Asetek™

ANNUAL REPORT

2018 2019 2020 2021

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Erik Damsgaard

COMPENSATION COMMITTEE
Jukka Pertola
Jørgen Smidt

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André Sloth Eriksen, CEO
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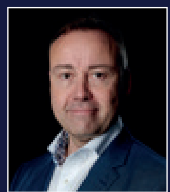
EXECUTIVE MANAGEMENT

André Sloth Eriksen
CEO



Peter Dam Madsen
CFO

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Asetek™

We believe that we have maneuvered successfully in this tumultuous year

MESSAGE FROM THE CEO

DEAR READER,

Going into 2022 we are well positioned to harvest improvements in our business.

2021 was challenging in many ways, but behind the curtains we have been working concentrated to be able to release products into a brand-new industry of ours, and at the same time allocate more resources to our legacy PC-cooling business.

As you read this, we are building and preparing to ship the first SimSports products to eagerly awaiting customers. The interest around our pre-launch program has been positive. And the reviews have shown that we were correct, when we boldly decided to focus on high quality and an extremely high level of similarity with real racing cars in our initial products. Second phase of the master plan is to now roll the high-end products out to a broader market. This will happen at the same time as we introduce new product categories such as steering wheels, wheel bases, shifters, etc. This whole effort has provided us with some 'throw back moments' where we reminded ourselves of the early days when we introduced and built the PC-cooling products into being a well-recognized and sizeable market. We develop products, establish new and valuable IP and market with our tag line 'Passion. Precision. Performance' in mind and that mindset flows through the entire organization.

The past year has been challenging from an operational perspective. Not a month went by without bad news occurring from the outside world. Most of it has been Covid-19 related. We saw shipping congestions and skyrocketing shipping rates. And we saw component shortages impacting us both up and down the value chain. The exchange rates have not been favourable during a year where international tensions have increased and have deteriorated the business climate between the large nations and the headaches are unfortunately not over, as we have to forecast components several years ahead for products that are not even launched yet. And shipping rates and availability are still challenges for our customers.

We believe that we have maneuvered successfully in this tumultuous year. We have been extremely busy safeguarding the supply chains and securing the flow of products to our customers through the year. Even though supplying products have come with a financial penalty, we believe our priorities have been correct, which also did allow for a 10% growth despite the challenges. We have assisted our manufacturing partners finding the specific or alternative components before supplies dried up. And we have helped our customers by bringing up inventories before the logistics flows got entangled. We had hoped for a higher revenue growth and we had customer forecasts to support that, but unfortunately our customers' reality did not materialize as well as anticipated, and we had to scale down our expectations. However, all-in-all we are satisfied that we reached a 10% overall revenue increase in 2021.

In our Data Center business, 2021 brought a significant change. In October, after careful consideration and analysis, we came to the conclusion that we would be best off retiring from the High Performance Computing (HPC) sub-segment. We will continue developing products for more general data center applications, but we have learned that the mix of new, optimized solutions and low quantities in the HPC business cannot not be scaled into profitability at this point. There are simply too many engineering resources required for each new development in the high-performance product offering compared to demand we see afterwards.

We very much still believe data center cooling has future for us and we will be allocating the necessary resources going forward. We continue our work in the political arena and we saw good progress in the summer of 2021 where EU's Green Deal document was made public and sent out for debate. For the first time ever, a requirement for re-use of the enormous quantities of waste heat is now addressed by the politicians. When the tide turns and the data center industry starts being realistic about their emission reductions, we have the products available and will be ready to crank up the efforts again.

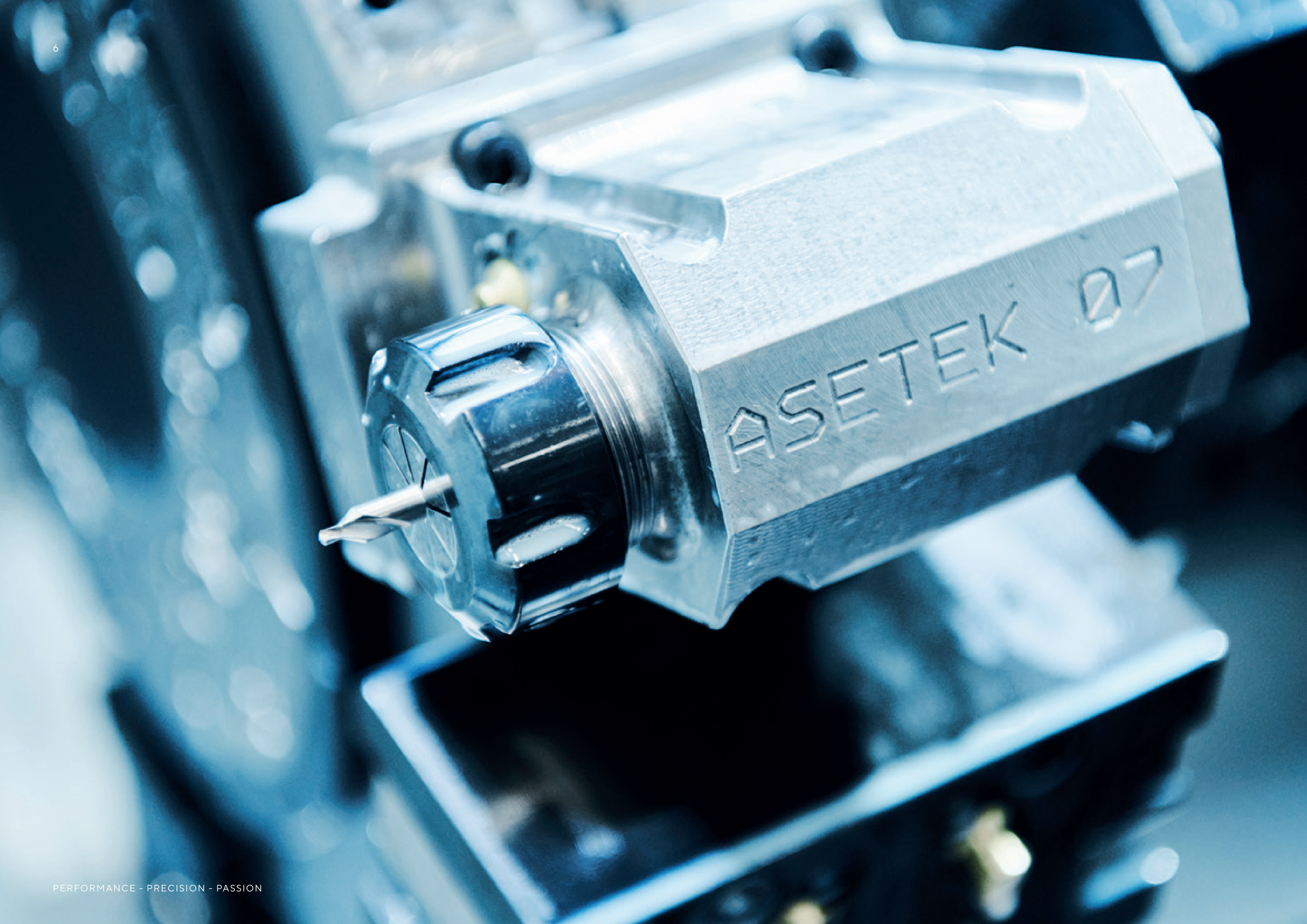
On the internal side, we are progressing with our sustainability efforts. We initiated the projects in 2020 and built the framework. Now, we roll out the approach to specific product development projects. And we are working with our suppliers to convey our point of view on, for example, human rights down the supply chain.

We welcome you to join us on the journey into 2022.

Thank you for your interest in Asetek,

André S. Eriksen,
CEO and Founder of Asetek

PERFORMANCE - PRECISION - PASSION


ASETEK 07

MANAGEMENT REPORT

THE YEAR 2021 OUTLINED

// **Record revenue of $79.8 million, 10% growth from 2020**

// **Gross margins of 42% compared with 47% in 2020**

// **Adjusted EBITDA of $7.2 million compared with $15.6 million in 2020**

// Revenue in 2021 totaled $79.8 million, an increase of 10% from 2020 ($72.8 million), mainly reflecting increased shipments of Gaming and Enthusiast products.

// Gross margin was 42% in 2021 compared with 47% in 2020. The change primarily reflects a weaker U.S. dollar, higher costs associated with the worldwide chip shortage and global supply chain disruptions.

// During the year, Asetek earned operating income of $0.8 million ($10.9 million) and Adjusted EBITDA of $7.2 million ($15.6 million).

// Asetek repurchased 400 thousand common shares during 2021 for a total cost of $4.8 million (844 thousand in 2020 for cost of $6.4 million).

// In order to maximize the future profitability of its Data center business, the Company announced that it is exiting the High-Performance Computing (HPC) niche. Asetek plans to prioritize the general data center market and support legislation increasing adoption of its sustainable solutions, capitalizing on its liquid cooling technology and long-term investments in the segment. Asetek recorded a one-time charge of $1.7 million to operating expense in the third quarter of 2021 following this strategic change.

// Operational achievements during the year:

/ Asetek continued its success as the leading supplier of liquid cooling solutions for high-end computing, shipping 1.4 million sealed loop liquid cooling units in 2021, compared with 1.2 million shipped in 2020.

/ Asetek entered the fast-growing SimSports gaming market. To support this new venture, the Company acquired intellectual property and other assets from Finland-based Granite Devices, in addition to closing the late-2020 acquisition of JMH Gallows Pound Ltd, owner of the Ultimate Game Tech brand. With these two transactions, Asetek invested $10 million to advance its SimSports offering, including software, hardware, mechanical designs and operational proficiency.

/ In October, Asetek announced a licensing, marketing and product agreement with Pagani Automobili, the Italian manufacturer of exclusive racing hypercars. Asetek plans to custom design Pagani-licensed and branded SimRacing products that Pagani will market and sell through its channels.

/ The Company announced new products in the Gaming and Enthusiast market:

/ Asetek 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.

/ Global gaming leader Razer introduced its first all-in-one liquid cooling solutions, leveraging the superior thermal and acoustic performance and reliability of Asetek's advanced cooling technology. The Razer Hanbo AIO liquid coolers provide advanced CPU overclocking capability, RGB lighting and virtually silent operation.

/ In November, the Company began accepting pre-orders for the first of its SimSports products – Invicta Sim Racing Pedals – which include a throttle, brake pedal and add-on clutch pedal, along with its Race-Hub software for quick and easy adjustments and calibration. This initial offering, available in early 2022, will provide competitive SimSports gamers with full immersion and the feeling of a real racecar.

/ 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.

ASETEK AT A GLANCE

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

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. The Company's server products offer direct-to-chip liquid cooling solutions for delivery of cost effective, data center solutions. In 2021, Asetek expanded into the SimSports gaming market, introducing its initial sim racing products to provide sim racers full immersion and the feel of a real racecar.

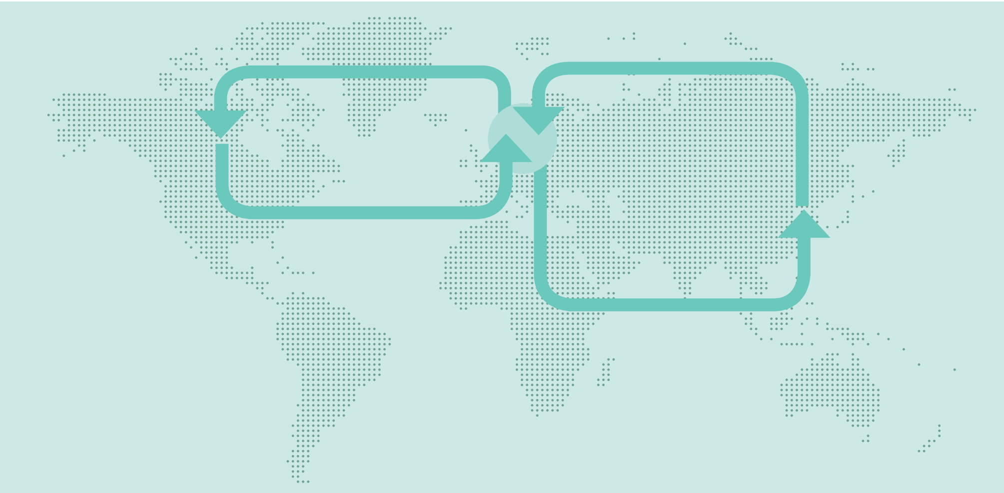
With over nine million liquid cooling units deployed, Asetek's patented technology is being adopted by a growing portfolio of OEMs and channel partners. Founded in 2000, Asetek is headquartered in Demark and has operations in California, Texas, China and Taiwan.

