Asetek delivers a subset of its typical finished product while improving margins from sale of the Company's core technology. It will free up R&D resource to focus on innovation and development of the core liquid cooling solutions and IP in support of long-term competitiveness and profitable growth. The Company's strategy of growing the Asetek brand with end users is unaffected.

DATA CENTER:

Asetek anticipates continued growth in end-user adoption with deliveries to new HPC installations through OEM partners. Shipments of RackCDU™ liquid cooling to existing partners in the fourth quarter and the announcement of a new global partner in the first quarter 2020 reflect the continued success and projected long-term growth of partners' HPC deployments of Asetek liquid cooling.

However, data center market adoption of liquid cooling solutions takes time and is lagging Company expectations despite its strong value proposition. Though Asetek anticipates significant long-term revenue growth in this segment, Asetek reduced its investment in this segment in 2019. This is likely to increase in the short term as the company works to support the introduction of products for the new Global Partner. Segment revenue and operating results are expected to fluctuate as partnerships with OEMs are developed.

There is an apparent need for public standards to trigger wider data center adoption of liquid cooling. Direct-to-chip liquid cooling enables power savings and CO2 emission reductions from the reuse of data center waste heat and is one of, if not the most impactful and significant technologies available in the world to address these issues. Asetek continues to participate in targeted campaigns to influence politicians and support wider understanding of the significant environmental and circular economy benefits enabled by liquid cooling.

CONSOLIDATED RESULTS:

With the decline in revenue in both of the Company's business segments, the consolidated results for 2019 did not meet Management's expectations communicated in the prior year report. In mid-2019, management communicated adjusted goals for the year, which were met by the Company in late 2019. Overall, considering all macroeconomic, political and industry effects and uncertainties, the Company expects revenue to decline 5% to 10% for 2020 with higher gross margins than for 2019. The Company expects no growth in spending. As such, management expects the Company to report a positive income before tax for 2020. Due to uncertainties regarding the effects of the coronavirus, its potential impact to Asetek's operating results is not included in the current financial outlook.

We are perplexed as to why the commercial data center managers perceive energy consumption to be of relatively low importance.

ASETEK'S JOURNEY TO ALTER THE POLITICAL CLIMATE

Asetek's CEO André Sloth Eriksen has had many one-on-one meetings over the past year with influential politicians and officials. Here he discusses the Liquid Cooling technology with the European Parliamentarian, Morten Løkkegaard in Brussels.

At Asetek's HQ in Aalborg, Denmark, CEO André Sloth Eriksen has started wearing his UN Global Goals lapel pin visibly on his jacket. And it's not only because he personally believes that we all need to care about the climate and global warming. In 2019, Asetek commenced an atypical political effort and journey with an important long-term goal: that the European Commission and member states mandate that waste heat from data centers be reused circularly, as much as possible, in local district heating networks.

In addition to the obvious societal benefits derived from eliminating the exhaust of enormous amounts of hot air out into the blue – as is most often the case today – such an environmental requirement will also place Asetek's data center solutions in an ideal business position.

At Asetek, the team has been somewhat puzzled as to why the Data center segment has not yet been as massively successful as the Gaming & Enthusiast segment. It is, after all, exactly the same proven and patented technology. With seven million units sold under our belt, there is little doubt about the reliability. It is the relatively simple connection to the district heating infrastructure which is new territory.

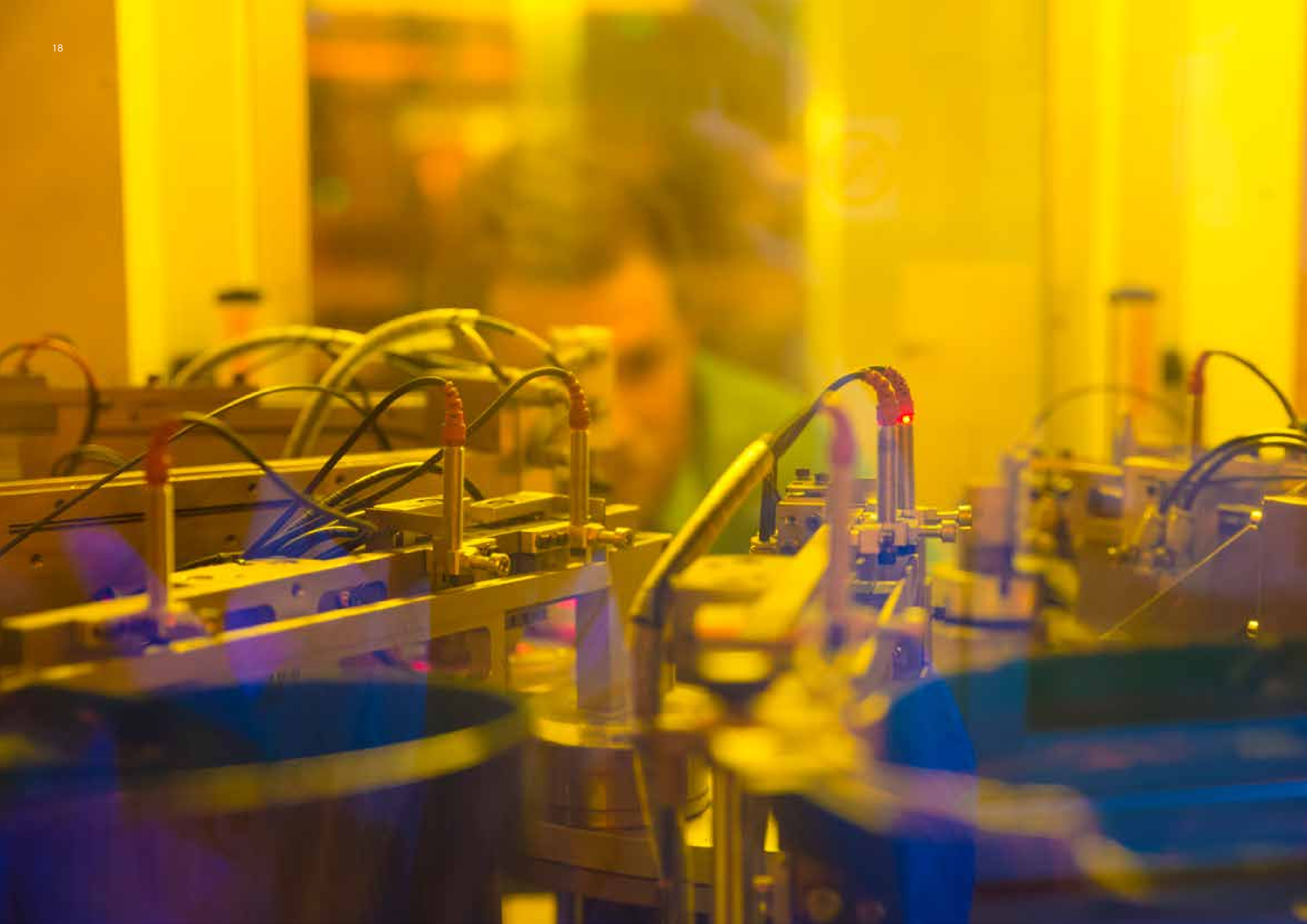
"We are perplexed as to why the commercial data center managers perceive energy consumption to be of relatively low importance. Despite this huge opportunity, the data centers so far don't see themselves as being a part of the circular economy, or as district heating suppliers. At Asetek, we think it is obvious that reuse of waste heat should be a logical output of the data center function. Waste heat from data centers in EU has the potential to heat all homes in the eleven European capitals, headed by London, Paris and Berlin. It is almost 'climate madness' not to pursue this," explains André Sloth Eriksen. He also highlights how the hyper scale date centers, built in huge volumes, are most often designed in U.S. where district heating is not widespread.

ASETEK EFFORTS TOWARD EU LEGISLATION

As part of the new political focus, Asetek has begun working in Brussels, meeting with EU politicians and specialists from the 'Directorate Generale' for Energy and for Environment. A separate effort is ongoing in Germany, which will take over the rotating presidency of the EU council in 2020. Asetek is also, of course, working with its home country of Denmark.

Mr. Eriksen believes the proposal for the EU to impose requirements is slowly gaining understanding and support. As an example, a well prepared official from EU's DG Environment visited Aalborg recently to review Asetek's data center solutions in connection with writing of legislation proposals on requirements for data centers.

"But it is a long, tough and resource-draining exercise for a company of Asetek's size. Whether it is Asetek visiting the parliament or the leaders coming to Aalborg to learn about the technology and witness our connection to the local utility company, we patiently meet again and again with parliament members. We get their attention when we show them how, if a liquid cooling solution became standard, the technology could recapture heat alleviating the CO2-emmissions of roughly the equivalent of the global airline industry," Mr. Eriksen explains. He also points to Microsoft, who in 2019 publicly acknowledged that liquid cooling is the future for data centers and how the company is only awaiting standardization.



CORPORATE GOVERNANCE

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

The Board of Directors is fundamentally in full agreement with Danish Committee on Corporate Governance recommendations for good company governance. Asetek endeavors to follow the relevant recommendations for the Company, which support the business and ensure value for the Company's stakeholders. The statutory report on Corporate Governance, cf. section 107b of the Danish Financial Statements Act, is available on the Company's website: http://www.asetek.com/media/2285/scgs2019.pdf

Danish Recommendation for Corporate Governance	2019	2018
Complies with recommendations	44	42
Partially complies with recommendations	1	3
Does not comply with recommendations	2	2

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

The general meeting. The General Meeting has the final authority over the Company. The Board of Directors emphasize that shareholders are given detailed information and an adequate basis for the decisions to be made by the General Meeting.

The General Meeting elects the Board of Directors, which currently consists of five members. The board members are elected for one year at a time with the option for re-election.

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

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

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

Notification of meetings and discussion of items. The Board schedules regular meetings each year. Ordinarily, the Board meets eight to ten times a year, of which four are quarterly update teleconferences. The meetings are typically conducted at either the facility in Aalborg, Denmark or in San Jose, California or via telephone. Additional meetings may be convened on an ad hoc basis. During 2019, the Board met eight times.

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

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

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

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

// The Nomination Committee is elected directly by the General Meeting. The Committee consists of three members and must be independent from the Board of Directors and the management, however, it is recommended that the chairman of the Board of Directors is a member. The tasks include proposing candidates for the Board of Directors, propose remuneration for the Board of Directors as well as perform the annual assessment of the Board of Directors. Members: Ib Sønderby (chairman), Claus Berner Møller and Jørgen Smidt. The Committee met five times during 2019.

- The Audit Committee is elected among the members of the Board of Directors and has responsibilities related to financial reporting, the independent auditor, internal reporting and risk management. The Committee consists of two shareholder-elected Board members. The other Board members are entitled to attend if they so desire. Members: Chris Christopher (chairman), Maria Hjorth and Erik Damsgaard. The Committee met four times during 2019.
- The Compensation Committee has responsibilities related to developing proposals for the applicable remuneration policy and execution of the Management Board. Members: Jukka Pertola (chairman), Chris Christopher and Jørgen Smidt. The Committee met seven times during 2019.

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

The composition of the Board is considered appropriate in terms of professional experience and relevant special competences to perform the tasks of the Board of Directors. The Board of Directors continuously assesses whether the competencies and expertise of members need to be updated. All of the members elected by the 2019 General Meeting are independent persons, and none of the Board members participates in the day-to-day operation of the Company.

Additional information about the Board members, including other management positions held, can be found in Note 24.

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

THE BOARD'S AUTHORIZATION TO ISSUE SHARES

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

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

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

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

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

At the Board Meeting on April 29, 2016, warrants permitting subscription of up to 600,000 shares of a nominal value of DKK 0.10 and at an exercise price of NOK 19.50 per share were issued. The exercise price was established as the share price ("closing price") for the Company's share as of April 28, 2016. The warrants were issued to employees and Board members.

At the Board Meeting on April 25, 2017, warrants permitting subscription of up to 509,687 shares of a nominal value of DKK 0.10 and at an exercise price of NOK 76.25 per share were issued. The exercise price was established as the share price ("closing price") for the Company's shares as of April 25, 2017. The warrants were issued to employees and Board members.

At the Board Meeting on July 7, 2017, warrants permitting subscription of up to 106,999 shares of a nominal value of DKK 0.10 and at an exercise price of NOK 113.00 per share were issued. The exercise price was established as the share price ("closing price") for the Company's shares as of July 7, 2017. The warrants were issued to employees.

At the General Meeting held on April 25, 2018, the Board was authorized to acquire the Company's own shares.

At the Board Meeting on October 31, 2018, the Board introduced an employee stock option program to replace the warrant program previously in place. The program is governed by the Company's general guidelines for equity incentive programs as adopted on August 14, 2013. Upon adoption of the plan, options permitting purchase of up to 378,500 shares of a nominal value of DKK 0.10 and at an exercise price of NOK 46.30 per share were issued. The exercise price was established as the share price ("closing price") for the Company's share as of October 31, 2018.

At the General Meeting held on April 10, 2019, the Board was authorized to acquire the Company's own shares.

At the Board Meeting on September 8, 2019, options permitting purchase of up to 494,900 shares of a nominal value of DKK 0.10 and at an exercise price of NOK 24.70 per share were issued. The exercise price was established as the share price ("closing price") for the Company's share as of September 9, 2019.

REMUNERATION OF THE BOARD OF DIRECTORS AND EXECUTIVE STAFF

At the 2019 General Meeting, the Company established a remuneration policy which sets out the guidelines for compensation of the Board of Directors and executive management. The policy can be found on the Company's website: https://ir.asetek.com/media/2002/remuneration-policy-2019.pdf. The Board of Directors will be proposing a revised policy at the annual general meeting in April 2020.

The Company's Nomination Committee considers the remuneration of members of the Board of Directors at least once a year. The agenda of the annual general meeting includes a separate item with a proposal for remuneration of the Board of Directors for the ongoing financial year.

Board members representing their Company's ownership interests are not compensated for their service, and the significant travel time endured by all Board members is not specifically compensated. Prior to 2018, independent board members received a combination of cash compensation and long termed stock option-based incentives. Beginning in 2018, the Board no longer receives warrants or options as a component of remuneration. Please see Note 24 for further details.

