



**Asetek A/S**  
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DK9220 Aalborg East  
Denmark

## **Half Year Report**

Second Quarter and Six Months Ended June 30, 2023

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Company Registration (CVR) Number 34 88 05 22

## Highlights

- Q2 revenue of \$24.5 million, reflecting growth of 45% over Q2 2022 and among top three quarters ever
- Gross margin of 45%, up from 42% in Q2 2022
- Q2 EBITDA adjusted was \$6.2 million, compared with \$1.3 million in Q2 2022
- Record Liquid cooling EBITDA in Q2 2023
- SimSports revenue of \$2.4 million in the quarter, compared with \$1.0 million in Q2 2022
- First-half 2023 revenue increased 28% to \$39.3 million, and EBITDA adjusted rose to \$8.9 million from \$0.4 million in first-half 2022
- Successful listing on Nasdaq Copenhagen on May 17 after completing rights issue raising net proceeds of \$16.1 million
- Full year guidance was updated on August 2 to an expected increase in Group revenue for 2023 in the range of 40% to 45% compared with 2022, and a projected operating income of about \$7 to \$9 million

## Key figures

Figures in USD (000's)	Q2 2023	Q2 2022	1H 2023	1H 2022	2022
<b>Summary P&amp;L:</b>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	
Revenue	24,497	16,868	39,257	30,757	50,650
Gross profit	11,099	7,138	17,591	12,444	20,765
Gross margin	45.3%	42.3%	44.8%	40.5%	41.0%
Operating income	4,110	146	5,176	(1,796)	(5,401)
<b>Reconciliation from IFRS to EBITDA adjusted:</b>					
Operating income	4,110	146	5,176	(1,796)	(5,401)
Add: Depreciation and amortization	1,185	1,056	2,791	1,979	4,170
Add: Share based compensation	70	116	165	258	440
Add: Special items*	807	-	807	-	-
EBITDA adjusted (unaudited)	6,172	1,318	8,939	441	(791)
<b>Liquidity at period end:</b>					
Working capital	16,672	11,816	16,672	11,816	(6,312)
Cash and equivalents	7,095	11,428	7,095	11,428	7,411
Long-term debt	18,628	1,133	18,628	1,133	1,739

\*Special items represents non-recurring charges incurred to establish dual listing of shares on Nasdaq Copenhagen.

## Summary

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|-------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Financial results | <ul style="list-style-type: none"><li>• Asetek reported second-quarter revenue of \$24.5 million, an increase of 45% from the same period of 2022, and among the top three quarters ever for the Company. First-half 2023 revenue was \$39.3 million, an increase of 28% from first half 2022. The growth in both periods mainly reflects increased shipments of liquid cooling products.</li><li>• Gross margin was 45% for both the second quarter and first half of 2023 compared with 42% and 41% in the same periods of 2022. The changes from prior year periods reflect a richer product mix, reduced costs, and favorable exchange rates.</li><li>• Operating income was \$4.1 million and adjusted EBITDA was \$6.2 million in the second quarter of 2023, compared with operating income of \$0.1 million and adjusted EBITDA of \$1.3 million in the second quarter of 2022. First-half 2023 operating income was \$5.2 million and adjusted EBITDA was \$8.9 million, compared with operating loss of \$1.8 million and adjusted EBITDA of \$0.4 million in the same period of 2022. Adjusted EBITDA in the second quarter and first half of 2023 includes \$0.8 million of non-recurring charges related to the dual listing of shares on Nasdaq Copenhagen.</li><li>• On May 17, the Company issued 71.2 million new common shares of stock in a rights offering, raising net proceeds of \$16.1 million.</li><li>• At June 30, 2023, Asetek had working capital of \$16.7 million, of which \$7.1 million was cash and cash equivalents. Long-term debt totaled \$18.6 million. During the first half of 2023, the Company invested \$16.0 million in property and equipment, including development of a new headquarters and R&amp;D facility, and \$1.8 million in capitalized costs for the development of new products. The Company paid down its construction credit line by net \$1.9 million in the first half and extended its maturity date to December 31, 2024.</li></ul> |
| Operations        | <ul style="list-style-type: none"><li>• During the quarter, the Company announced that three different OEM partners are offering new all-in-one liquid coolers featuring Asetek's liquid cooling technology: TEAMGROUP introduced its T-FORCE SIREN GA360 CPU cooler, NZXT announced its highest performing Kraken and Kraken Elite CPU coolers, and ASUS introduced its third generation of ROG RYUJIN all-in-one CPU coolers.</li><li>• In the SimSports segment, Asetek announced the Invicta Quick Release Adapter Kit that allows sim racers to easily mount their existing steering wheels to Asetek SimSports Direct Drive Wheelbases. The Company also announced that Micro Center will sell a broad offering of SimSports sim racing products in its physical stores across the U.S., as well as through its online store. In addition, Asetek announced a custom sim racing product bundle co-branded with racing driver Tony Kanaan, and a partnership with Racing Prodigy, creator of the Prodigy Racing League.</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Outlook           | <ul style="list-style-type: none"><li>• On August 2, due to increased demand for liquid cooling products, the Company raised its revenue and operating profit expectations for 2023. This was the second adjustment to guidance since financial figures for the first quarter were presented in May.</li><li>• Asetek expects revenue to increase 40% to 45% from 2022, from the previous expectation of an increase in revenue of 25% to 35% year-over-year communicated June 7. Management expects the Company to report operating income of between \$7 and \$9 million in 2023, up from the previous range of \$5 and \$7 million.</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