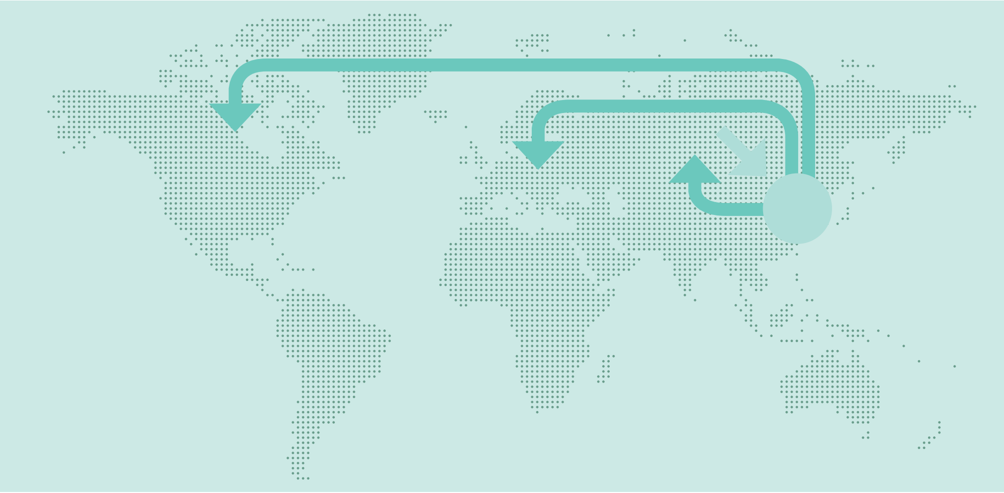
Asetek's business model begins with its research and development team based in Aalborg, Denmark, which manages collaboration with the Company's global customer base to define requirements and develop cutting edge technology. The Aalborg team works with the R&D team in Xiamen, China to identify the optimal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

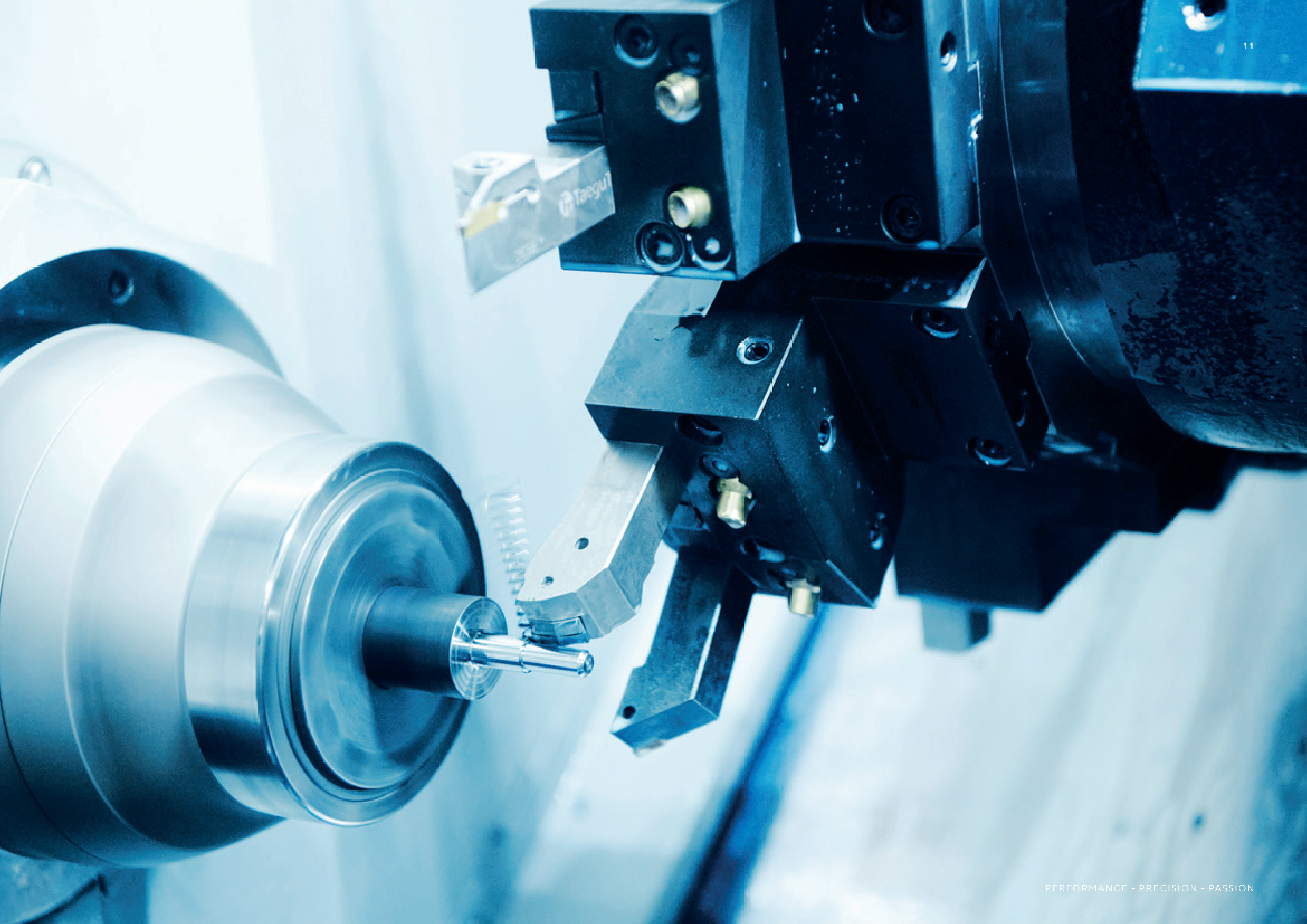
FINANCIALS

FISCAL YEAR	2021	2020	2019	2018	2017
COMPREHENSIVE INCOME ($000'S)					
Revenue	79,803	72,750	54,334	67,314	58,194
Gross profit	33,373	34,194	23,005	26,172	20,969
Operating income (loss)	779	10,928	1,048	4,419	2,757
Financial items, net	618	(1,502)	406	451	(1,258)
Income before tax	1,397	9,426	1,454	4,870	1,499
Income for the year	1,337	9,195	(628)	3,672	4,475
Comprehensive income	(372)	11,587	(1,072)	3,503	5,728
Operating income before amortization, depreciation and financial items (EBITDA), unaudited	4,529	14,681	5,105	8,109	5,187
Adjusted EBITDA, unaudited	7,223	15,600	6,161	9,385	6,784
BALANCE SHEET ($000'S)					
Total assets	75,354	71,393	54,105	51,398	49,176
Total equity	48,388	47,525	39,008	38,958	33,394
Interest-bearing debt	3,243	4,129	4,292	1,621	1,867
Working capital	20,603	32,837	27,919	25,315	19,028
Invested capital	80,900	81,786	81,949	79,278	79,524
Investment in property, plant and equipment, net	11,732	7,049	6,115	4,103	3,856
Investment in intangible assets, net	10,938	3,217	1,920	2,414	2,754
CASH FLOW ($000'S)					
Operating activities	14,317	11,430	8,870	3,843	6,088
Investing activities	(13,204)	(4,816)	(2,154)	(3,659)	(4,298)
Financing activities	(4,636)	(5,088)	(648)	455	(2,091)
Total cash flow	(3,803)	2,594	5,878	229	788

RATIOS & METRICS

FISCAL YEAR	2021	2020	2019	2018	2017
PROFIT & LOSS					
Gross margin	41.8%	47.0%	42.3%	38.9%	36.0%
Operating margin	1.0%	15.0%	1.9%	6.6%	4.7%
Return on invested capital (ROIC)	1.7%	11.2%	-0.8%	4.6%	5.6%
Organic growth	9.7%	33.9%	-19.3%	15.7%	14.3%
BALANCE SHEET					
Quick ratio	1.6	2.4	3.1	2.9	2.1
Current ratio	1.8	2.5	3.3	3.1	2.3
Days sales outstanding	69.6	116.1	88.6	79.0	79.7
Inventory turns per year	11.5	18.4	13.9	15.9	21.4
Days payable outstanding	145.4	133.6	96.2	63.2	99.5
Debt to equity	6.7%	8.7%	11.0%	4.2%	5.6%
STOCK MARKET					
Earnings per share, basic (USD)	0.05	0.36	(0.02)	0.14	0.18
Earnings per share, diluted (USD)	0.05	0.35	(0.02)	0.14	0.17
Shares issued (000's)	26,970	26,433	25,789	25,785	25,568
Treasury shares (000's)	1,262	931	185	245	331
Share price (NOK)	41.00	108.80	31.00	40.60	105.00
Share price to earnings	90.56	35.98	-	33.30	75.28
Market capitalization ($000's)	119,825	323,054	90,205	119,083	322,972
BUSINESS DRIVERS					
Sealed loop units shipped (000's)	1,386	1.201	895	1,119	1,020
Average selling price per unit, Gaming and Enthusiast (USD)	52.6	53.9	57.9	56.3	52.2
Revenue per employee ($000's)	528	661	560	709	626
Average number of employees	151	110	97	95	93

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


Taegu

Holy moly. The Asetek Invicta pedals are a work of art

ASETEK'S SIMSPORTS PRODUCTS WELL ON THE WAY TO THE SIMULATOR FORMULA 1

A FANTASTIC BLOGGER RESPONSE TO THE FIRST PEDAL SET HAS BROUGHT THE ENTHUSIASM OF ASETEK'S DEDICATED ENGINEERS AND MARKETING PEOPLE TO A PEAK. THEY HAVE EMBARKED ON THE STEPWISE DEVELOPMENT AND INTRODUCTION OF THE BIGGEST RANGE OF PLUG-AND-PLAY SIMRACING PRODUCTS ON THE MARKET.

From 0 to 200 mph in just 10 seconds or so – that's how it goes on Formula 1 racetracks in the real world. And that's how it will be in Asetek's SimSports™ simulator universe, which users will see as the simulator's answer to Formula 1, whichever well-known PC game - Asetto Corsa, iRacing, rFactor etc – they are competing in. And that's how it's been, too, in the early months of Asetek's new SimSports development department, established in 2021 with around 20 dedicated staff assigned to it. They have been hard at work ever since, while the accompanying sales and branding campaign has likewise been getting properly into gear.

A good many of the staff are racing enthusiasts recruited from within Asetek's existing organization. Just as Asetek's CEO André Sloth Eriksen has personally been deeply involved in motorsport and its challenges for many years. It creates a unique advantage in terms of industry knowledge. But just equally many engineers have been brought in from outside, bringing new zest and inspiration from the academic world and elsewhere. As predicted, Asetek's world-renowned skills in the world of processor cooling and the new SimSports products have turned out to have a lot in common, such as when it comes to motor design and general mechanics. Both are basically advanced Mechatronics – the interface between machinery, electronics and software.

'HOLY MOLY'

It is expected to be some time yet before Asetek SimSport has a complete range of products in each series fully developed, in production and ready for market. They will be available through Asetek's own online shop as well as at reputable international gamer equipment dealers and motorsport outlets.

Following thorough analysis, the list of countries where resellers have already been identified and collaboration agreements concluded is currently in double figures – with more to come.

Happily, the first influencer/blogger reviews of the first – and most advanced – Invicta pedal set, which is now developed and has just been put into production, are all extremely positive:

'...I have tried tons of pedal sets and I think I have around 10 or so here, this is probably my favorite one so far, honestly – you guys did an insanely good job on this!!'

'...The quality to price ratio is unbelievable for a hydraulic set. Stunning...'

'Holy moly. The Asetek Invicta™ pedals are a work of art'

...so say world-recognized racer gear bloggers such as Boosted Media, Jaames and Laurence Dusoswa amid a chorus of effusively positive reviews that thousands of gaming enthusiasts are now reading and responding to with orders that have already started coming in.

STARTING AS MERCEDES DO

'Essential to Asetek's SimSports strategy is that – unlike our competitors – we aim to provide a broader range than any of the competition, and we aim to do it at superb quality levels at various price points. We are starting at the top with Invicta, which will mark out Asetek SimSport as a quality brand, just as, for example, Mercedes develop the luxury end of their latest S-class model first', explains Asetek's CEO André Eriksen. He and his company are also delighted that big racing stars such as two-time Formula 1 World Champion Mika Häkkinen and four-time Indianapolis 500 champion Hélio Castroneves have already tried out the pedals in early 2022 and declared themselves impressed.

Asetek SimSports currently has ten products in the pipeline, each of which will be available with different feature sets for users with different budgets: Invicta for the connoisseurs, Forte for those who want the same look but without the latest luxury frills, and La Prima™ for quality-conscious entry-level users. All in superb 'Designed in Denmark' quality for a range of pockets. The first item, the pedal set – in the luxury Invicta quality – comes with a patent-pending hydraulic braking system. This has been designed from the ground up by Asetek's talented R&D department as a two-stage system that perfectly simulates the feel of a real racing car, representing the state-of-the-art.

PLUG & PLAY

'Our product philosophy is to offer top-notch quality at reasonable prices, but also to have every single product set up so that the customer's gamer PC recognizes the identity of the connected unit on the spot, i.e. plug & play, like today's advanced but easy-to-operate smartphones. A newly acquired Asetek SimSports unit works the moment the USB connector is plugged into the user's PC', notes Henrik Gertz, Asetek's VP Global Operations.

While the individual components (screws, brackets, pedal arms and other mechanical parts) are initially being produced by high-quality suppliers in China or the Far East, they are fitted and quality-approved at the factory in Aalborg, where production of Invicta pedals has just gotten off to a steady start.

At the same time, the engineers are forging ahead with development of the future products expected to reach the market sequentially: pedals (developed), steering wheel and steering wheel base (to appear simultaneously), seat, cockpit, handbrake, gearstick and motion platform.

Asetek CEO André Eriksen and Henrik Gertz, VP Global Operations, are delighted that production of the first SimSports products is already well under way – and already getting effusive ratings from internationally recognized bloggers and influencers

PERFORMANCE IN 2021

PROFIT AND LOSS

Total revenue for 2021 was $79.8 million, representing growth of 10% from 2020 ($72.8 million). Sealed loop cooling unit shipments for 2021 totalled 1.4 million, a 15% increase over 2020 (1.2 million). Average Selling Prices (ASP) for the year 2021 decreased to $52.62 from $53.91 in 2020. The fluctuations reflect changes in shipments of Gaming and Enthusiast products,which were negatively impacted by a global shortage of semiconductor chips, particularly GPU's, that has suppressed demand for Asetek's coolers.

Gross margin decreased to 41.8% in 2021 from 47.0% in 2020, reflecting higher component costs due to a weaker U.S. dollar, increased shipping costs due to global supply chain disruptions, and a change in the mix of product shipments.

In 2021, total operating expense increased to $32.6 million from $23.3 million in 2020. Operating expense in 2021 includes a one-time charge of $1.7 million for asset write-downs and other costs associated with Asetek's planned exit of the HPC data center niche, and a gain on sale of land of $0.7 million.

The increase in operating expense reflects investments in the new SimSports line of business. SimSports operating expense, including allocations of fixed overheads and some one-time costs, was $6.2 million in 2021 (zero in 2020). Legal cost incurred associated with defense of existing IP and securing new IP was $4.7 million in 2021 ($2.4 million). Share-based compensation cost associated with warrants and options issued to employees was $1.0 million in 2021 ($0.9 million).

Excluding the gain on sale of land, the costs associated with the new SimSports business and the one-time impairment charge to write down data center assets, operating expense in 2021 increased 9% from 2020.

Adjusted EBITDA was $7.2 million in 2021, compared with $15.6 million in 2020. Adjusted EBITDA in 2021 represents operating income of $0.8 million, plus depreciation of $3.8 million, plus share-based compensation of $1.0 million, plus $1.7 million one-time charge associated with exit of HPC data center niche.

Foreign currency transactions in 2021 resulted in a $0.8 million gain ($1.4 million loss in 2020).

Income tax expense was $0.1 million in 2021 compared with $0.2 million expense in 2020.

Asetek had a total comprehensive loss of $0.4 million for 2021, compared with total comprehensive income of $11.6 million in 2020. Comprehensive income included a negative $1.7 million translation adjustment in 2021 (positive $2.4 million in 2020).

BALANCE SHEET

Asetek's total assets at December 31, 2021 were $75.4 million, compared with $71.4 million at the end of 2020. The principal components of this change are as follows: Intangible assets increased by $7.7 million as a result of the purchase of intellectual property from Granite Devices, Inc.; Property, plant and equipment increased by $4.7 million due to the purchase of land and building construction for a future headquarters facility; Inventory grew by $3.0 million in preparation for projected future deliveries to customers. Trade receivables decreased by $7.9 million due to lower sales in the fourth quarter of 2021 compared with the same period of 2020. Cash and cash equivalents declined by $3.8 million, reflecting payments made on asset acquisitions and the repurchase of common shares in 2021.

