



Asetek

Asetek A/S

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Denmark

Half Year Report

Second Quarter and Six Months Ended June 30, 2021

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Company Registration (CVR) Number 34 88 05 22

Highlights

- Record Q2 revenue of \$23.2 million reflecting growth of 64% over Q2 2020
- Q2 EBITDA adjusted of \$3.2 million, compared with \$3.1 million in Q2 2020
- First-half 2021 revenue grew 107% to \$48.2 million, and EBITDA adjusted increased 140% to \$7.9 million
- SimSports R&D investment of \$0.7 million in Q2, with launch of first products expected later this year
- G&E investments increased to support future revenue growth
- 2021 Group revenue expectation maintained at increase of 20% to 30% over 2020 revenue of \$72.8 million
- Gross margin is expected to normalize to between 40% and 45% in 2021 and operating income expectation is revised to the range of \$8 to \$12 million (previously \$11-\$16 million), compared with \$10.9 million in 2020

Key figures

Figures in USD (000's)	Q2 2021	Q2 2020	1H 2021	1H 2020	2020
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	
Summary P&L:					
Revenue	23,185	14,147	48,200	23,271	72,750
Gross profit	9,841	7,275	20,572	11,773	34,194
Gross margin	42.4%	51.4%	42.7%	50.6%	47.0%
Operating income	1,911	2,000	5,445	1,079	10,928
Reconciliation from IFRS to EBITDA adjusted:					
Operating income	1,911	2,000	5,445	1,079	10,928
Add: Depreciation and amortization	951	848	1,933	1,721	3,754
Add: Share based compensation	370	280	542	501	918
EBITDA adjusted (unaudited)	3,232	3,128	7,920	3,301	15,600
Liquidity at period end:					
Working capital	28,190	28,107	28,190	28,107	32,837
Cash and equivalents	24,731	24,780	24,731	24,780	27,099
Long-term debt	2,141	2,380	2,141	2,380	2,604

Summary

- Financial results**
- Asetek reported second-quarter revenue of \$23.2 million, an increase of 64% from the same period of 2020. First-half 2021 revenue was \$48.2 million, an increase of 107% from first-half 2020. The growth in both periods mainly reflects increased shipments of Gaming and Enthusiast products.
 - Gross margin was 42% for the second quarter and 43% in the first half of 2021 compared with a record level 51% in the each of the same periods of 2020. The decline reflects a change in the mix of product shipments, increases in certain component costs due to the ongoing global component shortage, and a weaker U.S. dollar.
 - Operating income was \$1.9 million and adjusted EBITDA was \$3.2 million in the second quarter of 2021, compared with operating income of \$2.0 million and adjusted EBITDA of \$3.1 million in the second quarter of 2020. First-half 2021 operating income was \$5.4 million and adjusted EBITDA was \$7.9 million, compared with operating income of \$1.1 million and adjusted EBITDA of \$3.3 million in the same period of 2020.
 - Operating expense included R&D investment in the new SimSports line of business of \$0.7 million and \$1.2 million in the second quarter and first half of 2021, respectively, compared with zero in the same periods of 2020.
 - In April, to offset an approved employee option grant, the Board of Directors authorized the repurchase of 237 thousand shares for up to \$3.0 million over a three-month period. During the second quarter, the Company repurchased 124 thousand common shares for a total of \$1.5 million.
 - At June 30, 2021, Asetek had working capital of \$28.2 million, of which \$24.7 million was cash and cash equivalents. Long-term debt totaled \$2.1 million.
- Operations**
- During the quarter, the Company announced that Asetek technology is powering several new all-in-one coolers offered by ASUS, including its second-generation ROG Ryujin line of CPU coolers, its new family of ROG Strix LC II ARGB high performance CPU coolers, and its new liquid cooled NVIDIA GeForce RTX 3080 Ti graphics card. These offerings provide extreme performance and overclocking capability, silent operation and next-generation aesthetics.
 - In the first quarter, Asetek announced its entrance into the fast-growing SimSports gaming market. Asetek has invested over \$10 million to advance the development of its SimSports offerings, including software, hardware, mechanical designs and operational proficiency from asset acquisitions in January 2021 and November 2020. Asetek anticipates the launch of new SimSports products in late 2021.
- Outlook**
- In 2021, various factors including production constraints and the accelerated digital transformation brought upon by the COVID-19 pandemic has led to a shortage of semiconductor chips. This shortage has constrained the ability of both the Company's suppliers and customers to fulfill demand, thereby limiting Asetek's revenue growth in the short term. The time and manner in which the chip shortage may ease is currently unclear.
 - Asetek maintains its 2021 revenue expectation of an increase of 20% to 30% from 2020. The gross margin is anticipated to normalize within the range of 40% to 45% in 2021, compared with 47% in 2020. Management revises the operating income expectation to between \$8 and \$12 million in 2021, reflecting increased overhead costs to facilitate growth, FX effects, component shortage mitigation as well as U.S. tariff mitigation. This compares to the previous expectation of operating income in the range of \$11 to \$16 million.
 - The Company recognizes uncertainty related to potential impact from COVID-19 and the global semiconductor chip shortage. Any such uncertainty is not included in the expectations for 2021.