# Financial review

*The figures below relate to the consolidated accounts for the second quarter and first half of 2023. The figures are unaudited.*

## Income Statement

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Asetek reported total revenue of \$24.5 million in the second quarter of 2023, an increase of 45% over the same period of 2022 (\$16.9 million) and among the top three quarters ever for the Company. Total revenue in the first half of 2023 was \$39.3 million, an increase of 28% over the same period of 2022 (\$30.8 million). Sales unit volumes of sealed loop coolers for the second quarter of 2023 were 369,000 compared with 253,000 in the same period of 2022. Unit shipments for the first half were 592,000 compared with 485,000 in the first half of 2022. Revenue and unit shipments reflect increased shipments of liquid cooling products. Average selling price (ASP) per unit in both the second quarter and first half of 2023 increased from the prior year periods.

Gross margin was 45.3% for the second quarter of 2023, compared with 42.3% in the same period of 2022. Gross margin for the first half of 2023 was 44.8% compared with 40.5% in the first half of 2022. The increases in both periods reflect a richer product mix, reduced costs, and favorable exchange rates. The Company estimates that favorable exchange rates resulted in the addition of one to two percentage points of gross margin in the second quarter and first half of 2023 when compared with the respective prior year periods.

Total operating expense was \$7.0 million in the second quarter of 2023, level with the same period of 2022. For the first half of 2023, operating expense decreased to \$12.4 million from \$14.2 million in the same period of 2022. Total operating expense in the second quarter and first half 2023 includes \$0.8 million of non-recurring charges, separately classified as a special item, related to the dual listing of shares on Nasdaq Copenhagen.

Personnel costs decreased to \$3.4 million and \$6.5 million in the second quarter and first half of 2023 (\$3.8 million and \$7.7 million in the same periods of 2022).

Costs incurred for defense of existing intellectual property (IP) and securing new IP was \$0.1 million

and \$0.1 million in the second quarter and first half of 2023 (\$1.0 million and \$2.3 million in the respective periods of 2022).

Finance expenses included net foreign exchange loss of \$0.1 million in the second quarter and a loss of \$0.5 million in the first half of 2023, compared with gain of \$0.7 million and gain of \$0.8 million for the respective periods of 2022.

Asetek reported income before tax of \$4.0 million in the second quarter of 2023 and \$4.8 million in the first half of 2023, compared with income before tax of \$0.8 million and loss before tax of \$1.0 million for the respective periods of 2022.

Income tax expense was \$0.9 million and \$1.1 million in the second quarter and first half of 2023 compared with \$0.1 million and \$0.3 million in the respective periods of 2022.

During the first half of 2023, the U.S. Dollar, on average, weakened by 2% versus the Danish krone. Currency translation adjustment of negative \$0.1 million and positive \$0.3 million is included in other comprehensive income for the second quarter and first half of 2023 (negative \$1.6 million and negative \$2.0 million in the second quarter and first half of 2022).

## Balance Sheet

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At June 30, 2023, Asetek's total assets were \$104.3 million, compared with \$78.6 million at the end of 2022.

Property, plant and equipment increased by \$14.8 million principally due to construction of the future headquarters and R&D facility. Trade receivables and other increased by \$10.5 million due to higher sales activity in the second quarter compared with the fourth quarter of 2022.

Shareholders' equity increased by \$20.3 million mainly due to issuance of 71,166,167 new common shares of stock in a rights offering in May 2023.

Total liabilities increased by \$5.3 million in the first half of 2023. Trade payables increased by \$7.4 million due to increased operating volume. Debt previously classified as short-term associated with the construction of a new facility decreased by \$1.8 million and was restructured to a long-term line of credit.

Working capital (current assets minus current liabilities) totaled \$16.7 million at June 30, 2023, compared with negative \$6.3 million at 2022 year-end. Total cash and cash equivalents were \$7.1 million at June 30, 2023.

## Cash Flow

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Net cash provided by operating activities was \$3.3 million in the first half of 2023 compared with \$6.0 million used in same period of 2022. The change was principally due to net income generated in the first half of 2023.

Cash used by investing activities was \$17.6 million in the first half of 2023 compared with \$9.0 million used in same period of 2022. Activity in both periods primarily reflects the construction of a new headquarters and R&D facility.

