



TM

Asetek



ANNUAL
REPORT | **2022**

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This annual report is approved by the Board of Directors as of March 8, 2023. The Board will submit this report for approval at the Annual General Meeting on April 28, 2023.

CONTENTS

MANAGEMENT REPORT

Message from the CEO4

OVERVIEW

The Year 2022 Outlined5

Five-year summary7

Asetek at a glance.....8

PERFORMANCE AND OUTLOOK

Performance in 202214

Expectations for 2023.....15

GOVERNANCE

Corporate governance.....16

Risk management20

Corporate social responsibility23

Shareholder information24

ARTICLES

2022 was a promising second year for
Asetek SimSports.....12

FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS.....26

PARENT COMPANY FINANCIAL STATEMENTS59

MANAGEMENT STATEMENT67

INDEPENDENT AUDITOR’S REPORTS68

OTHER INFORMATION

Stock exchange releases.....72

Definitions of ratios and metrics73

MESSAGE FROM THE CEO

DEAR READER,

Come on, 2023, we are ready for you!

We recently waved goodbye to a very frustrating 2022. The economic downturn was widespread, and we clearly felt that the average consumer had less disposable income as well as continued supply chain challenges affecting both revenue and margins. Our revenues were down 37% compared to 2021.

We took all the necessary actions, and we are now ready for 2023 as a more agile company with substantially reduced breakeven levels. Combine that with small signs of optimism from our markets, and we have set the stage for what may become a successful year.

There are still significant uncertainties. Geopolitical tensions are not helpful, and we expect that we will continue to manoeuvre in a volatile environment. With that in mind, we will continue to operate the business as frugal and agile as possible, while at the same time investing in product development to secure the future business and grow our top-line.

In late 2022, we launched a new version of our basic liquid cooling technology featuring improved thermal performance. It is designed around a modular setup where 'building blocks' of parts allow us to create customer-specific products without having to spend precious time building it from the ground up every time.

In our SimSports segment, we very successfully launched race car pedals early in the year, and now just recently, we brought a portfolio of steering wheels and wheelbases to the market. We are proud and impressed with the customer reception. We are strongly encouraged to continue our expansion into this market, and we have a strong roadmap lined up. Please check out our website www.aseteksimports.com.

As announced in 2021, we have mothballed our Data Center segment. It was impossible for us to scale the business. Most of the revenue came from high-end, but smaller installations, which each required significant development efforts. However, we still have the technology and knowhow, and we know that once meaningful legislation and climate restrictions hit the data center industry,



especially requirements for reuse of the vast amounts of waste energy, we are ready to activate the segment again.

The past year has been challenging from a financial perspective. This also includes the construction of our new domicile. When we started the work in 2020, the situation, including the position of the financing partners, was much different than what we have experienced in 2022.

Internally, we have had to say goodbye to many good and well qualified employees in 2022. It gives me some comfort that all of them have continued their careers with other companies. I'd also like to extend my gratitude to the remaining organisation for their dedication during the year that passed.

We are continuing sustainability efforts. We are now moving to a steady-state mode, where incremental progress is continuously measured. Our employees continue to bring sustainability considerations into their work in various job functions.

All in all, I must say that I was happy to leave 2022 behind, and that myself and my team are ready to take on 2023.

Thank you for your interest in Asetek,

André S. Eriksen,
Founder and CEO

THE YEAR 2022 OUTLINED

// Revenue of \$50.7 million, compared with \$79.8 million in 2021

// Gross margins of 41% compared with 42% in 2021

// Adjusted EBITDA of (\$0.8 million) compared with \$7.2 million in 2021

// Revenue in 2022 totaled \$50.7 million, a decrease of 37% from 2021 (\$79.8 million) mainly reflecting fewer shipments of liquid cooling products.

// Gross margin was 41% in 2022 compared with 42% in 2021. The change primarily reflects changes in the product mix during the year and higher component costs resulting from unfavorable exchange rates in early 2022.

// During the year, Asetek had operating loss of \$5.4 million (operating income of \$0.8 million in 2021) and Adjusted EBITDA was negative \$0.8 million (positive \$7.2 million in 2021).

// The Company believes that its cash position and the liquidity available from its operations, external borrowings and other sources currently available to it is sufficient to satisfy its working capital requirements until around mid-May 2023. From then on the Company expects a cash shortfall mainly as a result of cash balances (including cash inflows from operations) being allocated to capital expenditures related to the construction of a new headquarters facility.

As a result, the Company plans to raise gross proceeds of approximately DKK 140 million (USD 20 million), with expected net proceeds of DKK 115 million (USD 16 million), in a public equity offering. The equity offering is expected to occur in May 2023 and the net proceeds are expected to be available May 15, 2023. The offering is fully underwritten as of March 7, 2023 subject to conditions not met at the time of the release of the financial statements. In addition, Management has discussed short-term debt financing with a bank to secure financing if a shortfall occurs before the funding is received from the planned equity offering. The bank has indicated willingness to provide bridge financing for the shortfall period.

// To lower costs and drive efficiencies, the Company reduced headcount over the past year, providing an expected annual cost reduction of \$4 to \$5 million. Staff reductions across all business lines totaled 52 employees.

// In October, Asetek announced a settlement of the pending patent infringement lawsuit with CoolIT Systems and Corsair Gaming. The settlement is expected to reduce Asetek's legal costs beginning in the first quarter of 2023.



// Operational achievements during the year:

- / Asetek continued as the leading supplier of liquid cooling solutions for high-end computing, shipping 797 thousand sealed loop liquid cooling units in 2022, compared with 1.39 million shipped in 2021. Asetek has shipped over 10 million sealed loop cooling units since inception.
- / The Company announced that both Asus and EVGA will integrate Asetek's high performance liquid cooling technology into new products utilizing NVIDIA's latest Ampere GPU architecture. ASUS' new ROG Strix LC GeForce RTX 3090 Ti OC edition graphics card and EVGA's new GeForce RTX 3090 Ti FTW3 ULTRA HYBRID GAMING graphics card each provide extreme performance and near-silent operation for competitive gamers and enthusiasts.
- / The Company released new products in the SimSports market:
 - / Asetek's premium Invicta™ Sim Racing Pedals, which include a throttle, brake pedal and add-on clutch pedal, and Invicta wheelbase, providing competitive sim racers with full immersion and the feeling of a real racecar.
 - / The high-performance Forte™ Throttle and Brake Pedal Set, and Forte Formula Wheel enable aspiring sim racers to experience high-end performance for immersive racing at a competitive price point.
 - / La Prima™ Bundle, including the La Prima™ Throttle and Brake Pedal Set, 12Nm wheelbase, and Formula Wheel, along with an optional La Prima™ Clutch, provide ultimate racecar racing experience with unparalleled upgradability at a highly competitive price point.
 - / The limited edition Pagani Huayra R Sim Racing Pedals offer the virtual experience of driving a Pagani, the world's most exclusive hypercar brand.
- / Asetek expanded its SimSports ecosystem of partners:
 - / Formed a collaboration with Formula One racer Kevin Magnussen as a brand ambassador for Asetek SimSports.
 - / Announced a sponsorship agreement with GetSpeed Race Team, a top contender in the 24-hour Nürburgring race.
 - / Established an agreement with esports leader Hardpoint to make Asetek's SimSports racing products available to try out and purchase at International Motor Sports Association (IMSA) race events.
- / Announced an exclusive supply agreement with HangZhou MiGE Electric Co., a developer of highly effective servo motor technology for use in a full range of wheelbases exclusively for Asetek, based on the Company's designs.



FINANCIALS

FISCAL YEAR	2022	2021	2020	2019	2018
COMPREHENSIVE INCOME (\$000'S)					
Revenue	50.650	79.803	72.750	54.334	67.314
Gross profit	20.765	33.373	34.194	23.005	26.172
Operating income	(5.401)	779	10.928	1.048	4.419
Financial items, net	(477)	618	(1.502)	406	451
Income before tax	(5.878)	1.397	9.426	1.454	4.870
Income for the year	(4.325)	1.337	9.195	(628)	3.672
Comprehensive income	(6.296)	(372)	11.587	(1.072)	3.503
Operating income before amortization, depreciation and financial items (EBITDA), unaudited	(1.231)	4.529	14.681	5.105	8.109
Adjusted EBITDA, unaudited	(791)	7.223	15.600	6.161	9.385
BALANCE SHEET (\$000'S)					
Total assets	78.615	75.354	71.393	54.105	51.398
Total equity	42.748	48.388	47.525	39.008	38.958
Interest-bearing debt	21.689	3.243	4.129	4.292	1.621
Working capital	(6.312)	20.603	32.837	27.919	25.315
Invested capital	99.346	80.900	81.786	81.949	79.278
Investment in property, plant and equipment	22.215	8.322	2.597	1.127	2.048
Investment in intangible assets	3.405	10.196	2.876	1.441	1.745
CASH FLOW (\$000'S)					
Operating activities	(8.354)	14.317	11.430	8.870	3.843
Investing activities	(25.395)	(13.204)	(4.816)	(2.154)	(3.659)
Financing activities	18.327	(4.636)	(5.088)	(648)	455
Total cash flow	(15.885)	(3.803)	2.594	5.878	229

Please refer to the Definitions of Ratios and Metrics on page 73 of this Report

RATIOS & METRICS

FISCAL YEAR	2022	2021	2020	2019	2018
PROFIT & LOSS					
Gross margin	41,0%	41,8%	47,0%	42,3%	38,9%
Operating margin	-10,7%	1,0%	15,0%	1,9%	6,6%
Return on invested capital (ROIC)	-4,4%	1,7%	11,2%	-0,8%	4,6%
Organic growth	-36,5%	9,7%	33,9%	-19,3%	15,7%
BALANCE SHEET					
Quick ratio	0,6	1,6	2,4	3,1	2,9
Current ratio	0,8	1,8	2,5	3,3	3,1
Days sales outstanding	63,1	69,6	116,1	88,6	79,0
Inventory turns per year	4,8	11,5	18,4	13,9	15,9
Days payable outstanding	132,2	145,4	133,6	96,2	63,2
Debt to equity	50,7%	6,7%	8,7%	11,0%	4,2%
STOCK MARKET					
Earnings per share, basic (USD)	(0,17)	0,05	0,36	(0,02)	0,14
Earnings per share, diluted (USD)	(0,17)	0,05	0,35	(0,02)	0,14
Shares issued (000's)	27.147	26.970	26.433	25.789	25.785
Treasury shares (000's)	1.256	1.262	931	185	245
Share price (NOK)	11,96	41,00	108,80	31,00	40,60
Share price to earnings	-	90,56	35,98	-	33,30
Market capitalization (\$000's)	31.413	119.825	323.054	90.205	119.083
BUSINESS DRIVERS					
Sealed loop units shipped (000's)	797	1.386	1.201	895	1.119
Average selling price per unit, liquid coolers (USD)	56,2	52,6	53,9	57,9	56,3
Revenue per employee (\$000's)	362	528	661	560	709
Average number of employees	140	151	110	97	95

Please refer to the Definitions of Ratios and Metrics on page 73 of this Report

ASETEK AT A GLANCE

Asetek designs, manufactures and sells gaming hardware for next-level immersive gaming experiences. Since 2013, Asetek's liquid cooling products have enabled increased performance and provide lower acoustic noise, power savings and improved efficiency when compared with air cooling. In 2021, Asetek expanded its offering of gaming hardware solutions with the introduction of its line of products for immersive SimSports gaming experiences.

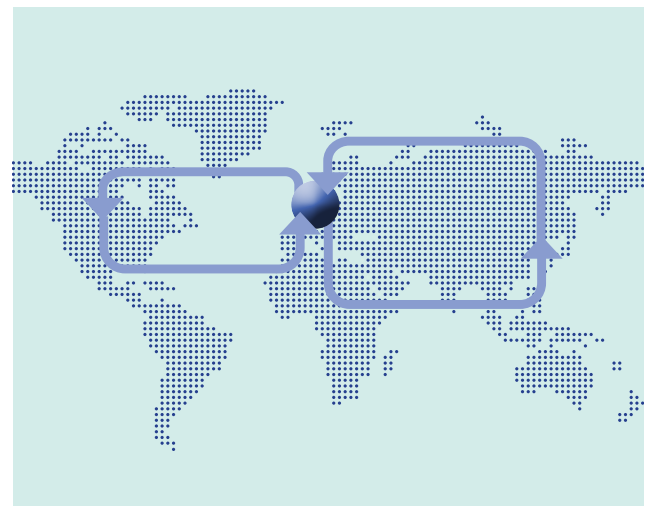
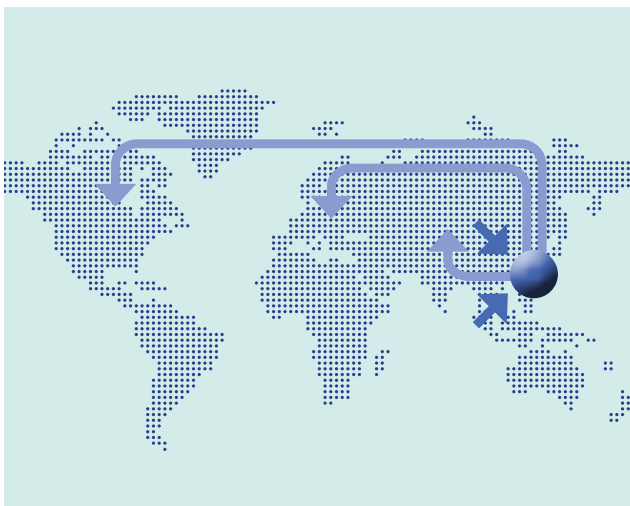
Asetek's liquid cooling products are all-in-one coolers that provide reliable, maintenance-free liquid cooling to gaming and high-performance PC customers. In 2022, Asetek began delivering its initial SimSports products to the gaming market, providing sim racers full immersion and the feel of a real racecar.