Financial review

The figures below relate to the consolidated accounts for the second quarter and first half of 2021, which comprise activities within the two segments Gaming and Enthusiast (including SimSports) and Data Center. The figures are unaudited.

Income Statement (Consolidated)

Asetek reported total revenue of \$23.2 million in the second quarter of 2021, a 64% increase from \$14.1 million in the second quarter of 2020. Total revenue in the first half of 2021 increased to \$48.2 million from \$23.3 million in the same period of 2020. Sales unit volumes of sealed loop coolers for the second quarter of 2021 were 435,000, an increase of 98% from the same period of 2020 (220,000). Unit shipments for the first half were 847,000, an increase of 133% from the first half of 2020. Revenue and unit growth reflects increased shipments of Gaming and Enthusiast products. Average selling price (ASP) per unit in both the second quarter and first half of 2021 decreased from the prior year periods, reflecting the Company's transition to core product shipments which include fewer ancillary components.

Gross margin was 42.4% for the second quarter of 2021, compared with a record level of 51.4% in the same period of 2020. Gross margin for the first half of 2021 was 42.7% compared with a record high 50.6% in the first half of 2020. The change from prior year periods reflects component price increases, a change in the mix of product shipments, and an 8% weaker U.S. dollar against the Chinese yuan renminbi (CNY). Component costs increased by approximately 2% to 4% in both October and December 2020.

Total operating expense increased to \$7.9 million in the second quarter of 2021 from \$5.3 million in the same period of 2020. For the first half of 2021, operating expense increased to \$15.1 million from \$10.7 million in the first half of 2020. The increases in both periods reflect investments in the new SimSports line of business, and expenditures to support the Company's revenue growth. SimSports operating expense, including allocations of fixed overheads and some one-time costs, was \$1.6 million and \$2.9 million in the second quarter and first half of 2021, respectively (zero in both periods of 2020). Excluding SimSports costs, operating expense in the first half increased 14% from the

same period of 2020, reflecting personnel growth to support increased operating volumes.

Costs incurred for defense of existing intellectual property (IP) and securing new IP increased to \$1.0 million and \$1.7 million in the second quarter and first half of 2021 (\$0.4 million and \$1.2 million in the respective periods of 2020).

A 9% weaker U.S. Dollar, on average, against the Danish krone (DKK) unfavorably impacted operating expense by \$0.7 million during the first half of 2021 compared with the first half of 2020.

Finance expenses included net foreign exchange loss of \$0.2 million in the second quarter and a gain of \$0.3 million in the first half of 2021, compared with losses of \$0.3 million and \$0.1 million for the respective periods of 2020.

Asetek reported income before tax of \$1.6 million and \$5.6 million in the second quarter and first half of 2021, compared with income before tax of \$1.6 million and \$0.9 million for the respective periods of 2020.

Income tax expense was \$0.3 million and \$1.2 million in the second quarter and first half of 2021 compared with \$0.3 million in both of the respective periods of the prior year. The increase in income tax reflects the growth in pre-tax income.

During the second quarter 2021, the U.S. Dollar, on average, weakened versus the Danish krone. Currency translation adjustment of positive \$0.4 million and negative \$0.8 million is included in other comprehensive income for the second quarter and first half of 2021 (positive \$0.5 million and positive \$58,000 in the second quarter and first half of 2020).

Balance Sheet (Consolidated)

Asetek's total assets at June 30, 2021 were \$72.9 million, compared with \$71.4 million at the end of 2020.

Intangible assets increased by \$8.1 million following the purchase of assets from Granite Devices Inc. Property, plant and equipment increased by \$3.0 million due to the purchase of land for a future headquarters facility. Trade receivables decreased by \$6.2 million due to an increase in customer cash receipts. Cash and equivalents declined by \$2.4 million, reflecting payments made on asset acquisitions and repurchase of common shares in the first half of 2021.

Total liabilities decreased by \$4.1 million in the first half of 2021. Trade payables decreased by \$2.9 million due to normal variations in the timing of payments. Accrued compensation and employee benefits decreased by \$0.8 million reflecting payment of 2020 incentive compensation.

Working capital (current assets minus current liabilities) totaled \$28.2 million at June 30, 2021, a decrease of \$4.6 million from 2020 year-end, due to asset acquisitions and \$3.6 million paid for the repurchase of common shares in the first half. Total cash and cash equivalents were \$24.7 million at June 30, 2021.

