Asetek A/S
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Denmark

Half Year Report

Second Quarter and Six Months Ended June 30, 2024

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Company Registration (CVR) Number 34 88 05 22

Highlights

- **Q2 revenue of $12.7 million compared with $24.5 million in Q2 2023**
- **Q2 gross margin of 45%, level with Q2 2023**
- **Q2 adjusted EBITDA of $0.2 million, compared with $6.2 million in Q2 2023**
- **SimSports revenue was in line with expectations at $1.7 million in the quarter. Q2 2023 SimSports revenue of $2.4 million was unusually high due to initial shipments to a large reseller**
- **First-half 2024 revenue of $24.9 million, and adjusted EBITDA of $0.2 million compared with $39.3 million and $8.9 million in first-half 2023, respectively**
- **Group revenue expectation updated on July 1 to reflect a decrease of 28% to 32% compared to 2023 with an adjusted EBITDA margin of 1% to 4%**
- **Cost reductions initiated which are expected to yield annual cost savings of ~$3 million with full effect from Q1 2025**

Key figures

Figures in USD (000's)	Q2 2024	Q2 2023	1H 2024	1H 2023	2023
Summary P&L:	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	
Revenue	12,743	24,497	24,920	39,257	76,332
Gross profit	5,780	11,099	11,122	17,591	34,708
Gross margin	*45.4%*	*45.3%*	*44.6%*	*44.8%*	*45.5%*
Operating income	(1,197)	4,110	(2,570)	5,176	9,403
Reconciliation from IFRS to EBITDA adjusted:					
Operating income			(2,570)	5,176	9,403
Add: Depreciation and amortization			2,615	2,791	5,100
Add: Share based compensation			157	165	514
Add: Special items*			-	807	847
EBITDA adjusted (unaudited)			202	8,939	15,864
Liquidity at period end:					
Working capital	(11,156)	16,672	(11,156)	16,672	(3,232)
Cash and equivalents	6,848	7,095	6,848	7,095	9,121
Long-term debt	660	18,628	660	18,628	2,596

**Special items in 2023 were non-recurring charges incurred to establish dual listing of shares on Nasdaq Copenhagen.*

Summary

Financial results

- Asetek reported second-quarter revenue of $12.7 million compared with $24.5 million in the same period of 2023. The second quarter of 2023 was among the top three quarters ever for the Company. First-half 2024 revenue was $24.9 million compared with $39.3 million in the first half 2023. The change in both periods mainly reflects fewer shipments of liquid cooling products.
- Gross margin was level at 45% for both the second quarter and first half of 2024 and the respective periods of 2023.
- Adjusted EBITDA was $0.2 million in the second quarter of 2024, compared with $6.2 million in the second quarter of 2023. First-half 2024 adjusted EBITDA was $0.2 million, compared with $8.9 million in the same period of 2023. 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.
- During the first half of 2024, the Company invested $5.8 million in property and equipment, including development of a new headquarters and R&D facility, and $1.1 million in capitalized costs for the development of new products. The Company drew $5.1 million against its construction credit lines in the first half.
- At June 30, 2024, Asetek's current liabilities exceeded current assets by $11.2 million. Cash and cash equivalents totaled $6.8 million. Current liabilities included $21.2 million of bank debt related to building construction. On July 1, the Company renegotiated the terms of its bank financing to update covenants and extend the facilities to April 1, 2026. Management is closely reviewing the Company's liquidity due to the reduced revenue and profitability outlook for 2024.

Operations

- During the quarter, Asetek announced a strategic partnership with Fabric8labs, a leading innovator in metal 3D printing. The partnership introduces an artificial intelligence (AI) optimized cold plate that demonstrates significant improvement in liquid cooling performance.
- In April, the Company announced that the new OEM partner TRYX has introduced its PANORAMA all-in-one CPU coolers featuring a unique new curved 6.5-inch immersive display on the pump. The new coolers will include Asetek's most sophisticated new Gen8 liquid cooling technology, including a performance-engineered pump with a 3-phase motor for higher flow and quieter operation.

Outlook

- On July 1, Asetek updated its revenue and profitability outlook for 2024. Group revenue is expected in the range of $52 to $55 million, with an adjusted EBITDA margin of 1% to 4%. The updated revenue expectation implies a decrease of 28% to 32% compared to 2023. The previous revenue growth forecast was in the range of -5% to +5% with an EBITDA margin of 12% to 17%, as communicated in the first quarter 2024 report.
- Due to the revised outlook, Asetek has initiated measures to right-size the organization and management, including scaling down the U.S. operations. These measures are expected to yield annual cost savings of approximately $3 million with full effect from the first quarter of 2025.

Financial review

The figures below relate to the consolidated accounts for the second quarter and first half of 2024. The figures are unaudited.