Total liabilities increased by $3.1 million in 2021, due to offsetting factors. Trade payables increased by $4.4 million due to proactive management of suppliers and changes in the timing of payments. Accrued compensation and employee benefits decreased by $1.1 million due to timing of related disbursements.

Working capital (current assets minus current liabilities) totaled $20.6 million at December 31, 2021 ($32.8 million in 2020). The change reflects the Company's long-term asset acquisitions and repurchase of common shares in 2021.

STATEMENT OF CASH FLOWS

Net cash provided by operating activities was $14.3 million in 2021 ($11.4 million provided in 2020). The change was principally due to changes in the timing of collections of receivables and disbursements on trade payables, partly offset by lower net income in 2021.

Cash used by investing activities was $13.2 million compared with $4.8 million used in 2020. The increase was due to the purchase of land and building for a future headquarters facility and the purchase of intellectual property and other assets from Granite Devices Inc. These outflows were partly offset by proceeds from the sale of a parcel of land.

Cash used by financing activities was $4.6 million in 2021 compared with $5.1 million used in 2020. During 2021, Asetek repurchased 400 thousand shares of common stock for $4.8 million and paid $0.9 million on leases. These effects were partly offset by $0.9 million received for shares issued on options exercised by employees and funds drawn on a line of credit.

Net decrease in cash and cash equivalents was $3.8 million in 2021, compared with increase of $2.6 million in 2020. Cash and cash equivalents at December 31, 2021 was $23.3 million ($27.1 million in 2020).

LIQUIDITY AND FINANCING

As of December 31, 2021, the Company has working capital of $20.6 million and non-current liabilities of $1.5 million. Since 2016, the Company has generated positive operating cash flows and operating income. 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 2022

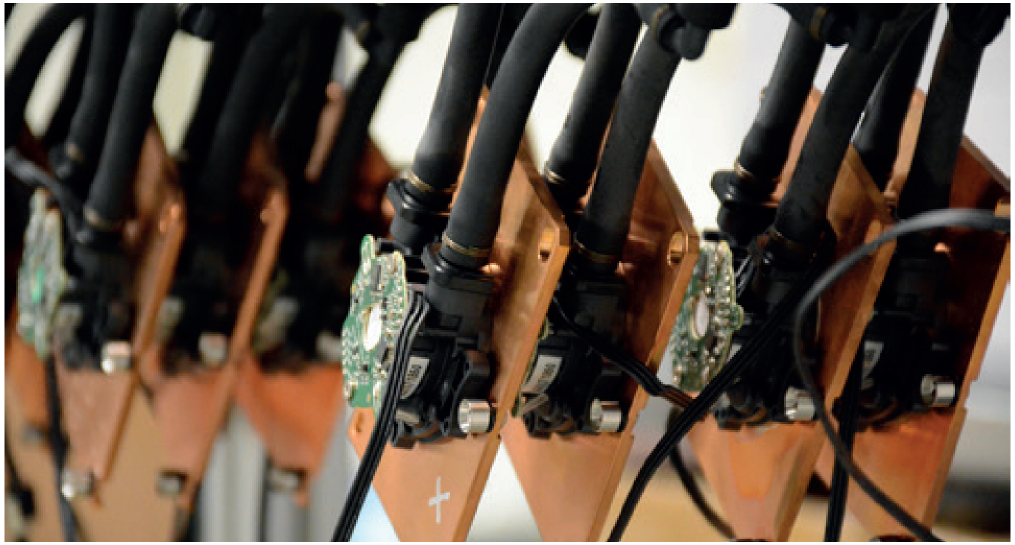
In 2022, Asetek will continue to invest in and launch innovative new high-performance liquid coolers for gamers and enthusiasts. The Company plans to invest in the development of its new SimSports offerings for the foreseeable future with the goal of regular launches of new SimSports products. Consistent with prior years, Asetek will continue to focus its resources on the Gaming and Enthusiast market, growing market share through existing and new OEMs, and building the Asetek brand. In conjunction with efforts to build its SimSports business, Asetek plans to enhance its direct sales channels.

During 2021, in order to maximize future profitability of its data center business, the Company announced that it is exiting the High-Performance Computing (HPC) niche. In 2022, Asetek plans to prioritize the general data center market and support legislation increasing adoption of the Company's sustainable solutions, capitalizing on its liquid cooling technology and long-term investments in the business segment.Though Asetek is exiting the HPC niche, it is maintaining its long-term dedication and exposure to sustainable data centers. As a result of this change, Management expects that data center revenue will not be significant in 2022 and therefore the Company will stop reporting on the data center segment.

The Company's consolidated annual results for 2021 met Management's expectations that were communicated in the Q3 2021 Report. When comparing to projections communicated in the 2020 Annual Report, the 2021 annual results partially met expectations. Revenue achieved in 2021 was in line with original projections from 2020, but income earned did not meet original expectations, principally due to challenges brought upon by the COVID-19 pandemic, the continuing global chip shortage and disruptions in the global supply chain.

Management has communicated a growth target that revenue will increase by an average of approximately 15% per annum over the next five years. In some years growth may exceed the average, and in other years it may be lower.

Considering the volatile global situation, revenue growth for 2022 is expected to be in the range of -5% to +15% compared with 2021, considering assumptions such as shortages of semiconductor chips, shipping cost and capacity variances, pandemic lockdowns, general geo-political tensions as well as an overall expectation that the business climate will normalize over the course of the year. Operating income is projected to be between -$1 and +$5 million in 2022, reflecting the above uncertainties.




Asetek

CORPORATE GOVERNANCE

Asetek's management model and organization are adapted continuously to ensure the Company is equipped to effectively manage all obligations to shareholders, customers, employees, authorities and other stakeholders. 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:
https://ir.asetek.com/Corporate-Governance-Statement-2021

Danish Recommendation for Corporate Governance	2021	2020
Complies with recommendations	38	45
Partially complies with recommendations	N/A	1
Does not comply with recommendations	2	1

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 four 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 via telephone. Additional meetings may be convened on an ad hoc basis.

Board of Directors meetings:

Meetings held during the year	6
Participation:	
Jukka Pertola (chair)	100%
Erik Damsgaard (vice chair)	100%
Jørgen Smidt	100%
Maria Hjorth	100%
Chris Christopher - left Board on April 22, 2021	100%

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 Jukka Pertola.

Nomination Committee meetings:

Meetings held during the year	**1**
Participation:	
Ib Sonderby (chair) (independent)	100%
Claus Berner Møller (independent)	100%
Jukka Pertola	100%

// 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, including cybersecurity risks. The Committee consists of at least two shareholder elected Board members. Members: Maria Hjorth (chairman), Erik Damsgaard.

Audit Committee meetings:

Meetings held during the year	**4**
Participation:	
Maria Hjorth (chair)	100%
Erik Damsgaard	100%
Chris Christopher - left Board April 22, 2021	100%

// The Compensation Committee has responsibilities related to developing proposals for the applicable remuneration policy and remuneration of the Management Board. Members: Jukka Pertola (chairman) and Jørgen Smidt.

Compensation Committee meetings:

Meetings held during the year	**4**
Participation:	
Jukka Pertola (chair)	100%
Jørgen Smidt	100%
Chris Christopher - left Board April 22, 2021	100%

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 2021 General Meeting are independent persons, and none of the Board members participates in the day-to-day operation of the Company. At the 2021 General Meeting, Mr. Jukka Pertola was elected Chairman of the Board, receiving 68% of the votes cast. Additional information about the Board members, including other management positions held, can be found in Note 25 of the consolidated financial statements.

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

Internal audit. 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.

REMUNERATION OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

For 2021, the Company will publish its executive remuneration principles and practices in a separate report issued in compliance with the Danish Companies Act, section 139b. The report will be issued together with the notice of the annual general meeting.

The 2021 Remuneration Report will be available on the Company's website: https://ir.asetek.com/Remuneration-Report-2021

BOARD OF DIRECTORS SHARE AUTHORIZATION

Meeting Date	Meeting Type	Action	Shares	Nominal Value	Price
April 23, 2014	Board	Board issues warrants to employees and Board members	118.210	DKK 0.10/share	NOK 40.10
August 12, 2014	Board	Board issues warrants to employees and Board members	32.970	DKK 0.10/share	NOK 33.90
August 11, 2015	Board	Board issues warrants to employees and Board members	700.000	DKK 0.10/share	NOK 10.50
April 29, 2016	Board	Board issues warrants to employees and Board members	600.000	DKK 0.10/share	NOK 19.50
April 25, 2017	Board	Board issues warrants to employees and Board members	509.687	DKK 0.10/share	NOK 76.25
July 7, 2017	Board	Board issues warrants to employees	106.999	DKK 0.10/share	NOK 113.00
April 25, 2018	General	Board authorized to acquire the Company's own shares	-	-	-
October 31, 2018	Board	Board introduces employee stock option program to replace warrant program and issues options to employees	378.500	DKK 0.10/share	NOK 46.30
April 10, 2019	General	Board authorized to acquire the Company's own shares	-	-	-
September 8, 2019	Board	Board issues options to employees	494.900	DKK 0.10/share	NOK 24.70
April 22, 2020	General	Board authorized to acquire the Company's own shares	-	-	-
April 23, 2020	Board	Board issues options to employees	320,300	DKK 0.10/share	NOK 38.33
April 21, 2021	Board	Board issues options to employees	216,300	DKK 0.10/share	NOK 100.15
April 22, 2021	General	Board authorized to acquire the Company’s own shares	-	-	-

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 to identify 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 the separate Asetek Sustainability Report 2021 for identified risks and remedies.

COVID-19 pandemic.In the second half of 2021, Asetek's operations in Xiamen, China were negatively affected by power outages and COVID-related shutdowns in China, hindering sub-suppliers' deliveries of components to the Company's contract manufacturers and consequently their shipments to Asetek. The Company's operations team has closely managed the status of each affected supplier to minimize disruption to Asetek's customer order deliveries. There has not been a significant impact to Asetek's operations from shutdowns thus far in the first quarter of 2022; however, such disruptions could occur in the future.

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, and as a result, management cannot predict the extent to which Asetek's results of operations or financial condition will ultimately be impacted.

Business combinations and SimSports. In November 2020, The Company acquired JMH Gallows Pound Technologies Ltd., a UK- based developer of hardware and software technology and owners of the UltimateGameTech brand. In January 2021, Asetek acquired intellectual property from Granite Devices Inc. These acquisitions are in support of the Company's recent entrance into the fast-growing SimSports gaming market. To date, Asetek has principally developed its products internally. Acquiring technology externally represents a new avenue for the Company. The newly acquired assets may be challenging to develop into successful products for the SimSports market. In November 2021, the Company began accepting pre-orders on the first of its SimSports products, which is expectedto be shipping in early 2022.

Customer concentration. In 2021, three customers accounted for 37%, 18% and 11% of total revenue. In the event of a decline or loss of any 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 its other Gaming & Enthusiast 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 37% and 19% of trade receivables at December 31, 2021. 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.

Global chip shortage. Asetek's revenue is dependent upon timely releases by major suppliers of new GPU's and CPU's. The global economy is currently subject to an unprecedented shortage of semiconductor chips due to production constraints and the accelerated digital transformation brought upon by the pandemic. This shortage has negatively impacted demand – Asetek's OEM customers waiting for components are limited in their ability to build products with Asetek coolers; and end users who are waiting for new GPUs are delayed in purchasing new liquid coolers.

Manufacturing supply. Asetek relies upon suppliers and partners to supply products and services at competitive prices. Supply constraints, such as the current global chip shortage and ongoing disruptions in the global supply chain have increased component costs and limited 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. Suppliers are proactively managed by the Company's operations teams based in Xiamen and Aalborg.

U.S. import tariffs. 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.

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 2021, the USD strengthened against both the DKK and EUR by 8% and strengthened against the Japanese Yen by 12%.

Asetek's raw materials are predominantly purchased with USD, from vendors whose underlying currency is CNY. The USD weakened against the CNY by 2% in 2021. Asetek recognizes that USD appreciation can result in sales price pressure for its suppliers. Historically, 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 2021.

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.

IT security. Asetek continuously implements measures to monitor and respond to data breaches and cyberattacks. Management ensures that security assessments, including vulnerability assessments and assumed breach tests are performed on a regular basis. Additional security measures to mitigate phishing and spam mails are delivered to employees and password policies are maintained- to mitigate the risk of password dictionary attacks or other forms of brute force hacking of individuals. The Company maintains ongoing efforts with external specialists to continuously improve and strengthen the IT Infrastructure security. Mandatory training in cybersecurity is carried out for all employees, and the knowledge level of cybersecurity is thus being changed from awareness-based to training- and compliance-based. Asetek has not experienced any security breaches within the most recent 5 years.

The Company has entered into an information security risk insurance policy. This area is actively monitored by the Board of Directors' Audit Committee.

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, resulting in double taxation of Group earnings. Asetek has approached both countries' tax authorities with the aim of resolving the 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 continues to make progress 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. In 2020, the GILTI regulation caused incremental utilization of the Company's available deferred tax assets of approximately $0.4 million, but did not materially impact deferred tax asset utilization in 2021. Because of Asetek's U.S. tax status as described above, management believes that the impact of the GILTI regulation as it applies to the Company could be reformed in the future; however, such reform is not certain. The Company continues to work with its tax advisors to clarify and address these matters.

Geo-political risk. Adverse changes in global or regional economic conditions periodically occur, and are at higher risk due to current political and military conflicts between nations. Adverse economic effects may include recession or slowing growth; changes or uncertainty in fiscal, monetary, or trade policy; higher interest rates, tighter credit, inflation; lower consumer confidence and spending. Adverse changes in economic conditions can significantly harm demand for Asetek's products and make it more challenging to forecast operating results and to make business decisions. An economic downturn or increased uncertainty may also lead to increased credit and collectibility risks, reduced availability of capital and credit markets, reduced liquidity and potentially adverse impacts on our suppliers.