Cash Flow (Consolidated)

Net cash provided by operating activities was \$10.3 million in the first half of 2021 compared with \$3.4 million provided in same period of 2020. The increase was principally due to higher net income and increased cash collections on receivables.

Cash used by investing activities was \$9.3 million in the first half compared with \$1.0 million used in same period of 2020. The increase was due to the purchase of intellectual property and other assets from Granite Devices Inc. and purchase of land for a future headquarters facility.

Cash used by financing activities was \$3.3 million in the first half compared with \$2.1 million used in the

same period of 2020. In the first half of 2021, Asetek repurchased 287 thousand common shares for \$3.6 million and paid \$0.5 million on leases and a line of credit. These effects were partly offset by \$0.7 million received for shares issued on options exercised by employees.

Net change in cash and cash equivalents was a decrease of \$2.4 million in the first half of 2021, compared with an increase of \$0.3 million in 2020. The Company's cash conversion cycle improved to 8.0 days in the second quarter 2021 from 21.6 days in the same period of 2020.

Income Tax

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

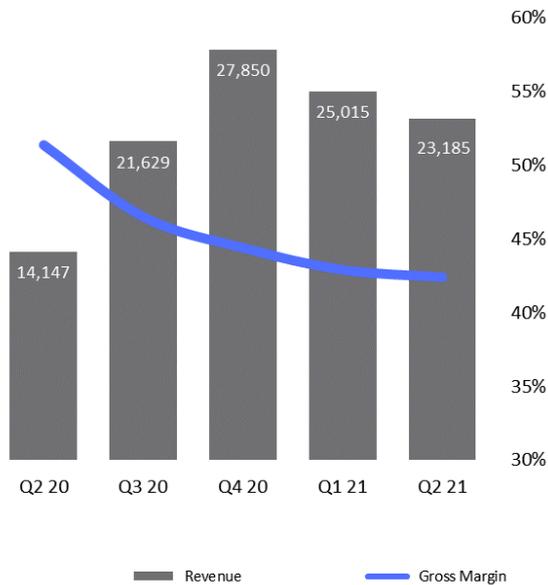
In June 2019, the U.S. released regulation for its Global Intangible Low-Taxed Income (GILTI) inclusion for U.S. taxation, effective beginning with tax year 2018. The GILTI regulation requires U.S.

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

Market Update

Group revenue and Gross margin development

USD (000's)



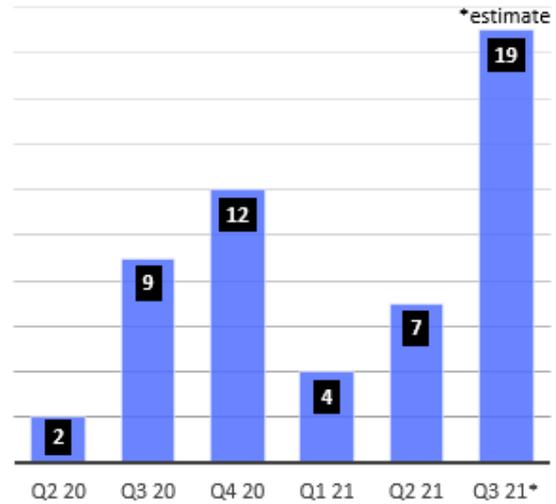
Gaming and Enthusiast. During the quarter, the Company announced that Asetek technology is powering several new all-in-one coolers offered by ASUS, including its second-generation ROG Ryujin line of CPU coolers, its new family of ROG Strix LC II ARGB high performance CPU coolers, and its new liquid cooled NVIDIA GeForce RTX 3080 Ti graphics card. These offerings provide extreme performance and overclocking capability, silent operation and next-generation aesthetics.

In recent quarters, Asetek has increased product development activities and the pace of new product releases. During the second quarter, seven new products began shipping, six of which were to DIY customers and one to an OEM customer. In the third quarter of 2021, nineteen new products are expected to begin shipping. The anticipated growth in the third quarter is partly attributable to preparation for the upcoming holiday season.

ASUS ROG STRIX LC II webpage co-branding:



Quantity of new Gaming and Enthusiast products begin shipping



Asetek continues to build its brand with gamers and enthusiasts. Co-branding with OEM customers has expanded the Company’s marketing reach, utilizing brand-behind-the-brand initiatives to feature the Asetek logo on box packaging, websites, forums, and packaging inserts. Initiatives also include written features about Asetek on partners’ websites, participation in live events and live streams to communicate the commitment to performance, quality and reliability that the “Cooled by Asetek” mark represents.