With over ten 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 Denmark 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 liquid cooling components to fulfill customer requirements.

The sales and marketing team for liquid cooling, based principally in USA and Taiwan, oversees the customer relationships to facilitate communication and development, ensuring the developed liquid cooling product meets or exceeds customer demands. Sales and marketing teams based in Denmark lead branding, marketing design and customer engagement, and specialize in the marketing of SimSports products.

The flow of physical liquid cooling 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 liquid coolers are delivered directly to customer hubs in China, with smaller quantities shipped to Europe and USA. SimSports products are manufactured in Asetek facilities in Aalborg and delivered directly to end customers and resellers.



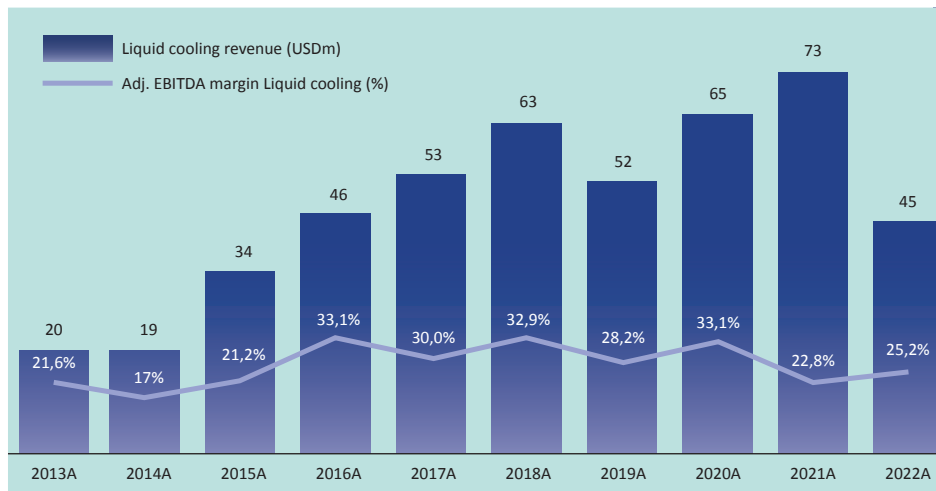


ASETEK'S JOURNEY

LARGELY SUSTAINED REVENUE GROWTH SINCE 2012, TEMPORARILY HIT BY MACROECONOMIC FACTORS

1997-2011	2012-2019 Accelerated growth & consolidation	2020-2021 COVID-19	PRESENT Macroeconomic adjustment	Future (company expectations) Return to normal
<p>Foundation / establishment as player within liquid cooling</p> <p>Revenue reaching double digits</p>	<p>Consolidation as a market leader within Liquid Cooling</p> <p>Establishment as household brand in high-performance PCs with OEM customers</p> <p>Geographical expansion, with international sales offices and local production established in U.S., China and Taiwan Development of Data Center segment</p>	<p>Gaming megatrends increasing overall demand in high-performance PC hardware</p> <p>Additional boost in demand from COVID-19 lockdowns - significant increase in consumer spend</p> <p>Introduction of SimSports segment</p> <p>Wind down of Data center segment</p> <p>Start of construction of new HQ facilities</p>	<p>Negative impact of macroeconomic headwinds (e.g. high inflation/interest rates) leading to decreased consumer spend</p> <p>Decrease in demand across segments</p> <p>Initial investments in SimSports segment. Discontinuation of sales within Data center</p> <p>Temporary cash squeeze from decrease in revenue and capex investments on new HQ</p>	<p>Long-term revenue growth ambitions to be aligned with historical growth rates</p> <p>Margins to return to pre-pandemic levels</p> <p>Liquid cooling growth to be supported by larger volumes w/ existing customers, gain of new customers and gaming megatrend (overall market growth in target market)</p> <p>SimSports growth potential through product range expansion, strategic partnerships, expansion towards consoles</p>

**HIGHLY PROFITABLE LIQUID COOLING SEGMENT...
LIQUID COOLING FINANCIAL OVERVIEW**







...DRIVEN BY PREMIUM PRICING AND COST CONTROL

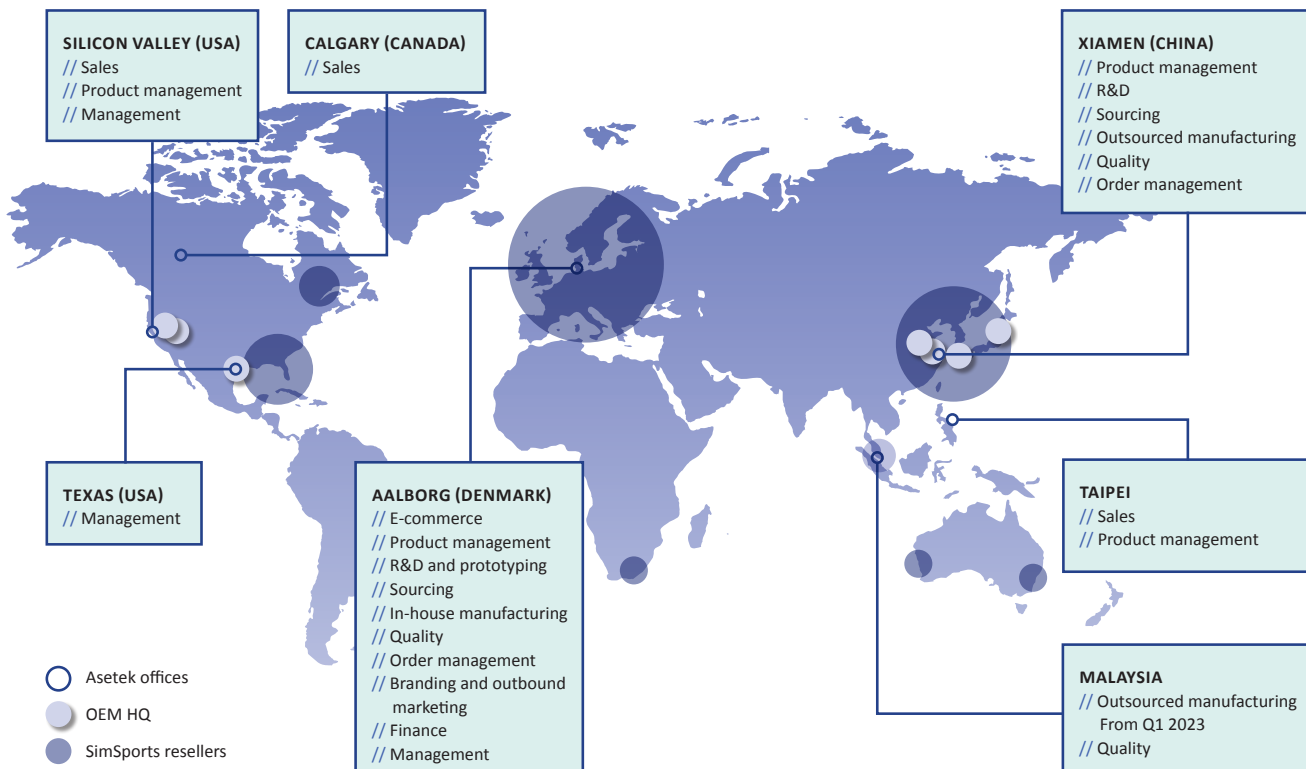
- Premium pricing enabled by delivering reliable and high-quality products
- Premium pricing enabled by being a experienced and trusted supplier with long customer relationships
- Cost control with constant focus on efficiency and cost reductions
- Attractive terms from Asian manufacturers enabled by on-the-ground knowledge and long-term relationships
- Efficient and streamlined value-chain from R&D to shipping



**FOUNDED ON INNOVATION.
DRIVEN BY EXCELLENCE**

LIQUID COOLING		SIMSPTS	DATA CENTER
<p>ENTHUSIASTS AND-DO-IT-YOURSELF (DIY)</p> 	<p>GAMING/ PERFORMANCE PCS</p> 		
<p><i>Liquid cooling for competitive and committed gamers and enthusiasts</i></p>		<p><i>Immersive equipment for gamers, racing and automobile enthusiasts</i></p>	<p><i>Liquid cooling for enterprises</i></p>
<p>// High-performance liquid coolers for PCs enabling gamers and eSports athletes to enjoy top-tier performance from their equipment</p> <p>// 20+ years of liquid cooling leadership in aggressive heat dissipation which enables further overclocking that increases performance</p> <p>// Liquid coolers are sold through two channels (both B2B): i) DIY – as a standalone product, ii) Gaming/Performance – as part of a complete PC (OEM)</p>		<p>// Entered the fast-growing SimSports gaming market in late 2021 through launch of a premium performance sim racing product line Invicta</p> <p>// Strong strategic fit and synergies with Liquid cooling</p> <p>// First products shipped March 2022 – sold both directly to consumers and through resellers</p> <p>// USD ~12m invested in IP, hardware and software</p>	<p>// Future option to redeem if regulatory environment changes</p> <p>// Dependent on EU CO2 reduction incentives to data center operators</p>
CURRENT FOCUS			FUTURE FOCUS

GLOBAL FOOTPRINT W/ PRESENCE IN KEY GLOBAL TECHNOLOGY STRONGHOLDS





EVERYONE AGREES:

2022 WAS A PROMISING SECOND YEAR FOR ASETEK SIMSPORTS

From K-Mag himself to international influencers and – fortunately – us at Asetek, too: everyone agrees that Asetek SimSports' second year, 2022, was another success that points positively to the future. When it comes to developing racing simulator products, the tech company is still at an initial stage. In 2022, Asetek introduced and extended the sale of many more top-quality products in line with the company's ambitious plans. This puts us well on the way to fulfilling our ambition of offering a complete and unsurpassed range of quality products.

As things stand, 2022's arrivals included two advanced steering wheel motor versions, two Formula steering wheels and several new types of pedal that allow the physical distance between accelerator and brake, for example, to be individually adjusted – just like in a real racing car. These products will be ready to leave the factory in early 2023.

There is therefore great satisfaction within Asetek at the number of well-performing – and above all, realistic – simulator products put out by Asetek SimSports that have already been well received on the market. The zeal of the many international influencers who described and praised the products' value for money during the year was also clear and highly positive. The sheer enthusiasm of Formula 1 star Kevin Magnussen (K-Mag), Asetek's high-profile development consultant and brand ambassador, also shone through.

LET'S HEAR FIRST FROM THE LATTER.

Last autumn, K-Mag said*: 'My goal with partnering Asetek is to help make a product that anyone can get hold of, that is actually as close to the real thing as possible. I think there are a lot of products out there that do the job but are not representative of anything real. I think if you develop these products with people from the real racing world, you get a better crossover.'

To give one example among many, on his much-followed YouTube channel world-famous SimSports influencer Ron Reviewt described his test of Asetek's Forte pedals, the intermediate-level option of the three versions the Asetek product line is available in, as follows:

'In terms of price-performance ratio, the Asetek Forte pedals mark the top of my loadcell pedal solutions tested to date... a clear purchase recommendation for enthusiasts if you want to get closer to the realism of racing. Reasons for this are a short pedal travel on the brake,

the possibilities to penetrate into high braking forces on the pedal and to want to refine the trailbraking technology with a well thought-out 2-way concept of elastomers.'

The other Asetek SimSports levels are named 'Invicta' for connoisseurs and 'La Prima' for quality-conscious entry-level users. They were met with equally great enthusiasm by influencers and users.

And in the Asetek organisation itself, where developing these products is the day job, Vice President, Global R&D Thomas Ditlev says:

'We're really impressed at how much success we've already been favoured with in 2022. Interest in Asetek SimSports' stand at the ADAC SimRacing Expo in Nuremberg in November was beyond satisfactory and a fitting reward for our employees' tremendous efforts.'

A large part of the success developing our three quality tiers is achieving maximum reuse of the greatest possible number of components, thereby optimising the business model.

*1:54-2:37 minutes into this link:

<https://www.youtube.com/watch?v=hkX8X0MWEvM>



We're really impressed at how much success we've already been favoured with in 2022.

PERFORMANCE IN 2022

Profit and loss

Total revenue for 2022 was \$50.7 million, representing a decrease of 36.5% from 2021 (\$79.8 million). Sealed loop cooling unit shipments for 2022 totaled 0.8 million compared with 1.4 million in 2021. Revenue and unit shipment changes reflect decreased shipments of liquid cooling products, which were negatively impacted by inflationary pressures and reduced consumer discretionary spending during 2022. Average Selling Prices (ASP) for liquid coolers in 2022 increased to \$56.21 from \$52.62 in 2021.

Gross margin was 41.0% in 2022 compared with 41.8% in 2021. The change reflects higher shipping costs due to global supply chain disruptions and a weaker U.S. dollar in the first half of 2022, partly offset by more favorable exchange rates and richer mix of product shipments in the second half of the year.