CORPORATE SOCIAL RESPONSIBILITY

Asetek seeks to be a good corporate citizen in everything that it does, and therefore has combined its operating principles into one framework policy.The Asetek Sustainability Report 2021 is the Company's Report on Corporate Social Responsibility, c.f. Section 99a of the Danish Financial Statements Act. Please refer to the Report here: https://https://ir.asetek.com/Sustainability-Report-2021

The Asetek Sustainability Report 2021 is the Company's Report on Gender Distribution in Management, c.f. Section 99b of the Danish Financial Statements Act. Please refer to the Report here: https://https://ir.asetek.com/Sustainability-Report-2021

The Asetek Sustainability Report 2021 is the Company's Report on Data Ethics, c.f. Section 99d of the Danish Financial Statements Act. Please refer to the Report here: https://https://ir.asetek.com/Sustainability-Report-2021

Pursuant to section 107d of the Danish Financial Statements Act, the Company must report on its diversity policy. Asetek's diversity policy is available here: https://ir.asetek.com/Diversity-Policy-2021

This statement of Asetek's diversity policy is a component of the Management's Report in the Annual Report for 2021 and covers the financial period 1 January - 31 December 2021:

Asetek believes that diversity among employees and management, including an even distribution of age, nationality and educational background, contributes positively to the work environment and strengthens the company's competitiveness and performance.

Historically, Asetek has been a diverse workplace, where employees have very different backgrounds, competencies and living conditions. Not only in relation to gender, age and origin, but equally in relation to education, experience and personality. It is therefore Asetek's goal that the management should equally reflect the diversity among our employees. In order to promote diversity among the company's management and board of directors, there is a focus on this in recruiting new managers. In 2021, Asetek has therefore sought to ensure broad diversity among applicants when recruiting and promoting.

The board members of Asetek cover a wide range of experiences from both the Danish and international business community and the high-tech industry. This composition is considered appropriate, as it ensures a breadth in the members' approach to the tasks, and thus helps to ensure qualified considerations and decisions. At the end of the financial year, 17% of the Executive Board and Board of Directors are of a nationality other than Danish. In terms of age composition, 0% of management is under 40 years old, 67% are between 40 and 60 years old, and 33% of management is over 60.

SHAREHOLDER INFORMATION

Asetek's shares are listed on Oslo Børs. As of December 31, 2021, a total of 26,970,134 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 ASTK.

The total market capitalization value at the end of 2021 was NOK 1,054 million (approximately USD 120 million) which was a decrease of 63% from the market value at the beginning of 2021. Asetek is thus classified as a Small Cap company on Oslo Børs.

1,262,000 shares were held by the Company on December 31, 2021 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 2021, Asetek A/S had 1,322 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 8.0% of the share capital at the end of 2021.

1 JANUARY 2021

Asetek shares opened the year 2021 at NOK 115.00.

31 DECEMBER 2021

At the last trading day of the year, Asetek shares closed at NOK 41.00, which was a decrease of 62% from the beginning of the year. The Oslo Stock Exchange (OSE) Benchmark Index increased 23% in 2021. The OSE Information Technology Index increased by approximately 24% in 2021.

According to Asetek's registrations, the following shareholders possessed 5% or above of the share capital as per December 31, 2021:

Shareholder	Number of Shares	%
Skandinaviska Enskilda Banken AB	3,727,472	14.5%
The ATP Group	3,270,475	12.7%
UBS Switzerland AG	2,446,272	9.5%
HSBC Trinkaus & Burkhardt AG	2,118,643	8.2%
Sunstone Technology Ventures Fund	1,586,341	6.2%
Danske Bank AS	1,458,977	5.7%
The Bank of New York Mellon SA/NV	1,338,826	5.2%

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 technology and 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 2021:	
Annual General Meeting:	April 28, 2022
Q1 2022 Report:	April 28, 2022
Q2 2022 Report:	August 12, 2022
Q3 2022 Report:	November 4, 2022
2022 Annual Report:	March 8, 2023

As we know, the Devil is in the detail. Here, we consider that, fortunately, Asetek achieved a number of important milestones during 2021

MOOD AND DEVILISH DETAILS GOING ASETEK'S WAY IN THE EU

IN 2021, ASETEK'S ARGUMENTS MET WITH EVER-GROWING AFFINITY AMONG COMMISSION OFFICIALS FOR THE CONCEPT THAT DIRECT CPU WATER COOLING OF DATA CENTERS IS THE MOST CLIMATICALLY RESPONSIBLE APPROACH TO SAVING CO2 – BUT THE FINISH LINE IS STILL SOME WAY OFF.

While 2021 was not an easy year for the typical lobbyist stalking the sadly COVID-depleted corridors of the EU Commission, Asetek still found that the company's message about waste heat from data centers increasingly resonated there.

Specifically, this was apparent in the ongoing job of influencing the detail of the 4000-plus pages of the overall Green Deal proposal published by and still under consultation with the Commission – work which is slowly but surely transforming the draft into the EU's concrete future plan for achieving its objective of a minimum 55% CO2 reduction in Member States by 2030.

The Green Deal proposal and the Energy Efficiency Directive (EED) underlying it address directly – at a general level for now – with a plan setting out how waste heat from data ccenters should be used in local district heating networks, for example – as is already possible in existing networks in most of northern Europe.

THE DEVIL IS IN THE DETAILS

'So, we are well on the way, but still some distance from the finish line. Nothing is definitive, but there is a lot to indicate that the concrete, finalised legislation will point very precisely in a direction that both benefits climate protection and supports Asetek's goals and vision', explains Jan Gütter, Asetek's Public Affairs Officer in Brussels and Berlin.

Asetek's technology offers circular reuse of up to 80% of incoming electrical power in the form of 60-65 degree C hot water, WITHOUT the need for artificial heating by heat pumps that add to energy requirements and cost – in exactly the same way as is demonstrated by the tech company on a daily basis with its connection of its own test data center to the district heating network in its home city of Aalborg, which has been up and running since the start of 2020.

This is an obvious environmental improvement which has attracted greater awareness and understanding in the past year, as Asetek's Public Affairs people can attest from their many meetings and discussions with key figures in the EU Commission – and in Berlin and Copenhagen, too.

'As we know, the Devil is in the detail. Here, we consider that, fortunately, Asetek achieved a number of important milestones during 2021', explains Gütter. Among other things, he mentions that numerous consultations with centrally placed Commission policy staff, MEPs and others mean that the drafting of the EU's key so-called Ecodesign Regulation on servers is moving in a direction that will promote the use of the efficient CPU water-cooling solution. The EU regulation is eventually expected to impose specific hardware requirements on servers to raise energy efficiency in data centers.

EXTRA SUB-GOALS EN ROUTE TO THE TARGET

Following on from the Commission's first draft of the EED, which was very promising, in fall 2021 Asetek submitted, by invitation, a response to the ongoing second consultation round. At meetings and in writing, we argued:

// that the concrete measures in the Directive should be made mandatory, not voluntary as initially proposed;

// that the threshold for exempting European data centers from supplying surplus heat in future should be lowered from the 1 MW output in the current proposal to as little as 100kW;

// and that provisions allowing the use of heat pumps to top up the temperature of the waste heat should be removed where economic and environmental considerations are against it.

'The feedback Asetek received on these points from political stakeholders was overwhelmingly positive and constructive', notes Jan Gütter, who continues:

'We met with consensus on the need for the measures to be mandatory and harmonized. There was also overwhelming consensus on lowering the energy threshold to 100 kW in order to include small and medium-sized data centers under the Directive, as they are more likely to be located in the vicinity of district heating suppliers.'

'Asetek's proposal not to permit heat pumps in future means, concretely, that the decision on whether or not to permit artificial top-up heating, such as with heat pumps, should be part of the cost/benefit analysis that each individual data center will be required to draw up and which should include all energy-related and environmental costs. The Commission officials and MEPs we have met basically welcome this proposal, even though it demands a bit more preparatory work', notes Jan Gütter.

A good deal of Asetek's discussions with the European Commission's key officials and MEPs had to take place on-line in 2021 due to Covid 19 restrictions and challenges. At this photo from a meeting with MP Morten Løkkegaard, we discuss EU Green Deal proposal and revision of the Energy Efficiency Directive.


Asetek
ASETEK

FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

PARENT COMPANY FINANCIAL STATEMENTS

OTHER INFORMATION

Asetek™

ASETEK A/S
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended December 31, 2021 and 2020

(USD 000's)	Note	2021	2020
Revenue	4	79,803	72,750
Cost of sales	8	(46,430)	(38,556)
GROSS PROFIT		**33,373**	**34,194**
Research and development		(7,092)	(5,718)
Selling, general and administrative		(24,503)	(17,548)
Special items	8	(1,713)	-
Other income	8	714	-
TOTAL OPERATING EXPENSES	8	**(32,594)**	**(23,266)**
OPERATING INCOME		**779**	**10,928**
Foreign exchange gain (loss)	9	832	(1,361)
Finance income	9	2	51
Finance costs	9	(216)	(192)
TOTAL FINANCIAL INCOME		**618**	**(1,502)**
INCOME BEFORE TAX		**1,397**	**9,426**
Income tax (expense) benefit	10, 11	(60)	(231)
INCOME FOR THE YEAR		**1,337**	**9,195**
Other comprehensive income items that may be reclassified to profit or loss in subsequent periods: Foreign currency translation adjustments		(1,709)	2,392
TOTAL COMPREHENSIVE INCOME		**(372)**	**11,587**
INCOME PER SHARE: (IN USD)			
Basic	12	0.05	0.36
Diluted	12	0.05	0.35

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, 2021 and 2020

(USD 000's)	Note	2021	2020
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	15	10,938	3,217
Property and equipment	16	11,732	7,049
Deferred income tax assets	11	6,293	6,421
Other assets		362	605
TOTAL NON-CURRENT ASSETS		**29,325**	**17,292**
CURRENT ASSETS			
Inventory	18	5,532	2,531
Trade receivables and other	17	17,201	24,471
Cash and cash equivalents		23,296	27,099
TOTAL CURRENT ASSETS		**46,029**	**54,101**
TOTAL ASSETS		**75,354**	**71,393**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	19	442	433
Retained earnings		58,077	50,681
Translation and other reserves		(10,131)	(3,589)
TOTAL EQUITY		**48,388**	**47,525**
NON-CURRENT LIABILITIES			
Long-term debt	20	1,540	2,604
TOTAL NON-CURRENT LIABILITIES		**1,540**	**2,604**
CURRENT LIABILITIES			
Short-term debt	20	1,703	1,525
Accrued liabilities		3,157	2,429
Accrued compensation and employee benefits		2,074	3,193
Trade payables		18,492	14,117
TOTAL CURRENT LIABILITIES		**25,426**	**21,264**
TOTAL LIABILITIES		**26,966**	**23,868**
TOTAL EQUITY AND LIABILITIES		**75,354**	**71,393**

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, 2021 and 2020

(USD 000's)	Share capital	Translation reserves	Treasury share reserves	Retained earnings	Total
EQUITY AT DECEMBER 31, 2019	**423**	**392**	**(4)**	**38,197**	**39,008**
Total comprehensive income for 2020					
Income for the year	-	-	-	9,195	9,195
Foreign currency translation adjustments	-	2,392	-	-	2,392
Total comprehensive income for 2020	-	2,392	-	9,195	11,587
Transactions with owners in 2020					
Shares issued	10	-	-	2,371	2,381
Shares repurchased	-	-	(6,369)	-	(6,369)
Share based payment expense	-	-	-	918	918
Transactions with owners in 2020	10	-	(6,369)	3,289	(3,070)
EQUITY AT DECEMBER 31, 2020	**433**	**2,784**	**(6,373)**	**50,681**	**47,525**
Total comprehensive income for 2021					
Income for the year	-	-	-	1,337	1,337
Foreign currency translation adjustments	-	(1,709)	-	-	(1,709)
Total comprehensive income for 2021	-	(1,709)	-	1,337	(372)
Transactions with owners in 2021					
Shares issued for purchase of assets	6	-	-	4,216	4,222
Shares issued upon exercise of options	3	-	-	862	865
Shares repurchased	-	-	(4,833)	-	(4,833)
Share based payment expense	-	-	-	981	981
Transactions with owners in 2021	9	-	(4,833)	6,059	1,235
EQUITY AT DECEMBER 31, 2021	**442**	**1,075**	**(11,206)**	**58,077**	**48,388**

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, 2021 and 2020

(USD 000's)	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) for the year		1,337	9,195
Depreciation and amortization	15, 16	3,750	3,754
Gain on sale of property, plant and equipment	8	(688)	-
Special items	8	1,713	-
Finance income recognized	9	(2)	(51)
Finance costs recognized	9	216	192
Finance income, cash received		2	51
Finance costs, cash paid		(141)	(112)
Income tax expense (income)	10, 11	60	231
Cash receipt (payment) for income tax		(446)	10
Share based payments expense	7	981	918
Changes in trade receivables, inventories, other assets		2,957	(10,121)
Changes in trade payables and accrued liabilities		4,578	7,363
NET CASH PROVIDED IN OPERATING ACTIVITIES		**14,317**	**11,430**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of business	14	-	(1,316)
Additions to intangible assets	14, 15	(5,974)	(1,571)
Purchase of property, plant and equipment	16	(8,322)	(1,929)
Sale of property, plant and equipment	16	1,092	-
NET CASH USED IN INVESTING ACTIVITIES		**(13,204)**	**(4,816)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings (repayment) on line of credit		260	(269)
Repurchase of common shares	19	(4,833)	(6,369)
Proceeds from issuance of share capital	19	865	2,381
Principal payments on leases	21	(928)	(831)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		**(4,636)**	**(5,088)**
Effect of exchange rate changes on cash and cash equivalents		(280)	1,068
NET CHANGES IN CASH AND CASH EQUIVALENTS		**(3,803)**	**2,594**
Cash and cash equivalents at beginning of period		27,099	24,505
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**23,296**	**27,099**
SUPPLEMENTAL DISCLOSURE - NON-CASH ITEMS			
Assets acquired under leases	21	108	668
Shares issued for purchase of assets	15	4,222	-

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 'ASTK'.

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.

In 2021, the Company adopted a new accounting policy of identifying special items for separate disclosure. Refer to Note 2.23. The comparative figures presented for 2020 comply with this accounting change, as there were no special items identified in 2020.

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 excess of the total consideration transferred, value of non-controlling interests and the fair value of any equity investments previously held in the acquiree over the total identifiable net assets measured at fair value are recognized as goodwill.

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, plant 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. Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. If an impairment loss on goodwill is identified, it is recognized as an expense and is not reversed in a subsequent period.

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 assets

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, 2021, 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
Lease liabilities are accounted for under IFRS 16 Leases and 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.

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 at the present value of the lease liability and included in Property, plant and equipment on the balance sheet.

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 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. The CEO is the Group's chief operating decision maker. The CEO assesses the performance of the Group principally on measures of revenue 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. The Company has 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. In the year ended December 31, 2021, the Company made matching contributions totalling $59,000 ($21,000 in 2020).