SimSports. In March, Asetek announced its entrance into the fast-growing SimSports gaming market. The Company plans to enable a next-level immersive gaming experience by leveraging its core mechatronics, global supply chain and innovation capabilities. To support this new venture, the Company in January acquired intellectual property and other assets from Finland-based Granite Devices, in addition to acquiring the UK-based JMH Gallows Pound Ltd, owner of the UltimateGameTech brand in late 2020. Asetek has invested over \$10 million to advance the development of its SimSports offerings, including software, hardware, mechanical designs and operational proficiency. Operating expenditures for SimSports totaled \$1.6 million in the second quarter of 2021, including amortization. Asetek anticipates the launch of new SimSports products in late 2021.

Data center. Data center revenue performance declined in the second quarter of 2021. The Company has added nearly 20 new server loop designs to its server product portfolio in the past year due to the addition of two new OEMs.

Group Outlook

Global economy and COVID-19. In the second quarter, the global response to fight COVID-19, including widespread growth in vaccinations, has helped to mitigate the pandemic's adverse effects on global markets experienced in 2020. As a result, the restrictions imposed on businesses and consumers have begun to ease. The prior effects of the global shelter-in-place were a catalyst for growth and resulted in increased demand for Asetek's Gaming and Enthusiast products in 2020 and early 2021. The recent easing of the pandemic and the reopening of global economies continues to be fluid, as new harmful variants of the virus are beginning to appear. As such, the ultimate impact of COVID-19 to Asetek's future results of operations is uncertain.

Global chip shortage. In 2021, due to various factors including production constraints and the accelerated digital transformation brought upon by the pandemic, the global economy is facing an unprecedented shortage of semiconductor chips. The chip shortage has constrained the ability of both the Company's suppliers and customers to fulfill demand, thereby limiting Asetek's revenue growth in the short term. The time and manner in which the chip shortage may ease is currently unclear.

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

its SimSports products in late 2021. Consistent with prior years, Asetek will continue to focus its resources on the Gaming and Enthusiast segment, growing market share through existing and new OEMs, and building the Asetek brand.

Data center. Over the past year the Company has expanded its OEM partners with the additions of HPE and Supermicro, which resulted in the addition of nearly 20 new liquid cooled offerings to its line of data center products. Asetek is encouraged by proposed legislation in the July 2021 Energy Efficiency Directive from the European Commission that would require the reuse of heat created in data centers. Asetek's Direct-to-chip liquid cooling enables power savings and CO₂ emission reductions from the reuse of data center waste heat. The Company is preparing for increased long-term demand associated with this potential legislation.

Group results. Asetek maintains its 2021 revenue expectation of an increase of 20% to 30% from 2020. The gross margin is anticipated to normalize within the range of 40% to 45% in 2021, compared with 47% in 2020. Management revises the operating income expectation to between \$8 and \$12 million in 2021, reflecting increased overhead costs to facilitate growth combined with FX effects, component shortage mitigation as well as U.S. tariff mitigation. This compares to the previous expectation of operating income in the range of \$11 to \$16 million. The Company recognizes continued uncertainty related to potential impact from COVID-19 and the global semiconductor chip shortage over time. Any such uncertainty is not included in the expectations for 2021.

Intellectual Property

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

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

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

In May 2021, Asetek filed a patent infringement lawsuit against Shenzhen Apaltek Co. Ltd., and Apalcoo (Guangdong Ang Pai Liquid Cooling Technology Co., Ltd.) in the Western District of Texas seeking judgment that Apaltek and Apalcoo infringe Asetek's U.S. Patent Nos. 8,240,362 ("the '362 patent), 8,245,764 ("the '764 patent), 10,078,355 ("the '355 patent"), and 10,599,196 ("the '196 patent). Apaltek and Apalcoo have been served with the complaint and their attorneys have agreed to file a response to Asetek's complaint by October 2021.

In May 2021 Asetek filed a motion in the Northern District of California asking the court to find that Cooler Master Co., Ltd. and its U.S. affiliate CMI USA have violated the court's injunction and be found in contempt of court. More specifically, in December 2014 a jury found CMI USA liable for infringement of Asetek's '362 and '764 patents. The jury's findings were upheld by the district court and court of appeal and the parties eventually stipulated to an injunction against both Cooler Master and CMI USA that prohibits them from selling certain products in the U.S. In May 2021 Asetek filed a motion seeking a court order that Cooler Master and CMI USA violated that injunction. Asetek's motion has been fully briefed and argued and parties await the court's decision.

In January 2019, Asetek filed a patent infringement lawsuit against CoolIT in the Northern District of California seeking judgment that CoolIT infringed Asetek's '362 patent, '764 patent, '355 patent, '681 patent, and U.S. Patent 10,078,354. CoolIT filed counterclaims asserting infringement of four CoolIT patents, which Asetek denies. On September 17, 2020, Asetek filed a related patent infringement lawsuit against Corsair in the Northern District of California seeking judgment that Corsair infringes Asetek's '354 patent, '355 patent, '196 patent, and U.S. Patent No. 10,613,601. The court consolidated the two cases and set a trial date for May 2022 on five Asetek patents and four CoolIT patents.