In 2022, total operating expense decreased by 20% to \$26.2 million, from \$32.6 million in 2021. Operating expense in 2021 included net one-time charges of \$1.0 million. The cost savings in 2022 were principally due to reduced staffing costs associated with headcount reductions and a stronger U.S. dollar.

Personnel expense decreased 18% in 2022 compared with 2021. To lower costs and drive efficiencies, the Company reduced headcount across all business lines by a total of 52 employees (approximately one-third of staff). Legal cost incurred associated with intellectual property settlements, defense of existing IP and securing new IP was \$3.4 million in 2022 (\$4.7 million in 2021). Share-based compensation cost associated with warrants and options issued to employees was \$0.4 million in 2022 (\$1.0 million in 2021).

Adjusted EBITDA was negative \$0.8 million in 2022, compared with positive \$7.2 million in 2021. Adjusted EBITDA in 2022 represents operating loss of \$5.4 million, plus depreciation of \$4.2 million, plus share-based compensation of \$0.4 million.

Foreign currency transactions in 2022 resulted in a \$0.3 million loss (\$0.8 million gain in 2021).

As a result of the operating loss, income tax benefit was \$1.6 million in 2022, compared with \$0.1 million expense in 2021.

Asetek had a total comprehensive loss of \$6.3 million for 2022, compared with total comprehensive loss of \$0.4 million in 2021. Comprehensive loss included a negative \$2.0 million translation adjustment in 2022 (negative \$1.7 million in 2021).

Balance sheet

Asetek's total assets at December 31, 2022 were \$78.6 million, compared with \$75.4 million at the end of 2021. The principal offsetting factors affecting the change were as follows: Property, plant and equipment increased by \$19.4 million as a result of building construction for a future headquarters facility; Trade receivables decreased by \$6.4 million due to lower sales in the fourth quarter of 2022 compared with the same period of 2021; Cash and cash equivalents declined by \$15.9 million to support funding the headquarters construction, operating loss and investment in the new SimSports business.

Total liabilities increased by \$8.9 million in 2022, due to offsetting factors. Short-term debt increased by \$18.3 million as a result of financing established for construction of a new headquarters facility. Trade payables decreased by \$7.7 million due to reduced operating volume in the fourth quarter of 2022 compared with the same period of 2021. Accrued liabilities decreased by \$1.9 million principally due to lower legal expenditures and reduced costs associated with lower staffing levels.

Working capital (current assets minus current liabilities) totaled negative \$6.3 million at December 31, 2022 (\$20.6 million in 2021). The change reflects the current debt incurred for the building under construction, as well as the liquidity needed to support the Company's operating loss in 2022.

Statement of cash flows

Net cash used by operating activities was \$8.4 million in 2022 (\$14.3 million provided in 2021). The change was principally due to the net loss in 2022 and increased payment of current liabilities.

Cash used by investing activities was \$25.4 million compared with \$13.2 million used in 2021. The

increase was principally due to \$19.7 million invested in construction of a future headquarters facility, and additions to capitalized assets under development associated with future SimSports and Liquid cooling products.

Cash provided by financing activities was \$18.3 million in 2022 compared with \$4.6 million used in 2021. During 2022, Asetek secured \$18.6 million in financing for construction of a new headquarters facility. In 2021, Asetek repurchased 400 thousand shares of common stock for \$4.8 million. No shares were repurchased in 2022.

Net decrease in cash and cash equivalents was \$15.9 million in 2022, compared with decrease of \$3.8 million in 2021. Cash and cash equivalents at December 31, 2022 was \$7.4 million (\$23.3 million in 2021).

Liquidity and financing

In 2022, the Company incurred operating loss of \$5.4 million and as of December 31, 2022, has working capital of negative \$6.3 million and non-current liabilities of \$1.7 million. The Company believes that its cash position and the liquidity available from its operations, external borrowings and other sources currently available is sufficient to satisfy its working capital requirements until around mid-May, 2023. From then on the Company expects a cash shortfall, mainly as a result of cash balances (including cash inflows from operations) being allocated to capital expenditures related to the construction of a new headquarter facility. As a result, the Company plans to raise gross proceeds of approximately DKK 140 million (USD 20 million), with expected net proceeds of DKK 115 million (USD 16 million), in a public equity offering. The equity offering is expected to occur in May 2023 and the net proceeds are expected to be available May 15, 2023. The offering is fully underwritten as of March 7, 2023 subject to conditions not met at the time of the release of the financial statements. In addition, Management has discussed short-term debt financing with a bank to secure financing if a shortfall occurs before the funding is received from the planned equity offering. The bank has indicated willingness to provide bridge financing for the shortfall period.

If the offering is completed with net proceeds of DKK 115 million, the Company considers, based on given current knowledge, that the Company's cash position will be sufficient to meet the Company's requirements for the year 2023.

The Company's budgets and plans are based on best estimates of the future at the time of issuing this annual report. However, such plans relate to future events and the fulfillment of such are by nature subject to uncertainty. If actual results in 2023 differ from expectations, or sufficient funding is not established through the equity offering or otherwise, the Board of Directors and Management will need to take mitigating actions, such as reduce costs and pursue sale of certain Group assets. Although the Board of Directors and Management based on this assessment considers that Asetek will have adequate liquidity resources available to finance the operations of the Group for the coming year, the above indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

The Company's consolidated annual results for 2022 met management's expectations that were communicated in the Q3 2022 stock exchange release. When comparing to projections communicated in the 2021 Annual Report, the 2022 annual results did not meet expectations for revenue or profit, principally because the assumption in early 2022 that the business climate would normalize over the course of the year did not materialize.

EXPECTATIONS FOR 2023

High inflation, rising interest rates and geo-political tensions continue to impact into 2023. At the same time, there are early signs of market stabilization as the impact of pandemic lockdowns and supply chain disturbances start to ease. Discretionary consumer spending remains subdued, but the Company is experiencing increased demand for the Liquid cooling and SimSports products for gamers and enthusiasts, reflected also in the forecasts provided by OEM customers. However, visibility is low in the current environment, and the Company maintains its focus on cost efficiencies and product development.

Considering a continued volatile global situation, revenue growth for 2023 is expected to be nearly back to normal for the Company, in the range of 5% to 15% compared with 2022. This outlook considers the possibility of further supply chain disruptions, continued general geo-political tensions, no Data center revenue (\$4.0 million in 2022), 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 \$2 and \$4 million in 2023.

CORPORATE GOVERNANCE

Asetek's management and organization regularly adapt 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-2022>

Danish Recommendation for Corporate Governance		
	2022	2021
Complies with recommendations	38	38
Explanation provided	2	2

Dialogue between the Company and its shareholders.

The communication between Asetek and shareholders primarily takes place at the Company's Annual General Meeting and via company announcements. Asetek shareholders are encouraged to subscribe to the e-mail service to receive company announcements, interim

management statements, interim reports and annual reports as well as other news via e-mail.

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

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

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

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

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

Notification of meetings and discussion of items.

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

Board of Directors meetings

Meetings held during the year	9
Participation:	
Jukka Pertola (chair)	100%
Erik Damsgaard (vice chair)	100%
Jørgen Smidt	100%
Maria Hjorth	100%
Maja Frølund Sand-Grimnitz (joined board June 15, 2022, attended all 7 meetings since joining)	100%

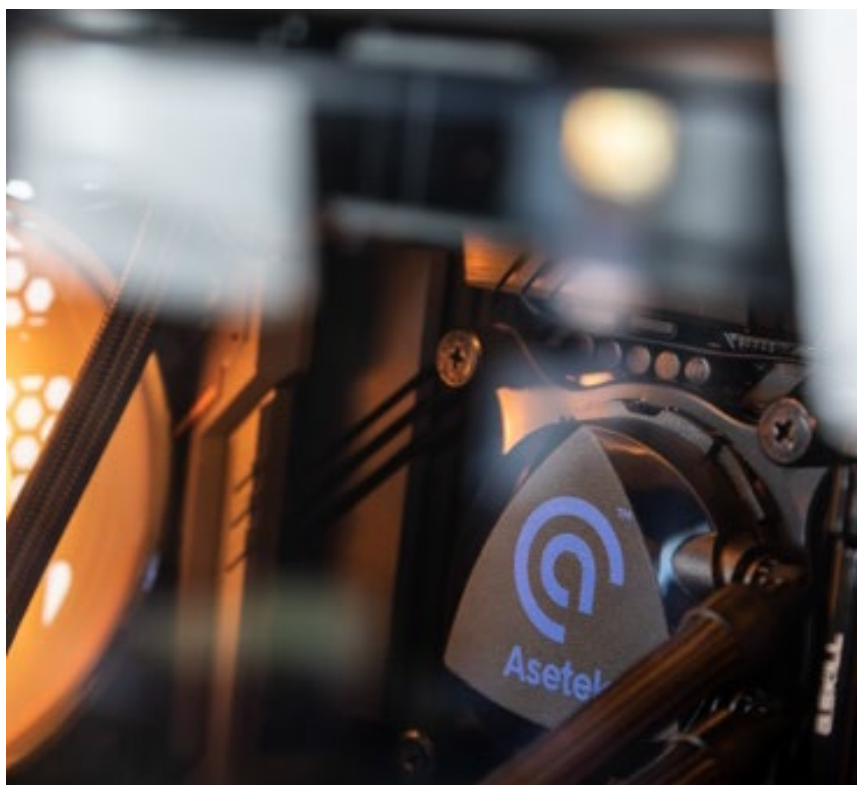
All Board members receive regular information about the Company's operational and financial progress in advance of the scheduled Board meetings.

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		3
Participation:		
Ib Sønderby (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 (chair), Erik Damsgaard.

Audit committee meetings

Meetings held during the year		4
Participation:		
Maria Hjorth (chair)		100%
Erik Damsgaard		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		5
Participation:		
Jukka Pertola (chair)		100%
Jørgen Smidt		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 are independent persons, and none of the Board members participates in the day-to-day operation of the Company. At the 2022 General Meeting, Mr. Jukka Pertola was elected Chairman of the Board, receiving 91% of the votes cast. Additional information about the Board members, including other management positions held, can be found in Note 24 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 2022, 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 2022 Remuneration Report will be available on the Company's website:

<https://ir.asetek.com/Remuneration-Report-2022>

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	NOK40.10
August 12, 2014	Board	Board issues warrants to employees and Board members	32,970	DKK 0.10/share	NOK33.90
August 11, 2015	Board	Board issues warrants to employees and Board members	700,000	DKK 0.10/share	NOK10.50
April 29, 2016	Board	Board issues warrants to employees and Board members	600,000	DKK 0.10/share	NOK19.50
April 25, 2017	Board	Board issues warrants to employees and Board members	509,687	DKK 0.10/share	NOK76.25
July 7, 2017	Board	Board issues warrants to employees	106,999	DKK 0.10/share	NOK113.00
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	NOK46.30
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	NOK24.70
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	NOK38.33
April 21, 2021	Board	Board issues options to employees	216,300	DKK 0.10/share	NOK100.15
April 22, 2021	General	Board authorized to acquire the Company's own shares			
April 28, 2022	General	Board authorized to acquire the Company's own shares			
September 7, 2022	Board	Board issues options to employees	376,500	DKK 0.10/share	NOK15.04

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 2022 for identified risks and remedies.

Liquidity, capital resources and indebtedness. In 2022, the Company incurred operating loss of \$5.4 million and as of December 31, 2022, has working capital of negative \$6.3 million and non-current liabilities of \$1.7 million. The Company believes that its cash position and the liquidity available from its operations, external borrowings and other sources currently available is sufficient to satisfy its working capital requirements until around mid-May, 2023. From then on the Company expects a cash shortfall, mainly as a result of cash balances (including cash inflows from operations) being allocated to capital expenditures related to the construction of a new headquarter facility. As a result,

the Company plans to raise gross proceeds of approximately DKK 140 million (USD 20 million), with expected net proceeds of DKK 115 million (USD 16 million), in a public equity offering. The equity offering is expected to occur in May 2023 and the net proceeds are expected to be available May 15, 2023. The offering is fully underwritten as of March 7, 2023 subject to conditions not met at the time of the release of the financial statements. In addition, Management has discussed short-term debt financing with a bank to secure financing if a shortfall occurs before the funding is received from the planned equity offering. The bank has indicated willingness to provide bridge financing for the shortfall period.

Economic recession. A general slowdown in the global economy, including a recession, inflation or a tightening of the credit markets could negatively impact Asetek's business, financial condition and liquidity. Adverse global economic conditions have caused or exacerbated significant slowdowns in the markets in which the Company operates, which have adversely affected Asetek's results of operations. Macroeconomic weakness and uncertainty also make it more difficult for management to accurately forecast revenue, gross margin, and expenses. Further 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 Asetek's suppliers.

COVID-19 pandemic. In 2022, COVID-related shutdowns continued to occur 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 was not a significant impact to Asetek's operations from shutdowns in 2022; however, such disruptions could occur in the future.

The Company is complying with regulations for minimizing spread of the coronavirus. If production must be stopped or a critical number of employees 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.

Business combinations and SimSports. In 2020 and 2021, Asetek acquired technology and intellectual property in support of the Company's entrance into the fast-growing SimSports gaming market. Prior to these acquisitions, Asetek 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 March 2022, the Company shipped the first of its SimSports products and released several new products in subsequent months. Revenue generated for SimSports products totaled \$1.8 million in 2022, approximately 4% of the Group's total revenue for the year.