2.23 Special items

The Company may identify special items that are significant non-recurring items that management does not consider to be part of the Group's ordinary activities. Such special items may include one-time impairment costs, restructuring, and strategic considerations regarding the future of the business, and are presented separately in the Consolidated Statement of Comprehensive Income to provide a more comparable basis for the Company's operations. Management assesses which items are to be identified as special items and shown separately, in order to give a correct presentation of the statement of profit or loss and other comprehensive income.

2.24 ESEF Regulation

The Company's Annual Report is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the Annual Report in XHTML format and iXBRL tagging of the Consolidated Financial Statements.

2.25. Changes in accounting policy and disclosures – Applied new standards and amendments included in Annual Report for 2021. Certain new standards, amendments to standards, and annual improvements to standards and interpretations are effective for annual periods beginning after January 1, 2021 and have been applied in preparing these consolidated financial statements. These applications did not materially impact the Group's consolidated financial statements.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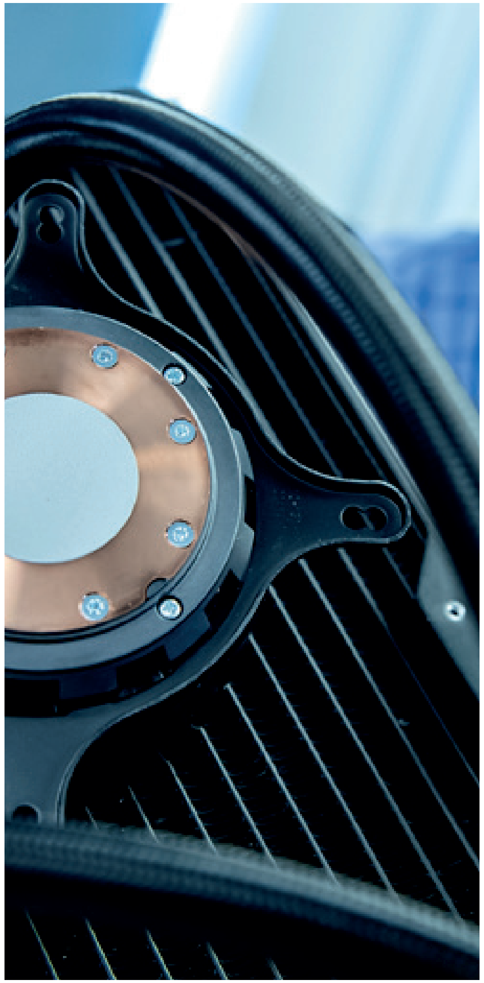
Machining Info
Easy Operation Package

New standards and amendments not applied in the Annual Report for 2021. 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, 2021		
Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; Annual Improvements 2018-2020	The small amendments will: update a reference in IFRS 3 without changing accounting requirements; require proceeds received from sale when preparing PP&E for its intended use to be recorded in profit and loss instead of as a reduction to cost; specify which costs a company includes when assessing whether a contract will be loss-making; make minor amendments to IFRS 1, IFRS 9, IAS 41 and IFRS 16.	1-Jan-2022
Amendments to IFRS 16 Leases: COVID-19 Related Rent Concessions	Exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring due to COVID-19 are lease modifications; and allows accounting for such concessions as if they were not lease modifications.	1-Apr-2021
NOT ENDORSED BY EU AS OF DECEMBER 31, 2021		
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current – Deferral of Effective Date	The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. Management expectations about events after the balance sheet date are not relevant to the determination. Proposal to defer the effective date by one year, to reporting periods beginning on or after January 1, 2023.	1-Jan-2023
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies	Amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. Amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.	1-Jan-2023
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	Accounting estimates defined as "monetary amounts in financial statements that are subject to uncertainty". Amendment clarifies what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors.	1-Jan-2023
Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a single transaction	Amends IAS 12 such that the initial recognition exemption no longer applies to transactions that give rise to equal taxable and deductible temporary differences.	1-Jan-2023



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.

Liquidity risk. The Group incurred losses from operations and negative cash flows from operations from inception through 2015; positive operating cash flows and operating income were first generated in 2016 and have continued through 2021.

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 products. In 2016, the Board of Directors implemented a policy under which it may declare and distribute dividends to shareholders. At the Annual General Meetings in April 2020 and 2021, the Board was authorized to acquire the Company's own shares and subsequently initiated a share buyback program. In 2021, the Company repurchased a total of 400 thousand common shares on the open market for a total cost of $4.8 million (844 thousand common shares for $6.4 million in 2020). 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, 2021 (USD 000's)	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Line of credit	(743)	-	-	-	(743)
Leases	-	(238)	(787)	(1,888)	(2,912)
Trade payables and accrued liabilities	-	(22,943)	(780)	-	(23,723)
	(743)	(23,180)	(1,567)	(1,888)	(27,378)

AS OF DECEMBER 31, 2020 (USD 000's)	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Line of credit	(536)	-	-	-	(536)
Finance leases	-	(247)	(837)	(2,916)	(4,000)
Trade payables and accrued liabilities	-	(18,927)	(812)	-	(19,739)
	(536)	(19,174)	(1,649)	(2,916)	(24,275)

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. 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 ($0.8 million) as of December 31, 2021. 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, 2021 was 6.56 Danish kroner to one U.S. dollar (6.06 to the U.S. dollar at December 31, 2020). 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 2021 of $729,000 (in 2020, increase of the pre-tax income of $1,538,000).

(b) **Interest rate risk**. As of December 31, 2021, 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 U.S. dollars is approximately $762 thousand, of which $743 thousand was outstanding at December 31, 2021. The line carries interest at the Danish CIBOR 3 rate plus 1.95 percentage points, which in total was 1.95% at December 31, 2021. 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. The Company repurchased its common shares in 2021 and 2020 to fulfill exercises of employee stock options and issued common shares in 2021 for the purchase of assets. With regard to future capital needs and uses, 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 have accounted for a significant portion of the Company's revenue in the years presented, as follows. In 2021, the Company's three largest customers, all in the Gaming and Enthusiast segment, accounted for 37%, 18% and 11% of revenue (two customers accounted for 41% and 14% of revenue in 2020), respectively. The Company mitigates risk with its largest customer by requiring two remittances per month as well as frequent monitoring and communicating regarding invoices coming due.

At December 31, 2021 two customers represented 37% and 19% of outstanding trade receivables (47% and 17% at December 31, 2020), respectively. The reserve for uncollectible trade accounts was $33,000 at December 31, 2021 and $23,000 at December 31, 2020. The aged trade receivables and bad debt reserve balances for all years presented are provided in Note 17.

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

(USD 000's)	2021	2020
Cash and cash equivalents	23,296	27,099
Trade receivables and other	17,201	24,471
Other assets	362	605
MAXIMUM CREDIT EXPOSURE	**40,859**	**52,175**

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)	2021		
	Revenue	Current assets	Non-current assets
Asia	70,108	17,858	120
Americas	8,475	13,076	1,970
Europe	1,220	15,095	27,235
TOTAL	**79,803**	**46,029**	**29,325**

(USD 000's)	2020		
	Revenue	Current assets	Non-current assets
Asia	62,383	23,074	96
Americas	5,440	10,091	2,035
Europe	4,927	20,936	15,161
TOTAL	**72,750**	**54,101**	**17,292**

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	
	2021	2020
Denmark	27,235	15,161
USA	1,970	2,035
China	120	96
TOTAL	**29,325**	**17,292**

(USD 000's)	Revenue	
	2021	2020
Denmark	313	278
China	6,206	3,885
Japan	5,319	4,534
Taiwan	52,813	46,610
USA	3,531	5,181
All others	11,621	12,262
TOTAL	**79,803**	**72,750**

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 and adjusted EBITDA. The following tables represent the results by operating segment in 2021 and 2020. Disaggregation of revenue is also presented for the major markets within each segment.

Segment operating results - years ended December 31,	2021				2020			
(USD 000's)	Gaming and Enthusiast	Datacenter	Not allocable to divisions	Total	Gaming and Enthusiast	Datacenter	Not allocable to divisions	Total
Revenue	72,938	6,865	-	79,803	64,719	8,031	-	72,750
Adjusted EBITDA	16,634	(4,374)	(5,037)	7,223	21,405	(1,205)	(4,600)	15,600

Reconciliation of Adjusted EBITDA to Income before tax (USD 000's)	2021	2020
EBITDA, adjusted - Gaming and Enthusiast	16,634	21,405
EBITDA, adjusted - Data center	(4,374)	(1,205)
Headquarters costs, net	(6,750)	(4,600)
Share based compensation	(981)	(918)
Depreciation and amortization	(3,750)	(3,754)
Total financial income (expenses)	618	(1,502)
Consolidated income before tax	1,397	9,426

Disaggregation of revenue (USD 000's)	2021	2020
Gaming and Enthusiast:		
Enthusiast/DIY	55,487	54,889
Gaming/Performance PC	17,451	9,830
Data center market:		
OEM	6,865	8,031
TOTAL REVENUE	**79,803**	**72,750**

6. SALARY COSTS AND REMUNERATIONS

(USD 000's)	2021	2020
Salaries	14,107	10,841
Retirement fund contributions	665	433
Social cost	1,798	1,279
Share based payment	981	918
Other expenses	128	(40)
TOTAL PERSONNEL EXPENSES BEFORE CAPITALIZATION	**17,679**	**13,431**
Capitalized as development cost	(1,758)	(958)
TOTAL PERSONNEL EXPENSES IN STATEMENT OF INCOME	**15,921**	**12,473**
AVERAGE NUMBER OF EMPLOYEES	**151**	**110**

The staff costs are specified as follows:

(USD 000's)	2021	2020
Research and development	5,243	3,476
Selling, general and administrative	12,436	9,955
Total personnel expenses before capitalization	17,679	13,431

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, 2021:

	André S. Eriksen	Peter D. Madsen
Common shares	337,994	157,594
Options at NOK 24.70	106,800	61,750
Options at NOK 38.33	68,500	42,075
Options at NOK 46.30	53,300	26,500
Options at NOK 100.15	57,200	17,700
Warrants at:		
NOK 19.50	-	49,837
NOK 76.25	132,981	44,215
TOTAL SHARES CONTROLLED	**756,775**	**399,671**

Options granted in 2021:

Group	Options Granted
Board of directors	-
Officers	74,900
Other executives	40,216
Other employees	101,184
TOTAL GRANTED	**216,300**

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

	2021				2020			
(USD 000's)	Directors	Officers	Other Executives	Total	Directors	Officers	Other Executives	Total
Salary	-	974	975	1,949	-	868	937	1,805
Bonus	-	231	366	597	-	501	695	1,196
Share based	-	336	202	538	-	285	274	559
Other	225	102	441	768	217	181	150	548
TOTAL	**225**	**1,643**	**1,984**	**3,852**	**217**	**1,835**	**2,056**	**4,108**

*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 $981,000 and $918,000 for the years ended December 31, 2021 and 2020, respectively.

The program was adopted by the Board of Directors in 2018 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, 2021, there is a total of 2,379,946 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, 2021 of NOK to USD was 8.80.

In April 2021, the Company granted 216,300 options with exercise prices of NOK100.15 per share. In April 2020, the Company granted 320,300 options with exercise prices of NOK38.33 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: NOK 10.60 to NOK 24.70	2021	Weighted Average Exercise - Price (NOK) Price	2020	Weighted Average Exercise - Price (NOK) Price
Outstanding on January 1	988,622	19.60	1,303,830	18.77
Options/warrants granted	-	-	-	-
Options/warrants exercised	(152,690)	15.42	(308,408)	15.98
Options/warrants forfeited	(13,561)	24.70	(6,800)	24.70
OUTSTANDING ON DECEMBER 31	**822,371**	**14.79**	**988,622**	**19.60**
EXERCISABLE ON DECEMBER 31	**639,042**	**19.03**	**664,037**	**17.11**

The weighted average market price per share on the date of exercise for the above shares was NOK 69.25 in 2021 and NOK 68.73 in 2020

Activity for exercise prices of: NOK 38.33 to NOK 113.00	2021	Weighted Average Exercise - Price (NOK) Price	2020	Weighted Average Exercise - Price (NOK) Price
Outstanding on January 1	1,208,540	59.49	1,326,657	58.08
Options/warrants granted	216,300	100.15	320,300	38.33
Options/warrants exercised	(105,531)	47.24	(425,222)	38.61
Options/warrants forfeited	(29,165)	65.61	(13,195)	57.79
OUTSTANDING ON DECEMBER 31	**1,290,144**	**49.22**	**1,208,540**	**59.49**
EXERCISABLE ON DECEMBER 31	**935,519**	**67.88**	**761,215**	**67.69**

The weighted average market price per share on the date of exercise for the above shares was NOK 94.35 in 2021 and NOK 71.27 in 2020

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

Exercise price per share	Number of shares 2021	2020
NOK 10.60	177,168	263,253
NOK 19.50	216,418	255,504
NOK 24.70	428,785	469,865
NOK 38.33	292,598	313,617
NOK 40.10	-	48,800
NOK 46.30	297,815	332,553
NOK 76.25	396,047	416,571
NOK 100.15	206,685	-
NOK 113.00	96,999	96,999
TOTAL	**2,112,515**	**2,197,162**

Total outstanding options and warrants represents 7.8% of total common shares issued at December 31, 2021 (8.3% in 2020).

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 3.4 years. The options granted in April 2021 have an estimated total value of $1.0 million. The options granted in April 2020 have an estimated total value of $0.5 million. The following weighted average assumptions were used for the period indicated.

Valuation assumptions	2021	2020
Risk-free interest rate	0.23% - 0.56%	0.26% - 0.37%
Dividend yield	0.0%	0.0%
Expected life of options (years)	2.50 - 4.00	3.50 - 5.50
Expected volatility	64% - 69%	57% - 61%

8. EXPENSES BY NATURE

(USD 000's)	Note	2021	2020
Inventories recognized as cost of sales	18	46,430	38,556
Personnel expenses	6	17,679	13,431
Depreciation and amortization		3,750	3,754
Legal, patent, consultants and auditor		7,152	4,619
Facilities and infrastructure		1,136	1,221
Special item - impairment charge		1,713	-
Other expenses		4,320	2,256
TOTAL OPERATING EXPENSES BEFORE CAPITALIZATION		**82,180**	**63,837**
Less: capitalized costs for development projects	14	(2,442)	(2,015)
TOTAL EXPENSES		**79,738**	**61,822**

Special item. In September 2021, in order to maximize future profitability of its Data center business, the Company announced that it is exiting the High-Performance Computing (HPC) niche. Asetek recorded total cost of $1.7 million in 2021 representing impairment of inventory, intangible assets, machinery, and losses on purchase commitments relating to this strategic change. The total charge is presented separately as a special item in operating expense on the Consolidated Statement of Comprehensive Income.