Asetek also filed review petitions in the U.S. Patent and Trademark Office (USPTO) to challenge the validity of two of the CoolIT patents asserted in the above litigation, and CoolIT filed review petitions in the USPTO to challenge the validity of three of the five Asetek patents that will be asserted at the trial. The USPTO is expected to decide those petitions by the end of September 2021. Asetek will vigorously prosecute its challenges to CoolIT's patents and vigorously defend against CoolIT's challenges to Asetek's patents.

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

Corporate Matters

The Company's annual general meeting was held on April 22, 2021, where the following matters occurred or were reported:

- The Annual Report 2020, as proposed by the Board of Directors, was approved as published.
- The Board of Directors is hereinafter comprised of Chairman Jukka Pertola, Vice Chairman Erik Damsgaard, Jørgen Smidt and Maria Hjorth. Mrs. Hjorth is Chairman of the Audit Committee and Mr. Pertola is Chairman of the Remuneration Committee.
- The Nomination Committee is comprised of Chairman Ib Sønderby, Claus Berner Møller and Jukka Pertola.
- The Board of Directors was authorized to acquire the Company's own shares.
- The Board's new policy for remuneration of management was adopted.
- PricewaterhouseCoopers, State Authorized Public Accountants, were re-elected as auditors

Risk Factors

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

In the first half of 2021, due to accelerated growth in their revenue streams over the past year, two customers accounted for 44% and 18% of total revenue. In the event of a decline or loss of either of these customers, replacement of the revenue stream would be difficult for Asetek to achieve in the short term. The Company is actively working with several of its customers to grow their respective market shares and order volumes.

COVID-19. The Company is complying with regulations imposed by local governments for minimizing spread of the coronavirus. If production must be stopped or a critical number of employees are quarantined or become too ill to work, business operations could be adversely affected. If suppliers experience closures or reductions in capacity utilization, Asetek may have difficulty sourcing materials needed to fulfill production requirements. If customers experience adverse business consequences, demand for Asetek's products could

decline. The impact of the COVID-19 pandemic is fluid, as new harmful variants of the virus are beginning to appear. As a result, management cannot predict the extent to which Asetek's results of operations or financial condition will ultimately be impacted.

The U.S. has imposed a 25% tariff on imports of goods manufactured in China, which include Asetek products. The existence of the tariff has contributed to the uncertainties in the Gaming & Enthusiast market. The Company continues to work to minimize the impact of the tariff on Asetek and its customers.

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

Asetek relies upon suppliers and partners to supply products and services at competitive prices. Supply constraints, such as the current global chip shortage, disruption in supply of materials or components, or extension of lead times could have a material adverse impact on the Company's ability to fulfill customer demand. Asetek's Gaming and Enthusiast products have been historically assembled in Xiamen, China by a single contract manufacturer which may be difficult to substitute in the short term if the need should arise.

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

Asetek moved from USA to Denmark in 2013. However, USA still considers Asetek A/S a U.S. tax subject, resulting in double taxation of Group earnings. Asetek has approached both countries' tax authorities with the aim of resolving the

situation per the double taxation treaty. However, a determination may take several years, and the authorities are not obligated to resolve it. In addition, recent U.S. regulations on taxation of foreign earnings have increased Asetek's tax liability. The Company is working with its tax advisors to address these matters.

Asetek operates internationally in Denmark, USA, China, and Taiwan and is subject to foreign exchange risk. Asetek's principal cash holdings are maintained in U.S. Dollar and Danish Krone.

For more information, refer to the Company's Annual Report for 2020, available at the Company's website: www.asetek.com

Condensed Interim Financial Statements

Consolidated Statement of Comprehensive Income

Figures in USD (000's)	Q2 2021		Q2 2020		1H 2021		1H 2020		2020
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	
Revenue	\$ 23,185	\$ 14,147	\$ 48,200	\$ 23,271	\$ 72,750				
Cost of sales	13,344	6,872	27,628	11,498	38,556				
Gross profit	9,841	7,275	20,572	11,773	34,194				
Research and development	1,646	1,339	3,496	2,506	5,718				
Selling, general and administrative	6,284	3,936	11,631	8,188	17,548				
Total operating expenses	7,930	5,275	15,127	10,694	23,266				
Operating income	1,911	2,000	5,445	1,079	10,928				
Foreign exchange (loss) gain	(238)	(323)	296	(111)	(1,361)				
Finance income (costs)	(47)	(37)	(99)	(28)	(141)				
Total financial income (expenses)	(285)	(360)	197	(139)	(1,502)				
Income before tax	1,626	1,640	5,642	940	9,426				
Income tax (expense) benefit	(272)	(325)	(1,162)	(325)	(231)				
Income for the period	1,354	1,315	4,480	615	9,195				
<i>Other comprehensive income items that may be reclassified to profit or loss in subsequent periods:</i>									
Foreign currency translation adjustments	440	457	(772)	58	2,392				
Total comprehensive income	\$ 1,794	\$ 1,772	\$ 3,708	\$ 673	\$ 11,587				
Income per share (in USD):									
Basic	\$ 0.05	\$ 0.05	\$ 0.17	\$ 0.02	\$ 0.36				
Diluted	\$ 0.05	\$ 0.05	\$ 0.17	\$ 0.02	\$ 0.35				