Customer concentration. In 2022, three customers accounted for 32%, 22% and 18% 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 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. Three customers represented 38%, 24% and 10% of trade receivables at December 31, 2022. 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.

New chip releases. Asetek's liquid cooling revenue is dependent upon timely releases by major suppliers of new GPU's and CPU's. In recent months, the global economy was subject to an unprecedented shortage of semiconductor chips due to production constraints and the accelerated digital transformation brought upon by the pandemic. This shortage negatively impacted demand – Asetek's OEM customers waiting for components were limited in their ability to build products with Asetek coolers; and end users who were waiting for new GPUs were delayed in purchasing new liquid coolers. The global chip shortage eased in the second half of 2022; however, the Company's revenue continues to be dependent upon timely releases of GPU's and CPU's, and future shortages could negatively impact customer demand.

Manufacturing supply. Asetek relies upon suppliers and partners to supply products and services at competitive prices. Supply constraints, such as COVID shutdowns in China and disruptions in the global supply chain have increased component costs and limited the Company's ability to fulfill customer demand.

Asetek's liquid cooling 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. The Company is currently in the process of establishing additional outsourced manufacturing in Malaysia.

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 market uncertainties, particularly in the liquid cooling segment. 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 2022, the USD strengthened against both the DKK and EUR by 6% and strengthened against the Japanese Yen by 14%.

Asetek's raw materials are predominantly purchased with USD, from vendors whose underlying currency is CNY. The USD strengthened against the CNY by 9% in 2022.

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 appli-

cations for Asetek's cooling technology is also a focus, as evidenced by the new SimSports products released during 2022.

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. The GILTI regulation did not materially impact deferred tax asset utilization in 2022 or 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.

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 2022 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://ir.asetek.com/Sustainability-Report-2022>

The Asetek Sustainability Report 2022 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://ir.asetek.com/Sustainability-Report-2022>

The Asetek Sustainability Report 2022 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://ir.asetek.com/Sustainability-Report-2022>

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 2022 and covers the financial period 1 January - 31 December 2022:

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 2022, 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, 14% 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, 71% are between 40 and 60 years old, and 29% of management is over 60.

SHAREHOLDER INFORMATION

Asetek's shares are listed on Oslo Børs. As of December 31, 2022, a total of 27,147,225 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 2022 was NOK 310 million (approximately USD 31 million) which was a decrease of 73% from the market value at the beginning of 2022. Asetek is thus classified as a Small Cap company on Oslo Børs.

1,256,000 shares were held by the Company on December 31, 2022 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 - Verdipapirservise, Postboks 1600 Sentrum, 0021 Oslo, Norway.

OWNERSHIP

At the end of 2022, Asetek A/S had 1,247 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 8.1% of the share capital at the end of 2022.

1 JANUARY 2022

Asetek shares opened the year 2022 at NOK 39.65.

31 DECEMBER 2022

At the last trading day of the year, Asetek shares closed at NOK 11.96, which was a decrease of 73% from the beginning of the year. The Oslo Stock Exchange (OSE) Benchmark Index decreased 1% in 2022. The OSE Information Technology Index decreased by approximately 43% in 2022.

According to Asetek's registrations, the following shareholders possessed 5% or above of the share capital as per December 31, 2022:

Shareholder	Number of Shares	%
The ATP Group	3,270,475	12.0%
Skandinaviska Enskilda Banken AB	3,228,047	11.9%
Danske Bank AS	2,585,089	9.5%
Nordea Bank ABP	2,252,222	8.3%
HSBC Trinkaus & Burkhardt AG	2,112,577	7.8%
Nordnet Bank AB	1,467,114	5.4%
Bank of NY Mellon	1,424,066	5.3%
JP Morgan Chase Bank	1,397,776	5.2%
Clearstream Banking	1,365,628	5.0%

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 2023:

Annual General Meeting:	April 28, 2023
Q1 2023 Report:	April 28, 2023
Half-yearly Report	August 9, 2023
Q3 2023 Report:	November 2, 2023
2023 Annual Report:	March 8, 2024



ASETEK A/S**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the years ended December 31, 2022 and 2021

(USD 000's)	Note	2022	2021
Revenue	4	50,650	79,803
Cost of sales	8	(29,885)	(46,430)
GROSS PROFIT		20,765	33,373
Research and development		(5,163)	(7,092)
Selling, general and administrative		(20,884)	(24,503)
Special items	8	-	(1,713)
Other income	8	(119)	714
TOTAL OPERATING EXPENSES		(26,166)	(32,594)
OPERATING INCOME		(5,401)	779
Foreign exchange gain (loss)	9	(344)	832
Finance income	9	45	2
Finance costs	9	(178)	(216)
TOTAL FINANCIAL INCOME		(477)	618
INCOME BEFORE TAX		(5,878)	1,397
Income tax (expense) benefit	10, 11	1,553	(60)
INCOME FOR THE YEAR		(4,325)	1,337
<i>Other comprehensive income items that may be reclassified to profit or loss in subsequent periods:</i>			
Foreign currency translation adjustments		(1,971)	(1,709)
TOTAL COMPREHENSIVE INCOME		(6,296)	(372)
INCOME PER SHARE: (IN USD)			
Basic	12	(0.17)	0.05
Diluted	12	(0.17)	0.05

ASETEK A/S**CONSOLIDATED BALANCE SHEET**

As of December 31, 2022 and 2021

(USD 000's)	Note	2022	2021
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	14	12,014	10,938
Property, plant and equipment	15	31,084	11,732
Deferred income tax assets	11	7,366	6,293
Other assets		335	362
TOTAL NON-CURRENT ASSETS		50,799	29,325
CURRENT ASSETS			
Inventory	17	6,973	5,532
Trade and other receivables	16	13,432	17,201
Cash and cash equivalents		7,411	23,296
TOTAL CURRENT ASSETS		27,816	46,029
TOTAL ASSETS		78,615	75,354
EQUITY AND LIABILITIES			
EQUITY			
Share capital	18	444	442
Retained earnings		54,406	58,077
Translation and other reserves		(12,102)	(10,131)
TOTAL EQUITY		42,748	48,388
NON-CURRENT LIABILITIES			
Long-term debt	19	1,739	1,540
TOTAL NON-CURRENT LIABILITIES		1,739	1,540
CURRENT LIABILITIES			
Short-term debt	20	19,950	1,703
Accrued liabilities		1,896	3,157
Accrued compensation and employee benefits		1,454	2,074
Trade payables		10,828	18,492
TOTAL CURRENT LIABILITIES		34,128	25,426
TOTAL LIABILITIES		35,867	26,966
TOTAL EQUITY AND LIABILITIES		78,615	75,354

ASETEK A/S**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the years ended December 31, 2022 and 2021

(USD 000's)	Share capital	Translation reserves	Treasury share reserves	Retained earnings	Total
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 for 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
Total comprehensive income for 2022					
Income for the year	-	-	-	(4,325)	(4,325)
Foreign currency translation adjustments	-	(1,971)	-	-	(1,971)
Total comprehensive income for 2022	-	(1,971)	-	(4,325)	(6,296)
Transactions with owners in 2022					
Shares issued upon exercise of options	2	-	-	214	216
Share-based payment expense	-	-	-	440	440
Transactions with owners in 2022	2	-	-	654	656
EQUITY AT DECEMBER 31, 2022	444	(896)	(11,206)	54,406	42,748

ASETEK A/S**CONSOLIDATED CASH FLOW STATEMENT**

For the years ended December 31, 2022 and 2021

(USD 000's)	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) for the year		(4,325)	1,337
Depreciation and amortization	14,15	4,170	3,750
Gain on sale of property, plant and equipment		(53)	(688)
Impairment of intangible assets	14	111	-
Special items	8	-	1,713
Finance income recognized	9	(45)	(2)
Finance costs incurred	9	663	216
Finance income, cash received		45	2
Finance costs, cash paid		(609)	(141)
Income tax expense (income)	10,11	(1,553)	60
Cash receipt (payment) for income tax		(461)	(446)
Share-based payments expense	7	440	981
Changes in trade receivables, inventories, other assets		1,891	2,957
Changes in trade payables and accrued liabilities		(8,628)	4,578
NET CASH PROVIDED BY OPERATING ACTIVITIES		(8,354)	14,317
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to intangible assets	14	(3,405)	(5,974)
Purchase of property, plant and equipment	15	(22,215)	(8,322)
Disposal of long-term assets	15	225	1,092
NET CASH USED IN INVESTING ACTIVITIES		(25,395)	(13,204)
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings on line of credit for building construction	19	18,582	-
Borrowings (repayment) on line of credit	19	(690)	260
Repurchase of common shares	18	-	(4,833)
Proceeds from issuance of share capital	18	216	865
Financing of previously purchased equipment	19	1,129	-
Principal payments on equipment financing	19	(75)	-
Principal payments on leases	20	(835)	(928)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		18,327	(4,636)
Effect of exchange rate changes on cash and equivalents		(463)	(280)
NET CHANGES IN CASH AND CASH EQUIVALENTS		(15,885)	(3,803)
Cash and cash equivalents at beginning of period		23,296	27,099
CASH AND CASH EQUIVALENTS AT END OF PERIOD		7,411	23,296
SUPPLEMENTAL DISCLOSURE - NON-CASH ITEMS			
Assets acquired under leases		95	108
Shares issued for purchase of assets		-	4,222

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'.

1.1. Liquidity and going concern in 2023

In 2022, the Company incurred operating loss of \$5.4 million and as of December 31, 2022, has working capital of negative \$6.3 million and non-current liabilities of \$1.7 million. The Company believes that its cash position and the liquidity available from its operations, external borrowings and other sources currently available is sufficient to satisfy its working capital requirements until around mid-May, 2023. From then on the Company expects a cash shortfall, mainly as a result of cash balances (including cash inflows from operations) being allocated to capital expenditures related to the construction of a new headquarter facility. As a result, the Company plans to raise gross proceeds of approximately DKK 140 million (USD 20 million), with expected net proceeds of DKK 115 million (USD 16 million), in a public equity offering. The equity offering is expected to occur in May 2023 and the net proceeds are expected to be available May 15, 2023. The offering is fully underwritten as of March 7, 2023 subject to conditions not met at the time of the release of the financial statements. In addition, Management has discussed short-term debt financing with a bank to secure financing if a shortfall occurs before the funding is received from the planned equity offering. The bank has indicated willingness to provide bridge financing for the shortfall period.

If the offering is completed with net proceeds of DKK 115 million, the Company considers, based on given current knowledge, that the Company's cash position will be sufficient to meet the Company's requirements for the year 2023.

The Company's budgets and plans are based on best estimates of the future at the time of issuing this annual

report. However, such plans relate to future events and the fulfillment of such are by nature subject to uncertainty. If actual results in 2023 differ from expectations, or sufficient funding is not established through the equity offering or otherwise, the Board of Directors and Management will need to take mitigating actions, such as reduce costs and pursue sale of certain Group assets. Although the Board of Directors and Management based on this assessment considers that Asetek will have adequate liquidity resources available to finance the operations of the Group for the coming year, the above indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

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.

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
Buildings	30 - 50 years
Leasehold improvements	Lesser of 5 yrs or lease term
Plant and machinery	5 years
Tools and 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 liabilities

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

// 'Financial liabilities at fair value through profit or loss' are liabilities entered into that do not meet the hedge accounting criteria as defined by IFRS 9. Gains or losses on liabilities held for trading are recognized in profit and loss. At December 31, 2022, 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. Borrowings and related costs

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale.

Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the period in which they are incurred.

2.17. 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 and equipment on the balance sheet.

2.18. 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.

2.19. 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.

2.20. Segment reporting

Business segmentation. The Group is reporting on three segments, Liquid cooling, Data center and SimSports. The three 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 three 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.

2.21. Cash flow statement

The cash flow statement is prepared using the indirect method.

2.22. 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.

2.23. 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, 2022, the Company made matching contributions totaling \$39,000 (\$59,000 in 2021).

2.24 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.

2.25 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.

2.26. Changes in accounting policy and disclosures - Applied new standards and amendments included in Annual Report for 2022. Certain new standards, amendments to standards, and annual improvements to standards and interpretations are effective for annual periods beginning after January 1, 2022 and have been applied in preparing these consolidated financial statements. These applications did not materially impact the Group's consolidated financial statements.



New standards and amendments not applied in the Annual Report for 2022. 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, 2022		
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-23
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-23
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-23
Not endorsed by EU as of December 31, 2022		
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of effective date; and Non-current Liabilities with Covenants	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. In addition, amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Covenant details should be disclosed in notes to financial statements.	1-Jan-24
Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback	Specifies how a sale and leaseback is accounted for when reporting after the date of the transaction.	1-Jan-24



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 continued through 2021. In 2022, the Company incurred operating loss of \$5.4 million and had operating cash flows of (\$8.4 million). As of December 31, 2022, the Company has working capital of negative \$6.3 million and non-current liabilities of \$1.7 million. The Company believes that its cash position and the liquidity available from its operations, external borrowings and other sources currently available is sufficient to satisfy its working capital requirements until around mid-May, 2023. From then on the Company expects a cash shortfall, mainly as a result of cash balances (including cash inflows from operations) being allocated to capital expenditures related to the construction of a new headquarter facility. As a result, the Company plans to raise gross proceeds of approximately DKK 140 million (USD 20 million), with expected net proceeds of DKK 115 million (USD 16 million), in a public equity offering. The equity offering is expected to occur in May 2023 and the net proceeds are expected to be available May 15, 2023. The offering is fully underwritten as of March 7, 2023 subject to conditions not met at the

time of the release of the financial statements. In addition, Management has discussed short-term debt financing with a bank to secure financing if a shortfall occurs before the funding is received from the planned equity offering. The bank has indicated willingness to provide bridge financing for the shortfall period.