The Board of Directors' Remuneration Committee recommends to the Board, and the Board sets, the terms of employment of the members of executive management. Each year, the Remuneration Committee undertakes a review of salary and other remuneration to executive management. Executive management refers to the Company's executives registered with the Danish Business Authority.

A summary of the agreements between the Company and its executive management pertaining to termination can be found in Note 6.

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

AUDITORS

Asetek A/S first appointed its current auditors, Price WaterhouseCoopers (PwC) for the financial year 2013. PwC has been reappointed annually by resolution of the Annual General Meeting for a total consecutive period of seven years up to and including the financial year 2019.

The PwC audit partners Henrik Trangeled Kristensen and Henrik Berring Rasmussen have been assigned to the Asetek A/S audit since 2013 and 2016, respectively.

RISK MANAGEMENT

Asetek's potential to realize the Company's strategic and operational objectives are subject to a number of commercial and financial risks. Asetek is continuously working on identifying risks that can negatively impact the Company's future growth, activities, financial position and results as well as CSR-related risks.

Asetek conducts its business with significant focus on continuous risk monitoring and management. The overall goal of risk management is to ensure that the Company is run with a level of risk, which is in a sensible ratio to the activity level, the nature of the business, and the Company's expected earnings and equity. To the largest extent possible, Asetek tries to accommodate and limit the risks which the Company can affect through its own actions.

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

Below, some of the risk factors management considers as being of special importance to the Group are described in no specific order.

CSR-related risks. Please see subsequent section "Corporate Social Responsibility (CSR)" for discussion of identified risks and remedies.

Customer concentration. In 2019, two customers accounted for 31% and 27% of total revenue. Shipments to one of these customers are expected to decline significantly in 2020. The Company is actively working with its other Enthusiast/DIY customers to grow their respective market shares and order volumes.

Competition. The markets in which the Company operates are competitive, the technological development is rapid, and the Company may in the future also be exposed to increased competition from current market players or new entrants.

Credit risk. Credit risk is the risk of a counterpart neglecting to fulfill its contractual obligations and in so doing imposing a loss on Asetek. The Group's credit risk originates mainly from receivables from the sale of products as well as deposits in financial institutions. Receivables from the sale of products are split between many customers and geographic areas. Two customers represented 38% and 15% of trade receivables at December 31, 2019. A systematic credit evaluation of all customers is conducted, and the rating forms the basis for the payment terms offered to the individual customer. Credit risk is monitored centrally.

Intellectual property defense. 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 historically incurred significant legal costs associated with litigation and may continue to do so in the future to the extent management believes it is necessary to protect intellectual property.

Manufacturing supply. Asetek relies upon suppliers and partners to supply products and services at competitive prices. Asetek's 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. While there has not been significant impact to date, the effects of the coronavirus could negatively impact the Company's supply chain operations.

U.S. import tariffs. The U.S. imposed a 25% tariff on imports of goods manufactured in China, which include Asetek products. The existence of the tariff, and the likelihood that the tariff may increase, has contributed to the uncertainties in the Gaming & Enthusiast market and the decline in Asetek's revenue in 2019. The Company continues to work to minimize the impact of the tariff on Asetek and its customers.

Foreign exchange rates. Substantially all of Asetek's revenue is billed in USD. However, many customers resell Asetek products to end users in countries where USD is not the transactional currency. As a result, there is a risk that fluctuations in currency will affect the cost of product to the end user and negatively impact market demand for Asetek products. Asetek estimates that about one third of its sold products ultimately are delivered in Europe or Japan, which are the two geographical areas which could have the largest potential impact due to USD fluctuation. Asetek believes that other factors in the end users' buying decision play a larger role than price fluctuation on the liquid cooling component. During 2019, the USD appreciated against the DKK by 2% and EUR by 1% and weakened slightly against the Japanese yen.

Asetek's raw materials are predominantly purchased with USD, from vendors whose underlying currency is CNY. The USD appreciated by approximately 2% versus the CNY during 2019. While Asetek recognizes that USD appreciation can result in negative sales price pressure for its suppliers, the Company has not seen significant reaction from its markets. In addition, Asetek believes that competing products are prone to the same exchange rate scenarios as Asetek.

A significant portion of Asetek's overhead costs are incurred in DKK. As a result, fluctuations in USD vs. DKK will continue to have an influence on results of operations and financial position. The Group has not entered into any forward exchange instruments.

Research and development, product innovation, market development. The Company's future success, including the opportunities to ensure growth, depends on the ability to continue developing new solutions and products adapted to the latest technology and the clients' needs as well as improving existing solutions and market position. As such, the Company develops new releases on a regular basis, with emphasis on higher performance, improved efficiency and noise-reduction. Providing new and innovative applications for Asetek's cooling technology is also a focus, as evidenced by the cooling products released during 2019.

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

Taxation. The tax situation of the Company is complex. In connection with its initial public offering in 2013, Asetek moved its Parent company from the U.S. to Denmark. However, USA – in a unilateral tax treaty override – 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 double tax situation as per the double taxation treaty. However, a determination may take several years, and the authorities are not obligated to resolve the problem. The Company is currently in the early stages of 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 $1.1 million in total for 2018 and 2019. 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 resolve this matter.

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

CORPORATE SOCIAL RESPONSIBILITY

CSR Policy. Asetek seeks to be a good corporate citizen in everything that it does, and therefore has combined its operating principles into one framework policy of Corporate Social Responsibility (CSR). This policy encompasses all areas of Asetek's operations and its aim is to provide a set of guidelines, standards and practical guidance for the Company's employees in conducting business globally. Important aspects of the CSR policy include the following, which are referenced in subsequent paragraphs in this section:

// Code of conduct

// Anti-corruption and bribery

// Internal environment, knowledge resources and employee relations

// Equal opportunities

// External environment

// Adherence to human rights principles

CSR Policy and risk management. Maintenance of, and adherence to the CSR policy is important in mitigating several aforementioned business risks including manufacturing supply, research and development, product innovation, project & contract management, and employee relations (refer to the prior section titled "Risk exposure and management").

The Company's CSR policy can be found at: https://ir.asetek.com/media/1095/corporate-social-responsibility-policy.pdf

Business model. Refer to the Asetek at a Glance section of the Management Report on page 9.

Code of conduct. Asetek's Code of Business Conduct and Ethics is the general ethical policy for business conduct to promote global ethical business practices and protect Asetek against corruption and other unethical business behavior. Per the policy, Asetek employees, officers, directors and independent contractors are expected to perform their duties ethically, honestly and with integrity; and communicate in good faith any concerns regarding improper business practices or conflicts of interests, if observed. The business conduct guidelines and policy can be found at http://asetek.com/investor-relations/corporate-governance/ethical-guidelines.aspx

Anti-corruption and bribery. As documented in its CSR Policy, Asetek will not tolerate corruption, money laundering, bribery or other illegal or unethical business activity. The Company's performance and competitiveness are strengthened solely through lawful conduct. The Group's anti-corruption position has been clearly communicated to all employees. Furthermore, Asetek has implemented an Ethics Website operated by a third-party company. Via the website, all stakeholders can keep themselves informed about Asetek's policies as well as report any concern to the Company's leadership. No reports related to alleged infringing activities have been received during 2019. It is the Company's assessment that Asetek's operations do not cause significant risks associated with the commitment to adhere to these policies.

Internal environment, knowledge resources and employee relations. Asetek recognizes that its employees are its key assets and it is committed to maintaining a stimulating working environment that offers opportunity for both personal and professional development. The Company's CSR Policy on Employment reinforces the framework established by the Organization for Economic Cooperation and Development (OECD), encouraging openness, sustainability and respect for employee rights. The Company maintains a team-oriented culture where all employees have the opportunity to contribute significantly to the success of the Company. This is also necessary to continue to attract and retain highly qualified employees within the computer industry. Asetek welcomes applications for employment from all sectors of the community and strives to promote equal opportunity of employment to all. The Group maintains a positive working environment and sick leave is not significant. During 2019, total employee attrition was 14%, which is lower than the global average of a recent Radford report on turnover rates at technology companies. Of Asetek's employees at December 31, 2019, 37% have been continuously employed by the Company for five years or longer. No working accidents or injuries occurred in 2019. During 2019, the work on internal environment continued to focus on enhancing the collaboration between Asetek's various global locations and cultures, including teambuilding associated with the launch and management of the Company's first ever gaming tournament for the Danish eSports community. To enable theCompany to support initiatives aimed at improving working conditions, the Company monitors sick leave by job type. It is the Company's assessment that Asetek's operations do not cause significant risks associated with the above principles.

Equal opportunities. During 2019, the Company met its goal of at least 15% female representation at board and management levels. As of December 31, 2019, the Board consists of 80% male and 20% female members. When evaluating new potential board members, the Board of Directors encourages female candidates, while at the same time continues to search for relevant experience specific to Asetek. At other management levels, there is 18% female representation at the end of 2019, which is an increase from the year before (14%). During 2019 the Company has continued to actively encourage women to apply for open positions as well as it has continued its communication with educational institutions which trains both male and female candidates.

Internal Environment	2019	2018
EMPLOYEE RELATIONS:		
Employee attrition	14%	18%
Employees with 5 years or more service	37%	29%
Work accidents	-	-
FEMALE REPRESENTATION:		
At least 15% at Board and Management level?	Yes	No
Board level	20%	0%
Other management	18%	14%

External environment. Asetek Group operations' effect on the environment is minimal and is typical for a supplier of computer components. As such, the Company does not have a policy on environment and climate impact. The principal source of strain on the environment from the business is related to shipment of inventory, which is conducted in accordance with normal routine commerce.

Asetek's principal manufacturing operations are outsourced to a commercial manufacturer in China, which is continuously monitored on various factors relating to the environment and other social responsibilities. The Company monitors the consumption of select resources at its manufacturing partner, enabling an ongoing discussion about how to design manufacturing processes that minimize the use of environmental resources.

Resource Consumption	2019	2018
Electricity consumption per desktop unit	0.28 kWh	0.28 kWh

Internally, the Company is working towards achieving continuous improvement in environmental performance. Asetek takes great care to ensure that the materials and liquids used are not harmful to the environment. All Asetek products are compliant with the EU standards RoHS and REACH. In 2019, the Company developed a banned materials list, the use of which has been implemented across the supplier base. It is the Company's assessment that Asetek's operations do not cause significant risks to the external environment.

Adherence to human rights principles. Asetek supports the fundamental principles of EICC (Electronic Industry Citizenship Coalition) on human rights, employees' rights, child labor, health and safety, environment and anticorruption. The Company's CSR Policy includes standards of conduct that include the fair and honest treatment of employees, respecting human rights and the interests of employees, customers and third parties.

The Company requires that suppliers respect and conform to the same human rights principles. Asetek's CSR Policy specifies its commitment to obtaining and retaining goods and services while at the same time ensuring they are from sources which have not jeopardized human rights, safety or the environment. Asetek periodically validates via its supplier review and evaluation process that its suppliers conform to the principles. The principles can be found at http://www.eicc.info/eicc_code.shtml The Company's work in 2019 focused on working with and monitoring new suppliers. It is the Company's assessment that Asetek's operations do not cause significant risks associated with the commitment to adhere to human rights principles.

Transparency and credibility. Asetek is committed to show complete openness towards shareholders, customers, employees, suppliers and other stakeholders.

Future work. In 2020, the Company has launched a broader, company-wide CSR initiative which is expected to yield results starting in 2021.

SHAREHOLDER INFORMATION

Asetek's shares are listed on Oslo Børs. As of December

31, 2019, a total of 25,789,042 shares are issued, each with a nominal value of DKK 0.1.

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

The total market capitalization value at the end of 2019 was NOK 794 million (approximately USD 90 million) which was a decrease of 23% from the market value at the beginning of 2019.

185,080 shares were held by the Company on December 31, 2019 as treasury shares, primarily to support an employee stock option program.

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

OWNERSHIP

At the end of 2019, Asetek A/S had 611 shareholders, some of whom are nominee accounts covering several individual investors. Members of Asetek A/S's Board of Directors and Executive Board owned or represented a total of 7.9% of the share capital at the end of 2019.

1 JANUARY 2019

Asetek shares opened the year 2019 at NOK 44.35.

31 DECEMBER 2019

At the last trading day of the year, Asetek shares closed at NOK 31.00, which was a decrease of 30% from the beginning of the year. The Oslo Stock Exchange (OSE) Benchmark Index increased 18% in 2019. The OSE Information Technology Index increased 33% in 2019.

According to Asetek's registrations, the following shareholders possessed 5% or above of the share capital as per December 31, 2019:

Shareholder	Number of Shares	%
The ATP Group	3,156,491	12.2%
UBS Switzerland AG	1,678,956	6.5%
Danske Bank A/S	1,636,882	6.3%
Sunstone Technology Ventures Fund	1,586,341	6.2%

INVESTOR RELATIONS

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

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

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

Dividends. Asetek continues to invest its capital in the development and marketing of its cooling products. Asetek's policy allows for distribution of a dividend to its shareholders of up to 50% of the previous year's net income (after tax profits), after taking into consideration the Company's growth plans, liquidity requirements and necessary financial flexibility.

REPORTING CALENDAR FOR 2020:

Annual General Meeting:	April 22, 2020
Q1 2020 Report:	April 22, 2020
Q2 2020 Report:	August 12, 2020
Q3 2020 Report:	October 23, 2020
Q4 2020 Report:	February 24, 2021

In mid-2018 we identified a big opportunity.

ELEVATING OUR BRAND WITH INFLUENCERS AND ENTHUSIASTS

We knew our OEM Partners chose Asetek because they understood our products were superior. We also knew we had not engaged the rich and vocal Enthusiast community, and the subset of the Gaming community who care about the hardware that enables an immersive gaming experience.

With our superior liquid cooling solutions at the core of our OEM Partners' products, we realized that we were the best kept secret in the gaming and high performance desktop PC markets. Asetek enjoyed a certain level of awareness with Enthusiasts, but that was not enough. We knew that we needed to do a better job of sharing our story and promoting our brand to an audience who would understand and appreciate what that meant to them.

So, we challenged ourselves to increase awareness of Asetek as the technology inside premier coolers and systems from our OEM Partners. We saw successes from our increased engagement with the Influencer community. And, we launched our own platform for interacting with the Enthusiasts and those Gamers with an interest in hardware.