Total operating expense in the consolidated statement of comprehensive income includes a separate component of other income totaling $0.7 million and $0 for 2021 and 2020, respectively. Other income in 2021 represents a gain on sale of a parcel of land.

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

(USD 000's)	2021	2020
Depreciation and amortization included in:		
Research and development	1,170	1,529
Selling, general and administrative	2,580	2,225
TOTAL	**3,750**	**3,754**

9. FINANCE COSTS AND INCOME

(USD 000's)	2021	2020
Foreign exchange gain (loss)	832	(1,361)
Interest cost on line of credit	(21)	(7)
Interest cost on leases	(92)	(107)
Interest income	2	51
Other banking and finance fees	(102)	(78)
TOTAL FINANCE INCOME	**618**	**(1,502)**

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. The Company is working with the U.S. and Danish tax authorities to negotiate a resolution in accordance with international double taxation treaties.

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 $0 million and $0.4 million in 2021 and 2020, respectively.

(USD 000's)	2021	2020
INCOME (LOSS) BEFORE TAX	**1,397**	**9,426**
Tax calculated at domestic rates applicable to profits/losses in respective countries	(342)	(2,328)
Tax effects of:		
R&D credit	467	183
Net benefit (expense) of tax losses recognized	-	1,600
Other timing differences between book and tax	-	732
Other permanent differences between book and tax	(185)	-
Effect of U.S. GILTI regulation applied to foreign corporation income	-	(418)
TAX (EXPENSE) BENEFIT	**(60)**	**(231)**

11. DEFERRED INCOME TAX

(USD 000's)	2021	2020
Potential tax assets from prior year losses	7,297	7,340
Potential tax assets resulting from timing differences between book and tax	36	881
Tax assets not recognized	(1,040)	(1,800)
DEFERRED INCOME TAX ASSETS	**6,293**	**6,421**

At December 31, 2021, potential income tax assets totaled $7.3 million (2020: $7.3 million) in respect of remaining losses to be carried forward amounting to $29.2 million that should be applied to different tax rates. The losses can be carried forward against future taxable income. In 2021, the Group recorded deferred tax assets totaling $6.3 million ($6.4 million in 2020), 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	1,588
Do not expire	4,705
TOTAL	**6,293**

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.

	2021	2020
Income attributable to equity holders of the Company (USD 000's)	1,337	9,195
Weighted average number of common shares outstanding (000's)	25,731	25,547
BASIC EARNINGS PER SHARE	**$0.05**	**$0.36**
Weighted average number of common shares outstanding (000's)	25,731	25,547
Instruments with potentially dilutive effect: Warrants and options (000's)	245	566
Weighted average number of common shares outstanding, diluted (000's)	25,976	26,113
DILUTED EARNINGS PER SHARE	**$0.05**	**$0.35**

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, 2021 are classified as 'amortized cost' having fixed or determinable payments that are not quoted in an active market (Level 3). As of December 31, 2021, 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, 2021. The values of the Group's assets and liabilities are as follows:

As of December 31, 2021

(USD 000's)	Amortized cost
Assets as per balance sheet:	
Trade receivables and other	17,201
Cash and cash equivalents	23,296
	40,497

As of December 31, 2021

(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	-	1,540	1,540
Short-term debt	-	1,703	1,703
Trade payables and accrued liabilities	-	23,723	23,723
	-	**26,966**	**26,966**

As of December 31, 2020

(USD 000's)	Amortized cost
Assets as per balance sheet:	
Trade receivables and other	24,471
Cash and cash equivalents	27,099
	51,570

As of December 31, 2020

(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	-	2,604	2,604
Short-term debt	-	1,525	1,525
Trade payables and accrued liabilities	-	19,739	19,739
	-	**23,868**	**23,868**

14. ACQUISITION OF BUSINESS

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

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

Consideration, transaction costs, earnings impact. The acquisition of JMH was for cash consideration, paid in three installments over one year. In closing this transaction, the Company incurred $40,000 of transaction costs which are included in operating expense in 2020. If the acquisition had occurred on January 1, 2020, the Group's pro forma consolidated revenue and operating income in 2020 would have been $72.8 million and $10.7 million, respectively.

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

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

Goodwill recognized pertains to the expected synergies associated with combining the Asetek brand and marketing resources with the acquired technologies. The goodwill is not deductible for tax purposes. Goodwill is not amortized but reviewed for impairment once a year and also if events or changes in circumstances indicate the carrying value may be impaired. If impairment is established, goodwill is written down to its lower recoverable amount. The goodwill associated with this transaction is denominated in Danish krone and is subject to fluctuation in the consolidated financial statements due to changes in foreign exchange rates.

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

// Customer contracts. Customer contracts were measured using a discounted cash flow model in which the present value of estimated future cash flows was computed for JMH's largest contracts. The principal input drivers of the valuation model used were estimated future retention rate, net contribution margin and discount rate. These inputs were estimated based on management's professional judgment from analysis of the contracts acquired. The value of the customer contracts acquired was amortized in full in 2021.

// Developed technology. Developed technology was valued based on management's best estimate of the costs that would have been incurred if Asetek were to internally develop the technologies that were acquired. Significant inputs to these valuations were approximate labor hours and associated costs as estimated by Asetek's product development professionals. The value of the acquired technology was recorded as capitalized development costs. Refer to Notes 15 and 2.5 regarding the Company's accounting for capitalized development costs.

15. INTANGIBLE ASSETS

In January 2021, the Company purchased intellectual property and other assets from 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 common stock. The shares issued had an estimated fair value of $4.2 million on the Oslo Børs exchange at the transaction date. The transaction is accounted for under IFRS 2 Share-based payments. The assets purchased included intangible assets with an estimated fair value of $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.

Intangible assets at December 31 are as follows:

(USD 000's)	2021	2020
Goodwill	559	605
Capitalized development costs	3,232	2,356
Other assets	7,147	256
TOTAL INTANGIBLE ASSETS	**10,938**	**3,217**

Capitalized development costs. 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. Impairment losses represent principally assets which are no longer associated with a future income stream.

In 2021, the Company recognized impairment of $0.7 million on capitalized development costs associated with the planned exit of its HPC data center niche. Refer to Note 8.

Capitalized development costs

(USD 000's)	2021	2020
COST:		
Balance at January 1	10,343	9,529
Additions	2,442	2,015
Deletions - completion of useful life	(5,819)	(765)
Impairment loss	(1,010)	(436)
BALANCE AT DECEMBER 31	**5,956**	**10,343**
ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES:		
Balance at January 1	(7,987)	(7,609)
Amortization for the year	(915)	(1,579)
Amortization associated with deletions	5,819	765
Amortization associated with impairment losses	359	436
BALANCE AT DECEMBER 31	**(2,724)**	**(7,987)**
CARRYING AMOUNT	**3,232**	**2,356**

Other intangible assets

(USD 000's)	2021	2020
COST:		
Balance at January 1	278	-
Additions	7,754	278
Deletions	-	-
Exchange rate differences	(638)	-
BALANCE AT DECEMBER 31	**7,394**	**278**
ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES:		
Balance at January 1	(22)	-
Amortization for the year	(236)	(22)
Exchange rate differences	11	-
BALANCE AT DECEMBER 31	**(247)**	**(22)**
CARRYING AMOUNT	**7,147**	**256**

16. PROPERTY AND EQUIPMENT

The following table presents total property, plant and equipment, including Right-of-use assets presented in Note 21. 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, 2020	1,386	5,543	2,616	3,107	12,652
Additions	421	892	739	545	2,597
Disposals	(106)	(740)	(62)	(183)	(1,091)
Exchange rate difference	149	518	266	282	1,215
BALANCE AT DECEMBER 31, 2020	**1,850**	**6,213**	**3,559**	**3,751**	**15,373**
Balance at January 1, 2021	1,850	6,213	3,559	3,751	15,373
Additions	31	831	462	6,998	8,322
Disposals	-	(333)	(307)	(246)	(886)
Exchange rate difference	(122)	(455)	(239)	(249)	(1,065)
BALANCE AT DECEMBER 31, 2021	**1,759**	**6,256**	**3,475**	**10,254**	**21,744**
ACCCUMULATED DEPRECIATIONS:					
Balance at January 1, 2020	(738)	(3,851)	(1,421)	(527)	(6,537)
Disposals	106	740	61	103	1,010
Depreciation for the year	(256)	(860)	(491)	(556)	(2,163)
Exchange rate differences	(73)	(343)	(152)	(66)	(634)
BALANCE AT DECEMBER 31, 2020	**(961)**	**(4,314)**	**(2,003)**	**(1,046)**	**(8,324)**
Balance at January 1, 2021	(961)	(4,314)	(2,003)	(1,046)	(8,324)
Disposals	-	306	75	9	390
Impairment (Refer to Note 8)	-	(112)	-	-	(112)
Depreciation for the year	(347)	(935)	(691)	(626)	(2,599)
Exchange rate differences	72	316	157	87	632
BALANCE AT DECEMBER 31, 2021	**(1,236)**	**(4,739)**	**(2,462)**	**(1,576)**	**(10,013)**
CARRYING AMOUNT AT DECEMBER 31, 2020	**889**	**1,899**	**1,556**	**2,705**	**7,049**
CARRYING AMOUNT AT DECEMBER 31, 2021	**523**	**1,517**	**1,013**	**8,679**	**11,732**

17. TRADE RECEIVABLES AND OTHER

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

(USD 000's)	2021	2020
Gross trade receivables	15,260	23,166
Provision for uncollectible accounts	(33)	(23)
NET TRADE RECEIVABLES	**15,227**	**23,143**
Other receivables and assets	1,974	1,328
TOTAL TRADE RECEIVABLES AND OTHER	**17,201**	**24,471**

The trade receivables of Asetek Danmark A/S carry a general lien of 6 million Danish krone ($0.9 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:

(USD 000's)	Total	Not yet due	1 to 30 days	Past due: 31 to 60 days	Over 60 days
December 31, 2021	15,260	14,135	908	151	66
December 31, 2020	23,166	19,915	2,450	723	78

Credit Loss Provision Matrix 2021

(USD 000's)	Total	Not yet due	1 to 30 days	Past due 31 to 60 days	Over 60 days
Gross carrying amount	15,260	14,135	908	151	66
Expected credit loss rate		0.1%	1.4%	0.7%	8.4%
Lifetime expected credit loss	(33)	(14)	(13)	(1)	(6)

Credit Loss Provision Matrix 2020

(USD 000's)	Total	Not yet due	1 to 30 days	Past due 31 to 60 days	Over 60 days
Gross carrying amount	23,166	19,915	2,450	723	78
Expected credit loss rate		0.01%	0.10%	1.0%	10.0%
Lifetime expected credit loss	(23)	(2)	(2)	(7)	(12)

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

(USD 000's)	2021	2020
Balance at January 1	(23)	(48)
Additions	(33)	(23)
Reversals	23	48
BALANCE AT DECEMBER 31	**(33)**	**(23)**

18. INVENTORIES

(USD 000's)	2021	2020
Raw materials and work-in-process	1,434	1,875
Finished goods	4,729	1,093
Total gross inventories	6,163	2,968
Less: provision for inventory reserves	(631)	(437)
TOTAL NET INVENTORIES	**5,532**	**2,531**

(USD 000's)	2021	2020
Inventories recognized as cost of sales during the period	(46,430)	(38,556)
Write-down of inventories to net realizable value	(631)	(437)

In 2021, the Company recorded $543 thousand of inventory reserves associated with the Company's planned exit of the HPC data center business. Refer to Note 8.

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

(USD 000's)	2021	2020
Balance at January 1	(437)	(622)
Additions	(631)	(437)
Write-offs	437	622
BALANCE AT DECEMBER 31	**(631)**	**(437)**

19. SHARE CAPITAL

In January 2021, the Company issued 348,003 of new common shares for purchase of intellectual property and other assets. Refer to Note 15.

During 2021, the Company repurchased 400 thousand of its common shares on the open market for a total cost of $4.8 million (844 thousand shares for $6.4 million in 2020). Shares purchased under the program are used to fulfill obligations under Asetek's employee stock option plan.

In 2021, a total of 258 thousand options (1.0% of total shares, nominal value DKK 25.8 thousand) were exercised resulting in $865,000 received by the Company. In 2020, a total of 734 thousand options (2.8% of total shares, nominal value DKK73.4 thousand) were exercised resulting in $2,381,000 received by the Company. As of December 31, 2021, there are 25,708 thousand common shares outstanding with a nominal value of 0.10 DKK per share and 1,262 thousand shares (4.6% of total shares, nominal value DKK 126.2 thousand) held in treasury. Included in equity is a reserve for treasury shares of approximately $11,206 thousand at December 31, 2021.

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

(000's)	2021	2020
Common shares outstanding - January 1	25,502	25,604
Common shares repurchased, net	(400)	(836)
Shares issued for purchase of assets	348	-
Options and warrants exercised and shares issued	258	734
COMMON SHARES OUTSTANDING - DECEMBER 31	**25,708**	**25,502**

The Company does not cancel shares that are repurchased, but maintains them in treasury to fulfill option exercises. Refer to 'Shareholder information' in this report for information on the composition of Asetek shareholders.

20. NET DEBT

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

(USD 000's)	2021	2020
Line of credit	(743)	(536)
Leases - amounts due within one year	(960)	(989)
DEBT INCLUDED IN CURRENT LIABILITIES	**(1,703)**	**(1,525)**
Leases - amounts due after one year	(1,540)	(2,604)
TOTAL DEBT	**(3,243)**	**(4,129)**
Less: cash and equivalents	23,296	27,099
NET DEBT	**20,053**	**22,970**

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, 2021, the total line was 5.0 million Danish kroner, which equates to $762 thousand at December 31, 2021. Interest on the line is payable monthly at the Danish CIBOR 3 rate plus 1.95 percentage points, which in total was 1.95% at December 31, 2021. As of December 31, 2021, the Company had 4.87 million Danish kroner ($743 thousand) outstanding on the line. (3.25 million Danish kroner outstanding at December 31, 2020).

Reconciliation of liability for line of credit:

(USD 000's)	2021	2020
Beginning balance	(536)	(746)
Net paid (drawn) on line of credit	(260)	269
Foreign exchange impact	53	(59)
ENDING BALANCE	**(743)**	**(536)**

21. 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. The Company's office space in Taipei, Taiwan is under lease until August 2025.

Reconciliation of lease liability

(USD 000's)	2021	2020
Beginning balance	3,593	3,546
Additions to lease liabilities	108	668
Payments of lease liabilities	(928)	(831)
Adjustments/reductions to leases	(92)	(80)
Foreign exchange impact	(181)	290
ENDING BALANCE	**2,500**	**3,593**

Total cash payments for leases was $1,037,000 and $927,000 in 2021 and 2020, respectively.