If the offering is completed with net proceeds of DKK 115 million, the Company considers, based on given current knowledge, that the Company's cash position will be sufficient to meet the Company's requirements for the year 2023.

The Company's budgets and plans are based on best estimates of the future at the time of issuing this annual report. However, such plans relate to future events and the fulfillment of such are by nature subject to uncertainty. If actual results in 2023 differ from expectations, or sufficient funding is not established through the equity offering or otherwise, the Board of Directors and Management will need to take mitigating actions, such as reduce costs and pursue sale of certain Group assets. Although the Board of Directors and Management based on this assessment considers that Asetek will have adequate liquidity resources available to finance the operations of the Group for the coming year, the above indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Refer to Note 1.1.

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 2022 and 2021, the Board was authorized to acquire the Company's own shares and subsequently initiated a share buyback program. In 2022, the Company did not repurchase shares. In 2021, the Company repurchased a total of 400 thousand common shares

on the open market for a total cost of \$4.8 million. 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:

AS OF DECEMBER 31, 2022 (USD 000's)	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Construction commitments	-	(6,873)	(14,622)	(2,828)	(24,323)
Lines of credit	(18,971)	-	-	-	(18,971)
Leases	-	(270)	(832)	(1,806)	(2,908)
Payables and accrued liabilities	-	(13,589)	(589)	-	(14,178)
	(18,971)	(20,732)	(16,043)	(4,634)	(60,380)

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)
Payables and accrued liabilities	-	(22,943)	(780)	-	(23,723)
	(743)	(23,180)	(1,567)	(1,888)	(27,378)



Market risk factors. The Group's current principal financial liabilities consist of short-term and long-term debt on 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 Group has two lines of credit available totaling 205 million Danish krone, of which DKK 132 million (USD 19.0 million) is outstanding at December 31, 2022 (the lines of credit are further described in "(b) Interest rate risk" below). 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, 2022 was 6.97 Danish kroner to one U.S. dollar (6.56 to the U.S. dollar at December 31, 2021). 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 2022 of (\$95,000) (in 2021, increase of the pre-tax income of \$729,000).

(b) **Interest rate risk.** The Group's interest rate risk consists of the following credit lines. As of December 31, 2022, Asetek has two lines of credit with Sydbank totaling 205 million Danish krone (USD 29.3 million), of which USD 19.0 million has been utilized, principally to finance construction of a new headquarters facility.

//Asetek Danmark A/S has a revolving line of credit with Sydbank for DKK 105 million. The value of line in U.S. dollars is approximately \$15.1 million, of which \$4.7 million was utilized at December 31, 2022. The line carries interest at the Danish CIBOR 3 rate plus

1.95 percentage points, which in total was 4.28% at December 31, 2022, and is payment in full is due December 2, 2024. This credit line is subject to renegotiation on September 30, 2023.

// Asetek A/S, the Parent company, has a line of credit with Sydbank for DKK 100 million (USD 14.2 million), for which the total \$14.2 million was utilized at December 31, 2022. This line carries interest at Danish CIBOR 3 rate plus 1.25 percentage points which in total was 3.58% at December 31, 2022, and payment in full is due December 2, 2024. This credit line is subject to renegotiation on September 30, 2023.

The variable nature of the Danish CIBOR 3 rate results in risk of increased interest cost due to potential changes in rates. At the level of borrowings as of December 31, 2022, the effect of a 50% increase in the Danish CIBOR 3 rate would result in increased annual interest cost of \$221,000.

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. In 2023, the Company plans to raise gross proceeds of approximately DKK 140 million (USD 20 million) through a public equity offering. Refer to Note 1.1.

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 2022, the Company's three largest customers, all in the liquid cooling segment, accounted for 32%, 22% and 18% of revenue (three customers accounted for 37%, 18% and 11% of revenue in 2021), 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, 2022 three customers, all in the liquid cooling segment, represented 38%, 24% and 10% of outstanding trade receivables (two represented 37% and 19% at December 31, 2021), respectively. The reserve for uncollectible trade accounts was \$41,000 at December 31, 2022 and \$33,000 at December 31, 2021. The aged trade receivables and bad debt reserve balances for all years presented are provided in Note 16.

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

(USD 000's)	2022	2021
Cash and cash equivalents	7,411	23,296
Trade receivables and other	13,432	17,201
Other assets	335	362
MAXIMUM CREDIT EXPOSURE	21,178	40,859

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)	2022		
	Revenue	Current assets	Non-current assets
Asia	40,216	10,041	167
Americas	6,017	2,849	1,866
Europe	4,417	14,926	48,766
TOTAL	50,650	27,816	50,799

(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

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	
	2022	2021
Denmark	48,766	27,235
USA	1,866	1,970
China	167	120
TOTAL	50,799	29,325

(USD 000's)	Revenue	
	2022	2021
Denmark	250	313
China	6,665	6,206
Singapore	7,177	1,089
Taiwan	24,215	52,813
USA	5,621	3,531
Japan	1,381	5,319
All others	5,341	10,532
TOTAL	50,650	79,803

5. SEGMENT INFORMATION

In 2022, the Company reports on three segments, Liquid cooling, Data center and SimSports. Costs incurred in 2021 associated with SimSports were included in the Gaming & Enthusiast segment in the 2021 annual report and have been reclassified and identified as SimSports costs in this report. The three segments are identified by their specific sets of products and 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 2022 and 2021. Disaggregation of revenue is also presented for the major markets within each segment.

Reconciliation of Adjusted EBITDA to Income before tax (USD 000's)		
	2022	2021
EBITDA adjusted - Liquid Cooling	11,230	22,228
EBITDA adjusted - Data center	706	(4,374)
Special items - Data center	-	(1,713)
EBITDA adjusted - SimSports	(6,618)	(5,594)
Headquarters costs, net	(6,109)	(5,037)
Share-based compensation	(440)	(981)
Depreciation and amortization	(4,170)	(3,750)
Total financial income (expenses)	(477)	618
Consolidated income before tax	(5,878)	1,397

Disaggregation of revenue (USD 000's)		
	2022	2021
OEM and System Integrators	48,934	79,803
Retailers	893	-
Online webstore	823	-
TOTAL	50,650	79,803

Segment operating results - years ended December 31,										
(USD 000's)	2022					2021				
	Liquid Cooling	Data center	SimSports	Not allocable to divisions	Total	Liquid Cooling	Data center	SimSports	Not allocable to divisions	Total
Revenue	44,798	4,028	1,824	-	50,650	72,938	6,865	-	-	79,803
Adjusted EBITDA	11,230	706	(6,618)	(6,109)	(791)	22,228	(4,374)	(5,594)	(5,037)	7,223

6. SALARY COSTS AND REMUNERATIONS

Salary Costs and Remunerations (USD 000's)		
	2022	2021
Salaries	11,943	14,107
Retirement fund payments to defined contribution plan	584	665
Social cost	1,658	1,798
Share-based payment	440	981
Other expenses	719	1,242
TOTAL PERSONNEL COSTS	15,344	18,793
Less: Costs applied to inventory production	(1,127)	(1,114)
Less: Capitalized as development cost	(1,648)	(1,758)
TOTAL PERSONNEL EXPENSES IN OPERATING EXPENSE	12,569	15,921
AVERAGE NUMBER OF EMPLOYEES	140	151

(USD 000's)		
	2022	2021
Research and development	4,121	5,243
Selling, general and administrative	11,223	13,550
TOTAL PERSONNEL EXPENSES COSTS	15,344	18,793

Options Granted		
	2022	2021
Board of directors	-	-
Officers	202,175	74,900
Other executives	50,975	40,216
Other employees	123,350	101,184
TOTAL	376,500	216,300

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, 2022:		
	André S. Eriksen	Peter D. Madsen
Common shares	346,221	157,594
Options at NOK 15.04	151,900	50,975
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	916,902	450,646

Compensation to Board of Directors, Officers and Other Executives*								
(USD 000's)	2022				2021			
	Directors	Officers	Other Executives	Total	Directors	Officers	Other Executives	Total
Salary	-	954	858	1,812	-	974	975	1,949
Bonus	-	223	369	592	-	231	366	597
Share-based	-	230	112	342	-	336	202	538
Other	236	193	64	493	225	102	441	768
TOTAL	236	1,600	1,403	3,239	225	1,643	1,984	3,852

*Other executives include 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, under other circumstances, at the discretion of the Board of Directors. 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 \$440,000 and \$981,000 for the years ended December 31, 2022 and 2021, 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, 2022, there is a total of 2,576,000 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, 2022 of NOK to USD was 9.86.

In September 2022, the Company granted 376,500 options with exercise prices of NOK15.04 per share. In April 2021, the Company granted 216,300 options with exercise prices of NOK100.15 per share. Movements in the number of share options outstanding and their related weighted average exercise price are specified on the following table.

Activity for exercise prices of NOK 10.60 to NOK 24.70				
	2022	Weighted Average Exercise price (NOK)	2021	Weighted Average Exercise price (NOK)
Outstanding on January 1	822,371	14.79	988,622	19.60
Options/warrants granted	376,500	15.04	-	-
Options/warrants exercised	(183,091)	11.06	(152,690)	15.42
Options/warrants forfeited	(23,320)	24.24	(13,561)	24.70
OUTSTANDING ON DECEMBER 31	992,460	19.91	822,371	14.79
EXERCISABLE ON DECEMBER 31	595,917	22.14	639,042	19.03

The weighted average market price per share on the date of exercise for the above shares was NOK 27.47 in 2022 and NOK 69.25 in 2021.

Activity for exercise prices of NOK 38.33 to NOK 113.00				
	2022	Weighted Average Exercise price (NOK)	2021	Weighted Average Exercise price (NOK)
Outstanding on January 1	1,290,144	49.22	1,208,540	59.49
Options/warrants granted	-	-	216,300	100.15
Options/warrants exercised	-	-	(105,531)	47.24
Options/warrants forfeited	(63,725)	63.42	(29,165)	65.61
OUTSTANDING ON DECEMBER 31	1,226,419	67.53	1,290,144	49.22
EXERCISABLE ON DECEMBER 31	1,079,800	67.42	935,519	67.88

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

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

Options and Warrants Outstanding at December 31,		
Exercise price per share	2022	2021
NOK 10.60	-	177,168
NOK 15.04	375,500	-
NOK 19.50	216,418	216,418
NOK 24.70	400,542	428,785
NOK 38.33	264,687	292,598
NOK 46.30	287,853	297,815
NOK 76.25	392,747	396,047
NOK 100.15	184,133	206,685
NOK 113.00	96,999	96,999
TOTAL	2,218,879	2,112,515

Total outstanding options and warrants represents 8.2% of total common shares issued at December 31, 2022 (7.8% in 2021).

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 September 2022 have an estimated total value of \$0.3 million. The options granted in April 2021 have an estimated total value of \$1.0 million. The following weighted average assumptions were used for the period indicated.

Valuation assumptions	2022	2021
Risk-free interest rate	3.34% - 3.41%	0.23% - 0.56%
Dividend yield	0.0%	0.0%
Expected life of options (years)	2.5 - 3.96	2.5 - 4.0
Expected volatility	75% - 82%	64% - 69%

8. EXPENSES BY NATURE

Expenses by Nature (USD 000's)	Note	2022	2021
Inventories recognized as cost of sales	18	29,885	46,430
Personnel expenses	6	15,344	18,793
Depreciation and amortization	14,15	4,171	3,750
Legal, patent, consultants and auditor		5,202	7,152
Facilities and infrastructure		1,079	1,136
Special item - impairment charge		-	1,713
Other expenses		3,656	3,206
TOTAL OPERATING EXPENSES BEFORE CAPITALIZATION		59,337	82,180
Less: capitalized costs for development projects	14	(3,405)	(2,442)
TOTAL EXPENSES		55,932	79,738

Depreciation and amortization expense classification (USD 000's)	2022	2021
Depreciation and amortization expense included in:		
Research and development	2,117	1,170
Selling, general and administrative	2,053	2,580
TOTAL	4,170	3,750

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.

In October 2022, Asetek announced a settlement of the pending patent infringement lawsuit with CoolIT Systems and Corsair Gaming. Total costs incurred including legal fees and settlement associated with this lawsuit was \$3.4 million in 2022 and is included in selling, general and administrative expense. Total operating expense in the consolidated statement of comprehensive income includes a separate component of other income (expense) totaling \$0.1 million expense in 2022 and \$0.7 million income for 2021.

9. FINANCE COSTS AND INCOME

(USD 000's)	2022	2021
FOREIGN EXCHANGE GAIN (LOSS)	(344)	832
FINANCE INCOME	45	2
Interest cost on line of credit	(506)	(21)
Interest cost on leases	(77)	(92)
Other banking and finance fees	(80)	(102)
Subtotal	(663)	(216)
Less: amount capitalized	485	-
FINANCE COST	(178)	(216)

10. INCOME TAXES

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.