CO-MARKETING

During 2019, we established strong co-marketing programs with a variety of our leading do-it-yourself (DIY) OEM Partners, some of our leading high-performance PC OEM and System Integrator Partners, and a leading processor manufacturer. This "win/win" initiative provides end-customers' more visibility into which AIO coolers or systems on the market incorporate our high performance and highly reliable liquid cooling technology; and it validates the premium status of the products offered by our Partners. A third "win" is the increased visibility of Asetek's brand in association with premium providers.

CO-MARKETING SUCCESS STORIES:

// Leading processor manufacturer, AMD, featured Asetek liquid cooling when launching its industry leading Ryzen™ 9 3950X processor. Twenty-one Asetek-based liquid coolers were promoted by AMD to enhance the performance of the Ryzen 9 3950X processor. Asetek-based liquid coolers were included in reviewers' kits; Asetek was featured on AMD's Ryzen 9 3950X liquid cooling performance web page: and Asetek was the only liquid cooler provider to have a press release with AMD.

// Our program with high performance gaming PC provider Dell-Alienware included high-visibility promotion of the benefits of Asetek liquid cooling in the new Alien ware Aurora Ryzen Edition system. Asetek was featured on the Alienware Arena Global Experience web page; in a video on the benefits of Asetek liquid cooling in the system; in a performance video highlighting Asetek liquid cooling versus air cooling; and in a social media sweepstake driving visibility of the benefits of Asetek liquid cooling.

// DIY OEM partner programs are numerous and include co-marketing programs with the likes of ASUS ROG, NZXT, GIGABYTE, EVGA, ADATA XPG and ZADAK ADATA. For many of these DIY OEM Partners, Asetek is featured on new AIO cooler retail boxes, on web pages, in reviewers' kits, in tradeshow booths and more.

// System Integrator Falcon Northwest featured Asetek liquid cooling in the launch of its new Talon gaming rig. Asetek was featured on the FNW website, press release, press kit, social media, and in high visibility articles in Forbes and Digital Trends.

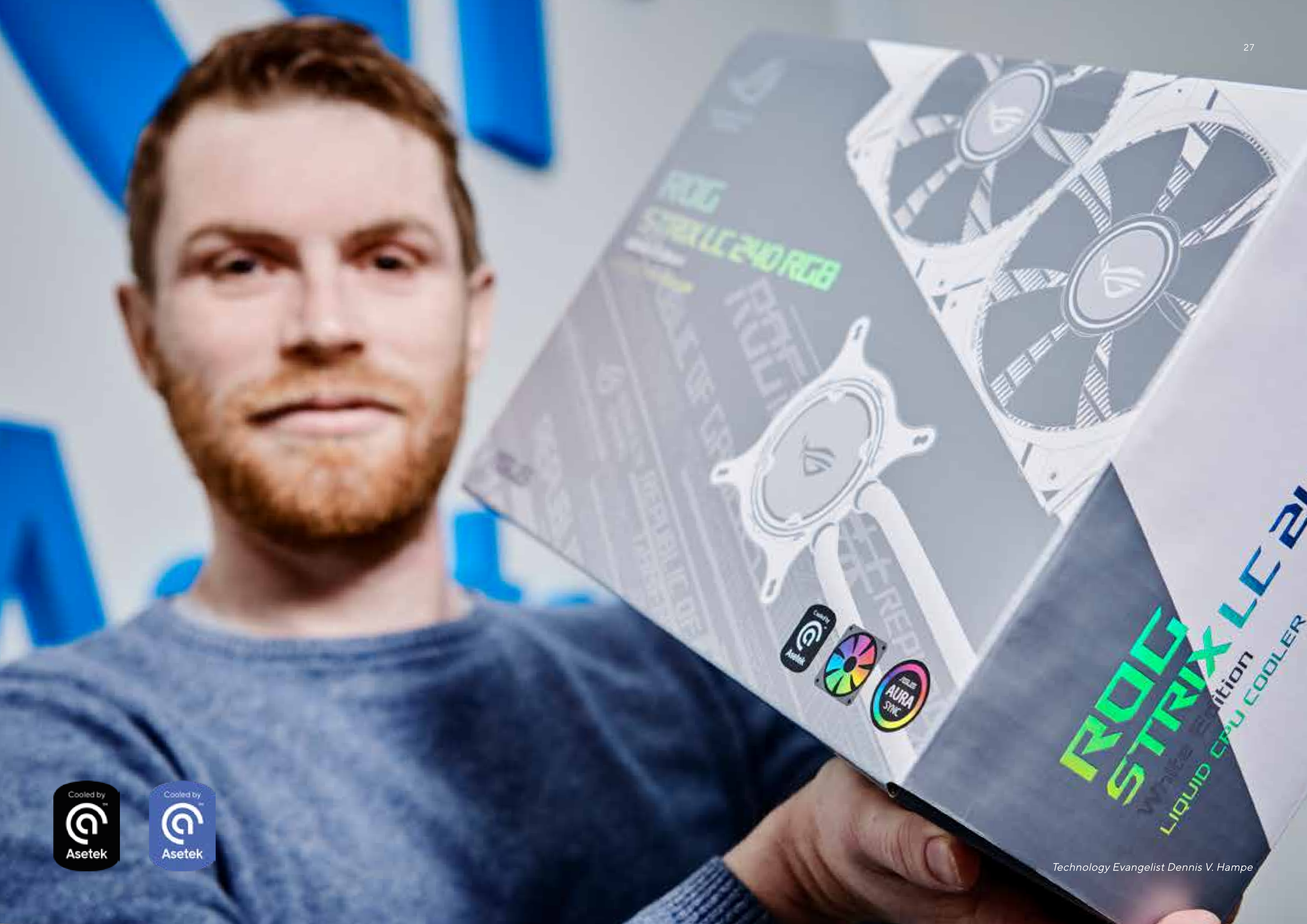
Collaboration with our OEM Partners continues as we coordinate new product launches and define ways to help elevate the visibility of Asetek in our Partners' solutions.

COOLNATION

During 2019, we introduced Coolnation.com, our platform for Enthusiasts. This platform supplemented our ongoing communications and interactions with Influencers and Reviewers at industry events and throughout the year. Phase 1 of Coolnation.com included the launch of our Forum and our Blog, where we amplify Asetek-authored articles highlighting builds and testing results of systems with our OEM Partners' AIO coolers, industry news and more. At the beginning of 2020, we started regular streaming video Tech Talks with the "Dawn and Shennis Show," where our Technology Evangelists provide perspective and insight on all things liquid cooling.

CoolNation is also the name of Asetek's online gaming tournament. In the fall of 2019, Asetek hosted a CS:GO tournament with over 30 Danish teams, providing us with the opportunity to get closer to the Gaming community.

"2019 has been a year of firsts and beginnings as we unveiled our new brand, and built out our co-marketing and Influencer programs," said John Hamill, Chief Operating Officer at Asetek. *"As we embark on 2020, we are gaining momentum, defining creative ways to engage with the Enthusiast community to drive more visibility of the performance, quality and reliability of Asetek."*



Technology Evangelist Dennis V. Hampe

FINANCIAL STATEMENTS

Asetek

CONSOLIDATED FINANCIAL STATEMENTS

PARENT COMPANY FINANCIAL STATEMENTS

OTHER INFORMATION

ASETEK A/S
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended December 31, 2019 and 2018

(USD 000's)	Note	2019	2018
Revenue	4	54,334	67,314
Cost of sales	8	(31,329)	(41,142)
GROSS PROFIT		**23,005**	**26,172**
Research and development		(4,889)	(4,764)
Selling, general and administrative		(17,821)	(16,989)
Other income		753	-
TOTAL OPERATING EXPENSES	8	**(21,957)**	**(21,753)**
OPERATING INCOME		**1,048**	**4,419**
Foreign exchange gain	9	218	342
Finance income	9	359	205
Finance costs	9	(171)	(96)
TOTAL FINANCIAL INCOME		**406**	**451**
INCOME BEFORE TAX		**1,454**	**4,870**
Income tax (expense) benefit	10, 11	(2,082)	(1,198)
INCOME FOR THE YEAR		**(628)**	**3,672**
Other comprehensive income items that may be reclassified to profit or loss in subsequent periods:			
Foreign currency translation adjustments		(444)	(169)
TOTAL COMPREHENSIVE INCOME		**(1,072)**	**3,503**
INCOME PER SHARE: (IN USD)			
Basic	12	(0.02)	0.14
Diluted	12	(0.02)	0.14

All operations are continuing.

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

ASETEK A/S
CONSOLIDATED BALANCE SHEET

As of December 31, 2019 and 2018

(USD 000's)	Note	2019	2018
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	14	1,920	2,414
Property and equipment	15	6,115	4,103
Deferred income tax assets	11	5,521	7,458
Other assets		307	309
TOTAL NON-CURRENT ASSETS		**13,863**	**14,284**
CURRENT ASSETS			
Inventory	17	1,657	2,862
Trade receivables and other	16	14,080	15,625
Cash and cash equivalents		24,505	18,627
TOTAL CURRENT ASSETS		**40,242**	**37,114**
TOTAL ASSETS		**54,105**	**51,398**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	18	423	422
Retained earnings		38,197	37,704
Translation and other reserves		388	832
TOTAL EQUITY		**39,008**	**38,958**
NON-CURRENT LIABILITIES			
Long-term debt	19	2,774	641
TOTAL NON-CURRENT LIABILITIES		**2,774**	**641**
CURRENT LIABILITIES			
Short-term debt	19	1,518	980
Accrued liabilities		1,022	2,185
Accrued compensation and employee benefits		1,526	1,512
Trade payables		8,257	7,122
TOTAL CURRENT LIABILITIES		**12,323**	**11,799**
TOTAL LIABILITIES		**15,097**	**12,440**
TOTAL EQUITY AND LIABILITIES		**54,105**	**51,398**

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

ASETEK A/S
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended December 31, 2019 and 2018

(USD 000's)	Share capital	Translation reserves	Other reserves	Retained earnings	Total
EQUITY AT DECEMBER 31, 2017	**419**	**1,005**	**(6)**	**31,976**	**33,394**
Total comprehensive income for 2018					
Income for the year	-	-	-	3,672	3,672
Foreign currency translation adjustments	-	(169)	-	-	(169)
Total comprehensive income for 2018	-	(169)	-	3,672	3,503
Transactions with owners in 2018					
Shares issued	3	-	2	780	785
Share based payment expense	-	-	-	1,276	1,276
Transactions with owners in 2018	3	-	2	2,056	2,061
EQUITY AT DECEMBER 31, 2018	**422**	**836**	**(4)**	**37,704**	**38,958**
Total comprehensive income for 2019					
Income for the year	-	-	-	(628)	(628)
Foreign currency translation adjustments	-	(444)	-	-	(444)
Total comprehensive income for 2019	-	(444)	-	(628)	(1,072)
Transactions with owners in 2019					
Shares issued	1	-	-	65	66
Share based payment expense	-	-	-	1,056	1,056
Transactions with owners in 2019	1	-	-	1,121	1,122
EQUITY AT DECEMBER 31, 2019	**423**	**392**	**(4)**	**38,197**	**39,008**

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

ASETEK A/S
CONSOLIDATED CASH FLOW STATEMENT

For the years ended December 31, 2019 and 2018

(USD 000's)	Note	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) for the year		(628)	3,672
Depreciation and amortization	14, 15	4,057	3,690
Finance income recognized	9	(359)	(205)
Finance costs recognized	9	171	96
Finance income, cash received		359	205
Finance costs, cash paid		(84)	(96)
Income tax expense (income)	10, 11	2,082	1,198
Cash receipt (payment) for income tax		(172)	(118)
Share based payments expense	7	1,056	1,276
Changes in trade receivables, inventories, other assets		2,234	(3,611)
Changes in trade payables and accrued liabilities		154	(2,264)
NET CASH PROVIDED IN OPERATING ACTIVITIES		**8,870**	**3,843**
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to intangible assets	14	(1,441)	(1,745)
Purchase of property and equipment	15	(713)	(1,914)
NET CASH USED IN INVESTING ACTIVITIES		**(2,154)**	**(3,659)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Funds drawn against line of credit		22	(6)
Proceeds from issuance of share capital	18	64	782
Principal payments on leases	20	(734)	(321)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		**(648)**	**455**
Effect of exchange rate changes on cash and cash equivalents		(190)	(410)
NET CHANGES IN CASH AND CASH EQUIVALENTS		**5,878**	**229**
Cash and cash equivalents at beginning of period		18,627	18,398
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**24,505**	**18,627**
SUPPLEMENTAL DISCLOSURE - NON-CASH ITEMS			
Assets acquired under leases	20	413	134

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

NOTES

1. GENERAL INFORMATION

Asetek A/S ('the Company'), and its subsidiaries (together, 'Asetek Group', 'the Group' or 'Asetek') designs, develops and markets 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 'ASETEK'.

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of preparation

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

2.2. Consolidation

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

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

2.3. Foreign currency

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

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

Group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

// Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

// Income and expenses for each income statement are translated at average exchange rates;

// All resulting exchange differences are recognized in other comprehensive income

2.4. Property and equipment

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

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

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

2.5. Research and development

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

// It is technically feasible to complete the product so that it will be available for sale;

// management intends to complete the product and use or sell it;

// there is an ability to use or sell the product;

// it can be demonstrated how the product will generate probable future economic benefits;

// adequate technical, financial and other resources to complete the development and to use or sell the product are available; and

// the expenditures attributable to the product during its development can be reliably measured.

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

2.6. Impairment of non-financial assets

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

2.7. Financial assets

Recognition and Measurement. The Group determines the classification of its financial assets at initial recognition. Financial assets within the scope of IFRS 9 Financial Instruments are classified as follows:

// 'Amortized cost' are financial assets representing contractual cash flows held for collection, where such cash flows solely represent payment of principal and interest.

// 'Fair value'. All other financial assets, representing other debt and equity instruments that do not meet the 'amortized cost' criteria, are recognized at fair value. All fair value movements on financial assets are taken through the income statement, or for certain debt instruments that qualify, through other comprehensive income.

For all years presented, the Group's financial assets are all classified as 'amortized cost'.