Cash provided by financing activities was \$13.8 million in the first half of 2023 compared with \$3.9

million provided in the same period of 2022. In the first half of 2023, Asetek raised \$16.1 million of net capital from a rights offering of new common shares. These effects were partly offset by net repayment of line of credit for building construction of \$1.9 million, and payments on leases.

Net change in cash and cash equivalents was a decrease in cash of \$0.3 million in the first half of 2023, compared with a decrease of \$11.9 million in 2022. The Company's cash conversion cycle decreased to 3.0 days in the second quarter 2023 from 6.0 days in the same period of 2022.

## Income Tax

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

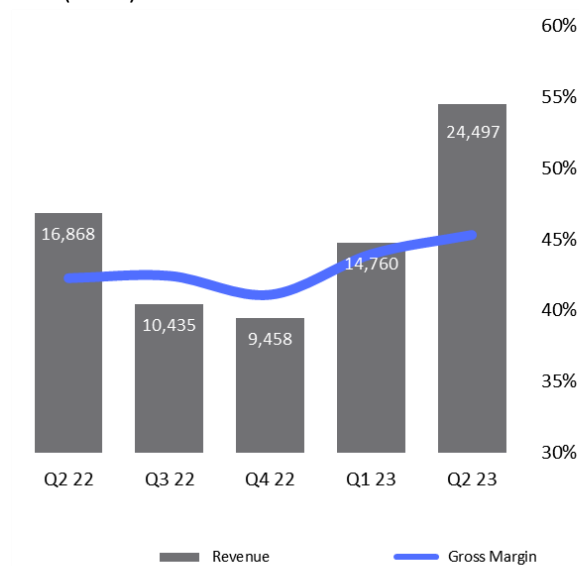
In June 2019, the U.S. released regulation for its Global Intangible Low-Taxed Income (GILTI) inclusion for U.S. taxation, effective beginning with

tax year 2018. The GILTI regulation requires U.S. companies to report foreign corporation intangible income that exceeds 10% return on foreign invested assets. Under prior law, U.S. owners of foreign corporations were able to defer recognizing taxable income until there was a distribution of earnings back to U.S. owners. The impact of the GILTI regulation did not materially impact deferred tax asset utilization in 2022. Because of Asetek's U.S. tax status as described above, management believes that the impact of the GILTI regulation as it applies to the Company could be reformed in the future, however, such reform is not certain. The Company continues to work with its tax advisors to clarify and address these matters.

## Market Update

### Group revenue and Gross margin development

USD (000's)

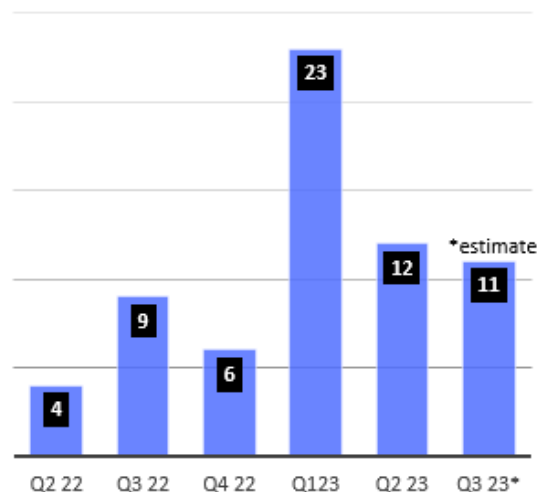


**Liquid Cooling.** During the quarter, the Company announced that three different OEM partners are offering new all-in-one liquid coolers featuring Asetek's liquid cooling technology: TEAMGROUP introduced its T-FORCE SIREN GA360 CPU cooler, NZXT announced its highest performing Kraken and Kraken Elite CPU coolers, and ASUS introduced its third generation of ROG RYUJIN all-in-one CPU coolers.

Asetek has increased the pace of new product releases in 2023 and seeks to continue this development. During the second quarter, twelve new products began shipping, all to DIY customers. In the third quarter of 2023, eleven new products are expected to begin shipping. The liquid cooling business generated an all-time high quarterly EBITDA in the second quarter of 2023.



### New Liquid Cooling Products begin shipping (no. of products)



Asetek continues to grow its brand with gamers and enthusiasts. Co-marketing with OEM customers has expanded the Company's marketing reach, utilizing brand-behind-the-brand and partner support initiatives to feature the Asetek logo on box packaging, websites, and at partner event booths. Initiatives also include sponsored co-branded video features from media and influencers, written features about Asetek on partners' websites, participation in live events, and joint community outreach to communicate the commitment to the performance, quality and reliability that the "Cooled by Asetek" mark represents.

**SimSports.** During the quarter, Asetek announced the Invicta Quick Release Adapter Kit that allows sim racers to easily mount their existing steering wheels to Asetek SimSports Direct Drive Wheelbases. The Company also announced that Micro Center will sell a broad offering of SimSports sim racing products in its physical stores across the U.S., as well as through its online store. In addition, Asetek announced a custom sim racing product bundle co-branded with racing driver Tony Kanaan, and a partnership with Racing Prodigy, creator of the Prodigy Racing League. In the quarter, Asetek began shipping four new SimSports products. SimSports revenue in the second quarter was \$2.4 million (\$1.0 million in the prior year period).