Income Statement

Asetek reported total revenue of $12.7 million in the second quarter of 2024 compared with $24.5 million in the same period of 2023. The prior year period was among the top three quarters ever revenue-wise for the Company. Total revenue in the first half of 2024 was $24.9 million, compared with $39.3 million in the same period of 2023. Sales unit volumes of sealed loop coolers for the second quarter of 2024 were 195,000 compared with 369,000 in the same period of 2023. Unit shipments for the first half were 367,000 compared with 592,000 in the first half of 2023. Average selling price (ASP) per unit in both the second quarter and first half of 2024 decreased slightly from the prior year periods.

Gross margin was level during the period, at 45.4% for the second quarter of 2024 compared with 45.3% in the same period of 2023. Gross margin for the first half of 2024 was 44.6% compared with 44.8% in the first half of 2023.

Total operating expense was $7.0 million in the second quarter of 2024, level with the same period of 2023. For the first half of 2024, operating expense increased to $13.7 million from $12.4 million in the same period of 2023.

Personnel costs increased to $3.7 million and $7.4 million in the second quarter and first half of 2024 ($3.4 million and $6.5 million in the respective periods of 2023), principally due to higher average headcount in 2024. As discussed in the Group Outlook section of this report, the Company has initiated measures to right-size the organization to yield future cost savings.

During the first half of 2024, the U.S. Dollar, on average, strengthened by 3% versus the Danish krone. Finance income included net foreign exchange gains of $0.3 million and $0.9 million in the second quarter and first half of 2024 (net foreign exchange losses of $0.1 million and $0.5 million in the respective periods of 2023).

Asetek reported losses before tax of $0.9 million and $1.6 million in the second quarter and first half of 2024, compared with income before tax of $4.0 million and $4.8 million for the respective periods of 2023.

Income tax expense was $1.8 million in the second quarter and $1.7 million in the first half of 2024 compared with income tax expense of $0.9 million and $1.1 million in the respective periods of 2023. Income tax expense in the second quarter and first half of 2024 is a result of estimated lower realization of deferred tax assets associated with the Company's reduced profitability outlook in 2024 and 2025.

Currency translation adjustment of negative $0.3 million and negative $0.9 million is included in other comprehensive income for the second quarter and first half of 2024 (negative $0.1 million and positive $0.3 million in the second quarter and first half of 2023).

Balance Sheet

At June 30, 2024, Asetek's total assets were $100.0 million, compared with $102.7 million at the end of 2023.

In the first half of 2024, trade receivables decreased by $2.0 million due to lower sales volume in the second quarter compared with Q4 2023. Property and equipment increased by $4.4 million due to construction of the Company's future headquarters. Deferred tax assets decreased by $1.8 million due to Asetek's reduced profitability outlook. Cash decreased by $2.3 million due to the operating loss.

Total liabilities increased by $1.3 million in the first half of 2024. Trade payables decreased by $3.0 million due to lower manufacturing volumes in the second quarter. Debt associated with the construction increased by $5.0 million. The construction loan facility, classified as short-term at June 30, was extended on July 1 to a maturity date of April 1, 2026.

Working capital (current assets minus current liabilities) was negative $11.2 million at June 30, 2024, compared with negative $3.2 million at 2023 year-end. Total cash and cash equivalents were $6.8 million at June 30, 2024. Management is closely reviewing the Company's liquidity due to the reduced revenue and profitability outlook for 2024.

Cash Flow

Net cash provided by operating activities was $0.6 million in the first half of 2024 compared with $3.3 million provided in same period of 2023. The decrease was principally due to the first half 2024 net loss, partly offset by reductions in receivables and inventories in the first half 2024 compared with the prior year period.

Cash used by investing activities was $7.0 million in the first half of 2024 compared with $17.6 million used in same period of 2023. Activity in both periods primarily reflects the construction of a new headquarters and R&D facility, on which investment has decreased in the first half of 2024 as completion nears.

Cash provided by financing activities was $4.5 million in the first half of 2024 compared with $13.8 million provided in the same period of 2023. In the first half of 2024, the activity was principally borrowings on construction lines of credit. In 2023, Asetek raised $16.1 million of net capital from a rights offering of new common shares.

Net change in cash and cash equivalents was a decrease in cash of $2.3 million in the first half of 2024, compared with a decrease of $0.3 million in 2023. The Company's cash conversion cycle increased to 22 days in Q2 2024 from 3.0 days in the same period of 2023, principally from an increase in days inventory on hand due to lower sales.