Impairment of financial assets. For financial assets carried at amortized cost, the Group measures at the end of each reporting period the expected credit losses to be incurred for a financial asset or group of financial assets. The Company utilizes historical experience, evaluation of possible outcomes, current conditions and forecasts of future economic conditions to determine expected credit losses. Evidence may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.8. Financial liabilities

Recognition and measurement. Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss, or other liabilities. The Group determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognized initially at fair value less, in the case of other liabilities, directly attributable transaction costs. The measurement of financial liabilities depends on their classification as follows:

// 'Financial liabilities at fair value through profit or loss' are liabilities entered into that do not meet the hedge accounting criteria as defined by IFRS 9. Gains or losses on liabilities held for trading are recognized in profit and loss. At December 31, 2019, the Company has no liabilities measured at fair value through profit and loss.

// 'Other liabilities' – After initial recognition, interest bearing debt is subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the amortization process. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

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

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

2.10. Trade receivables
Trade receivables are amounts due from customers for product sold in the ordinary course of business. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less any provision for expected credit losses. If collection is expected in one year or less, trade receivables are classified as current assets. Expected credit losses are determined utilizing the simplified approach allowed under IFRS 9 Financial Instruments.

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

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

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

2.14. Current and deferred income tax
The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Management establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

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

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

The Group's revenue is predominantly comprised of shipment of Asetek products in fulfillment of customer purchase orders. As such, the Company recognizes revenue when a valid contract is in place and control of the goods have transferred to the customer. Customer purchase orders and/or contracts are used as evidence of an arrangement. Delivery occurs and control of the goods is deemed to transfer when products are shipped to the specified location and the risks of obsolescence and loss have been transferred to the customer. For certain customers with vendor-managed inventory, delivery does not occur until product is acquired by the customer from the vendor-managed inventory location. The Company assesses collectability based primarily on the creditworthiness of the customer as determined by credit checks and customer payment history. Customers do not generally have a right of return.

Income received as a result of patent litigation settlement is recorded as other income as an offset to operating expense in the period the award is granted. Estimated costs for future product returns under warranty are charged to cost of sales and included in accrued liabilities.

2.16. Leases

Through 2018, leases of property, plant and equipment were accounted for under IAS 17 Leases and classified as either finance or operating leases. Leases in which more than an insignificant portion of the risks and rewards of ownership were retained by the lessor were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease. Leases of property and equipment where the Group had substantially all of the risks and rewards of ownership were classified as finance leases and the asset was accounted for as if it had been purchased outright. The amount initially recognized as an asset was the lower of the fair value of the leased property and the present value of the minimum lease payments over the term of the lease.

On January 1, 2019, the Group adopted IFRS 16 Leases on a modified retrospective basis without restatement of the prior year, as permitted under the standard. Upon adoption of IFRS 16, Asetek recognized lease liabilities for leases which had previously been classified as operating leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. Lease liabilities include the net present value of: fixed lease payments, amounts expected to be payable under residual value guarantees, any purchase options that are reasonably expected to be exercised, and any penalties for termination reflected in the lease term. The corresponding rental obligations, net of finance charges, are included in other long-term debt. Amounts due within one year are included in short-term debt.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to reflect a constant periodic rate of interest on the remaining balance of the liability for each period.

For leases previously classified as finance leases, the Group recognized the carrying amount of the lease asset and lease liability at the date of initial application. The Company has elected not to apply IFRS 16 recognition on short-term and low value leases, as permitted under the standard. Asetek has elected not to reassess whether a contract is a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

From January 1, 2019, the associated right-of-use assets for the leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as of December 31, 2018. Leased assets are recognized as a right-of-use asset at the date at which the leased asset is available for use by the Group, initially measured on a present value basis and included in Property and equipment on the balance sheet.

Refer to Note 20 for information regarding the effects of the change in accounting for leases.

2.17. Provisions

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

2.18. Contingent liabilities

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

2.19. Segment reporting

Business segmentation. The Group is reporting on two distinct segments: Gaming and Enthusiast, and Data center. The two segments are identified by their specific sets of products and specific sets of customers. The splitting of operating expenses between segments is based on the Company's best judgment and done by using the Company's employee/project time tracking system to capture total hours charged by project code. Operating expenses that are not divisible by nature (rent, telecommunication expenses, etc.) have been split according to actual time spent on the two businesses, and the Company's best estimate for attribution. Costs incurred for intellectual property defense and headquarters administration have been classified separately as headquarters costs and excluded from segment operating expenses as indicated. The CEO is the Group's chief operating decision-maker. The CEO assesses the performance of each segment principally on measures of revenue, gross margins, and adjusted EBITDA.

Geographical segmentation. Each of the Group's offices in its three principal geographies fulfills a particular function that serves the Asetek Group as a whole. The majority of costs incurred in each of the geographies are generally incurred for the benefit of the entire Group and not to generate revenue in the respective geography.

As a result, the financial results of the Group are not divided between multiple geographical segments for key operating decision-making. Revenue and assets by geography is measured and reported in Note 4, Geographical information.

2.20. Cash flow statement

The cash flow statement is prepared using the indirect method.

2.21. Critical accounting estimates and judgments

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

// Valuation of deferred tax assets: deferred income tax assets are recognized to the extent that the realization of the tax benefit to offset future tax liabilities is considered to be probable. In prior periods, the Company incurred net operating losses which are eligible to offset future taxable income. In 2018 and 2019, the Company generated net income and therefore recorded deferred tax assets representing the estimated amount of net operating losses that will be utilized to offset future taxable income, based on income projections for the next five years. 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.

// Capitalization of development costs: the Group's business includes a significant element of research and development activity. Under IAS 38, there is a requirement to capitalize and amortize development spend to match costs to expected benefits from projects deemed to be commercially viable. The application of this policy involves the ongoing consideration by management of the forecasted economic benefit from such projects compared to the level of capitalized costs, together with the selection of amortization periods appropriate to the life of the associated revenue from the product. If customer demand for products or the useful lives of products vary from management estimates, impairment charges on intangibles could increase.

2.22. Defined contribution plan

In 2008, the Company established a defined contribution savings plan (the "Plan") in the U.S. that meets the requirements under Section 401(k) of the U.S. Internal Revenue Code. This Plan covers substantially all U.S. employees who meet the minimum age and service requirements and allows participants to defer a portion of their annual compensation on a pre-tax basis. Company contributions to the Plan may be made at the discretion of the board of directors. Through December 31, 2019, there have been no contributions made to the Plan by the Company.

2.23. Changes in accounting policy and disclosures

Applied new standards and amendments included in Annual Report for 2019. Certain new standards, amendments to standards, and annual improvements to standards and interpretations are effective for annual periods beginning after January 1, 2019 and have been applied in preparing these consolidated financial statements. The standards and amendments adopted include IFRS 16 Leases and IFRIC 23 Uncertainty over Income Tax Treatments. .

New standards and amendments not applied in the Annual Report for 2019. There are some new standards and amendments to standards and interpretations that have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group:

Standard	Content	Effective date
EU ENDORSED AS OF DECEMBER 31, 2019		
Amendments to References to the Conceptual Framework in IFRS Standards	Improved definitions of an asset and liability; guidance on reporting financial performance; a new chapter about measurement; clarifications in certain areas such as roles of stewardship, prudence and measurement uncertainty in financial reporting.	1-Jan-2019
Amendments to IAS 1 and IAS 8: Definition of Material	Proposal of a refined definition of material. This includes criteria regarding obscuring information, whether information is reasonably expected to influence, and reference to primary users of financial statements.	1-Jan-2020
NOT ENDORSED BY EU AS OF DECEMBER 31, 2019		
Amendment to IFRS 3 Business Combinations	Improved definition of a business, to help companies determine whether an acquisition made is of a business or a group of assets.	1-Jan-2019
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39, IFRS 7	To modify IFRS Standards and improve disclosures for companies that utilize hedge accounting which may be affected by interest rate benchmark reform.	1-Jan-2020

3. RISK MANAGEMENT AND DEBT

The Group's activities expose it to a variety of risks: liquidity risk, market risk (including foreign exchange risk and interest rate risk) and credit risk. The primary responsibility for Asetek's risk management and internal controls in relation to the financial reporting process rests with executive management.

Asetek's internal control procedures are integrated in the accounting and reporting systems and include procedures with respect to review, authorization, approval and reconciliation. All entities in the Asetek Group report financial and operational data to the executive office on a monthly basis, including commentary regarding financial and business development. Based on this reporting, the Group's financial statements are consolidated and reported to executive management. Management is in charge of ongoing efficient risk management, including the identification of material risks, the development of systems for risk management, and that significant risks are routinely reported to the board of directors.

The need for an internal audit function is considered regularly by the Audit Committee. However, due to the size of the Company and the established control activities, the Audit Committee so far considers it unnecessary to establish an independent internal executive audit board. As part of risk management, Asetek has a whistle-blower function for expedient and confidential notification of possible or suspected wrongdoing.

Liquidity risk. The Group incurred losses from operations and negative cash flows from operations from inception through 2015; positive cash flows and net earnings were first generated in 2016 and have continued through 2019. To facilitate ongoing operations, Asetek has secured bank lines of credit and trade receivables financing. The Group's corporate finance team monitors risk of a shortage of funds through regular updates and analysis of cash flow projections and maturities of financial assets and liabilities. The finance teams also review liquidity, balance sheet ratios (such as days' sales outstanding, inventory turns) and other metrics on a regular basis to ensure compliance both on a short- and long-term basis.

Asetek will continue to invest its capital principally in the development and marketing of its cooling products. In 2016, the Board of Directors implemented a policy under which it may declare and distribute dividends to shareholders. At the Annual General Meeting in April 2019, the Board was authorized to acquire the Company's own shares. When considering payment of dividends or Asetek share purchases, the Board takes into consideration the Company's growth plans, international tax implications, liquidity requirements and necessary financial flexibility.

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

DEBT MATURITIES

AS OF DECEMBER 31, 2019 (USD 000's)	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Line of credit	(746)	-	-	-	(746)
Leases	-	(211)	(619)	(2,903)	(3,733)
Trade payables and accrued liabilities	-	(10,048)	(757)	-	(10,805)
	(746)	(10,259)	(1,376)	(2,903)	(15,284)

AS OF DECEMBER 31, 2018 (USD 000's)	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Line of credit	(741)	-	-	-	(741)
Finance leases	-	(87)	(152)	(640)	(879)
Trade payables and accrued liabilities	-	(9,803)	(1,017)	-	(10,820)
	(741)	(9,890)	(1,169)	(640)	(12,440)

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

(a) **Foreign exchange risk.** With few exceptions, the Group's inventory purchase and sale transactions are denominated in U.S. dollars. The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures, principally with respect to the Danish kroner. Foreign exchange risk arises from operating results and net assets associated with Denmark-based operations where the Danish krone is the functional currency. Transactions that are denominated in currencies other than the Danish kroner result in foreign exchange gains (losses) in the U.S. dollar-based financial statements, and translation of the Denmark entity balance sheet accounts from Danish kroner to U.S. dollars affect the equity balances of the Group. The Company's Denmark entity has a revolving line of credit available totaling 5.0 million Danish kroner ($0.75 million) as of December 31, 2019. The Group does not enter into derivatives or other hedging transactions to manage foreign exchange risk. Management mitigates this exposure through timely settlement of intercompany operating liabilities.

The ending exchange rate at December 31, 2019 was 6.68 Danish kroner to one U.S. dollar (6.52 to the U.S. dollar at December 31, 2018). The effect of a 10% strengthening (weakening) of the Danish kroner against the U.S. dollar for the reporting period would have resulted in an increase (decrease) in pre-tax income for fiscal year 2019 of $926,000 (in 2018, increase of the pre-tax income of $1,164,000).

(b) **Interest rate risk**. As of December 31, 2019, Asetek had the following debt outstanding that is subject to interest rate risk:

// Line of credit with Sydbank – 5.0 million Danish kroner revolving line of credit available to Asetek A/S. Total line in USD is approximately $749 thousand, $746 thousand of which was outstanding at December 31, 2019. The line carries interest at the Danish CIBOR 3 rate plus 2.75 percentage points, which in total was 2.3% at December 31, 2019. Based on the line's revolving, short-term nature, interest rate risk is not significant.

Capital and debt management. To date the Company's primary focus has been to support its product development initiatives, maintain liquidity through use of financing alternatives, and maximize shareholder value. The Group manages its capital and debt structure with consideration of economic conditions. In 2013 and 2015, the Company raised capital through the offering of its common stock on the Oslo Stock Exchange. With regard to future capital needs, the Company will continue to consider both equity and debt financing strategies.

Credit risk factors. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to credit risk primarily through trade receivables and cash deposits. Management mitigates credit risk through standard review of customer credit-worthiness and maintaining its liquid assets primarily with Wells Fargo Bank in the U.S. and Sydbank in Denmark. The carrying amount of the financial assets represents the maximum credit exposure. Trade receivables that are deemed uncollectible are charged to expense with an offsetting allowance recorded against the trade receivable. Historically, bad debt expense has not been significant. Certain customers in the Gaming and Enthusiast segment have accounted for a significant portion of the Company's revenues in the years presented, as follows. In 2019, the Company's two largest customers accounted for 31% and 27% of revenue (39% and 21% in 2018), respectively. At December 31, 2019 two customers represented 38% and 15% of outstanding trade receivables (32% and 23% at December 31, 2018), respectively. The reserve for uncollectible trade accounts was $48,000 at December 31, 2019 and $64,000 at December 31, 2018. The aged trade receivables and bad debt reserve balances for all years presented are provided in Note 16.