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

(USD 000's)	2021	2020
Minimum lease payments as of December 31	2,880	4,000
Asset residual at end of lease	32	91
Less: amount representing interest	(412)	(498)
TOTAL OBLIGATIONS UNDER FINANCE LEASES	**2,500**	**3,593**
Obligations under leases due within one year	960	989
Obligations under leases due after one year	1,540	2,604
	2,500	**3,593**

22. 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 2021, the Company purchased services totaling $0.8 million ($0.7 million in 2020) from this vendor. At December 31, 2021 and 2020, the Company had outstanding payables to this vendor of $59,000 and $30,000, respectively.

The Company sponsors and occasionally purchases equipment and other services from Valdemar Eriksen Racing A/S, an organization partially owned by the Company's CEO. In the years ended December 31, 2021 and 2020, the Company paid $102,000 and $72,000 to VER, including purchases of equipment, etc. for $20,000 and $10,000, respectively.

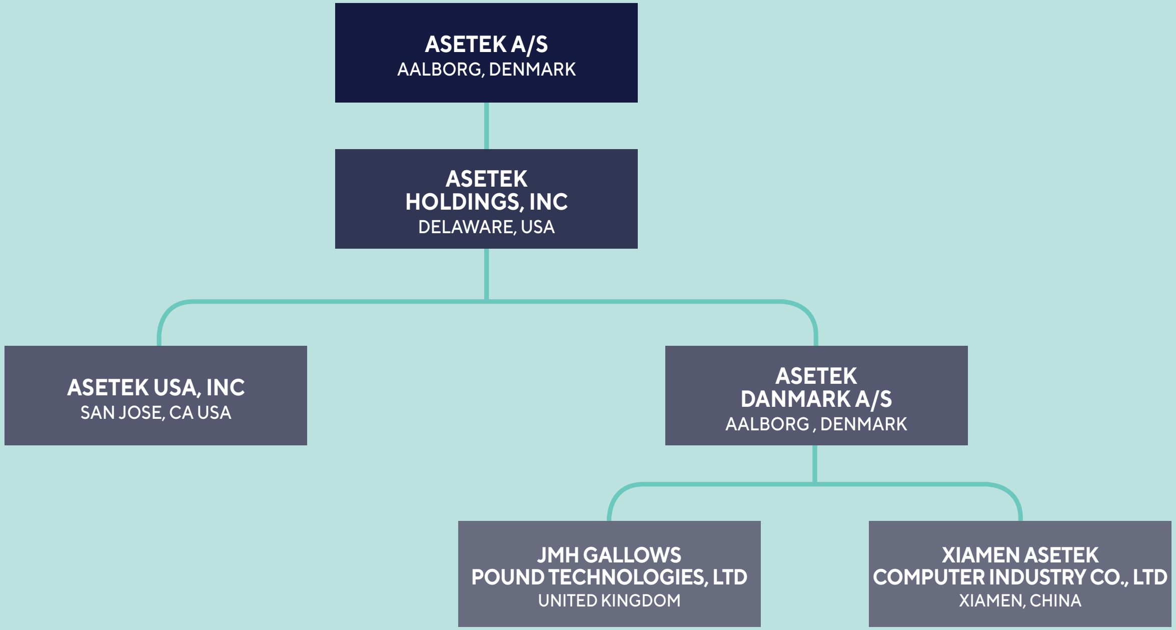
Right-of-use Assets. The following table presents a summary of the Right-of-use assets under lease, which is a subset of the property and equipment presented in Note 16.

(USD 000's)	Machinery	Other fixtures, fittings, tools equipment	Properties	Total
COST:				
Balance at December 31, 2020	1,518	163	3,858	5,539
Additions	-	108	-	108
Disposals and transfers	-	(163)	-	(163)
Exchange rate differences	(116)	(2)	(246)	(364)
BALANCE AT DECEMBER 31, 2021	**1,402**	**106**	**3,612**	**5,120**
ACCCUMULATED DEPRECIATIONS:				
Balance at January 1, 2020	(889)	(30)	(1,104)	(2,023)
Disposals and transfers	-	71	-	71
Depreciation for the year	(290)	(48)	(626)	(964)
Exchange rate differences	81	-	87	168
BALANCE AT DECEMBER 31, 2021	**(1,098)**	**(7)**	**(1,643)**	**(2,748)**
CARRYING AMOUNT AT DECEMBER 31, 2020	**629**	**133**	**2,754**	**3,516**
CARRYING AMOUNT AT DECEMBER 31, 2021	**304**	**99**	**1,969**	**2,372**

23. 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
JMH Gallows Pound Technologies Limited	United Kingdom	100%	100%	Inactive



24. 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 $270,000 and $151,000 in 2021 and 2020, respectively.

Fees for services other than statutory audits provided by PricewaterhouseCoopers Statsautoriseret Revisionspart-nerselskab to the group amount to kUSD 65 (kUSD 56) and consists of tax advice related to GILTI, transfer pricing and acquisition of assets as well as other services related to GDPR and remuneration policy.

The fee is distributed between these services:

(USD 000's)	2021	2020
Audit	162	92
Other assurance services	-	13
Tax services	87	30
Other services	21	16
TOTAL	**270**	**151**

25. 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 2021, 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	2021 Cash Compensation
JUKKA PERTOLA, CHAIRMAN - Tryg A/S and Tryg Forsikring A/S - Chairman of the Board - COWI Holding A/S - Chairman - GN Store Nord A/S, GN Hearing A/S, GN Audio A/S- Deputy chairman - Siemens Gamesa Renewable Energy A/S – Chairman of the Board - GomSpace Group AB and GomSpace A/S - Deputy Chairman	62, 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 28, 2022	Independent	Compensation (chairman) Nomination	Owned shares	22,500	$65,000
ERIK DAMSGAARD, VICE CHAIRMAN - OJ group of companies - Managing director - Masentia group of companies - Chairman of the board - Tentoma A/S - Member of the board - ED Management Holding ApS - Owner and managing director - ED Management ApS - Owner and managing director - CRD Invest ApS - Managing director - TRD Invest ApS - Managing director	57, Male	20+ years of senior positions in electronics & electrical manufacturing, business development.	April 10, 2019 to April 28, 2022	Independent	Audit	Owned shares	15,660	$52,000
JØRGEN SMIDT - Heartcore Capital - Venture Partner - InRiver - Chairman of the Board - Onomondo - Chairman of the Board - Freespee - Chairman of the Board - FlatFrog AB - Board member - Forsta A/S - Chairman of the Board	65, Male	Former VP at Nokia; 25+ years of senior management, business development, product management, operations. Partner, Sunstone Capital.	June 19, 2012 to April 28, 2022	Independent	Compensation	Owned shares	16,600	$45,000
MARIA HJORTH - Monsenso A/S - Chairman of the Board - Grandhood ApS - Chairman of the Board - Thylander Gruppen A/S - Vice chairman - Nolu Holding ApS - Managing director - Fondsmæglerselskabet Maj Invest A/S - Board member - Maj Invest Equity A/S - Board member - Maj Invest Holding A/S - Board member - Trifork Holding AG - Board member	49, Female	Board professional, General Partner & Co-founder Vår Ventures; Former CEO VP Securities and Mercer Denmark, 20+ years in the financial sector covering business development, M&A, investor relations.	January 14, 2019 to April 28, 2022	Independent	Audit (chairman)	Owned shares	6,357	$45,000

26. POST BALANCE SHEET EVENTS

The Company has evaluated the period after December 31, 2021 up through the date of the Management Statement and determined that there were no transactions that required recognition in the Company's financial statements, except as follows:

On January 19, 2022, the Company secured a DKK 140 million (USD 21 million) line of credit with Sydbank to support the construction of its new headquarters facility. The line is secured by a lien on the Company's headquarters property.

27. CONTINGENT LIABILITIES

Legal proceedings. In the ordinary course of conducting 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 2020 Annual Report, except:

In May 2021, Asetek filed a patent infringement lawsuit against Shenzen Apaltek Co. Ltd., and Apalcool (Guangdong Ang Pai Liquid Cooling Technology Co., Ltd.) in the Western District of Texas seeking judgment that Apaltek and Apalcool infringe Asetek's U.S. Patent Nos. 8,240,362 ("the '362 patent), and 8,245,764 ("the '764 patent). Defendants have answered the complaint and a jury trial is set for May 2023. Although Defendants previously stated in November 2021 that they intended to file that same month review petitions in the U.S. Patent and Trademark Office (USPTO) to challenge the validity of the '362 and '764 patents, Defendants have not filed any such challenges to date. Assuming such petitions are filed, Asetek will vigorously defend against them.

In June 2021, Cooler Master Co., Ltd. and CMI USA, Inc. filed in the Northern District of California an action requesting declaratory judgment that certain Cooler Master products do not infringe Asetek's '362 and '764 patents, or Asetek's U.S. Patent Nos. 10,078,354 ("the '354 patent"), 10,078,355 ("the '355 patent"), 10,599,196 ("the '196 patent), and 10,613,601 ("the '601 patent"). Asetek filed counterclaims that Cooler Master products infringe the '362 and '764 patents, and contends that the Court lacks subject matter jurisdiction to adjudicate Cooler Master's claims regarding the other patents. Asetek has also filed a motion to stay Cooler Master's declaratory judgment suit, which is scheduled to be heard on June 9, 2022.

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

In view of the USPTO and appeal proceedings, the judge has stayed the litigation on one of CoolIT's patents and Asetek's '354, '355, '601 and '196 patents, and in the interim will allow the litigation to proceed on Asetek's '362 patent and the remaining CoolIT patents. Summary judgment motions are scheduled in May 2022.

In 2017, Coolergiant GmbH filed suit against Asetek Danmark A/S in Mannheim District Court requesting declaration of non-infringement in Germany of an Asetek patent. The Company disputed the allegations and filed counterclaim motions. In the nullity proceedings, the German Patent Court revoked the German part of Asetek's patent in February 2020. 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.

ANNUAL REPORT 2021, PARENT COMPANY

For year ended December 31, 2021

Asetek™

Asetek A/S

CVR-number: 3488 0522

ASETEK A/S
COMPREHENSIVE INCOME STATEMENT, PARENT COMPANY

For the years ended December 31, 2021 and 2020

(USD 000's)	Note	2021	2020
Service fees	13	3,887	2,778
TOTAL REVENUE		**3,887**	**2,778**
Research and development	3, 4, 5	(200)	(184)
Selling, general and administrative	3, 4, 5	(3,611)	(3,011)
Other income		714	-
TOTAL OPERATING EXPENSES		**(3,097)**	**(3,195)**
OPERATING INCOME (LOSS)		**790**	**(417)**
Foreign exchange (loss)/gain	6	(112)	425
Finance income	6	330	60
Finance costs	6	(37)	(22)
TOTAL FINANCIAL INCOME		**181**	**463**
INCOME BEFORE TAX		**971**	**46**
Income tax	9	(153)	152
OPERATING INCOME (LOSS)		**818**	**198**
Other comprehensive income items that may be reclassified to profit or loss in subsequent periods:			
Foreign currency translation adjustments		-	-
TOTAL COMPREHENSIVE INCOME (LOSS)		**818**	**198**

All operations are continuing.

ASETEK A/S
BALANCE SHEET, PARENT COMPANY

As of December 31, 2021 and 2020

(USD 000's)	Note	2021	2020
ASSETS			
NON CURRENT ASSETS			
Investments in subsidiaries	10	20,100	20,100
Property and equipment	7	6,665	197
Receivables from subsidiaries	11	5,406	115
Deferred income tax assets		-	155
TOTAL NON-CURRENT ASSETS		**32,171**	**20,567**
CURRENT ASSETS			
Other assets		312	266
Cash and cash equivalents		3,865	11,912
TOTAL CURRENT ASSETS		**4,177**	**12,178**
TOTAL ASSETS		**36,348**	**32,745**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12	442	433
Retained earnings		44,022	37,145
Translation and other reserves		(11,206)	(6,373)
TOTAL EQUITY		**33,257**	**31,204**
NON-CURRENT LIABILITIES			
Payables to subsidiaries	11	-	430
TOTAL NON-CURRENT LIABILITIES		**-**	**430**
CURRENT LIABILITIES			
Short-term debt	8	39	104
Accrued liabilities		197	296
Accrued compensation and employee benefits		360	613
Trade payables		2,497	99
TOTAL CURRENT LIABILITIES		**3,091**	**1,111**
TOTAL LIABILITIES		**3,091**	**1,541**
TOTAL EQUITY AND LIABILITIES		**36,348**	**32,745**

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

For the years ended December 31, 2021 and 2020

(USD 000's)	Share capital	Translation reserves	Treasury share reserves	Retained earnings	Total
EQUITY AT DECEMBER 31, 2019	**423**	**-**	**(4)**	**33,654**	**34,073**
Total comprehensive income for 2020					
Loss for the year	-	-	-	198	198
TOTAL COMPREHENSIVE INCOME FOR 2020	**-**	**-**	**-**	**198**	**198**
Transactions with owners in 2020					
Shares issued	10	-	-	2,376	2,386
Shares repurchased	-	-	(6,369)	-	(6,369)
Share based payment expense	-	-	-	918	918
TRANSACTIONS WITH OWNERS IN 2020	**10**	**-**	**(6,369)**	**3,294**	**(3,065)**
EQUITY AT DECEMBER 31, 2020	**433**	**-**	**(6,373)**	**37,145**	**31,204**
Total comprehensive income for 2021					
Income for the year	-	-	-	818	818
TOTAL COMPREHENSIVE INCOME FOR 2021	**-**	**-**	**-**	**818**	**818**
Transactions with owners in 2021					
Shares issued for purchase of assets	6	-	-	4,216	4,222
Shares issued upon exercise of options	3	-	-	862	865
Shares repurchased	-	-	(4,833)	-	(4,833)
Share based payment expense	-	-	-	981	981
TRANSACTIONS WITH OWNERS IN 2021	**9**	**-**	**(4,833)**	**6,059**	**1,235**
EQUITY AT DECEMBER 31, 2021	**442**	**-**	**(11,206)**	**44,022**	**33,257**

ASETEK A/S
STATEMENT OF CASH FLOWS, PARENT COMPANY

For the years ended December 31, 2021 and 2020

(USD 000's)	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) for the year		818	198
Depreciation and amortization	7	76	52
Gain on sale of property, plant and equipment		(714)	-
Share based payments expense	4	981	918
Income tax expense (income)	9	153	(152)
Changes in other assets		(46)	(245)
Changes in trade payables and accrued liabilities		2,046	490
NET CASH PROVIDED BY OPERATING ACTIVITIES		**3,314**	**1,260**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	7	(6,957)	(31)
Sale of property, plant and equipment		1,091	-
Net receipts from (payments to) subsidiaries	11	(1,498)	96
NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES		**(7,364)**	**65**
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease payments on right-of-use assets		(29)	(59)
Repurchase of common shares	12	(4,833)	(6,369)
Proceeds from issuance of share capital	12	865	2,386
NET CASH PROVIDED BY FINANCING ACTIVITIES		**(3,997)**	**(4,042)**
Effect of exchange rate changes on cash and cash equivalents		-	-
NET CHANGES IN CASH AND CASH EQUIVALENTS		**(8,047)**	**(2,717)**
Cash and cash equivalents at beginning of period		11,912	14,629
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**3,865**	**11,912**
SUPPLEMENTAL DISCLOSURE - NON-CASH ITEMS:			
Right-of-use assets acquired under leases		55	154
Shares issued for assets acquired and transferred to subsidiary		4,222	-

NOTES

1. GENERAL INFORMATION

Refer to Note 1 to the Consolidated Financial Statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 2021 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 at the 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)	2021	2020
Personnel expenses (Note 4)	2,615	2,576
Legal, consultants and auditor	572	307
Other expenses	623	313
TOTAL EXPENSES	**3,810**	**3,195**

4.PERSONNEL EXPENSES

Total personnel costs for the year ended December 31,

(USD 000's)	2021	2020
Salaries, pension and other	1,634	1,658
Share based payment	981	918
TOTAL PERSONNEL EXPENSES	**2,615**	**2,576**

Total personnel costs are specified as follows:

(USD 000's)	2021	2020
Research and development	200	184
Selling, general and administrative	2,415	2,392
TOTAL PERSONNEL EXPENSES	**2,615**	**2,576**

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

Refer to Note 24 in the Consolidated Financial Statements for information regarding services provided by the Company's principal auditors.