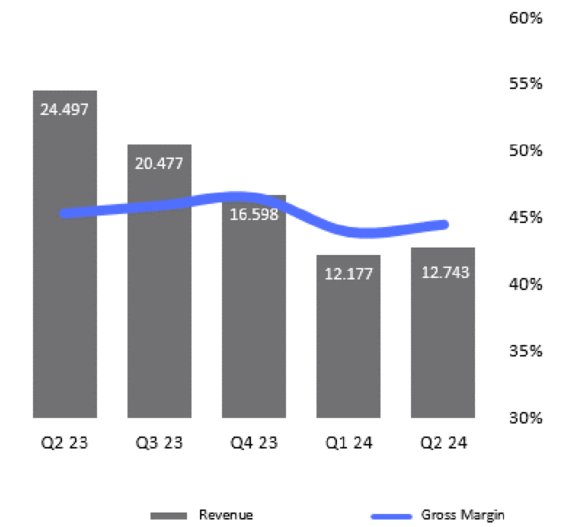
Income Tax

Asetek moved from USA to Denmark in 2013. However, USA – in a unilateral tax treaty override - 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 the problem. The Company continues to work with the tax authorities of Denmark and U.S. to possibly resolve this issue.

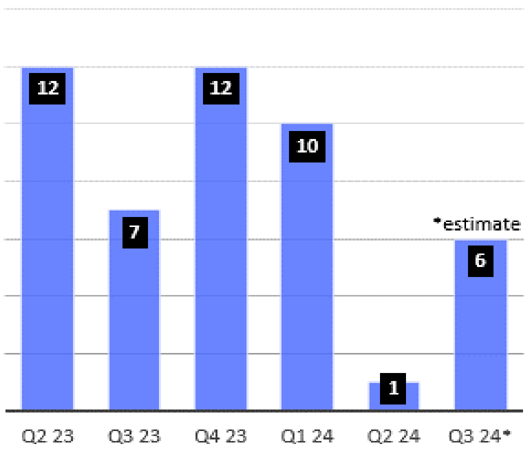
In June 2019, the U.S. released regulation for its Global Intangible Low-Taxed Income (GILTI) inclusion for U.S. taxation, effective beginning with tax year 2018. The GILTI regulation requires U.S. companies to report foreign corporation intangible income that exceeds 10% return on foreign invested assets. Under prior law, U.S. owners of foreign corporations were able to defer recognizing taxable income until there was a distribution of earnings back to U.S. owners. In 2023, The GILTI regulation caused incremental utilization of the Company's available deferred tax assets of approximately $0.8 million. 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)



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



Liquid Cooling. During the quarter, the Company announced a strategic partnership with Fabric8labs, a leading innovator in metal 3D printing. The partnership introduces an artificial intelligence (AI) optimized cold plate that demonstrates significant improvement in liquid cooling performance.

In April, the Company announced that the new OEM partner TRYX has introduced its PANORAMA all-in-one CPU coolers featuring a unique new curved 6.5-inch immersive display on the pump. The new coolers will include Asetek's most sophisticated new Gen8 liquid cooling technology, including a performance-engineered pump with a 3-phase motor for higher flow and quieter operation.

During the second quarter, one new liquid cooling product began shipping. In the third quarter of 2024, six new products are expected to begin shipping, including three to a new customer.

Asetek's Gen8 liquid cooling technology, which powers the ASUS RYUJIN III WB, is the Company's newest and most advanced to date. Gen8 features a new performance-engineered cold plate with a square design for maximum coverage, widely requested by PC enthusiasts. The new design is optimized for the latest AMD and Intel CPUs, and system enhancements enable even quieter operation compared with prior generations.

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 packaging, websites, and at partner event booths. Initiatives also include sponsored co-branded video features from media and influencers, live events, and joint community outreach to communicate the commitment to performance, quality and reliability that the "Cooled by Asetek" mark represents.

SimSports. In the quarter, Asetek began shipping various new accessories, including LeMans Prototype (LMP) handles, Formula suede handles, and a steering wheel button color kit. The Company expects to ship additional new accessories in the third quarter. SimSports revenue was $1.7 million and $3.9 million in the second quarter and first half of 2024 ($2.4 million and $3.7 million in the respective prior year periods). Revenue in the second quarter of 2023 was unusually high due to initial volume shipments to a large reseller.

Group Outlook

Group Summary. On July 1, Asetek updated its revenue and profitability outlook for 2024. Group revenue is expected in the range of $52 to $55 million, with an adjusted EBITDA margin of 1% to 4%. The updated revenue expectation implies a decrease of 28% to 32% compared to 2023. The previous revenue forecast was in the range of -5% to 5% compared to 2023 with an EBITDA margin of 12% to 17%, as communicated in the first quarter 2024 report.

Due to the revised outlook, Management is closely reviewing the Company's liquidity. Asetek has initiated measures to right-size the organization and management, including scaling down the U.S. operations. These measures are expected to yield annual cost savings of approximately $3 million with full effect from the first quarter of 2025.