## Group Outlook

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**Global economy.** High inflation, rising interest rates and geo-political tensions continue to impact the global economy in 2023. At the same time, the Company's markets are showing signs of stabilization following a significant correction in the second half of 2022.

While the most significant impacts from the pandemic have diminished in recent months, some of the Company's sub-suppliers downsized their operations during China's extended shutdowns of the past year and are now more challenged to meet increases in demand. These effects are hindering some sub-suppliers' deliveries of components to the Company and its contract manufacturers, and consequently shipments to Asetek's customers. The Company's operations team is closely managing the status of each affected supplier to minimize disruption to Asetek's customer order deliveries.

**New product development.** Asetek will continue to invest in and launch innovative new high-performance liquid coolers for gamers and enthusiasts. The Company plans to invest in the development of new SimSports offerings for the foreseeable future with the goal of regular product launches. Consistent with prior years, Asetek will continue to focus its resources on Liquid Cooling

products, growing market share through existing and new OEMs, and building the Asetek brand. In conjunction with efforts to build its SimSports business, Asetek plans to continue to enhance its direct sales channels.

**Group results.** Discretionary consumer spending reflects the continued macro-economic and post-pandemic uncertainty, but the Company is experiencing increased demand for Liquid cooling and SimSports products. This is reflected in the revenue growth in the second quarter due to high product release activity in the first half of 2023, and in orders received from OEMs for future deliveries.

On August 2, due to higher demand for liquid cooling products, the Company announced a second increase to its outlook for 2023 since presenting financial figures for the first quarter on May 22. Asetek expects revenue to increase 40% to 45% from 2022, compared with the previous expectation of an increase in revenue of 25 to 35% year-over-year communicated in June. Management expects the Company to report operating income of between \$7 and \$9 million in 2023, up from the previous range of \$5 and \$7 million.

## Intellectual Property

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

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

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

In May 2021, Asetek filed a patent infringement lawsuit against Shenzhen Apaltek Co. Ltd. and Apalcoo (Guangdong Ang Pai Liquid Cooling Technology Co., Ltd.) in the Western District of Texas (WDTX) seeking judgment that Apaltek and Apalcoo 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) and the court recently granted Asetek's motion to

dismiss the case. Apaltek filed a motion for attorney's fees that Asetek vigorously opposes; the motion is expected to be heard in the second half of 2023. Apaltek also 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"), 10,078,355 ("the '355 patent"), 10,599,196 ("the '196 patent"), and 10,613,601 ("the '601 patent"). Asetek filed counterclaims that Cooler Master products infringe the '362 and '764 patents and contends that the Court lacks subject matter jurisdiction to adjudicate Cooler Master's claims regarding the other patents. The court granted Asetek's motion to stay this case in view of other ongoing proceedings summarized herein.

## Corporate Matters

The Company's annual general meeting was held on May 9, 2023, where the following matters occurred or were reported:

- The Annual Report 2022, as proposed by the Board of Directors, was approved as published.
- The remuneration report for 2022 was adopted and the proposed remuneration to be paid to the members of the Board of Directors was adopted.
- The Board of Directors on May 9, 2023 was comprised of Chairman René Svendsen-Tune, Vice Chairman Erik Damsgaard, Jukka Pertola, Maria Hjorth and Maja Frølund Sand-Grimnitz. Mrs. Hjorth is Chairman of the Audit Committee

and Mr. Pertola is Chairman of the Remuneration Committee.

- The Nomination Committee is comprised of Chairman Ib Sønderby, Claus Berner Møller and René Svendsen-Tune.
- The Board of Directors was authorized to acquire the Company's own shares, up to 10% of the Company's nominal share capital.
- PricewaterhouseCoopers, State Authorized Public Accountants, were re-elected as auditors.



## Risk Factors

Asetek's revenue is subject to fluctuations and is dependent on its ability to develop new, high-performance products; the popularity of offerings from Asetek's customers; timely releases and availability of new GPUs and CPUs; and recurring releases of high-profile computer games in the PC industry. The Company's markets are affected by inflationary pressures and rising interest rates which can lead to reduced consumer confidence, reduced end-user demand and OEM customers seeking to reduce inventory.

In the first half of 2023, three customers accounted for 40%, 29% and 11% of total revenue. In the event of a decline or loss of any of these customers, replacement of the revenue stream would be difficult for Asetek to achieve in the short term. The Company is actively working with several of its customers to grow their respective market shares and order volumes.

The Company's SimSports business segment released its first products to the market in March 2022 and has required significant investment in product development and marketing in order to fulfill its operating plan.

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

Asetek relies upon suppliers and partners to supply products and services at competitive prices. Supply constraints, such as the recent global chip shortage and disruptions in the global supply chain, can have a material adverse impact on 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. In 2023, the Company began manufacturing at an additional site in Malaysia, operated by the same contract manufacturer. In the event of a disruption with this manufacturer, it would be difficult for the Company to establish a replacement in the short term.