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:

(USD 000's)	2022	2021
INCOME (LOSS) BEFORE TAX	(5,878)	1,397
Tax calculated at domestic rates applicable to profits/losses in respective countries	1,222	(342)
<u>Tax effects of:</u>		
R&D credit	292	467
Net benefit of tax losses recognized	57	-
Timing differences between book and tax, not previously recognized	295	-
Other permanent differences between book and tax	(313)	(185)
TAX (EXPENSE) BENEFIT	1,553	(60)

11. DEFERRED INCOME TAX

(USD 000's)	2022	2021
Potential tax assets from net losses	7,740	7,297
Potential tax assets resulting from timing differences between book and tax	585	36
Tax assets not recognized	(959)	(1,040)
DEFERRED INCOME TAX ASSETS	7,366	6,293

At December 31, 2022, potential income tax assets totaled \$7.7 million (2021: \$7.3 million) in respect of timing differences and 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 2022, the Group recorded deferred tax assets totaling \$7.4 million (\$6.3 million in 2021), 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. Revenue is expected to increase in 2023 compared to 2022 due to an increase in demand for Liquid cooling products and also from continued ramp up in the SimSports segment. Operating profit is expected to improve due to increased revenue, lower level of legal costs and lower level of operating costs. 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	1,645
Do not expire	5,136
TOTAL	6,781

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.

	2022	2021
Income attributable to equity holders of the Company (USD 000's)	(4,325)	1,337
Weighted average number of common shares outstanding (000's)	25,833	25,731
BASIC EARNINGS PER SHARE	\$ (0.17)	\$ 0.05
Weighted average number of common shares outstanding (000's)	25,833	25,731
Instruments with potentially dilutive effect: Warrants and options (000's)	-	245
Weighted average number of common shares outstanding, diluted (000's)	25,833	25,976
DILUTED EARNINGS PER SHARE	\$ (0.17)	\$ 0.05

// 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, 2022 are classified as "amortized cost" having fixed or determinable payments that are not quoted in an active market (Level 3). As of December 31, 2022, 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, 2022. The values of the Group's assets and liabilities are as follows:

13. FINANCIAL INSTRUMENTS CATEGORY AND FAIR VALUE ESTIMATION

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

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

At December 31, 2022	
(USD 000's)	Amortized cost
<i>Assets as per balance sheet:</i>	
Trade receivables and other	13,432
Cash and cash equivalents	7,411
	20,843

At December 31, 2022			
(USD 000's)	Liabilities at fair value through profit and loss	Other Financial Liabilities at amortized cost	Total
<i>Liabilities as per balance sheet:</i>			
Long-term debt	-	1,739	1,739
Short-term debt	-	19,950	19,950
Trade payables and accrued liabilities	-	14,178	14,178
	-	35,867	35,867

At December 31, 2021	
(USD 000's)	Amortized cost
<i>Assets as per balance sheet:</i>	
Trade receivables and other	17,201
Cash and cash equivalents	23,296
	40,497

At December 31, 2021			
(USD 000's)	Liabilities at fair value through profit and loss	Other Financial Liabilities at amortized cost	Total
<i>Liabilities as per balance sheet:</i>			
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

14. 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 was 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 were in development. As the assets are placed in service, they are being amortized over their estimated useful lives ranging from 6 to 10 years.

Goodwill. Goodwill of \$0.5 million originated from an acquisition by the Company in 2020. 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 recorded is denominated in Danish krone and is subject to fluctuation in the consolidated financial statements due to changes in foreign exchange rates.

The Company's intangible assets are pledged as security for lines of credit outstanding as per Note 19. Intangible assets as of December 31 are as follows:

(USD 000's)	2022	2021
Goodwill	526	559
Capitalized development costs	4,763	3,232
Other assets	6,725	7,147
TOTAL INTANGIBLE ASSETS	12,014	10,938

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.

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 2022, the Company recognized impairment of \$0.5 million on capitalized development costs as a result of updated prioritization of future commercial projects. In 2021, the Company recognized as part of special items, impairment of \$0.7 million associated with the planned exit of its HPC data center niche. Refer to Note 8.

The following table presents a summary of the Company's development projects.

Capitalized development costs		
(USD 000's)	2022	2021
COST:		
Balance at January 1	5,956	10,343
Additions	3,405	2,442
Deletions - completion of useful life	(1,367)	(5,819)
Impairment loss	(507)	(1,010)
BALANCE AT DECEMBER 31	7,487	5,956
ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES:		
Balance at January 1	(2,724)	(7,987)
Amortization for year	(1,763)	(915)
Amortization associated with deletions	1,367	5,819
Amortization associated with impairment losses	396	359
BALANCE AT DECEMBER 31	(2,724)	(2,724)
CARRYING AMOUNT	4,763	3,232

Other intangible assets

(USD 000's)	2022	2021
COST:		
Balance at January 1	7,394	278
Additions	-	7,754
Exchange rate differences	(436)	(638)
BALANCE AT DECEMBER 31	6,958	7,394
ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES:		
Balance at January 1	(247)	(22)
Amortization for year	-	(236)
Exchange rate differences	14	11
BALANCE AT DECEMBER 31	(233)	(247)
CARRYING AMOUNT	6,725	7,147

Impairment assessment. For purposes of assessing impairment of all intangible assets, the Company's assets are grouped and reviewed for impairment at the cash-generating unit (CGU) level, determined by management as equivalent to Asetek's operating segments. The Group has identified two principal businesses as its operating segments – Liquid Cooling and SimSports. Intangible assets pertaining to the Company's third segment, Data center, are not significant. The Group considers both qualitative and quantitative factors when determining whether an asset or CGU may be impaired. Internal management reporting is in place to monitor revenues and cash flows at an operating segment-level basis to enable management to properly assess impairment. Refer to Note 5 for segment information.

// Approach to assessment. Management grouped the respective intangible assets by CGU and measured the book value against the net present value of future projected cash flows for the respective CGU. In doing so, management incorporated the Company's fiscal 2023 budget and subsequent year projections by management utilizing market data and assistance from external advisors.

// Allocation of assets to CGU. The Company's goodwill originates from a business acquisition in the SimSports market. Capitalized development costs are accounted for and specifically identified by CGU as either Liquid Cooling or SimSports products under development. Other intangible assets represents acquired intellectual property rights acquired in 2021 associated with SimSports.

// Key assumptions. In preparing the assessment, management used a five-year projection for the liquid cooling segment, assuming stable gross margins and revenue growth rates that are generally representative of the long-term results of the business. For SimSports, because it is a business in its early stages, projections covering a ten-year period were used. Significant revenue growth rates (150%+) are expected for SimSports in the first two years as a result of its early stage and the high rate of new product introductions planned into the foreseeable future.

The present value of expected cash flows of each segment is determined by applying a suitable discount rate. The discount rate of 11.5% was derived based on a weighted-average cost of capital (WACC) for comparable entities in the industry, based on market data.

For the calculation of the net present value (NPV), Asetek's WACC is applied, which is based on the current borrowing rate and its expected development as well as the return on equity requirement, which is determined based on the risk profile.

The following is a summary of the key assumptions used in the impairment assessment:

Key Assumption:	Liquid Cooling	SimSports
Projection time period analyzed	5 years	10 years
Average annual revenue growth rate	8.6%	54.3%
Discount rate	11.5%	11.5%
Terminal growth rate	4.1%	4.1%
Income tax rate	22.0%	22.0%

// Conclusion. The Company's assessment concluded that the net present value of projected future cash flows is sufficient to support the valuation of intangible assets at December 31, 2022.

15. PROPERTY, PLANT AND EQUIPMENT

In 2022, the Company capitalized \$19.7 million of expenses associated with the construction of a new headquarters facility, including \$0.5 million of borrowing costs. Reference Note 19.

At December 31, 2022, the Company had outstanding commitments for additional construction costs totalling DKK 170 million (\$24.3 million). The following table presents total property, plant and equipment.

(USD 000's)	Leasehold Improvements	Machinery	Other fixtures, fittings, tools, equipment	Properties	Building under construction	Total
COST:						
Balance at January 1, 2021	1,850	6,213	3,559	3,720	31	15,373
Additions	31	831	462	2,922	4,076	8,322
Disposals	-	(333)	(307)	(246)	-	(886)
Exchange rate differences	(122)	(455)	(239)	(248)	-	(1,065)
BALANCE AT DECEMBER 31, 2021	1,759	6,256	3,475	6,148	4,107	21,744
Balance at January 1, 2022	1,759	6,256	3,475	6,148	4,107	21,744
Additions	-	1,338	1,038	92	19,747	22,215
Disposals	-	(232)	(745)	(98)	-	(1,075)
Exchange rate differences	(102)	(319)	(195)	(173)	-	(789)
BALANCE AT DECEMBER 31, 2022	1,657	7,043	3,573	5,969	23,854	42,095
ACCUMULATED DEPRECIATION:						
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)
Balance at January 1, 2022	(1,236)	(4,739)	(2,462)	(1,576)	-	(10,013)
Disposals	-	232	771	(100)	-	903
Depreciation for the year	(300)	(902)	(629)	(576)	-	(2,407)
Exchange rate differences	67	236	135	68	-	506
BALANCE AT DECEMBER 31, 2022	(1,469)	(5,173)	(2,185)	(2,184)	-	(11,011)
CARRYING AMOUNT AT DECEMBER 31, 2021	523	1,517	1,013	4,572	4,107	11,732
CARRYING AMOUNT AT DECEMBER 31, 2022	188	1,870	1,388	3,785	23,854	31,084

16. TRADE RECEIVABLES AND OTHER

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

(USD 000's)	2022	2021
Gross trade receivables	8,792	15,260
Provision for uncollectible accounts	(41)	(33)
NET TRADE RECEIVABLES	8,751	15,227
Other receivables	3,514	1,134
Prepaid assets	1,167	840
TOTAL TRADE RECEIVABLES AND OTHER	13,432	17,201

Provision for uncollectible accounts

(USD 000's)	2022	2021
Balance at January 1	(33)	(23)
Additions	(41)	(33)
Reversals	33	23
BALANCE AT DECEMBER 31	(41)	(33)

The aging of trade receivables and credit loss provision by age is as follows:

(USD 000's)	Total	Not yet due	Past due:		
			1 to 30 days	31 to 60 days	Over 60 days
December 31, 2022	8,792	5,797	1,821	410	764
December 31, 2021	15,260	14,135	908	151	66

Credit Loss Provision Matrix 2022

(USD 000's)	Total	Not yet due	Past due:		
			1 to 30 days	31 to 60 days	Over 60 days
Gross carrying amount	8,792	5,797	1,821	410	764
Expected credit loss rate		0.1%	0.5%	5.4%	0.4%
Lifetime expected credit loss	(41)	(6)	(10)	(22)	(3)

Credit Loss Provision Matrix 2021

(USD 000's)	Total	Not yet due	Past due:		
			1 to 30 days	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)

17. INVENTORIES

The Company's inventories are pledged as security for lines of credit outstanding as per Note 19. Inventories at December 31 are as follows:

(USD 000's)	2022	2021
Raw materials and work-in-process	4,234	1,434
Finished goods	3,520	4,729
Total gross inventories	7,754	6,163
Less provision for inventory reserves	(781)	(631)
TOTAL NET INVENTORIES	6,973	5,532

(USD 000's)	2022	2021
Inventories recognized as cost of sales during period	(29,885)	(46,430)
Write-down of inventories to net realizable value	(781)	(631)

In 2021, the Company recorded \$543 thousand of inventory reserves associated with the Company's 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)	2022	2021
Balance at January 1	(631)	(437)
Additions	(781)	(631)
Write-offs	631	437
BALANCE AT DECEMBER 31	(781)	(631)

18. SHARE CAPITAL

In 2022, a total of 183 thousand options (0.6% of total shares, nominal value DKK 18.3 thousand) were exercised resulting in \$216,000 received by the Company. 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 January 2021, the Company issued 348,003 of new common shares for purchase of intellectual property and other assets. Refer to Note 14.

During 2021, the Company repurchased 400 thousand of its common shares on the open market for a total cost of \$4.8 million. Shares purchased under the program are used to fulfill obligations under Asetek's employee stock option plan. There were no shares repurchased by the Company in 2022.

As of December 31, 2022, there are 25,891 thousand common shares outstanding with a nominal value of 0.10 DKK per share and 1,256 thousand shares (4.9% of total shares, nominal value DKK 125.6 thousand) held in treasury. Included in equity is a reserve for treasury shares of approximately \$11,206 thousand at December 31, 2022. All common shares outstanding are fully paid and carry no special rights.

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 regarding the composition of Asetek shareholders.

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

(000's)	2022	2021
Common shares outstanding - January 1	25,708	25,502
Common shares repurchased, net	-	(400)
Shares issued for purchase of assets	-	348
Options and warrants exercised and shares issued	183	258
COMMON SHARES OUTSTANDING - DECEMBER 31	25,891	25,708

19. NET DEBT

In 2022, the Company entered into two lines of credit in order to finance construction of a new headquarters facility. The line of credit outstanding at December 31, 2021 was paid in full during 2022. The Company's debt at December 31, 2022 consists of the following:

// Asetek Danmark A/S has a revolving line of credit with Sydbank for DKK 105 million (USD \$15.1 million), of which \$4.7 million was utilized at December 31, 2022. The line is secured by the assets of Asetek Danmark A/S and carries interest at the Danish CIBOR 3 rate plus 1.95 percentage points, which in total was 4.28% at December 31, 2022. Payment in full is due December 2, 2024; however, this credit line is subject to renegotiation on September 30, 2023.