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

Consolidated Balance Sheet

Figures in USD (000's)	30 June 2021		31 Dec 2020	
ASSETS	<i>Unaudited</i>			
<i>Non-current assets</i>				
Intangible assets	\$	11,277	\$	3,217
Property, plant and equipment		10,079		7,049
Deferred income tax assets		5,383		6,421
Other assets		353		605
Total non-current assets		27,092		17,292
<i>Current assets</i>				
Inventory		2,708		2,531
Trade receivables and other		18,351		24,471
Cash and cash equivalents		24,731		27,099
Total current assets		45,790		54,101
Total assets	\$	72,882	\$	71,393
EQUITY AND LIABILITIES				
<i>Equity</i>				
Share capital	\$	440	\$	433
Retained earnings		60,643		50,681
Translation and treasury share reserves		(7,942)		(3,589)
Total equity		53,141		47,525
<i>Non-current liabilities</i>				
Long-term debt		2,141		2,604
Total non-current liabilities		2,141		2,604
<i>Current liabilities</i>				
Short-term debt		1,376		1,525
Accrued liabilities		2,562		2,429
Accrued compensation & employee benefits		2,409		3,193
Trade payables		11,253		14,117
Total current liabilities		17,600		21,264
Total liabilities		19,741		23,868
Total equity and liabilities	\$	72,882	\$	71,393

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

Consolidated Statement of Changes in Equity

Unaudited

Figures in USD (000's)	Share capital	Translation reserves	Treasury share reserves	Retained earnings	Total
Equity at January 1, 2021	\$ 433	\$ 2,784	\$ (6,373)	\$ 50,681	\$ 47,525
Total comprehensive income - six months ended June 30, 2021					
Income for the period	-	-	-	4,480	4,480
Foreign currency translation adjustments	-	(772)	-	-	(772)
Total comprehensive income - six months ended June 30, 2021	-	(772)	-	4,480	3,708
Transactions with owners - six months ended June 30, 2021					
Shares issued for purchase of assets	6	-	-	4,216	4,222
Shares issued for options exercised	1	-	-	724	725
Shares repurchased	-	-	(3,581)	-	(3,581)
Share based payment expense	-	-	-	542	542
Transactions with owners - six months ended June 30, 2021	7	-	(3,581)	5,482	1,908
Equity at June 30, 2021	\$ 440	\$ 2,012	\$ (9,954)	\$ 60,643	\$ 53,141
Equity at January 1, 2020	\$ 423	\$ 392	\$ (4)	\$ 38,197	\$ 39,008
Total comprehensive income - six months ended June 30, 2020					
Income for the period	-	-	-	615	615
Foreign currency translation adjustments	-	58	-	-	58
Total comprehensive income - six months ended June 30, 2020	-	58	-	615	673
Transactions with owners - six months ended June 30, 2020					
Shares issued	-	-	-	64	64
Shares repurchased	-	-	(1,638)	-	(1,638)
Share based payment expense	-	-	-	501	501
Transactions with owners - six months ended June 30, 2020	-	-	(1,638)	565	(1,073)
Equity at June 30, 2020	\$ 423	\$ 450	\$ (1,642)	\$ 39,377	\$ 38,608