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. In the past, Asetek has incurred significant legal costs associated with litigation and may do so in the future to the extent management believes it is necessary to protect intellectual property.

Asetek moved from USA to Denmark in 2013. However, USA still considers Asetek A/S a U.S. tax subject, resulting in double taxation of Parent earnings. Asetek has approached both countries' tax authorities with the aim of resolving the situation per the double taxation treaty. However, the authorities are not obligated to resolve it. In addition, recent U.S. regulations on taxation of foreign earnings impact Asetek's tax liability. The Company is working with its tax advisors to address these matters.

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

For more information, refer to the Company's 2023 Prospectus and the Company's Annual Report for 2022, available at the Company's website: [www.asetek.com](http://www.asetek.com)

## Condensed Interim Financial Statements

### Consolidated Statement of Comprehensive Income

Figures in USD ('000's)	Q2 2023	Q2 2022	1H 2023	1H 2022	2022
	Unaudited	Unaudited	Unaudited	Unaudited	
Revenue	\$ 24,497	\$ 16,868	\$ 39,257	\$ 30,757	\$ 50,650
Cost of sales	13,398	9,730	21,666	18,313	29,885
<b>Gross profit</b>	<b>11,099</b>	<b>7,138</b>	<b>17,591</b>	<b>12,444</b>	<b>20,765</b>
Research and development	1,772	1,253	3,434	2,333	5,163
Selling, general and administrative	4,410	5,620	8,174	11,788	20,884
Special items	807	-	807	-	-
Other expense (income)	-	119	-	119	119
<b>Total operating expenses</b>	<b>6,989</b>	<b>6,992</b>	<b>12,415</b>	<b>14,240</b>	<b>26,166</b>
<b>Operating income (loss)</b>	<b>4,110</b>	<b>146</b>	<b>5,176</b>	<b>(1,796)</b>	<b>(5,401)</b>
Foreign exchange (loss) gain	(75)	710	(460)	840	(344)
Finance income (costs)	(2)	(37)	66	(82)	(133)
<b>Total financial income (expenses)</b>	<b>(77)</b>	<b>673</b>	<b>(394)</b>	<b>758</b>	<b>(477)</b>
<b>Income before tax</b>	<b>4,033</b>	<b>819</b>	<b>4,782</b>	<b>(1,038)</b>	<b>(5,878)</b>
Income tax (expense) benefit	(886)	(145)	(1,053)	(279)	1,553
<b>Income for the period</b>	<b>3,147</b>	<b>674</b>	<b>3,729</b>	<b>(1,317)</b>	<b>(4,325)</b>
<i>Other comprehensive income items that may be reclassified to profit or loss in subsequent periods:</i>					
Foreign currency translation adjustments	(97)	(1,599)	280	(2,032)	(1,971)
<b>Total comprehensive income</b>	<b>\$ 3,050</b>	<b>\$ (925)</b>	<b>\$ 4,009</b>	<b>\$ (3,349)</b>	<b>\$ (6,296)</b>
<b>Income per share (in USD):</b>					
Basic	\$ 0.04	\$ 0.01	\$ 0.06	\$ (0.02)	\$ (0.08)
Diluted	\$ 0.04	\$ 0.01	\$ 0.06	\$ (0.02)	\$ (0.08)

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

## Consolidated Balance Sheet

Figures in USD (000's)	Note	30 June 2023		31 Dec 2022	
ASSETS		Unaudited			
Non-current assets					
Intangible assets	3	\$	12,192	\$	12,014
Property, plant and equipment	4		45,849		31,084
Deferred income tax assets	7		6,643		7,366
Other assets			336		335
Total non-current assets			65,020		50,799
Current assets					
Inventory			8,207		6,973
Trade and other receivables			23,956		13,432
Cash and cash equivalents			7,095		7,411
Total current assets			39,258		27,816
Total assets		\$	104,278	\$	78,615
EQUITY AND LIABILITIES					
Equity					
Share capital	2	\$	1,478	\$	444
Retained earnings	2		73,408		54,406
Translation and treasury share reserves			(11,822)		(12,102)
Total equity			63,064		42,748
Non-current liabilities					
Long-term debt	4		18,628		1,739
Total non-current liabilities			18,628		1,739
Current liabilities					
Short-term debt	4		1,070		19,950
Accrued liabilities			2,195		1,896
Accrued compensation & employee benefits			1,121		1,454
Trade payables			18,200		10,828
Total current liabilities			22,586		34,128
Total liabilities			41,214		35,867
Total equity and liabilities		\$	104,278	\$	78,615