// Asetek A/S, the Parent company, has a line of credit with Sydbank for DKK 100 million (USD 14.2 million), of which \$14.2 million was utilized at December 31, 2022. This line is secured by the land and building under construction and carries interest at Danish CIBOR 3 rate plus 1.25 percentage points which in total was 3.58% at December 31, 2022. Payment in full

is due December 2, 2024; however, this credit line is subject to renegotiation on September 30, 2023.

The capitalization rate for borrowing costs on lines of credit was 100% in 2022, as all funds drawn were utilized for additions to the qualifying asset.

In September 2022, the Company entered into an agreement to finance \$1.1 million of previously purchased equipment at an interest rate of 3.5%. The amortized cost of the equipment at transaction date was used as the estimate of fair value and the liability is accounted for at amortized cost using the effective interest rate method.

The following is a summary of the Company's net debt and reconciliation of the lines of credit:

NET DEBT

(USD 000's)	2022	2021
Line of credit - due on demand	(18,971)	(743)
Equipment financing - due within one year	(228)	-
Leases - amounts due within one year	(751)	(960)
DEBT INCLUDED IN CURRENT LIABILITIES	(19,950)	(1,703)
Equipment financing - due after one year	(826)	-
Leases - amounts due after one year	(913)	(1,540)
TOTAL DEBT	(21,689)	(3,243)
Less cash and cash equivalents	7,411	23,296
NET DEBT	(14,278)	20,053

Reconciliation of lines of credit

(USD 000's)	2022	2021
Beginning balance	(743)	(536)
Net paid (drawn) on line of credit	(17,892)	(260)
Foreign exchange impact	(336)	53
ENDING BALANCE	(18,971)	(743)



20. LEASES

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

The Company's office space in Aalborg, Denmark is under lease through July 2025. The Company's office in San Jose, California is under lease through September 2023. The Company's office space in Taipei, Taiwan is under lease until August 2025.

Reconciliation of lease liability:

(000's)	2022	2021
Beginning balance	2,500	3,593
Additions to lease liabilities	95	108
Payments of lease liabilities	(835)	(928)
Adjustments/reductions to leases	(33)	(92)
Foreign exchange impact	(63)	(181)
ENDING BALANCE	1,664	2,500

Total cash payments for leases was \$826,000 and \$1,037,000 in 2022 and 2021, respectively.

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

(USD 000's)	2022	2021
Minimum lease payments at December 31	1,687	2,880
Asset residual at end of lease	51	32
Less: amount representing interest	(74)	(412)
TOTAL OBLIGATIONS UNDER LEASES	1,664	2,500
Obligations under leases due within one year	751	960
Obligations under leases due after one year	913	1,540
TOTAL OBLIGATIONS UNDER LEASES	1,664	2,500

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, plant and equipment presented in Note 15:

(USD 000's)	Machinery	Other fixtures, fittings, tools, equipment	Properties	Total
COST:				
Balance at December 31, 2021	1,402	106	3,612	5,120
Additions	-	95	-	95
Disposals and transfers	-	(55)	-	(55)
Exchange rate differences	-	(3)	(173)	(176)
BALANCE AT DECEMBER 31, 2022	1,402	143	3,439	4,984
ACCUMULATED DEPRECIATION:				
Balance at December 31, 2021	(1,098)	(7)	(1,643)	(2,748)
Disposals and transfers	-	22	-	22
Depreciation for the year	-	(47)	(582)	(629)
Exchange rate differences	-	-	67	67
BALANCE AT DECEMBER 31, 2022	(1,098)	(32)	(2,158)	(3,288)
CARRYING AMOUNT AT DECEMBER 31, 2021	304	99	1,969	2,372
CARRYING AMOUNT AT DECEMBER 31, 2022	304	111	1,281	1,696

21. TRANSACTIONS WITH RELATED PARTIES

The Company's CEO serves as Chairman of the Board for a vendor that supplies information technology services to the Company. In 2022, the Company purchased services totaling \$0.7 million (\$0.8 million in 2021) from this vendor. At December 31, 2022 and 2021, the Company had outstanding payables to this vendor of \$51,000 and \$59,000, 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, 2022 and 2021, the Company paid \$147,000 and \$102,000 to VER, including purchases of equipment, etc. for \$0 and \$20,000, respectively.

22. SUBSIDIARIES

The following entities are included in the consolidated accounts:

Company	Domicile	Stake	Voting Share	Activity
Asetek A/S	Denmark	100%	100%	Trading
Asetek Holdings, Inc.	USA	100%	100%	Inactive
Asetek USA, Inc.	USA	100%	100%	Trading
Asetek Danmark A/S	Denmark	100%	100%	Trading
Xiamen Asetek Computer Industry Co., Ltd.	China	100%	100%	Trading
JMH Gallows Pound Technologies Limited	United Kingdom	100%	100%	Inactive

23. AUDIT FEES

The Group's principal auditors perform audits for all of Asetek's entities except for the Xiamen, China subsidiary, which is audited by a local firm. The Group's principal auditors received a total fee of \$240,000 and \$270,000 in 2022 and 2021, respectively.

Fees for services other than statutory audits provided by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab to the group amount to \$54,000 (\$65,000 in 2021) and consists of tax advice related to transfer pricing, tax audit, research and development, maturity assessment on cybersecurity as well as miscellaneous other services.

The fee is distributed between these services:

(USD 000's)	2022	2021
Audit	130	162
Other assurance services	6	-
Tax services	88	87
Other services	16	21
TOTAL	240	270

24. BOARD OF DIRECTORS

The members of the Board of Directors have reported the information below as of the date of this filing. For the year 2022, the board members have been compensated as listed below.

BOARD OF DIRECTORS

Executive and other positions held	Age and gender	Qualifications	Date appointed to end of current term	Independence status
JUKKA PERTOLA, CHAIRMAN Tryg A/S and Tryg Forsikring A/S - Chairman of the Board COWI Holding A/S - Chairman of the Board Siemens Gamesa Renewable Energy A/S – Chairman of the Board GN Store Nord A/S, GN Hearing A/S, GN Audio A/S- Deputy Chairman GomSpace Group AB and GomSpace A/S - Deputy Chairman Committee participation: Compensation (chair); Nomination Asetek equity holdings: 22,500 owned shares 2022 cash compensation: \$65,000	63, 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, 2023	Independent
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 Committee participation: Audit Asetek equity holdings: 22,461 owned shares 2022 cash compensation: \$55,000	58, Male	20+ years of senior positions in electronics & electrical manufacturing, business development	April 10, 2019 to April 28, 2023	Independent
JØRGEN SMIDT, BOARD MEMBER TrusTrace (Swin Technologies AB) - Chairman of the Board Heartcore Capital - Venture Partner InRiver AB - Chairman of the Board Onomondo ApS- Chairman of the Board Freespee AB - Chairman of the Board FlatFrog AB - Board Member Committee participation: Compensation Asetek equity holdings: 59,200 owned shares 2022 cash compensation: \$45,000	66, Male	Former VP at Nokia; 25+ years of senior management, business development, product management, operations. Partner, Sunstone Capital.	January 31, 2012 to April 28, 2023	Independent
MARIA HJORTH, BOARD MEMBER Thylander Gruppen A/S - Chairman of the Board Maj Invest Holding A/S - Board Member Trifork Holding AG - Board Member Topdanmark A/S - Board Member Adform A/S - Board Member Nolu Holding ApS - Managing director Committee participation: Audit (chair) Asetek equity holdings: 6,357 owned shares 2022 cash compensation: \$45,000	50, 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, 2023	Independent
MAJA FRØLUNDE SAND-GRIMNITZ, BOARD MEMBER EPOS Group - Director, Brand Management & Global Gaming Marketing Committee participation: none Asetek equity holdings: none 2022 cash compensation: \$24,375	42, Female	Experienced marketing leadership in sports & entertainment and technology. Expertise in brand growth, strategy, process development and implementation.	June 15, 2022 to April 28, 2023	Independent

25. POST BALANCE SHEET EVENTS

The Company has evaluated the period after December 31, 2022 up through the date of the Management Statement and determined that there were no transactions that required recognition in the Company's financial statements.

In March 2023, the Company has entered into a rights offering that is fully underwritten to provide the liquidity necessary during 2023. The offering is subject to conditions not met at the time of the release of the financial statements. Please refer to note 1.1 for a further description.

26. CONTINGENT LIABILITIES

Debt collateral. In conjunction with the debt referenced in Note 19, Sydbank has secured the following as collateral for the credit provided:

// Asetek Danmark A/S revolving line of credit with Sydbank of DKK 105 million (USD \$15.1 million) is secured by the following values of the Company's assets: trade receivables \$7.7 million, Inventory \$5.2 million, property plant and equipment \$14.4 million and intangible assets \$6.7 million.

// Asetek A/S, line of credit with Sydbank of DKK 100 million (USD 14.2 million), is secured by the Company's property and building under construction at Skjoldet 20, 9230 Svenstrup, Denmark.

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. In addition to the above, Asetek Group is engaged in various other ongoing cases. In the opinion of Management, neither settlement nor continuation of such proceedings are expected to have a material effect on Asetek's financial position, operating profit or cash flow.

In May 2021, Asetek filed a patent infringement lawsuit against Shenzhen Apaltek Co. Ltd. and Apalcool (Guangdong Ang Pai Liquid Cooling Technology Co., Ltd.) in the Western District of Texas (WDTX) 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"). The case was transferred from the WDTX to the Northern District of California (NDCA). No trial date has been set. Apaltek filed review petitions in the U.S. Patent and Trademark Office (USPTO) to challenge the validity of the '362 and '764 patents, as well as Asetek's 10,078,355 ("the '355 patent"). The matter is not expected to result in a significant expense to the Company.

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

In January 2019, Asetek filed a patent infringement lawsuit against CoolIT in the NDCA seeking judgment that CoolIT infringed Asetek's '362, '764, '354, '355, and '681 patents. CoolIT filed counterclaims asserting infringement of four CoolIT patents. Asetek also 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. In October 2022, the parties resolved their disputes relating to the CoolIT Patents and the Asetek Patents pursuant to a confidential settlement agreement, and the court dismissed Asetek's and CoolIT's claims of patent infringement with prejudice pursuant to stipulation.

In 2017, Coolergiant GmbH filed suit against Asetek Danmark A/S in Mannheim District Court requesting declaration of non-infringement in Germany of an Asetek patent. The Company disputed the allegations and filed counterclaim motions. In the nullity proceedings, the German Patent Court revoked the German part of Asetek's patent in February 2020, and upon Asetek appeal, the German Supreme Court confirmed revocation in final judgment in May 2022.

Annual Report 2022, Parent Company

For year ended December 31, 2022

Asetek A/S

CVR-number: 3488 0522

ASETEK A/S**Comprehensive Income Statement, Parent Company**

For the years ended December 31, 2022 and 2021

(USD 000's)	Note	2022	2021
Service fees	14	3,737	3,887
TOTAL REVENUE		3,737	3,887
Research and development	3, 4, 5	(64)	(200)
Selling, general and administrative	3, 4, 5	(2,975)	(3,611)
Other income		-	714
TOTAL OPERATING EXPENSES		(3,039)	(3,097)
OPERATING INCOME		698	790
Foreign exchange gain (loss)	6	(821)	(112)
Finance income	6	405	330
Finance costs	6	(18)	(37)
TOTAL FINANCIAL INCOME		(434)	181
INCOME BEFORE TAX		264	971
Income tax (expense) benefit	10	(154)	(153)
INCOME FOR THE YEAR		110	818
<i>Other comprehensive income items that may be reclassified to profit or loss in subsequent periods:</i>			
Foreign currency translation adjustments		-	-
TOTAL COMPREHENSIVE INCOME (LOSS)		110	818

ASETEK A/S**Balance Sheet, Parent Company**

As of December 31, 2022 and 2021

(USD 000's)	Note	2022	2021
ASSETS			
NON-CURRENT ASSETS			
Investments in subsidiaries	11	20,100	20,100
Property, plant and equipment	7	26,430	6,665
Receivables from subsidiaries	12	2,432	5,406
TOTAL NON-CURRENT ASSETS		48,962	32,171
CURRENT ASSETS			
Other assets		2,452	312
Cash and cash equivalents		1,609	3,865
TOTAL CURRENT ASSETS		4,061	4,177
TOTAL ASSETS		53,023	36,348
EQUITY AND LIABILITIES			
EQUITY			
Share capital	13	444	442
Retained earnings		44,785	44,022
Translation and other reserves		(11,206)	(11,206)
TOTAL EQUITY		34,023	33,257
NON-CURRENT LIABILITIES			
Payables to subsidiaries	12	385	-
TOTAL NON-CURRENT LIABILITIES		385	-
CURRENT LIABILITIES			
Short-term debt	8, 9	14,294	39
Accrued liabilities		275	196
Accrued compensation and employee benefits		246	360
Trade payables		3,800	2,497
TOTAL CURRENT LIABILITIES		18,615	3,091
TOTAL LIABILITIES		19,000	3,091
TOTAL EQUITY AND LIABILITIES		53,023	36,348