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

(USD 000's)	2019	2018
Cash and cash equivalents	24,505	18,627
Trade receivables and other	14,080	15,625
Other assets	307	309
MAXIMUM CREDIT EXPOSURE	**38,892**	**34,561**

4.GEOGRAPHICAL INFORMATION

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

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

(USD 000's)	2019		
	Revenue	Current assets	Non-current assets
Asia	47,206	12,435	38
Americas	4,716	4,158	882
Europe	2,412	23,649	12,943
TOTAL	**54,334**	**40,242**	**13,863**

(USD 000's)	2018		
	Revenue	Current assets	Non-current assets
Asia	60,741	14,301	58
Americas	4,882	4,748	1,602
Europe	1,751	18,065	12,624
TOTAL	**67,314**	**37,114**	**14,284**

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

(USD 000's)	Non-current assets	
	2019	2018
Denmark	12,943	12,624
USA	882	1,602
China	38	58
TOTAL	**13,863**	**14,284**

(USD 000's)	Revenue	
	2019	2018
Denmark	208	172
Hong Kong	16,970	26,511
Taiwan	21,817	24,005
USA	4,527	4,732
All others	10,812	11,894
TOTAL	**54,334**	**67,314**

5. SEGMENT INFORMATION

The Company reports on two segments, Gaming and Enthusiast, and Data center. The two segments are identified by their specific sets of products and specific sets of customers. The CEO is the Group's chief operating decision-maker. The CEO assesses the performance of each segment principally on measures of revenue, gross margins, and adjusted EBITDA. The following tables represent the results by operating segment in 2019 and 2018. Income and expense items below adjusted EBITDA, to arrive at income (loss) before tax, are provided as supplemental disclosures. Disaggregation of revenue is also presented for the major markets within each segment.

Condensed income statement - years ended December 31,	2019				2018			
(USD 000's)	Gaming and Enthusiast	Datacenter	Not allocable to divisions	Total	Gaming and Enthusiast	Datacenter	Not allocable to divisions	Total
Revenue	51,791	2,543	-	54,334	63,030	4,284	-	67,314
Cost of goods sold	29,750	1,579	-	31,329	38,128	3,014	-	41,142
GROSS PROFIT	**22,041**	**964**	**-**	**23,005**	**24,902**	**1,270**	**-**	**26,172**
Operating costs	7,435	5,248	4,914	17,597	4,165	8,608	4,014	16,787
Litigation settlement received	-	-	(753)	(753)	-	-	-	-
ADJUSTED EBITDA	**14,606**	**(4,284)**	**(4,161)**	**6,161**	**20,737**	**(7,338)**	**(4,014)**	**9,385**
Depreciation in operating expense	1,908	2,149	-	4,057	1,784	1,906	-	3,690
Share based compensation	419	326	311	1,056	293	626	357	1,276
Financial income (expenses)	-	-	406	406	-	-	451	451
INCOME (LOSS) BEFORE TAX	**12,279**	**(6,759)**	**(4,066)**	**1,454**	**18,660**	**(9,870)**	**(3,920)**	**4,870**

Condensed balance sheet - as of December 31,	2019				2018			
(USD 000's)	Gaming and Enthusiast	Datacenter	Not allocable to divisions	Total	Gaming and Enthusiast	Datacenter	Not allocable to divisions	Total
TOTAL INVESTMENT	**7,198**	**1,676**	**30,134**	**39,008**	**9,714**	**2,913**	**26,331**	**38,958**
TOTAL ASSETS	16,632	2,521	34,952	54,105	16,512	4,587	30,299	51,398
TOTAL LIABILITIES	9,434	845	4,818	15,097	6,798	1,674	3,968	12,440

Changes in intangible assets - years ended December 31,	2019				2018			
(USD 000's)	Gaming and Enthusiast	Datacenter	Not allocable to divisions	Total	Gaming and Enthusiast	Datacenter	Not allocable to divisions	Total
OPENING BALANCE, INTANGIBLE ASSETS	**783**	**1.631**	**-**	**2.414**	**1,312**	**1,442**	**-**	**2,754**
Gross additions	864	578	-	1,442	467	1,278	-	1,745
Amortization and other	(657)	(1,279)	-	(1,936)	(996)	(1,089)	-	(2,085)
ENDING BALANCE, INTANGIBLE ASSETS	**990**	**930**	**-**	**1,920**	**783**	**1,631**	**-**	**2,414**

Disaggregation of revenue:

	2019	2018
Gaming and Enthusiast:		
Enthusiast/DIY	43,312	50,438
Gaming/Performance PC	8,479	12,592
Data center market:		
OEM	2,233	3,866
Government	310	418
TOTAL REVENUE	**54,334**	**67,314**

6. SALARY COSTS AND REMUNERATIONS

(USD 000's)	2019	2018
Salaries	9,268	9,036
Retirement fund contributions	382	383
Social cost	1,188	1,075
Share based payment	1,056	1,276
Other expenses	117	126
TOTAL PERSONNEL EXPENSES BEFORE CAPITALIZATION	**12,011**	**11,896**
Capitalized as development cost	(1,000)	(1,176)
TOTAL PERSONNEL EXPENSES IN STATEMENT OF INCOME	**11,011**	**10,720**
AVERAGE NUMBER OF EMPLOYEES	**97**	**95**

The staff costs are specified as follows:

(USD 000's)	2019	2018
Research and development	2,768	3,007
Selling, general and administrative	9,243	8,889
Total personnel expenses before capitalization	12,011	11,896

The figures listed include incentive based compensation for management and staff. Incentive based compensation is based on a combination of quarterly cash-based rewards and periodic grants of options (or warrants) to buy the Company's common shares. The above remuneration for Officers includes $72,000 in pension payments in both 2019 and 2018. The bonus plan for the CEO is approved by the Board of Directors at the beginning of the year and the bonus payments for the CEO and the upper management are reviewed by the Board of Directors on an annual basis. All bonus plans are structured to include an absolute dollar cap.

The Company's CEO has an agreement of twelve months' severance pay in case of termination or termination in connection with change of control. The Company's CFO has an agreement of seven months' severance pay in case of termination or termination in connection with change of control. Except for the Company's CEO and CFO and other members of the executive group, no member of the administrative, management or supervisory bodies has contracts with the Company or any of its subsidiaries providing for benefits upon termination of employment.

Share Ownership of Officers at December 31, 2019:

	André S. Eriksen	Peter D. Madsen
Common shares	232,061	89,381
Options at NOK 46.30	53,300	26,500
Options at NOK 24.70	106,800	61,750
Warrants at:		
NOK 10.50	92,333	50,875
NOK 19.50	106,799	49,837
NOK 36.50	101,523	37,800
NOK 40.10	24,750	10,313
NOK 76.25	132,981	44,215
TOTAL SHARES CONTROLLED	**850,547**	**370,671**

Options granted in 2019:

Group	Options Granted
Board of directors	-
Officers	168,550
Other executives	142,550
Other employees	183,800
TOTAL GRANTED	**494,900**

Compensation to the Board of Directors, Officers and Other Executives*

	2019				2018			
(USD 000's)	Directors	Officers	Other Executives	Total	Directors	Officers	Other Executives	Total
Salary	-	837	1,101	1,938	-	798	932	1,730
Bonus	-	231	335	566	-	189	301	490
Share based	-	314	395	709	7	357	522	886
Other	201	239	84	524	98	127	57	282
TOTAL	**201**	**1,621**	**1,915**	**3,737**	**105**	**1,471**	**1,812**	**3,388**

*Other Executives includes the Chief Operating Officer and other members of the executive team who are leaders of the key functions (Engineering, Sales & Marketing, Operations)

7. SHARE BASED PAYMENT

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

The options are granted at the time of employment and, at the discretion of the Board of Directors, under other circumstances. The options are granted with exercise prices equaling the fair market value of the underlying security. The exercise prices of option grants are determined based on the closing market price of the shares on the day of the grant. Share-based compensation expense was $1,056,000 and $1,276,000 for the years ended December 31, 2019 and 2018, respectively.

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

// To attract and retain the best available personnel for positions of substantial responsibility;

// To provide additional incentive to employees, directors and consultants, and

// To promote the success of the Company's business.

As of December 31, 2019, there is a total of 2,693,085 common shares authorized under the Plan.

The Company's shares trade on the Oslo Stock Exchange, at prices denominated in Norwegian krone (NOK). The exchange rate at December 31, 2019 of NOK to USD was 8.80.

In September 2019, the Company granted 494,900 options with exercise prices of NOK24.70 per share. In October 2018, the Company granted 378,500 options with exercise prices of NOK46.30 per share. Movements in the number of share options outstanding and their related weighted average exercise price are as follows:

Activity for exercise prices of: USD 0.96 to NOK 24.70	2019	Weighted Average Exercise - Price (NOK) Price	2018	Weighted Average Exercise - Price (NOK) Price
Outstanding on January 1	884,283	14.68	1,158,363	14.34
Options/warrants granted	494,900	24.70	-	-
Options/warrants exercised	(64,461)	5.41	(221,928)	12.44
Options/warrants forfeited	(10,892)	19.16	(52,152)	16.59
OUTSTANDING ON DECEMBER 31	**1,303,830**	**18.77**	**884,283**	**14.68**
EXERCISABLE ON DECEMBER 31	**814,195**	**15.43**	**659,424**	**14.09**

The weighted average market price per share on the date of exercise for the above shares was NOK 32.71 in 2019 and NOK 88.72 in 2018.

Activity for exercise prices of: NOK 33.90 to NOK 113.00	2019	Weighted Average Exercise - Price (NOK) Price	2018	Weighted Average Exercise - Price (NOK) Price
Outstanding on January 1	1,341,716	58.70	1,097,875	62.41
Options/warrants granted	-	-	378,500	46.30
Options/warrants exercised	-	-	(82,595)	40.15
Options/warrants forfeited	(47,706)	67.23	(52,064)	76.25
OUTSTANDING ON DECEMBER 31	**1,294,010**	**58.39**	**1,341,716**	**58.70**
EXERCISABLE ON DECEMBER 31	**893,205**	**56,44**	**688,585**	**53.14**

The weighted average market price per share on the date of exercise for the above shares was NOK 82.96 in 2018

The composition of options and warrants outstanding at December 31, 2019 is as follows:

Exercise price per share	Number of shares
NOK 10.60	395,973
NOK 19.50	412,957
NOK 24.70	494,900
NOK 33.90	7,170
NOK 36.50	320,473
NOK 40.10	73,550
NOK 46.30	366,569
NOK 76.25	429,249
NOK 113.00	96,999
TOTAL	**2,597,840**

The Company calculated the fair value of each option award on the date of grant using the Black-Scholes option pricing model, which requires subjective assumptions, including future stock price volatility and expected time to exercise. The expected volatility was based on the historical volatility of the Company's stock price. The weighted average remaining contractual term of options outstanding is 4.0 years. The options granted in September 2019 have an estimated total value of $1.0 million. The options granted in October 2018 have an estimated total value of $1.0 million. The following weighted average assumptions were used for the period indicated.

Valuation assumptions	2019	2018
Risk-free interest rate	1.42% - 1.44%	2.58% - 2.91%
Dividend yield	0.0%	0.0%
Expected life of options (years)	3.50 - 5.49	4.03 - 6.83
Expected volatility	53% - 57%	66% - 69%

8. EXPENSES BY NATURE

(USD 000's)	Note	2019	2018
Inventories recognized as cost of sales	17	31,329	41,142
Personnel expenses	6	12,011	11,896
Depreciation and amortization		4,057	3,690
Legal, patent, consultants and auditor		4,087	3,283
Facilities and infrastructure		782	1,276
Other expenses		3,214	3,353
TOTAL OPERATING EXPENSES BEFORE CAPITALIZATION		**55,480**	**64,640**
Less: capitalized costs for development projects	14	(1,441)	(1,745)
TOTAL EXPENSES		**54,039**	**62,895**

Total operating expense in the 2019 consolidated statement of comprehensive income includes a separate component of other income totaling $753,000, which represents net awards received from patent litigation.

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

(USD 000's)	2019	2018
Depreciation and amortization included in:		
Research and development	1,746	1,700
Selling, general and administrative	2,311	1,990
TOTAL	**4,057**	**3,690**

9. FINANCE COSTS AND INCOME

(USD 000's)	2019	2018
Foreign exchange gain	218	342
Interest cost on line of credit	(7)	(4)
Interest cost on leases	(115)	(31)
Interest income	359	205
Other banking and finance fees	(49)	(60)
TOTAL FINANCE INCOME	**406**	**451**

10. INCOME TAXES

The tax expense on the group's income before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

Asetek A/S, the Group's parent company, moved from U.S. to Denmark in 2013 and is currently subject to income tax in both U.S. and Denmark. 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 $1.1 million in total for 2018 and 2019.

(USD 000's)	2019	2018
INCOME (LOSS) BEFORE TAX	**1,454**	**4,870**
Tax calculated at domestic rates applicable to profits/losses in respective countries	(351)	(1,122)
Tax effects of:		
Expenses not deductible for tax purposes	(680)	(305)
Benefit of tax losses recognized	205	415
Temporary differences between book and tax	(194)	(200)
Effect of U.S. GILTI regulation applied to foreign corporation income	(1,062)	-
TAX (EXPENSE) BENEFIT	**(2,082)**	**(1,198)**

11. DEFERRED INCOME TAX

(USD 000's)	2019	2018
Potential tax assets from prior year losses	6,625	8,673
Tax assets not considered probable to realize before expiration	(1,104)	(1,215)
DEFERRED INCOME TAX ASSETS	**5,521**	**7,458**

At December 31, 2019, potential income tax assets totaled $6.6 million (2018: $8.7 million) in respect of remaining losses to be carried forward amounting to 43.5 million that should be applied to different tax rates. The losses can be carried forward against future taxable income. In 2019, the Group recorded deferred tax assets totaling 5.5 million ($7.5 million in 2018), which represents the net tax benefit that the Company considers probable to be realized in the future, based on Company budget for the following year and estimates for the subsequent years.

In accordance with IAS 12, the Company recognizes deferred tax assets arising from unused tax losses or tax credits only to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilized by the Company. The estimated tax benefit is calculated considering historical levels of income, expectations and risks associated with estimates of future taxable income. The calculation utilizes the statutory tax rates that are expected to apply to taxable income for the years in which the asset is expected to be realized.

Losses of the U.S. parent company and U.S. subsidiary will begin to expire in 2028 for carryforward purposes. Losses of the Denmark subsidiary do not expire.