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

## Consolidated Statement of Changes in Equity

<i>Unaudited</i>						
Figures in USD (000's)	Share capital	Share premium	Translation reserves	Treasury share reserves	Retained earnings	Total
<b>Equity at January 1, 2023</b>	\$ 444	\$ -	\$ (896)	\$ (11,206)	\$ 54,406	\$ 42,748
<b>Total comprehensive income - six months ended June 30, 2023</b>						
Income for the period	-	-	-	-	3,729	3,729
Foreign currency translation adjustments	-	-	280	-	-	280
Total comprehensive income - six months ended June 30, 2023	-	-	280	-	3,729	4,009
<b>Transactions with owners - six months ended June 30, 2023</b>						
Shares issued in rights offering, net of issuance costs	1,034	15,108	-	-	-	16,142
Transfer	-	(15,108)	-	-	15,108	-
Share based payment expense	-	-	-	-	165	165
Transactions with owners - six months ended June 30, 2023	1,034	-	-	-	15,273	16,307
<b>Equity at June 30, 2023</b>	\$ 1,478	\$ -	\$ (616)	\$ (11,206)	\$ 73,408	\$ 63,064
<b>Equity at January 1, 2022</b>	\$ 442	\$ -	\$ 1,075	\$ (11,206)	\$ 58,077	\$ 48,388
<b>Total comprehensive income - six months ended June 30, 2022</b>						
Income for the period	-	-	-	-	(1,317)	(1,317)
Foreign currency translation adjustments	-	-	(2,032)	-	-	(2,032)
Total comprehensive income - six months ended June 30, 2022	-	-	(2,032)	-	(1,317)	(3,349)
<b>Transactions with owners - six months ended June 30, 2022</b>						
Shares issued for options exercised	2	-	-	-	214	216
Share based payment expense	-	-	-	-	258	258
Transactions with owners - six months ended June 30, 2022	2	-	-	-	472	474
<b>Equity at June 30, 2022</b>	\$ 444	\$ -	\$ (957)	\$ (11,206)	\$ 57,232	\$ 45,513

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

## Consolidated Cash Flow Statement

Figures in USD (000's)	1H 2023	1H 2022	2022
	<i>Unaudited</i>	<i>Unaudited</i>	
<b>Cash flows from operating activities</b>			
Income for the period	\$ 3,729	\$ (1,317)	\$ (4,325)
Depreciation and amortization	2,791	1,979	4,170
Gain on sale of property, plant and equipment	-	-	(53)
Impairment of intangible assets	208	-	111
Special items	807	-	-
Finance income recognized	(131)	-	(45)
Finance costs recognized	599	82	663
Finance income, cash received	131	-	45
Finance costs, cash paid	(491)	(53)	(609)
Income tax expense	1,053	279	(1,553)
Cash receipt (payment) for income tax	(105)	(117)	(461)
Share based payments expense	165	257	440
Changes in trade receivables, inventories, other assets	(11,525)	649	1,891
Changes in trade payables and accrued liabilities	6,097	(7,781)	(8,628)
<b>Net cash provided by (used in) operating activities</b>	<b>3,328</b>	<b>(6,022)</b>	<b>(8,354)</b>
<b>Cash flows from investing activities</b>			
Additions to intangible assets	(1,822)	(1,985)	(3,405)
Purchase of property, plant and equipment	(15,791)	(6,966)	(22,215)
Disposal of property, plant and equipment	62	-	225
<b>Net cash used in investing activities</b>	<b>(17,551)</b>	<b>(8,951)</b>	<b>(25,395)</b>
<b>Cash flows from financing activities</b>			
Borrowings (repayment) on line of credit for building construction	(1,910)	4,050	18,582
Borrowings (repayment) on line of credit	-	-	(690)
Net proceeds from issuance of share capital	17,020	216	216
Costs incurred for issuance of share capital	(878)	-	-
Financing of previously purchased equipment	181	-	1,129
Principal payments on equipment financing	(145)	-	(75)
Principal payments on leases	(425)	(416)	(835)
<b>Net cash provided by (used in) financing activities</b>	<b>13,843</b>	<b>3,850</b>	<b>18,327</b>
Effect of exchange rate changes on cash and cash equivalents	64	(745)	(463)
<b>Net changes in cash and cash equivalents</b>	<b>(316)</b>	<b>(11,868)</b>	<b>(15,885)</b>
Cash and cash equivalents at beginning of period	7,411	23,296	23,296
<b>Cash and cash equivalents at end of period</b>	<b>\$ 7,095</b>	<b>\$ 11,428</b>	<b>\$ 7,411</b>
<b>Supplemental disclosures -</b>			
Assets acquired under leases	\$ 212	\$ -	\$ 95

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

## Notes to the interim financial statements

### 1. General information

Asetek A/S ('the Company'), and its subsidiaries (together, 'Asetek Group', 'the Group' or 'Asetek') designs, develops and markets gaming hardware for computers. 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 Nasdaq Copenhagen Exchange and the Oslo Stock Exchange under the symbol 'ASTK'.