ASETEK A/S**Statement of Changes in Equity, Parent Company**

For the years ended December 31, 2022 and 2021

(USD 000's)	Share capital	Translation reserves	Treasury share reserves	Retained earnings	Total
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 for 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
Total comprehensive income for 2022					
Income for the year	-	-	-	110	110
Total comprehensive income for 2022	-	-	-	110	110
Transactions with owners in 2022					
Shares issued upon exercise of options	2	-	-	214	216
Share-based payment expense	-	-	-	440	440
Transactions with owners in 2022	2	-	-	654	656
EQUITY AT DECEMBER 31, 2022	444	-	(11,206)	44,785	34,023

ASETEK A/S**Statement of Cash Flows, Parent Company**

For the years ended December 31, 2022 and 2021

(USD 000's)	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) for the year		110	818
Depreciation and amortization	7	43	76
Gain on sale of property, plant and equipment		-	(714)
Share-based payments expense	4	440	981
Finance cost incurred	6	205	37
Finance cost, cash paid	6	(203)	(35)
Income tax expense (income)	9	154	153
Changes in other assets		(2,140)	(46)
Changes in trade payables and accrued liabilities		1,115	2,044
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		(276)	3,314
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	7	(19,747)	(6,957)
Sale of land	7	-	1,091
Net receipts from (payments to) subsidiaries	12	3,357	(1,498)
NET CASH USED IN INVESTING ACTIVITIES		(16,390)	(7,364)
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease payments on right-of-use assets	9	(42)	(29)
Borrowings on line of credit	8	14,236	-
Repurchase of common shares	13	-	(4,833)
Proceeds from issuance of share capital	13	216	865
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		14,410	(3,997)
Effect of exchange rate changes on cash and equivalents		-	-
NET CHANGES IN CASH AND CASH EQUIVALENTS		(2,256)	(8,047)
Cash and cash equivalents at beginning of period		3,865	11,912
CASH AND CASH EQUIVALENTS AT END OF PERIOD		1,609	3,865
SUPPLEMENTAL DISCLOSURE - NON-CASH ITEMS			
Right-of-use assets acquired under leases		95	55
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 2022 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:

- 1.1. *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.
- 1.2. *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)	2022	2021
Personnel expenses (Note 4)	2,047	2,615
Legal, consultants and auditor	400	572
Other expenses	592	623
TOTAL EXPENSES	3,039	3,810

4. PERSONNEL EXPENSES

Total personnel costs by type for the year ended December 31,

(USD 000's)	2022	2021
Salaries, pension and other	1,607	1,634
Share-based payment	440	981
TOTAL PERSONNEL EXPENSES	2,047	2,615

Total personnel costs by classification in the income statement for the year ended December 31,

(USD 000's)	2022	2021
Research and development	64	200
Selling, general and administrative	1,983	2,415
TOTAL EXPENSES	2,047	2,615

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 to the Consolidated Financial Statements.

5. AUDIT FEES

Fees associated with the Parent company financial statements for services provided by the Company's principal auditors were as follows:

(USD 000's)	2022	2021
Audit	76	95
Other assurance services	5	-
Tax services	11	24
Other services	-	21
TOTAL	92	140

Services other than statutory audit are described in Note 23 in the consolidated financial statements.

6. FINANCIAL INCOME AND COSTS

Finance Costs and Income (USD 000's)		
	2022	2021
FOREIGN EXCHANGE GAIN (LOSS)	(821)	(112)
Interest income on loans to subsidiaries	402	330
Interest from bank accounts	3	-
FINANCE INCOME	405	330
Interest cost on line of credit	(127)	-
Interest cost on leases	(2)	(2)
Other banking and finance fees	(76)	(35)
Subtotal	(205)	(37)
Less: amount capitalized	187	-
FINANCE COST	(18)	(37)

7. PROPERTY, PLANT AND EQUIPMENT

As of December 31, 2022 and 2021, carrying value of vehicles under right-of-use leases totaled \$76,000 and \$53,000, respectively, and their associated leases are for terms of 12 months. Total property, plant and equipment is specified as follows:

(USD 000's)	Vehicles and software	Properties	Building under construction	Total
COST:				
Balance at January 1, 2021	205	-	31	236
Additions	67	2,869	4,076	7,012
Disposals	(154)	(376)	-	(530)
BALANCE AT DECEMBER 31, 2021	118	2,493	4,107	6,718
Balance at January 1, 2022	118	2,493	4,107	6,718
Additions	95	-	19,747	19,842
Disposals	(55)	-	-	(55)
BALANCE AT DECEMBER 31, 2022	158	2,493	23,854	26,505
ACCUMULATED DEPRECIATION:				
Balance at January 1, 2021	(39)	-	-	(39)
Disposals	62	-	-	62
Depreciation for the year	(76)	-	-	(76)
BALANCE AT DECEMBER 31, 2021	(53)	-	-	(53)
Balance at January 1, 2022	(53)	-	-	(53)
Disposals	21	-	-	21
Depreciation for the year	(43)	-	-	(43)
BALANCE AT DECEMBER 31, 2022	(75)	-	-	(75)
CARRYING AMOUNT AT DECEMBER 31, 2021	65	2,493	4,107	6,665
CARRYING AMOUNT AT DECEMBER 31, 2022	83	2,493	23,854	26,430

8. NET DEBT

In 2022, the Company entered into a line of credit in order to finance construction of a new headquarters facility. Asetek A/S has a line of credit with Sydbank for DKK 100 million (USD 14.2 million), for which the total \$14.2 million is outstanding at December 31, 2022. This line carries interest at Danish CIBOR 3 rate plus 1.25 percentage points which in total was 3.58% at December 31, 2022, and payment in full is due December 2, 2024. This line of credit is subject to renegotiation in September 2023.

Net debt is as follows at December 31:

(USD 000's)	2022	2021
Line of credit - due within one year	(14,236)	-
Leases - amounts due within one year	(58)	(39)
TOTAL DEBT	(14,294)	(39)
Less cash and cash equivalents	1,609	3,865
NET DEBT	(12,685)	3,826

9. LEASES

Obligations under leases are as follows:

(USD 000's)	2022	2021
Minimum lease payments as of December 31	7	8
Asset residual value at end of lease	52	32
Less: amount representing interest	(1)	(1)
TOTAL OBLIGATIONS UNDER LEASES	58	39

Total lease obligations due within one year were \$58,000 and \$39,000 at December 31, 2022 and 2021, respectively.

10. INCOME TAX

At December 31, 2022 and 2021, the tax benefit (provision) for Asetek A/S differed from the statutory tax rate as a result of share compensation expenses that are treated differently for tax purposes.

(USD 000's)	2022	2021
INCOME BEFORE TAX	264	971
Tax calculated at domestic rates applicable to profits/losses in respective countries	(58)	(213)
Differences between book and tax	(96)	60
INCOME TAX (EXPENSE)	(154)	(153)

11. INVESTMENT IN SUBSIDIARIES

(USD 000's)	Investment in Asetek Holdings, Inc.
Balance at December 31, 2021	20,100
Additions	-
Balance at December 31, 2022	20,100
CARRYING AMOUNT AT DECEMBER 31, 2021	20,100
CARRYING AMOUNT AT DECEMBER 31, 2022	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.

12. NET RECEIVABLES FROM (PAYABLES TO) SUBSIDIARIES

As of December 31,

(USD 000's)	2022	2021
Asetek Danmark A/S	(385)	4,390
Asetek USA, Inc.	2,291	908
Asetek Xiamen	49	16
Asetek Holdings, Inc.	92	92
NET DUE FROM (TO) SUBSIDIARIES	2,047	5,406
AVERAGE EFFECTIVE INTEREST RATE	7.4%	5.3%

In December 2022, Asetek Danmark A/S entered into a line of credit with Sydbank to support the construction of the headquarters facility for Asetek A/S. The total outstanding on this line of credit was \$4.7 million as of December 31, 2022. Refer to Note 19 to the Consolidated Financial Statements. Borrowing costs of \$0.3 million incurred in 2022 on the Asetek Danmark A/S line of credit are included as capitalized cost of the building under construction.

13. EQUITY

Refer to Note 18 to the Consolidated Financial Statements.

14. TRANSACTIONS WITH RELATED PARTIES

Asetek A/S charges its subsidiaries a management service fee. Reference Notes 6 and 12 regarding transactions with subsidiaries. With regard to transactions with related parties that are not subsidiaries, refer to Note 21 to the Consolidated Financial Statements.

15. EVENTS AFTER THE REPORTING PERIOD

Refer to Note 25 to the Consolidated Financial Statements.

16. CONTINGENT LIABILITIES

The Danish group enterprises are jointly and severally liable for tax on group income subject to joint taxation, as well as for Danish withholding taxes by way of dividend tax, royalty tax, tax on unearned income and any subsequent adjustments to these. Asetek A/S has executed a guarantee to its Group's principal bank, Sydbank, for all outstanding matters with its wholly owned subsidiary, Asetek Danmark A/S. Refer to Note 26 to the Consolidated Financial Statements.



MANAGEMENT STATEMENT

The Board of Directors and Executive Board have today considered and adopted the Annual Report of Asetek A/S for the financial year January 1 – December 31, 2022. The Annual Report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

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, 2022 of the Group and the Parent company and of the results of the Group and Parent company operations and cash flows for 2022.

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 2022 with the file name asetek-2022-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

**Aalborg, Denmark
March 8, 2023**

Management:



André S. Eriksen
CEO



Peter Dam Madsen
CFO

Board of Directors:



Jukka Pertola
Chairman



Erik Damsgaard
Vice chairman



Maria Hjorth
Member



Jørgen Smidt
Member



Maja Frølund Sand-Grimnitz
Member

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 2022 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 2022 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 2022 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 9 years including the financial year 2022.

Material uncertainty related to Going Concern

We draw attention to Note 1.1 in the consolidated financial statements, which describe that the budgeted liquidity may be insufficient during 2023 and is dependent on the current level of forecasted cash flow until the planned capital increase later in 2023 and the completion and the amount of cash from the planned capital increase. This indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue going concern.

Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2022. 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. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<p>Capitalisation of development costs</p> <p>The Group capitalises development costs when certain criteria according to IFRS are met. The criteria for recognition and measurement of development costs are 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.</p> <p>We focused on this area because the criteria for recognition and measurement of development projects are subject to Management judgments and assumptions.</p> <p>Refer to note 15 in the Consolidated Financial Statements.</p>	<p>We assessed whether the Group’s accounting policies are in accordance with IFRS.</p> <p>We selected a sample of in-progress development projects and considered whether all criteria described in IFRS were met as basis for capitalisation. We carried out risk assessment procedures in order to obtain an understanding of IT systems, business processes and relevant controls regarding capitalised development costs. For the controls, we assessed whether they were designed and implemented to effectively address the risk of material misstatement. 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 and projects with impairment indicators, we challenged the key assumptions applied in the value-in-use calculations. Our work was based on our understanding of the business cases and significant assumptions applied.</p> <p>We challenged whether the intent to finalise the projects remain and whether the projects are expected to generate future economic benefits exceeding the carrying values.</p>

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 responsibilities 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 judgement and maintain professional scepticism 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.

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 2022 with the file name asetek-2022-12-31-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 including notes.

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 judgement 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

judgement, 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 including notes;
- 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 2022 with the file name asetek-2022-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Aarhus, March 8, 2023

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no 3377 1231


Mads Melgaard
State Authorised Public Accountant
mne34354


Henrik Berring Rasmussen
State Authorised Public Accountant
mne34157

STOCK EXCHANGE RELEASES

Issue Date	Subject
December 30, 2022	Financial calendar
November 3, 2022	Q3 2022: Focus on Efficiencies and New Products Amid Continued Market Headwinds
November 1, 2022	Updates on Full Year 2022 Guidance
October 28, 2022	Asetek presents Third Quarter 2022 Results on November 3, 2022
October 4, 2022	Litigation Update
September 7, 2022	Employee Stock Option Grant
August 11, 2022	Q2 2022: Prolonged Market Headwinds, Focus on Cost Optimization and Product Development
August 5, 2022	Asetek presents Second Quarter 2022 Results on August 11, 2022
August 3, 2022	Updates on Full Year 2022 Guidance and Operational Developments
July 25, 2022	Financial calendar
June 15, 2022	Outcome of Extraordinary General Meeting
June 1, 2022	Share capital increase upon exercise of warrants
May 24, 2022	Financial calendar
May 24, 2022	Notice of Extraordinary General Meeting June 15, 2022
May 5, 2022	Asetek SimSports partners with Kevin Magnussen to bring a true F1 car feel to Sim Racing
April 28, 2022	Outcome of Annual General Meeting
April 28, 2022	Q1 2022: Soft Q1 on continued component shortages, encouraging SimSports launch
April 25, 2022	Asetek presents First Quarter 2022 Results on April 28, 2022
April 6, 2022	Notice of Annual General Meeting April 28, 2022
April 4, 2022	Share capital increase upon exercise of warrants
March 7, 2022	Mandatory Notification of Trade: Board member purchases shares
March 7, 2022	Mandatory Notification of Trade: Board member purchases shares
March 4, 2022	Mandatory Notification of Trade: CEO purchases shares
March 4, 2022	Q4 2021: Stabilization in Q4 as Expected – Long-term Growth Ambitions Remain Firm
February 25, 2022	Asetek to present Fourth Quarter 2021 Results on March 4, 2022
January 6, 2022	Financial calendar

DEFINITION 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. If earnings is negative, not reported.

Market capitalization

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

BUSINESS DRIVERS

Average selling price per unit, Liquid Cooling

Liquid cooling revenue / Sealed loop units shipped

Revenue per employee

Revenue / Number of employees.