Expiration of the carryforward of losses is summarized as follows:

(USD 000's)	Tax effected loss
Expire in years 2028 to 2034	280
Do not expire	5,241
TOTAL	**5,521**

12. EARNINGS PER SHARE

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

	2019	2018
Income attributable to equity holders of the Company (USD 000's)	$(628)	$3,672
Weighted average number of common shares outstanding (000's)	25,582	25,447
BASIC EARNINGS PER SHARE	**$(0.02)**	**$0.14**
Weighted average number of common shares outstanding (000's)	25,582	25,447
Instruments with potentially dilutive effect: Warrants and options (000's)	-	940
Weighted average number of common shares outstanding, diluted (000's)	25,582	26,387
DILUTED EARNINGS PER SHARE	**$(0.02)**	**$ 0.14**

13. FINANCIAL INSTRUMENTS CATEGORY AND FAIR VALUE ESTIMATION

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

// Quoted prices (unadjusted) in active markets (Level 1).

// Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2).

// Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

All of the Company's financial assets as of December 31, 2019 are classified as 'amortized cost' having fixed or determinable payments that are not quoted in an active market (Level 3). As of December 31, 2019, all of the Company's financial liabilities are carried at amortized cost.

The Company believes that book value approximates fair value for all financial instruments as of December 31, 2019. The values of the Group's assets and liabilities are as follows:

As of December 31, 2019

(USD 000's)	Amortized cost
Assets as per balance sheet:	
Trade receivables and other	14,080
Cash and cash equivalents	24,505
	38,585

As of December 31, 2019

(USD 000's)	Liabilities at fair value through profit and loss	Other financial liabilities at amortized cost	Total
Liabilities as per balance sheet:			
Long-term debt	-	2,774	2,774
Short-term debt	-	1,518	1,518
Trade payables and accrued liabilities	-	10,805	10,805
	-	**15,097**	**15,097**

As of December 31, 2018

(USD 000's)	Amortized cost
Assets as per balance sheet:	
Trade receivables and other	15,625
Cash and cash equivalents	18,627
	34,252

As of December 31, 2018

(USD 000's)	Liabilities at fair value through profit and loss	Other financial liabilities at amortized cost	Total
Liabilities as per balance sheet:			
Long-term debt	-	641	641
Short-term debt	-	980	980
Trade payables and accrued liabilities	-	10,819	10,819
	-	**12,440**	**12,440**

14. INTANGIBLE ASSETS

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

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

(USD 000's)	2019	2018
COST:		
Balance at January 1	8,424	8,682
Additions	1,441	1,745
Deletions - completion of useful life	(46)	(1,793)
Impairment loss	(290)	(210)
BALANCE AT DECEMBER 31	**9,529**	**8,424**
ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES:		
Balance at January 1	(6,010)	(5,928)
Amortization for the year	(1,935)	(2,085)
Amortization associated with deletions	46	1,793
Amortization associated with impairment losses	290	210
BALANCE AT DECEMBER 31	**(7,609)**	**(6,010)**
CARRYING AMOUNT	**1,920**	**2,414**

15. PROPERTY AND EQUIPMENT

The following table presents total property and equipment, including Right-of-use assets presented in Note 20. Also refer to Note 2.16 regarding lease accounting policy.

(USD 000's)	Leasehold improvements	Machinery	Other fixtures, fittings, tools equipment	Properties	Total
COST:					
Balance at January 1, 2018	832	4,419	1,836	-	7,087
Additions	584	885	579	-	2,048
Disposals	-	(28)	(54)	-	(82)
Exchange rate difference	(53)	(210)	(100)	-	(363)
BALANCE AT DECEMBER 31, 2018	**1,363**	**5,066**	**2,261**	**-**	**8,690**
Balance at January 1, 2019	1,363	5,066	2,261	-	8,690
Impact of accounting change	-	-	34	3,204	3,238
Additions	52	629	412	34	1,127
Disposals	-	(46)	(41)	(72)	(159)
Exchange rate difference	(29)	(106)	(50)	(59)	(244)
BALANCE AT DECEMBER 31, 2019	**1,386**	**5,543**	**2,616**	**3,107**	**12,652**
ACCCUMULATED DEPRECIATIONS:					
Balance at January 1, 2018	(306)	(2,223)	(702)	-	(3,231)
Disposals	-	28	54	-	82
Depreciations for the year	(230)	(973)	(401)	-	(1,604)
Exchange rate differences	17	108	41	-	166
BALANCE AT DECEMBER 31, 2018	**(519)**	**(3,060)**	**(1,008)**	**-**	**(4,587)**
Balance at January 1, 2019	(519)	(3,060)	(1,008)	-	(4,587)
Disposals	-	46	36	-	82
Depreciations for the year	(229)	(896)	(470)	(527)	(2,122)
Exchange rate differences	10	59	21	-	90
BALANCE AT DECEMBER 31, 2018	**(738)**	**(3,851)**	**(1,421)**	**(527)**	**(6,537)**
CARRYING AMOUNT AT DECEMBER 31, 2018	**844**	**2,006**	**1,253**	**-**	**4,103**
CARRYING AMOUNT AT DECEMBER 31, 2019	**648**	**1,692**	**1,195**	**2,580**	**6,115**

16. TRADE RECEIVABLES AND OTHER

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

(USD 000's)	2019	2018
Gross trade receivables	13,235	14,626
Provision for uncollectible accounts	(48)	(64)
NET TRADE RECEIVABLES	**13,187**	**14,562**
Other receivables and assets	893	1,063
TOTAL TRADE RECEIVABLES AND OTHER	**14,080**	**15,625**

The trade receivables of Asetek Danmark A/S carry a general lien of 6 million Danish krone ($ 1.0 million), representing collateral on Sydbank's engagement with the Company. The carrying amount of trade receivables is approximately equal to fair value due to the short term to maturity. Regarding credit risks, refer to Note 3.

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

			Past due:		
(USD 000's)	Total	Not yet due	1 to 30 days	31 to 60 days	Over 60 days
December 31, 2019	13,235	10,468	2,307	414	46
December 31, 2018	14,626	12,170	2,281	111	64

Credit Loss Provision Matrix

			Past due		
(USD 000's)	Total	Not yet due	1 to 30 days	31 to 60 days	Over 60 days
Gross carrying amount	13,235	10,468	2,307	414	46
Expected credit loss rate		0.1%	0.5%	5.0%	16.0%
Lifetime expected credit loss	(48)	(10)	(10)	(21)	(7)

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

(USD 000's)	2019	2018
Balance at January 1	(64)	(92)
Additions	(48)	(64)
Reversals	64	92
BALANCE AT DECEMBER 31	**(48)**	**(64)**

17. INVENTORIES

(USD 000's)	2019	2018
Raw materials and work-in-process	1,051	1,249
Finished goods	1,228	1,812
Total gross inventories	2,279	3,061
Less: provision for inventory reserves	(622)	(199)
TOTAL NET INVENTORIES	**1,657**	**2,862**

(USD 000's)	2019	2018
Inventories recognized as cost of sales during the period	(31,329)	(41,142)
Write-down of inventories to net realizable value	(622)	(199)

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

(USD 000's)	2019	2018
Balance at January 1	(199)	(137)
Additions	(622)	(199)
Write-offs	199	137
BALANCE AT DECEMBER 31	**(622)**	**(199)**

18. SHARE CAPITAL

The Company has reserved 1,150 thousand shares (4.5% of total shares, nominal value DKK 115 thousand) for future exercises of options. In 2019, a total of 64 thousand options (0.2% of total shares, nominal value DKK6.4 thousand) were exercised resulting in$66,000 received by the Company. In 2018, a total of 305 thousand options (1.2% of total shares, nominal value DKK 31 thousand) were exercised resulting in $0.8 million funds received by the Company.

As of December 31, 2019, there are 25,604 thousand common shares outstanding with a nominal value of 0.10 DKK per share and 185 thousand shares (0.7% of total shares, nominal value DKK 18.5 thousand) held in treasury. Included in equity is a reserve for treasury shares of approximately $4,000 at December 31, 2019.

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

(USD 000's)	2019	2018
Common shares outstanding - January 1	25,540	25,235
Options and warrants exercised and shares issued	64	305
COMMON SHARES OUTSTANDING - DECEMBER 31	**25,604**	**25,540**

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

19. NET DEBT

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

(USD 000's)	2019	2018
Line of credit	(746)	(741)
Leases - amounts due within one year	(772)	(239)
DEBT INCLUDED IN CURRENT LIABILITIES	**(1,518)**	**(980)**
Leases - amounts due after one year	(2,774)	(640)
TOTAL DEBT	**(4,292)**	**(1,620)**
Less: cash and equivalents	24,505	18,627
NET DEBT	**20,213**	**17,007**

Asetek A/S Danmark line of credit. In September 2012, the Company entered into a revolving line of credit agreement with Sydbank. The line is collateralized by the trade receivables of Asetek Danmark A/S and is payable on demand. At December 31, 2019, the total line was 5.0 million Danish kroner, which equates to $749 thousand at December 31, 2019. Interest on the line is payable monthly at the Danish CIBOR 3 rate plus 2.75 percentage points, which in total was 2.3% at December 31, 2019. As of December 31, 2019, the Company had 4.98 million Danish kroner ($746 thousand) outstanding on the line. (4.83 million Danish kroner outstanding at December 31, 2018).

Reconciliation of liability for line of credit:

(USD 000's)	2019	2018
Beginning balance	(741)	(783)
Net paid (drawn) on line of credit	(22)	6
Foreign exchange impact	17	36
ENDING BALANCE	**(746)**	**(741)**

20. LEASES

Asetek leases certain equipment, its principal office facilities and certain motor vehicles. Contracts are typically for fixed periods of five years or more for office facilities, five years for equipment, and two years or less for motor vehicles. The leased asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Company's office space in Aalborg, Denmark is under lease through July 2025. The Company's office in San Jose, California is under lease through December 2023, with an available option to terminate without penalty beginning in January 2021.

On January 1, 2019, the Group adopted IFRS 16 Leases on a modified retrospective basis without restatement of the prior year, as permitted under the standard. Upon adoption of IFRS 16, Asetek recognized lease liabilities for leases which had previously been classified as operating leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate of 3% at the time of adoption. Lease liabilities include the net present value of: fixed lease payments, amounts expected to be payable under residual value guarantees, any purchase options that are reasonably expected to be exercised, and any penalties for termination reflected in the lease term. The corresponding rental obligations, net of finance charges, are included in other long-term debt. Amounts due within one year are included in short-term debt. For leases previously classified as finance leases, the Group recognized the carrying amount of the lease asset and lease liability at the date of initial application. Refer to Note 2.16 for more details regarding lease accounting policy.

As a result of this change in accounting policy, the Group's lease liabilities and corresponding leased assets recorded on the balance sheet increased by $3.2 million as of January 1, 2019, when compared with the balance at December 31, 2018. In 2019, the accounting change resulted in recognition of depreciation expense of $569,000 and interest expense of $87,000. These increases are substantially offset by reductions in associated facilities and automobile expense for the same period. Cash flow from operating activities increased by $506,000 and cash flow from financing activities decreased by $506,000 in 2019 as a result of this change in accounting policy. The change in accounting policy did not have a material impact on net income or earnings per share.

Effect of Accounting Change to IFRS 16 Leases

	(USD 000's)
Operating lease commitments at December 31, 2018	3,376
Discounted using the incremental borrowing rate at January 1, 2019	3,238
Add: finance lease liabilities recognized at December 31, 2018	879
Less: short-term leases recognized on a straight-line basis as expense	(4)
Lease liability recognized at January 1, 2019	4,113

Reconciliation of lease liability

(USD 000's)	2019	2018
Beginning balance	879	1,084
Accounting change on January 1	3,238	-
Additions to lease liabilities	413	134
Payments of lease liabilities	(734)	(321)
Adjustments to lease terms	(95)	-
Foreign exchange impact	(155)	(18)
ENDING BALANCE	**3,546**	**879**

Future minimum lease payments are as follows as of the balance sheet date:

(USD 000's)	2019	2018
Minimum lease payments as of December 31	3,732	936
Asset residual at end of lease	76	-
Less: amount representing interest	(262)	(57)
TOTAL OBLIGATIONS UNDER FINANCE LEASES	**3,546**	**879**
Obligations under leases due within one year	772	239
Obligations under leases due after one year	2,774	640
	3,546	**879**

Right-of-use Assets. The following table presents a summary of the Right-of-use assets under lease, which is a subset of the property and equipment presented in Note 15.

(USD 000's)	Machinery	Other fixtures, fittings, tools equipment	Properties	Total
COST:				
Balance at December 31, 2018	1,538	-	-	1,538
Impact of accounting change	-	34	3,204	3,238
Additions	266	113	34	413
Disposals and transfers	(314)	-	(72)	(386)
Exchange rate differences	(36)	-	(59)	(95)
BALANCE AT DECEMBER 31, 2019	**1,454**	**147**	**3,107**	**4,708**
ACCCUMULATED DEPRECIATIONS:				
Balance at January 1, 2019	(839)	-	-	(839)
Disposals and transfers	450	-	-	450
Depreciations for the year	(239)	(43)	(527)	(809)
Exchange rate differences	20	-	-	20
BALANCE AT DECEMBER 31, 2019	**(608)**	**(43)**	**(527)**	**(1,178)**
CARRYING AMOUNT AT DECEMBER 31, 2018	**699**	**-**	**-**	**699**
CARRYING AMOUNT AT DECEMBER 31, 2019	**846**	**104**	**2,580**	**3,530**

21. TRANSACTIONS WITH RELATED PARTIES

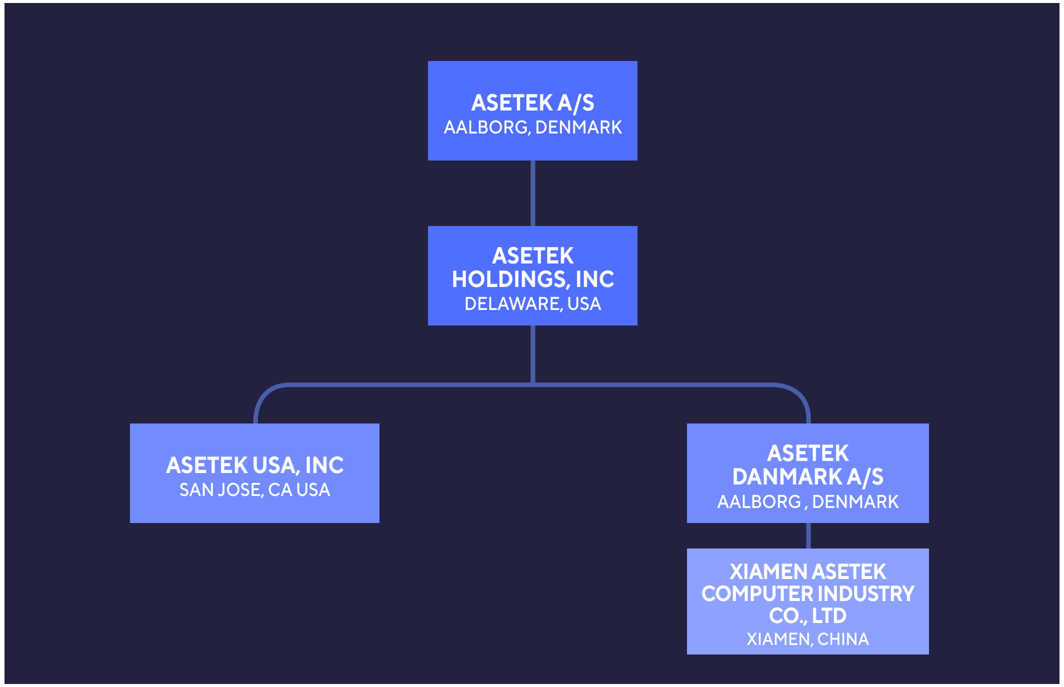
The Company's CEO serves as Chairman of the Board for a vendor that supplies information technology services to the Company. In 2019, the Company purchased services totaling approximately $0.5 million ($0.5 million in 2018) from this vendor. At December 31, 2019 and 2018, the Company had outstanding payables to this vendor of $45,000 and $36,000, respectively.