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

Consolidated Cash Flow Statement

Figures in USD (000's)	1H 2021	1H 2020	2020
	Unaudited	Unaudited	
Cash flows from operating activities			
Income for the period	\$ 4,480	\$ 615	\$ 9,195
Depreciation and amortization	1,933	1,721	3,754
Finance income recognized	(1)	(49)	(51)
Finance costs recognized	99	78	192
Finance income, cash received	1	49	51
Finance costs, cash paid	(59)	(41)	(112)
Income tax expense	1,162	325	231
Cash receipt (payment) for income tax	-	-	10
Share based payments expense	542	501	918
Changes in trade receivables, inventories, other assets	5,173	2,674	(10,121)
Changes in trade payables and accrued liabilities	(3,012)	(2,476)	7,363
Net cash provided by (used in) operating activities	10,318	3,397	11,430
Cash flows from investing activities			
Acquisition of business	-	-	(1,316)
Additions to intangible assets	(4,744)	(700)	(1,571)
Purchase of property, plant and equipment	(4,537)	(298)	(1,929)
Net cash used in investing activities	(9,281)	(998)	(4,816)
Cash flows from financing activities			
Funds drawn (paid) against line of credit	(64)	(212)	(269)
Repurchase of common shares	(3,581)	(1,638)	(6,369)
Proceeds from issuance of share capital	725	68	2,381
Principal payments on capitalized leases	(425)	(363)	(831)
Net cash provided by (used in) financing activities	(3,345)	(2,145)	(5,088)
Effect of exchange rate changes on cash and cash equivalents	(60)	21	1,068
Net changes in cash and cash equivalents	(2,368)	275	2,594
Cash and cash equivalents at beginning of period	27,099	24,505	24,505
Cash and cash equivalents at end of period	\$ 24,731	\$ 24,780	\$ 27,099
Supplemental disclosures -			
Property and equipment acquired under leases	\$ -	\$ 78	\$ 668

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

Notes to the quarterly financial statements

1. General information

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

These condensed consolidated financial statements for the quarter and first half ended June 30, 2021 have been prepared on a historical cost convention in accordance with International Accounting Standard 34 (IAS 34) 'Interim Financial Reporting' as adopted by the European Union (EU) and do not include all of the information and disclosure required in the annual consolidated financial statements. These statements should be read in conjunction with the Asetek A/S 2020 Annual Report.

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

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

2. Equity

At June 30, 2021, there are 26.9 million common shares issued including 1.2 million shares held in treasury. Treasury shares may be used to fulfill employee options exercised.

Beginning in 2020, the Company announced share buy-back programs to offset employee option grants. In April 2021, the Company authorized repurchase of 237 thousand common shares on the open market for a maximum cost of \$3.0 million. In the second quarter of 2021, the Company repurchased 124 thousand common shares for a total cost of \$1.5 million. In the first half of 2021, the Company has repurchased a total of 287 thousand common shares for a total cost of \$3.6 million. In the full year 2020, the Company repurchased a total of 844 thousand shares for a total cost of \$6.4 million.

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

On April 21, 2021, the Company granted a total of 216,300 equity options to employees. Each option has an exercise price of NOK100.15 per share and becomes exercisable gradually over a period of three years. Using the Black-Scholes pricing model, the estimated fair value of these options granted is approximately \$1.1 million. The fair value was calculated using the following assumptions: risk-free interest rate of 0.2% to 0.4%; expected volatility of approximately 67%; expected option life of 2.5 to 4.0 years; dividend yield of 0%. At June 30, 2021, there were a total of 2.2 million warrants and options outstanding.

Funds received by the Company from employee exercises of warrants and options totaled \$0.7 million in the first six months of 2021 (\$64 thousand in the same period of 2020). Share based payment expense associated with total warrants and options outstanding was \$0.5 million and \$0.5 million in the six months ended June 30, 2021 and 2020, respectively.

3. Asset purchase

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

4. Acquisition of business

In November 2020, the Company acquired 100% of the voting shares of JMH Gallows Pound Technologies Ltd. ("JMH"), a UK-based developer of hardware and software technology and the owner of the Ultimate Game Tech brand, for a sum of GBP 1 million (\$1.4 million). This acquisition will support the Company's entrance into the SimSports market. The acquisition of JMH was for cash consideration, paid in three installments over one year.

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

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

The customer contracts are being amortized over 18 months and the developed technology is being amortized over the estimated useful lives ranging from 18 to 36 months. The goodwill is not amortized but reviewed for impairment once a year and also if events or changes in circumstances indicate the carrying value may be impaired. For additional information about this transaction, refer to Note 14 of Asetek A/S 2020 Annual Report.

5. Intangible assets

The Group's business includes a significant element of research and development activity. Under IAS 38, there is a requirement to capitalize and amortize development spend to match costs to expected benefits from projects deemed to be commercially viable. Costs capitalized are recorded on the balance sheet as intangible assets, net of amortization. A reconciliation of intangible assets in the first half of 2021 and 2020 is as follows:

Intangible assets	<i>Unaudited</i>	<i>Unaudited</i>
USD (000's)	1H 2021	1H 2020
Balance, January 1	3,217	1,920
Additions to capitalized development costs	1,213	700
Intellectual property acquired	7,753	-
Amortization	(627)	(686)
Exchange rate effects and other	(279)	(1)
Balance, June 30	11,277	1,933