These condensed consolidated financial statements for the second quarter and first half ended June 30, 2023 have been prepared on a historical cost convention in accordance with International Accounting Standard 34 (IAS 34) 'Interim Financial Reporting' as adopted by the European Union (EU) and do not include all of the information and disclosure required in the annual consolidated financial statements. These statements should be read in conjunction with the Asetek A/S 2022 Annual Report.

The accounting policies adopted in preparation of these condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2022.

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

### 2. Rights offering and equity

On May 17, 2023, the Company issued 71,166,167 new common shares of stock in a rights offering, raising net proceeds of \$16.1 million after deduction of total issuance costs of \$3.7 million. The shares were issued through an offering to then-existing shareholders to purchase 2.62 common shares for each share held at a price of NOK3.00 per share, representing a 64% discount on fair market value. The transaction meets the requirements for exemption from accounting for derivative financial instruments per IAS 32 Financial Instruments Presentation.

At June 30, 2023, there were 98,313,892 common shares issued including 1,256,115 shares held in treasury. Treasury shares may be used to fulfill employee options as they are exercised. At June 30, 2023, there were 1.97 million options and warrants outstanding. Subsequent to the balance sheet date, the exercise prices of the outstanding warrants and options have been adjusted to account for the discount provided in the rights offering.

In conjunction with the rights offering, the Company established a dual listing of its shares for trading on Nasdaq Copenhagen. Operating expense in the second quarter and first half 2023 includes \$0.8 million of non-recurring costs associated with the dual listing, classified as a special item in operating expense on the income statement.

As a result of the capital increase in May 2023, the Company's liquidity is sufficient to eliminate the going concern uncertainty that existed as of the publication of the 2022 Annual Report.

### 3. Intangible assets

The Group's business includes a significant element of research and development activity. Under IAS 38, there is a requirement to capitalize and amortize development spend to match costs to expected benefits from projects deemed to be commercially viable. Costs capitalized are recorded on the balance sheet as intangible assets, net of amortization. A reconciliation of intangible assets in the first half of 2023 and 2022 is as follows:

<b>Intangible assets</b>		
Unaudited, USD (000's)	<b>1H 2023</b>	<b>1H 2022</b>
Balance, January 1	12,014	10,938
Additions to capitalized development costs	1,822	1,985
Amortization	(1,144)	(774)
Impairment loss	(208)	-
Exchange rate effects and other	(292)	(644)
Balance, June 30	12,192	11,505

### 4. Property, plant and equipment and debt financing

Property plant and equipment, net (PP&E) totaled \$45.8 million at June 30, 2023 compared with \$31.1 million at December 31, 2022. Additions to PP&E in the first half of 2023 totaled \$16.0 million, of which \$14.8 million pertained to construction of a new headquarters and R&D facility. Borrowing costs capitalized in the first half of 2023 totaled \$0.5 million (none in the first half of 2022). At June 30, 2023, the Company had outstanding commitments for construction costs totaling \$10.8 million, of which \$10.3 million is projected to occur within the next 12 months.

In April 2023, the Company extended the maturity on its construction line of credit to December 31, 2024. A summary of the Company's net debt as of the balance sheet date is as follows:

<b>Net debt</b>	<i>Unaudited</i>	
USD (000's)	<b>30-Jun-23</b>	<b>31-Dec-22</b>
Line of credit, due on demand	-	(18,971)
Equipment financing - due within one year	(252)	(228)
Leases - amounts due within one year	(818)	(751)
Debt included in current liabilities	(1,070)	(19,950)
Construction loan, due after one year	(17,133)	-
Equipment financing - due after one year	(880)	(826)
Leases - amounts due after one year	(615)	(913)
Total Debt	(19,698)	(21,689)
Less cash and cash equivalents	7,095	7,411
Net Debt	(12,603)	(14,278)

### 5. Earnings (losses) per share

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

As described in Note 2, in a rights offering in May 2023, the Company issued new shares to existing shareholders at a discounted price from fair market value. IAS 33 requires that the price discount be recognized as a bonus element, with retrospective adjustment to the denominators for both basic and diluted earnings per share

amounts for all periods before the rights issue. In accordance with IAS 33, the Company calculated and applied a bonus factor of 2.05 to the weighted average shares outstanding for all prior periods.

<b>Second Quarter</b>	<i>Unaudited</i>	
Unaudited, USD (000's)	<b>Q2 2023</b>	<b>Q2 2022</b>
Income attributable to equity holders of the Company (USD 000's)	\$ 3,147	\$ 674
Weighted average number of common shares outstanding (000's)	78,701	52,952
Basic income per share	\$ 0.04	\$ 0.01
Weighted average number of common shares outstanding (000's)	78,701	52,952
Instruments with dilutive effect:		
Warrants and options	-	226
Weighted average number of common shares outstanding, diluted	78,701	53,178
Diluted income per share	\$ 0.04	\$ 0.01