22. SUBSIDIARIES

The following entities are included in the consolidated accounts:

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

During 2018, the Company absorbed the operations of Asetek International Aps into other entities in order to optimize the organizational structure.



23. AUDIT FEES

The Group's principal auditors perform audits for all of Asetek's entities except for the Xiamen, China subsidiary, which is audited by a local firm. The Group's principal auditors received a total fee of $299,000 and $227,000 in 2019 and 2018, respectively. Tax services provided by the Company's principal auditors in 2019 included advisory regarding deferred taxes and transfer pricing.

The fee is distributed between these services:

(USD 000's)	2019	2018
Statutory audit	99	100
Other assurance services	5	6
Tax services	168	80
Other consulting	27	41
TOTAL	**299**	**227**

24. BOARD OF DIRECTORS

The members of the Board of Directors have reported the information below as of the date of this filing. For the year 2019, the board members have been compensated as listed below.

Director name and other positions	Age and gender	Qualifications	Date appointed to end of current term	Independence Status	Committee Participation	Asetek equity holdings	Shares	2019 Cash Compensation
JUKKA PERTOLA, CHAIRMAN - Tryg A/S and Tryg Forsikring A/S - Chairman of the Board - COWI Holding A/S - Deputy Chairman - Siemens Gamesa Renewable Energy A/S – Chairman of the Board - Danish Academy of Technical Sciences (ATV) – President - Industriens Pensionsforsikring A/S - Board member - Monsenso ApS - Chairman of the Board - IoT Denmark A/S and IoT Solutions A/S - Chairman of the Board - GomSpace Group AB and GomSpace A/S - Chairman of the Board	60, Male	Former executive at Siemens A/S for 25+ years; Technology, Finance, Corporate governance, Risk management. Extensive board experience with multiple Chairman roles for 10+ years.	April 10, 2019 to April 22, 2020	Independent	Compensation (chairman)	Owned shares	22,500	$ 41,247
CHRIS CHRISTOPHER, VICE CHAIRMAN - Rocky Mountain Innosphere - Board member -CloudGen - Board member	76, Male	Former Senior VP, Hewlett Packard; 40+ years of leadership, technology, product development, supply chain; former leader of server and hardware business at HP.	June 19, 2012 to April 22, 2020	Independent	Audit (chairman) Compensation	Owned shares Warrants @ NOK 10.50 Warrants @ NOK 19.50 Warrants @ NOK 36.50 Warrants @ NOK 40.10 Warrants @ NOK 76.25	73,600 15,654 14,757 12,822 11,000 4,400	$ 40,000
ERIK DAMSGAARD - OJ Electronics Inc, US – Managing director - OJ Electronics Ltd, UK – Managing director - Masentia International A/S – Chairman of the Board - Masentia Holding AB, Sverige – Chairman of the Board - Masentia AS, Norge – Chairman of the Board - ED Management Holding ApS - Managing director - Masentia Oy, Finland, Chairman of the Board	55, Male	20+ years of senior positions in electronics & electrical manufacturing, business development.	April 10, 2019 to April 22, 2020	Independent	Audit	Owned share	15,660	$ 30,000
JØRGEN SMIDT - Heartcore Capital - Venture Partner - InRiver - Chairman of the Board - Onomondo - Chairman of the Board - Freespee - Chairman of the Board - Microtask - Board member -Confirmit A/S - Chairman of the Board	63, Male	Former VP at Nokia; 25+ years of senior management, business development, product management, operations. Partner, Sunstone Capital.	June 19, 2012 to April 22, 2020	Independent	Nomination Compensation	Owned shares	16,600	$ 40,000
MARIA HJORTH - VP Securities A/S - Deputy CEO	47, Female	Former CEO Mercer Denmark, 20+ years in finance covering business development, M&A, investor relations.	January 14, 2019 to April 22, 2020	Independent	Audit	None		$ 40,000

The term of former director Jim McDonnell ended April 10, 2019. Mr. McDonnell was paid $10,000 in compensation in 2019.

25. POST BALANCE SHEET EVENTS

The Company has evaluated the period after December 31, 2019 up through the date of the Management Statement and determined that there were no transactions that required recognition in the Company's financial statements.

While there has not been significant impact to date, the effects of the recent coronavirus outbreak could negatively impact the Company's supply chain operations.

26. CONTINGENT LIABILITIES

Legal proceedings. In the ordinary course of conducting our business, the Company is involved in various intellectual property proceedings, including those in which it is a plaintiff that are complex in nature and have outcomes that are difficult to predict. Asetek records accruals for such contingencies to the extent that it is probable that a liability will be incurred and the amount of the related loss can be reasonably estimated. The Company's assessment of each matter may change based on future unexpected events. An unexpected adverse judgment in any pending litigation could cause a material impact on the Group's business operations, intellectual property, results of operations or financial position. There are no material updates to matters previously reported on the Asetek 2018 Annual Report, except:

In 2015, CoolIT Systems, Inc. ("CoolIT") paid Asetek $1.8 million to settle Asetek's suit against CoolIT for infringement of Asetek's '362 and '764 patents (filed in the Northern District of California). In January 2019, Asetek filed a new patent infringement lawsuit against CoolIT in the same court accusing more recent CoolIT products that were not at issue in the earlier litigation. Asetek's complaint seeks judgment that CoolIT infringes Asetek's '362 and '764 patents as well as Asetek's U.S. Patent Nos. 9,733,681; 10,078,354; and 10,078,355. CoolIT has filed counterclaims asserting infringement of three CoolIT patents, which Asetek denies. The litigation is in the early stages and no trial date has been set. CoolIT recently filed for review of three Asetek patents asserted in the litigation. Asetek will vigorously defend these challenges.

In September 2016, Asetek filed two patent infringement lawsuits against CoolerMaster Shanghai and its distributor Shenzhen Xinhua in Shenzhen City accusing various CoolerMaster products of infringing Asetek's Chinese Patent 201210266143.8. In October 2018, the court ruled in Asetek's favor on both cases, entering an injunction against CoolerMaster and awarding RMB1 Million in damages. CoolerMaster appealed the judgment to a higher court, and oral arguments were heard on this appeal in March 2019. Coolermaster also initiated an action to invalidate Asetek's patent in the Beijing IP Court; a trial on this matter in September 2019 is awaiting decision by the court. In June 2019, CoolerMaster filed an invalidation request on the same Asetek Chinese patent with the China National Intellectual Property Administration. In a decision in February 2020, Asetek's claims were not upheld. Asetek is evaluating next steps, which may include appeal.

In April 2016, Asetek initiated patent infringement proceedings against CoolerMaster and Coolergiant before the District Court The Hague, pertaining to commerce in The Netherlands. In the case against CoolerMaster, the Courts have dismissed Asetek's claim. Asetek appealed the most recent decision to the Dutch Supreme Court which has not yet ruled. The proceedings against Coolergiant have been stayed, pending final judgment in the Cooler Master case.

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 November 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 has appealed the decision and initiated an action to nullify Asetek's patent. The appeal and nullify actions are pending.

Sales Director Sophie Wu, Technology Evangelist Shawn Sanders, Logistics Supervisor Janice Cheng

ANNUAL REPORT 2019, PARENT COMPANY

For year ended December 31, 2019

Asetek

Asetek A/S

CVR-number: 3488 0522

LIQUID COOLING **DONE RIGHT**

ASETEK A/S
COMPREHENSIVE INCOME STATEMENT, PARENT COMPANY

For the years ended December 31, 2019 and 2018

(USD 000's)	Note	2019	2018
Service fees	12	2,899	3,312
TOTAL REVENUE		**2,899**	**3,312**
Research and development	3, 4, 5	(232)	(245)
Selling, general and administrative	3, 4, 5	(3,092)	(2,979)
TOTAL OPERATING EXPENSES		**(3,323)**	**(3,224)**
OPERATING INCOME (LOSS)		**(424)**	**88**
Foreign exchange (loss)/gain		20	(68)
Finance income	6	402	263
Finance costs	6	(13)	(45)
TOTAL FINANCIAL INCOME		**409**	**150**
INCOME BEFORE TAX		**(16)**	**238**
Income tax	8	(77)	(334)
OPERATING INCOME (LOSS)		**(93)**	**(96)**
Other comprehensive income items that may be reclassified to profit or loss in subsequent periods:			
Foreign currency translation adjustments		-	-
TOTAL COMPREHENSIVE INCOME (LOSS)		**(93)**	**(96)**

All operations are continuing.

ASETEK A/S
BALANCE SHEET, PARENT COMPANY

As of December 31, 2019 and 2018

(USD 000's)	Note	2019	2018
ASSETS			
NON CURRENT ASSETS			
Investments in subsidiaries	9	20,100	20,100
Property and equipment		143	-
Receivables from subsidiaries	10	105	2,134
Deferred income tax assets		3	33
TOTAL NON-CURRENT ASSETS		**20,351**	**22,267**
CURRENT ASSETS			
Other assets		21	14
Cash and cash equivalents		14,629	11,586
TOTAL CURRENT ASSETS		**14,651**	**11,600**
TOTAL ASSETS		**35,001**	**33,867**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	11	423	422
Retained earnings		33,654	32,626
Translation and other reserves		(4)	(4)
TOTAL EQUITY		**34,073**	**33,044**
NON-CURRENT LIABILITIES			
Payables to subsidiaries	10	324	-
Long-term debt	7	10	-
TOTAL NON-CURRENT LIABILITIES		**334**	**-**
CURRENT LIABILITIES			
Short-term debt		78	-
Accrued liabilities		180	563
Accrued compensation and employee benefits		287	245
Trade payables		49	15
TOTAL CURRENT LIABILITIES		**594**	**823**
TOTAL LIABILITIES		**928**	**823**
TOTAL EQUITY AND LIABILITIES		**35,001**	**33,867**

ASETEK A/S
STATEMENT OF CHANGES IN EQUITY, PARENT COMPANY

(USD 000's)	Share capital	Translation reserves	Other reserves	Retained earnings	Total
EQUITY AT DECEMBER 31, 2017	**419**	**-**	**(6)**	**30,665**	**31,078**
Total comprehensive income for 2018					
Loss for the year	-	-	-	(96)	(96)
TOTAL COMPREHENSIVE INCOME FOR 2018	**-**	**-**	**-**	**(96)**	**(96)**
Transactions with owners in 2018					
Shares issued	3	-	2	780	785
Share based payment expense	-	-	-	1,276	1,276
TRANSACTIONS WITH OWNERS IN 2018	**3**	**-**	**2**	**2,056**	**2,061**
EQUITY AT DECEMBER 31, 2018	**422**	**-**	**(4)**	**32,626**	**33,044**
Total comprehensive income for 2019					
Income for the year	-	-	-	(93)	(93)
TOTAL COMPREHENSIVE INCOME FOR 2019	**-**	**-**	**-**	**(93)**	**(93)**
Transactions with owners in 2019					
Shares issued	1	-	-	65	66
Share based payment expense	-	-	-	1,056	1,056
TRANSACTIONS WITH OWNERS IN 2019	**1**	**-**	**-**	**1,121**	**1,122**
EQUITY AT DECEMBER 31, 2019	**423**	**-**	**(4)**	**33,654**	**34,073**

ASETEK A/S
STATEMENT OF CASH FLOWS, PARENT COMPANY

For the years ended December 31, 2019 and 2018

(USD 000's)	Note	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) for the year		(93)	(96)
Depreciation and amortization		47	-
Share based payments expense	4	1,056	1,276
Income tax expense (income)		77	334
Changes in other current assets		(8)	87
Changes in trade payables and accrued liabilities		(386)	200
NET CASH PROVIDED BY OPERATING ACTIVITIES		**692**	**1,801**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	7	(51)	-
Net receipts from (payments to) subsidiaries	10	2,353	(1,584)
NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES		**2,302**	**(1,584)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease payments on right-of-use assets		(15)	**-**
Proceeds from issuance of share capital	11	64	785
NET CASH PROVIDED BY FINANCING ACTIVITIES		**49**	**785**
Effect of exchange rate changes on cash and cash equivalents		-	-
NET CHANGES IN CASH AND CASH EQUIVALENTS		**3,043**	**1,003**
Cash and cash equivalents at beginning of period		11,586	10,583
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**14,629**	**11,586**
SUPPLEMENTAL DISCLOSURE - NON-CASH ITEMS:			
Right-of-use assets capitalized under leases		114	-

NOTES

1. GENERAL INFORMATION

Refer to Note 1 to the Consolidated Financial Statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 2019 financial statements for Asetek A/S have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by IASB and adopted by the EU.