6. Earnings (losses) per share

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

Second Quarter	<i>Unaudited</i>	
	Q2 2021	Q2 2020
USD (000's)		
Income attributable to equity holders of the Company (USD 000's)	\$ 1,354	\$ 1,315
Weighted average number of common shares outstanding (000's)	25,812	25,549
Basic income per share	\$ 0.05	\$ 0.05
Weighted average number of common shares outstanding (000's)	25,812	25,549
Instruments with dilutive effect:		
Warrants and options	1,199	974
Weighted average number of common shares outstanding, diluted	27,011	26,523
Diluted income per share	\$ 0.05	\$ 0.05
First Half	<i>Unaudited</i>	
	1H 2021	1H 2020
Income attributable to equity holders of the Company (USD 000's)	\$ 4,480	\$ 615
Weighted average number of common shares outstanding (000's)	25,796	25,576
Basic income per share	\$ 0.17	\$ 0.02
Weighted average number of common shares outstanding	25,796	25,576
Instruments with dilutive effect:		
Warrants and options	1,241	733
Weighted average number of common shares outstanding, diluted	27,037	26,309
Diluted income per share	\$ 0.17	\$ 0.02

7. Transactions with related parties

The Company's CEO serves as Chairman of the Board for a vendor that supplies information technology services to the Company. In the first six months of 2021, the Group purchased services totaling approximately \$455,000 (\$275,000 in first six months of 2020) from this vendor. At June 30, 2021 and 2020, the Group had outstanding payables to this vendor of \$79,000 and \$55,000 respectively.

The Company provides sponsorship support for Valdemar Eriksen Racing A/S, an organization partially owned by the Company's CEO. In the six months ended June 30, 2021 and 2020, the Company paid \$102,000 and \$82,000 respectively, to this organization.

8. Deferred income tax

The Company recognizes deferred income tax assets only to the extent that the realization of the tax benefit to offset future tax liabilities is considered to be probable. As of June 30, 2021, the Company has recorded deferred tax assets of \$5.38 million, representing the value of the estimated amount of net operating losses that will be utilized to offset future taxable income. In future periods, management will continue to assess the probability of realization of the assets' value and adjust the valuation in accordance with IAS 12. Refer to the Asetek A/S 2020 Annual Report regarding critical accounting estimates and assumptions.

9. Segment information and disaggregated revenue

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

Second Quarter

Figures in USD (000's)	Gaming and Enthusiast		Data center	
	Q2 2021	Q2 2020	Q2 2021	Q2 2020
Revenue	21,718	12,438	1,467	1,709
EBITDA adjusted	5,873	4,233	(919)	(51)
EBITDA margin	27.0%	34.0%	N/A	N/A

First Half

Figures in USD (000's)	Gaming and Enthusiast		Data center	
	1H 2021	1H 2020	1H 2021	1H 2020
Revenue	43,452	20,560	4,748	2,711
EBITDA, adjusted	12,334	5,940	(1,279)	(356)
EBITDA margin	28.4%	28.9%	N/A	N/A

Reconciliation to Income before tax

Figures in USD (000's)	Q2 2021	Q2 2020	1H 2021	1H 2020
EBITDA, adjusted - Gaming and Enthusiast	5,873	4,233	12,334	5,940
EBITDA, adjusted - Data center	(919)	(51)	(1,279)	(356)
Headquarters costs	(1,722)	(1,054)	(3,135)	(2,283)
Share based compensation	(370)	(280)	(542)	(501)
Depreciation and amortization	(951)	(848)	(1,933)	(1,721)
Total financial income (expenses)	(285)	(360)	197	(139)
Consolidated income before tax	1,626	1,640	5,642	940

Revenue Disaggregation:

Figures in USD (000's)	Q2 2021	Q2 2020	1H 2021	1H 2020
Gaming and Enthusiast segment:				
Enthusiast/DIY	16,895	10,230	35,429	16,755
Gaming/Performance PCs	4,823	2,208	8,023	3,805
Data center segment:				
OEM	1,467	1,709	4,748	2,711
Total revenue	23,185	14,147	48,200	23,271

Statement by the Board of Directors and Management

The Board of Directors and the Management have considered and adopted the Interim Report of Asetek A/S for the period 1 January – 30 June 2021. The Interim Report is presented in accordance with the International Accounting Standard IAS 34 on Interim Financial Reporting and additional Danish disclosure requirements. The accounting policies applied in the Interim Report are unchanged from those applied in the Group's Annual Report for 2020.

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

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

In our opinion, the Interim Report includes a true and fair account of the matters addressed and describes the most significant risks and elements of uncertainty facing Asetek, which are described in further detail in the Group's Annual Report for 2020. The Interim Report has not been audited or reviewed by the auditors.

Asetek A/S
Aalborg, 12 August 2021

Management:

André S. Eriksen
CEO

Peter Dam Madsen
CFO

Board of Directors:

Jukka Pertola
Chairman

Erik Damsgaard
Vice chairman

Maria Hjorth
Member

Jørgen Smidt
Member

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