<b>First Half</b>	<i>Unaudited</i>	
Unaudited, USD (000's)	<b>1H 2023</b>	<b>1H 2022</b>
Income attributable to equity holders of the Company (USD 000's)	\$ 3,729	\$ (1,317)
Weighted average number of common shares outstanding (000's)	65,970	52,835
Basic income per share	\$ 0.06	\$ (0.02)
Weighted average number of common shares outstanding	65,970	52,835
Instruments with dilutive effect:		
Warrants and options	-	-
Weighted average number of common shares outstanding, diluted	65,970	52,835
Diluted income per share	\$ 0.06	\$ (0.02)

## 6. Transactions with related parties

The Company's CEO serves as Chairman of the Board for a vendor that supplies information technology services to the Company. In the first six months of 2023, the Group purchased services totaling approximately \$400,000 (\$434,000 in first six months of 2022) from this vendor. At June 30, 2023 and 2022, the Group had outstanding payables to this vendor of \$53,000 and \$46,000 respectively.

## 7. Deferred income tax

The Company recognizes deferred income tax assets only to the extent that the realization of the tax benefit to offset future tax liabilities is considered to be probable. As of June 30, 2023, the Company has recorded deferred tax assets of \$6.6 million, representing the value of the estimated amount of net operating losses and timing differences that will be utilized to offset future taxable income. In future periods, management will continue to assess the probability of realization of the assets' value and adjust the valuation in accordance with IAS 12. Refer to the Asetek A/S 2022 Annual Report regarding critical accounting estimates and assumptions.

## 8. Segment information

The Company reports on three segments: Liquid cooling, Data center and SimSports. The Group's chief operating decision-maker, the CEO, assesses the performance of each segment principally on measures of revenue and adjusted EBITDA. The following tables present unaudited results by operating segment and disaggregation of revenue.



### Second Quarter

Figures in USD (000's)	Liquid cooling		Data center		SimSports	
	<u>Q2 2023</u>	<u>Q2 2022</u>	<u>Q2 2023</u>	<u>Q2 2022</u>	<u>Q2 2023</u>	<u>Q2 2022</u>
Revenue	22,035	14,274	57	1,559	2,405	1,035
EBITDA adjusted	8,821	3,945	(3)	461	(1,650)	(1,463)
EBITDA margin	40.0%	27.6%	-5.3%	29.6%	-68.6%	-141.4%

### First Half

Figures in USD (000's)	Liquid cooling		Data center		SimSports	
	<u>1H 2023</u>	<u>1H 2022</u>	<u>1H 2023</u>	<u>1H 2022</u>	<u>1H 2023</u>	<u>1H 2022</u>
Revenue	35,452	26,515	102	3,039	3,703	1,203
EBITDA, adjusted	13,507	6,547	(114)	619	(2,734)	(2,996)
EBITDA margin	38.1%	24.7%	-2.2%	16.1%	-70.4%	-49.4%

### Reconciliation to Income before tax

Figures in USD (000's)	<u>Q2 2023</u>	<u>Q2 2022</u>	<u>1H 2023</u>	<u>1H 2022</u>
EBITDA, adjusted - Liquid cooling	8,821	3,945	13,507	6,547
EBITDA, adjusted - Data center	(3)	461	(114)	619
EBITDA, adjusted - SimSports	(1,650)	(1,463)	(2,734)	(2,996)
Special items	(807)	-	(807)	-
Headquarters costs	(996)	(1,625)	(1,720)	(3,729)
Share based compensation	(70)	(116)	(165)	(258)
Depreciation and amortization	(1,185)	(1,056)	(2,791)	(1,979)
Total financial income (expenses)	(77)	673	(394)	758
Consolidated income before tax	4,033	819	4,782	(1,038)

### Revenue Disaggregation:

Figures in USD (000's)	<u>Q2 2023</u>	<u>Q2 2022</u>	<u>1H 2023</u>	<u>1H 2022</u>
OEMs and System Integrators	22,296	15,877	35,903	29,602
Retailers (mainly SimSports)	1,874	427	2,465	513
Direct to customer (mainly SimSports)	327	564	889	642
Total revenue	24,497	16,868	39,257	30,757

## Statement by the Board of Directors and Management

The Board of Directors and the Management have considered and adopted the Interim Report of Asetek A/S for the period 1 January – 30 June 2023. The Interim Report is presented in accordance with the International Accounting Standard IAS 34 on Interim Financial Reporting and additional Danish disclosure requirements. The accounting policies applied in the Interim Report are unchanged from those applied in the Group's Annual Report for 2022.

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

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

In our opinion, the Interim Report includes a true and fair account of the matters addressed and describes the most significant risks and elements of uncertainty facing Asetek, which are described in further detail in the Group's Annual Report for 2022. The Interim Report has not been audited or reviewed by the auditors.

**Asetek A/S**  
**Aalborg, 9 August 2023**

### **Management:**

André S. Eriksen  
CEO

Peter Dam Madsen  
CFO

### **Board of Directors:**

René Svendsen-Tune  
Chairman

Erik Damsgaard  
Vice chairman

Maria Hjorth  
Member

Jukka Pertola  
Member

Maja Frølund Sand-Grimnitz  
Member

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