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

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

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

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

2.2. Investments in subsidiaries, joint ventures and associates. Investments in subsidiaries, joint ventures and associates are measured atthe lower of cost or the recoverable amount. An impairment test on the investment in subsidiaries is performed if the carrying amount of the subsidiaries' net assets is below the carrying value of the Parent Company's investments in the consolidated financial statements.

3.TOTAL OPERATING EXPENSES

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

(USD 000's)	2019	2018
Personnel expenses (Note 4)	2,594	2,505
Legal, consultants and auditor	471	471
Other expenses	258	249
TOTAL EXPENSES	**3,323**	**3,224**

4.PERSONNEL EXPENSES

Total personnel costs for the year ended December 31,

(USD 000's)	2019	2018
Salaries, pension and other	1,538	1,228
Share based payment	1,056	1,276
TOTAL PERSONNEL EXPENSES	**2,594**	**2,505**

Total personnel costs are specified as follows:

(USD 000's)	2019	2018
Research and development	232	245
Selling, general and administrative	2,362	2,260
TOTAL PERSONNEL EXPENSES	**2,594**	**2,505**

The average number of employees in the Parent company is two for both years presented. The figures listed above include a portion of the executive management's cash compensation based on an estimate of the actual resources allocated to the management of the parent company. The figures include incentive-based compensation in the form of share options and warrants granted to employees in the Asetek Group. Refer to Notes 6 and 7 in the Consolidated Financial Statements for information regarding incentive compensation programs and management remuneration.

Remuneration of the Group Board of Directors is specified in Note 6 to the Consolidated Financial Statements. The Company's share-based incentive pay program is described in Note 7 of the Consolidated Financial Statements.

5. AUDIT FEES

Tax services provided by the Company's principal auditors in 2019 included advisory regarding U.S. domicile, U.S. tax reform and transfer pricing.

(USD 000's)	2019	2018
Statutory audit	47	56
Other assurance services	5	6
Tax services	168	62
Other consulting	2	41
TOTAL	**222**	**165**

6. FINANCIAL INCOME AND COST

(USD 000's)	2019	2018
FOREIGN CURRENCY EXCHANGE (LOSS) GAIN	**20**	**(68)**
Interest income on loans to subsidiaries	194	115
Interest from bank accounts	208	148
TOTAL FINANCE INCOME	**402**	**263**
Interest cost on loans from subsidiaries	-	(42)
Interest on leases	(2)	-
Other finance expense	(11)	(3)
TOTAL FINANCE COST	**(13)**	**(45)**

7. PROPERTY AND EQUIPMENT

(USD 000's)	2019	2018
Cost:		
Balance at January 1	-	-
Impact of accounting change	25	
Additions under leases	114	-
Other additions	51	-
BALANCE AT DECEMBER 31	**190**	**-**
Accumulated depreciation:		
Balance at January 1	-	-
Depreciation for the year	(47)	-
BALANCE AT DECEMBER 31	**(47)**	**-**
CARRYING AMOUNT AT DECEMBER 31	**143**	**-**

Property and equipment represents vehicles in use by the Company.

On January 1, 2019, the Company adopted IFRS 16 Leases on a modified retrospective basis without restatement of the prior year. Refer to Note 20 in the Consolidated Financial Statements.

As of December 31, 2019, carrying value of vehicles under right-of-use leases totalled $100,000 and their associated leases are for terms of 18 months or less.

Total right-of-use lease liability at December 31, 2019 was $88,000 of which $5,000 was due within three months and $73,000 due between three months and one year. The remaining $10,000 is due in 2021.

Right-of-use lease liability includes $77,000 of guaranteed residual value of the vehicle.

8. INCOME TAX

Refer to Notes 10 and 11 to the Consolidated Financial Statements.

9. INVESTMENT IN SUBSIDIARIES

(USD 000's)	Investment in Asetek Holdings, Inc.
Balance at December 31, 2017	20,100
Additions	-
Balance at December 31, 2018	20,100
Additions	-
Balance at December 31, 2019	20,100
Carrying amount at December 31, 2017	20,100
Carrying amount at December 31, 2018	20,100
Carrying amount at December 31, 2019	20,100

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

10. NET RECEIVABLES FROM (PAYABLES TO) SUBSIDIARIES

As of December 31,

(USD 000's)	2019	2018
Asetek Danmark A/S	(266)	1,385
Asetek USA, Inc.	(59)	508
Asetek Xiamen	14	155
Asetek Holdings, Inc.	92	85
Net receivables from (payables to) subsidiaries	**(219)**	**2,134**
Average effective interest rate	**7.2%**	**7.0%**

The fair value of receivables and payables corresponds in all material respects to the carrying amount. As of December 31, 2019 and 2018, there is no credit loss provision deemed necessary for receivables from subsidiaries.

11. EQUITY

Refer to Note 18 to the Consolidated Financial Statements.

12. TRANSACTIONS WITH RELATED PARTIES

Asetek A/S charges its subsidiaries a management service fee. Reference Notes 9 & 10 regarding transactions with subsidiaries. With regard to transactions with related parties that are not subsidiaries, refer to Note 21 to the Consolidated Financial Statements.

13. EVENTS AFTER THE REPORTING PERIOD

Refer to Note 25 to the Consolidated Financial Statements

14. CONTINGENT LIABILITIES

The Danish group enterprises are jointly and severally liable for tax on group income subject to joint taxation, as well as for Danish withholding taxes by way of dividend tax, royalty tax, tax on unearned income and any subsequent adjustments to these. Asetek A/S has executed a guarantee to its Group's principal bank, Sydbank, for all outstanding matters with its wholly owned subsidiary, Asetek Danmark A/S.

Refer to Note 26 to the Consolidated Financial Statements.

Technology Evangelists Dennis V. Hampe and Shawn Sanders with Senior Fellow Steve Branton

MANAGEMENT STATEMENT

The Executive Board and the Board of Directors have today considered and adopted the Annual Report of Asetek A/S for the financial year January 1 to December 31, 2019. The annual report is prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed companies.

In our opinion, the Consolidated Financial Statements and Parent Company Financial Statements give a true and fair view of the financial position at December 31, 2019 of the Group and the Parent company and of the results of the Group and Parent company operations and cash flows for 2019.

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

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

Aalborg, Denmark

February 25, 2020

EXECUTIVE BOARD:

André Sloth Eriksen
Chief Executive Officer

Peter Dam Madsen
Chief Financial Officer

BOARD OF DIRECTORS:

Jukka Pertola, Chairman

Chris J. Christopher, Vice Chairman

Maria Hjorth

Jørgen Smidt

Erik Damsgaard

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ASETEK A/S

OUR OPINION

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2019 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited. Asetek A/S' Consolidated and Parent Company Financial Statements comprise:

The Consolidated Financial Statements and Parent Company Financial Statements of Asetek A/S for the financial year 1 January to 31 December 2019 comprise statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including summary of significant accounting policies for the Group as well as for the Parent Company. Collectively referred to as the "Financial Statements".

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

Independence. We are independent of the Group in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment. We were first appointed auditors of Asetek A/S on 22 January 2013 for the financial year 2013. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 7 years including the financial year 2019.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Capitalization of development costs

Asetek A/S continuously develops new solutions and products adapted to the latest technology and the clients' needs as well as improving existing solutions and market position. As described in note 14 USD 1,920k of internal development costs have been capitalized within Intangible Assets.

We focused on this area due to the size of the internal costs capitalized, and the fact that there is judgement involved in assessing whether the criteria set out in the accounting standards for capitalization of such costs have been met, particularly:

- The technical feasibility of the project; and
- The likelihood of the project delivering sufficient future economic benefits; and
- That costs capitalized are relevant to the project and in conjunction with IAS 38.

In the light of the development of new solutions and products adapted to the latest technology, we also focused on whether the carrying value of existing capitalised solutions and products was impaired.

How our audit addressed the key audit matter

We obtained a breakdown, by value, of all individual development projects capitalized in the period and reconciled this to the amounts recorded in the general ledger.

We tested the largest capitalized development projects in 2019 together with a sample of smaller projects from the remaining population, as follows:

- We obtained business cases from management including description of the development project, feasibility analysis, budgeted costs and budgeted revenue. This also included descriptions on how the specific requirements of the relevant accounting standards and other guidance, most notably IAS 38 were met.
- We discussed the assumptions for budgets and compared historical budgets with realized amounts to challenge management's explanations.
- We obtained explanations from management of why the projects are impaired or not. We challenged both management and the project manager as to whether the development of new solutions and products superseded or impaired any of the existing assets on the balance sheet. We also applied our own understanding of both new and existing projects that is no longer in use or its life was shortened by any development activity.

To determine whether costs were directly attributable to projects, we obtained listings of hours worked on individual projects and compared a sample of the individual hours recorded with the capitalized hours. We also checked the hours charged equated to the value of costs capitalized, by applying the approved salary rates per employee to the timesheet hours, without significant exception. We reconciled specifications of the basis used for capitalized overheads and discussed the appropriateness of included costs in respect of relevant accounting rules and guidance.

Furthermore, we compared a sample of the direct costs capitalized with external vendor invoices.

Valuation of deferred tax assets

As explained in note 11, Asetek A/S has recognized USD 5,521 as deferred tax assets. Tax losses from previous years amounts to USD 7,458k of the total recognized deferred tax asset. The tax losses can be carried forward against future taxable income. The tax losses relates to losses realized in Denmark and the U.S.

We focused on this area due to the size of the deferred tax asset and the size of the total tax losses. Furthermore, there is judgement involved in assessing whether the criteria set out in the accounting standards (IAS 12) for recognising deferred tax assets have been met, particularly the probability that future taxable profit will be available, against which the unused tax losses can be utilised.

Reference is made to note 11 in the Consolidated Financial Statements.

How our audit addressed the key audit matter

We assessed the management's valuation of the deferred tax assets and reconciled this to the amounts recorded in the financial statements.

We challenged and applied professional scepticism to the judgments and estimates made by management in relation to the deferred tax assets through the following audit procedures:

// We received the Group's budgets for the period 2020-2024. We evaluated and challenged the assumptions made by management by comparing budgets to realized figures and realized growth for 2019.

// We compared the budgets with the deferred tax asset recognised and challenged management on their plan for utilising the tax losses.

// We utilised our tax specialists in order to ensure compliance to tax rules in respect of determining the value of the deferred tax asset.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's Responsibility for the Financial Statements

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

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

// Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud Is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

// Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

// Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

// Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.

// Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

// Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Aarhus, 25 February 2020

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no 3377 1231

Henrik Trangeled Kristensen
State Authorised Public Accountant, mne23333

Henrik Berring Rasmussen
State Authorised Public Accountant, mne34157

STOCK EXCHANGE RELEASES

Issue Date	Subject
November 26, 2019	Share capital increase
November 21, 2019	Major shareholder notifications
October 23, 2019	Q23 2019: Soft Quarter as Expected, Executing Gaming and Enthusiast Strategy
October 18, 2019	Asetek presents Third Quarter 2019 Results on Wednesday, 23 October
September 10, 2019	Chairman purchases shares
September 9, 2019	Employee stock option grant
August 29, 2019	Mandatory notification of trade: CEO purchases shares
August 27, 2019	Mandatory notification of trade
August 16, 2019	Mandatory notification of trade: Chairman purchases shares
August 14, 2019	Q2 2019: Solid quarter – increased uncertainty for remainder of 2019
August 9, 2019	Asetek presents Second Quarter 2019 Results on Wednesday, 14 August
July 24, 2019	Asetek receives order for new HPC cluster
July 23, 2019	Update to full year 2019 revenue guidance
May 24, 2019	Mandatory notification of trade: Executive management exercises warrants
May 2, 2019	Mandatory notification of trade
May 1, 2019	Mandatory notification of trade
April 30, 2019	Q1 2019: Soft market as expected – Growth outlook unchanged
April 25, 2019	Share capital increase upon exercise of warrants
April 25, 2019	Asetek presents First Quarter 2019 Results on Tuesday, 30 April
April 10, 2019	Asetek settles intellectual property dispute with Asia Vital Components
March 29, 2019	Mandatory notification of trades: Chairman exercises options
March 19, 2019	Notice of Annual General Meeting April 10, 2019
March 8, 2019	Mandatory notification of trades
March 5, 2019	Q4 2018 and CMU: Record full-year revenue and EBITDA – Building a gaming and enthusiast brand
February 20, 2019	Invitation to Capital Markets Update
January 31, 2019	Financial calendar
January 28, 2019	Asetek receives order for new HPC cluster
January 14, 2019	Outcome of Extraordinary General Meeting
January 7, 2019	Financial calendar

DEFINITIONS OF RATIOS AND METRICS

Asetek uses various metrics, financial and non-financial ratios which provide shareholders with useful information about the Group's financial position, performance and development.

PROFIT & LOSS

Adjusted EBITDA

Operating income + amortization & depreciation + share-based compensation

Gross margin

Gross profit / Revenue

Operating margin

Operating income / Revenue

Return on Invested Capital (ROIC)

Income for the year / Invested capital

Organic growth

(Revenue current year – Comparable revenue* prior year) / Comparable revenue* prior year

*Comparable revenue excludes changes in revenue attributable to foreign exchange rates and any acquisitions or divestments.

BALANCE SHEET

Invested capital

Equity raised from sale of shares and conversion of debt + interest bearing debt

Quick ratio

(Cash and cash equivalents + Trade receivables and other) / Total Current Liabilities

Current ratio

Total current assets / Total current liabilities

Days sales outstanding

Trade receivables / (Revenue / 365 days)

Inventory turns per year

Cost of sales / (beginning inventory + ending inventory / 2)

Days payable outstanding

Trade payables / (Cost of sales / 365 days)

Debt to equity

Interest-bearing debt / Total equity

Stock Market

Earnings per share, basic

Refer to Note 12 of the Consolidated financial statements

Earnings per share, diluted

Refer to Note 12 of the Consolidated financial statements

Share price to earnings

Share price / NOK to USD exchange rate / Earnings per share, diluted

Market capitalization

(Shares issued – Treasury shares) x (Share price in NOK / NOK to USD exchange rate)

BUSINESS DRIVERS

Average selling price per unit, Gaming and Enthusiast

Gaming and Enthusiast revenue / Sealed loop units shipped

Revenue per employee

Revenue / Number of employees

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