6. FINANCIAL INCOME AND COST

(USD 000's)	2021	2020
FOREIGN CURRENCY EXCHANGE (LOSS) GAIN	**(112)**	**425**
Interest income on loans to subsidiaries	330	24
Interest from bank accounts	-	36
TOTAL FINANCE INCOME	**330**	**60**
Interest on leases	(2)	(4)
Other finance expense	(35)	(18)
TOTAL FINANCE COST	**(37)**	**(22)**

7. PROPERTY AND EQUIPMENT

As of December 31, 2021 and 2020, carrying value of vehicles under right-of-use leases totalled $53,000 and $132,000, respectively, and their associated leases are for terms of 12 months. Total property and equipment is specified as follows:

(USD 000's)	Vehicles and software	Properties	Total
Cost:			
Balance at January 1, 2020	190	-	190
Additions	154	31	185
Disposals	(139)	-	(139)
BALANCE AT DECEMBER 31, 2020	**205**	**31**	**236**
Balance at January 1, 2021	205	31	236
Additions	67	6,945	7,012
Disposals	(154)	(376)	(530)
BALANCE AT DECEMBER 31, 2021	**1 18**	**6,600**	**6,718**
Acccumulated depreciation			
Balance at January 1, 2020	(47)	-	(47)
Disposals	59	-	59
Depreciation for the year	(51)	-	(51)
BALANCE AT DECEMBER 31, 2020	**(39)**	**-**	**(39)**
Balance at January 1, 2021	(39)	-	(39)
Disposals	62	-	62
Depreciation for the year	(76)	-	(76)
BALANCE AT DECEMBER 31, 2021	**(53)**	**-**	**(53)**
Carrying amount at December 31, 2020	**1 66**	**31**	**197**
Carrying amount at December 31, 2021	**65**	**6 ,600**	**6 ,665**

8. LEASES

Obligations under leases are as follows:

(USD 000's)	2021	2020
Minimum lease payments as of December 31	8	15
Asset residual value at end of lease	32	91
Less: amount representing interest	(1)	(2)
Total obligations under leases	**39**	**104**

Total lease obligations due within one year were $39,000 and $104,000 at December 31, 2021 and 2020, respectively.

9. INCOME TAX

At December 31, 2021 and 2020, the tax benefit (provision) for Asetek A/S differed from the statutory tax rate as a result of timing differences associated with share compensation expenses that are treated differently for tax purposes.

(USD 000's)	2021	2020
INCOME (LOSS) BEFORE TAX	**971**	**46**
Tax calculated at domestic rates applicable to profits/losses in respective countries	(213)	(10)
The effect of timing differences between book and tax	60	162
Tax (expense) benefit	**(153)**	**152**

Asetek A/S has deferred tax assets at December 31, 2021 and 2020 of zero and $155,000, respectively, which represented timing differences between book and tax associated with the recognition of share based compensation expense. 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.

10. INVESTMENT IN SUBSIDIARIES

(USD 000's)	Investment in Asetek Holdings, Inc.
Balance at December 31, 2020	20,100
Additions	-
Balance at December 31, 2021	20,100
Carrying amount at December 31, 2020	**20,100**
Carrying amount at December 31, 2021	**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.

11. NET RECEIVABLES FROM (PAYABLES TO) SUBSIDIARIES

As of December 31,

(USD 000's)	2021	2020
Asetek Danmark A/S	4,390	(158)
Asetek USA, Inc.	908	(273)
Asetek Xiamen	16	24
Asetek Holdings, Inc.	92	92
Net receivables from (payables to) subsidiaries	**5,406**	**(315)**
Average effective interest rate	**5.3%**	**5.5%**

In January 2021, the Company acquired intellectual property and other assets from Granite Devices Inc. Asetek A/S paid $4.1 million in cash and issued 348,003 shares of common stock. The property and assets were sold to Asetek Danmark A/S for $8.3 million. Refer to Note 15 in the Consolidated Financial Statements.

The fair value of receivables and payables corresponds in all material respects to the carrying amount. As of December 31, 2021 and 2020, there is no credit loss provision deemed necessary for receivables from subsidiaries.

12. EQUITY

Refer to Note 19 to the Consolidated Financial Statements.

13. TRANSACTIONS WITH RELATED PARTIES

Asetek A/S charges its subsidiaries a management service fee. Reference Notes 6 & 11 regarding transactions with subsidiaries. With regard to transactions with related parties that are not subsidiaries, refer to Note 22 to the Consolidated Financial Statements.

14. EVENTS AFTER THE REPORTING PERIOD

Refer to Note 26 to the Consolidated Financial Statements

15. 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 27 to the Consolidated Financial Statements.

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, 2021. 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, 2021 of the Group and the Parent company and of the results of the Group and Parent company operations and cash flows for 2021.

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.

In our opinion, the annual report of Asetek A/S for the financial year 1 January to 31 December 2021 with the file name asetek-2021-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

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

Aalborg, Denmark

March 3, 2022

EXECUTIVE BOARD:

André Sloth Eriksen
Chief Executive Officer

Peter Dam Madsen
Chief Financial Officer

BOARD OF DIRECTORS:

Jukka Pertola, Chairman

Erik Damsgaard, Vice Chairman

Maria Hjorth

Jørgen Smidt

INDEPENDENT AUDITOR'S REPORTS

To the shareholders of Asetek A/S

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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 2021 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 2021 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

The Consolidated Financial Statements and Parent Company Financial Statements of Asetek A/S for the financial year 1 January to 31 December 2021 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 the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with these requirements and 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

Following the admission of the shares of Asetek A/S for listing on Oslo Stock Exchange, we were first appointed auditors of Asetek A/S on 24 April 2014. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 8 years including the financial year 2021.

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 2021. 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

The Group capitalizes development costs when certain criteria according to IFRS are met. The criteria for recognition and measurement of development costs is subject to Management's judgment and assumptions, which is uncertain by nature. Completed development projects are assessed for impairment indications. For in-progress development projects impairment tests are performed at least annually. The impairment tests are based on the strategy plan approved by Management and value-in-use calculations based on expected future cash flows.

We focused on this area because the criteria for recognition and measurement of development projects are subject to Management judgments and assumptions.

Refer to note 15 in the Consolidated Financial Statements.

How our audit addressed the key audit matter

We assessed whether the Group's accounting policies are in accordance with IFRS.

We selected a sample of in-progress development projects and considered whether all criteria described in IFRS were met as basis for capitalization. We assessed relevant internal controls and performed substantive audit procedures to verify capitalized amounts.

We evaluated and challenged Management's assessment of impairment indicators of completed development projects based on the commercial prospects of the projects. For in-progress development projects, we challenged the key assumptions applied in the value-in-use calculations. Our work was based on our understanding of the business cases and key assumptions applied.

We challenged whether the intent to finalize the projects remain and whether the projects are expected to generate future economic benefits exceeding the carrying values.

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 gives a true and fair view.

// 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, actions taken to eliminate threats or safeguards applied.

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.

REPORT ON COMPLIANCE WITH THE ESEF REGULATION

As part of our audit of the Financial Statements we performed procedures to express an opinion on whether the annual report of Asetek A/S for the financial year 1 January to 31 December 2021 with the file name asetek-2021-12-31-en.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the Consolidated Financial Statements.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

// The preparing of the annual report in XHTML format;

// The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for all financial information required to be tagged using judgment where necessary;

// Ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human-readable format; and

// For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

// Testing whether the annual report is prepared in XHTML format;

// Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;

// Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements;

// Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;

// Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and

// Reconciling the iXBRL tagged data with the audited Consolidated Financial Statements.

In our opinion, the annual report of Asetek A/S for the financial year 1 January to 31 December 2021 with the file name asetek-2021-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Aarhus, March 3, 2022
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no 3377 1231

Mads Melg

Mads Melgaard
State Authorised Public Accountant, mne34354

Henrik Berring Rasmussen
State Authorised Public Accountant, mne34157

STOCK EXCHANGE RELEASES

Issue Date	Subject
December 3, 2021	Share capital increase upon exercise of warrants
November 25, 2021	Mandatory notification of trade: CFO exercises warrants
November 24, 2021	Asetek receives order from existing global data center OEM partner
November 15, 2021	Asetek now accepting pre-orders for Invicta Sim Racing Pedals
October 28, 2021	Q3 2021: Soft Q3 as expected – long-term growth ambitions remain firm
October 22, 2021	Asetek presents third quarter 2021 results on Thursday, October 28
October 21, 2021	First all-in-one liquid cooling solutions from Razer incorporate Asetek advanced technology
September 23, 2021	Correction: Major shareholding announcement
September 23, 2021	Major shareholding announcement
September 22, 2021	Oslo Børs trading resumption
September 22, 2021	Update to Full Year 2021 Guidance
September 22, 2021	Oslo Børs trading suspension
September 20, 2021	ADAC Sim Racing Expo a success for challenger brand Asetek SimSports
September 16, 2021	Asetek unveils premium performance Invicta Sim Racing Pedals
September 13, 2021	Share capital increase upon exercise of warrants
August 28, 2021	Transactions carried out under Share Buyback Program
August 24, 2021	Correction: Transactions carried out under Share Buyback Program
August 24, 2021	Transactions carried out under Share Buyback Program
August 17, 2021	Transactions carried out under Share Buyback Program
August 12, 2021	Q2 2021: Record second quarter revenue on strong Gaming & Enthusiast demand
August 11, 2021	Transactions carried out under Share Buyback Program
August 9, 2021	Asetek presents second quarter 2021 results on Thursday, August 12
August 4, 2021	Transactions carried out under Share Buyback Program
July 27, 2021	Transactions carried out under Share Buyback Program
July 21, 2021	Transactions carried out under Share Buyback Program
July 13, 2021	Transactions carried out under Share Buyback Program
July 6, 2021	Transactions carried out under Share Buyback Program
June 29 2021	Transactions carried out under Share Buyback Program
June 22, 2021	Transactions carried out under Share Buyback Program
June 16, 2021	Transactions carried out under Share Buyback Program
June 8, 2021	Transactions carried out under Share Buyback Program
May 31, 2021	Transactions carried out under Share Buyback Program
May 27, 2021	Share capital increase upon exercise of warrants
May 25, 2021	Transactions carried out under Share Buyback Program
May 18, 2021	Transactions carried out under Share Buyback Program

Issue Date	**Subject**
May 10, 2021	Transactions carried out under Share Buyback Program
May 3, 2021	Transactions carried out under Share Buyback Program
April 28, 2021	Asetek receives order from existing global data center OEM
April 26, 2021	Asetek launches share buyback program to cover employee stock options
April 23, 2021	Employee Stock Option Grant
April 22, 2021	Outcome of General Meeting
April 22, 2021	Q1 2021: Record first quarter revenue and EBITDA on strong Gaming & Enthusiast demand
April 21, 2021	ASUS ROG introduces next generation CPU coolers with expanded Asetek co-branding activities
April 15, 2021	Asetek presents first quarter 2021 results on April 22
April 7, 2021	Update to Full Year 2021 guidance
March 30, 2021	Notice of Annual General Meeting April 22, 2021
March 26, 2021	Share capital increase upon exercise of warrants
March 19, 2021	Mandatory notification of trade: CEO purchases shares
March 10, 2021	Mandatory notification of trade: Board and management members exercise warrants
March 8, 2021	Transactions carried out under Share Buyback Program
March 4, 2021	Capital Markets Update: Long-term Growth and Market Expansion
March 3, 2021	Transactions carried out under Share Buyback Program
February 26, 2021	Invitation to Capital Markets Update on March 4
February 23, 2021	Transactions carried out under Share Buyback Program
February 18, 2021	Asetek to release Q4 2020 results on February 24 and Capital Markets Update on March 4
February 16, 2021	Transactions carried out under Share Buyback Program
February 9, 2021	Transactions carried out under Share Buyback Program
February 2, 2021	Transactions carried out under Share Buyback Program
January 27, 2021	Transactions carried out under Share Buyback Program
January 26, 2021	Asetek receives order from existing global data center OEM
January 20, 2021	Asetek receives orders from existing global data center OEM and existing global data center partner
January 13, 2021	Transactions carried out under Share Buyback Program
January 5, 2021	SEB initiates Commissioned Research Coverage
January 5, 2021	Update to Full Year 2020 guidance
January 5, 2021	Transactions carried out under Share Buyback Program
January 4, 2021	Share capital increase – Issue shares as consideration to Granite Devices Oy
January 4, 2021	Correction: Asetek signs IP agreement and acquisition to strengthen gaming offering; issues shares
January 3, 2021	Financial calendar
January 1, 2021	Asetek signs IP agreement and acquisition to strengthen gaming offering; issues shares

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 + special items

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

Asetek

Asetek A/S
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