Liquid Cooling segment. Full-year revenue for the Liquid Cooling business segment is expected to decrease in the range of 35% to 40% compared to 2023, corresponding to 2024 revenue in the range of $42 to $44 million. The previous revenue development expectation was in the range of -10% to 0%.

The new guidance follows a detailed review of the majority of the Company's customers after the Computex tradeshow in Taiwan in the beginning of June. Liquid cooling revenue for 2024 is mainly impacted by a weaker market rebound than anticipated, affecting all customers. One customer is leaving the market completely and another major customer has reduced its order volumes.

In 2025, Asetek expects one OEM customer to introduce dual sourcing, which is likely to lead to less orders. Growth in the liquid cooling segment is expected again in 2026 and beyond based on newly added customers and customer feedback. In addition, a recent large increase in the number of low-cost competitors based in China is expected to impact demand, ASPs and gross margins next year. The Chinese market is important to several of Asetek's current OEM customers.

The liquid cooling business segment is expected to continue to be profitable for the full year 2024 and beyond.

SimSports segment. Guidance for the SimSports business segment is unchanged, with expected revenue growth in the range of 40-60% in 2024 compared to 2023, corresponding to revenue in the range of $10 to $11 million. The growth trend is expected to continue in 2025 and beyond.

The SimSports business has solid long-term growth opportunities based on an attractive product range, superior customer service and a strong brand name. Investment in SimSports product development, sales and marketing, and brand building is expected to continue in the second half of 2024 and beyond to capitalize on the strong growth opportunities. The impact on EBITDA of the investments is reflected in the 2024 Group margin expectation. In line with the strategy to launch a competitive mass-market product line in the first half of 2025, a new position as interim Commercial Lead in the SimSports business segment has been established. The Commercial Lead will support the product launch and execute the go-to-market strategy for the mass market segment.

Cost-saving measures. Against the background of weaker customer demand and increased price pressure in the market, Asetek has immediately initiated a cost reduction program to support profitability and restore margins. Measures include the removal of about thirty full-time positions across the organization, three of which are in the Group Management Team. CEO André S. Eriksen will step closer to the operations. Asetek will also scale down the Company's U.S. operation to an absolute minimum, as essentially all major U.S. OEM customers have based their R&D and purchasing in Taiwan and/or China.

Starting with full effect from the first quarter of 2025, the cost reduction program is expected to generate annual cost savings of approximately $3 million in 2025 compared to 2024.

Intellectual Property

Asetek holds a portfolio of intellectual property (IP) rights including patents providing competitive advantages and high barriers to entry for competitors. 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 Shenzen 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). Asetek moved to dismiss this case in 2023. The court granted Asetek's motion to dismiss and denied Apaltek's motion for attorneys' fees.

Apaltek also filed review petitions with the Patent Trial and Appeal Board (PTAB) of the U.S. Patent and Trademark Office (USPTO) to challenge the validity of Asetek's '362 and '764 patents. Asetek did not file oppositions to Apaltek's petitions. The PTAB found Asetek's '362 and '764 patents unpatentable (invalid) in January 2024. The PTAB has also ruled that Asetek's U.S. Patent Nos. 10,078,354 ("the '354 patent") and 10,078,355 ("the '355 patent") invalid. The court of appeal affirmed the PTAB's finding for the '354 patent and recently dismissed as moot Asetek's appeal of the PTAB's finding for the '355 patent.

In June 2021, Cooler Master Co., Ltd. and CMI USA, Inc. filed an action in the United States District Court, Northern District of California, requesting declaratory judgment that certain Cooler Master products do not infringe Asetek's '362, '764, '354 and '355 patents, or Asetek's U.S. Patent Nos. 10,599,196 ("the '196 patent), a 10,613,601 ("the '601 patent"). In recent filings and a recent hearing, Asetek advised that the court should dismiss this case for lack of a justiciable case or controversy; Cooler Master and CMI USA disagree. The parties are currently involved in negotiations to potentially informally resolve this dispute. If negotiations are unsuccessful, then Asetek plans to file a motion to dismiss this case for lack of case or controversy. Cooler Master and CMI USA will likely oppose that motion.

Corporate Matters

The Company's annual general meeting was held on April 30, 2024, where the following matters occurred or were reported:

- The Annual Report 2023, as proposed by the Board of Directors, was approved as published.
- The remuneration report for 2023 was adopted and the proposed remuneration to be paid to the members of the Board of Directors was adopted.
- The Board of Directors on April 30, 2024 was comprised of Chairman René Svendsen-Tune, Vice Chairman Erik Damsgaard, Jukka Pertola, Maja Frølunde Sand-Grimnitz and Anja Monrad. Ms. Monrad 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.
- PricewaterhouseCoopers, State Authorized Public Accountants, were re-elected as auditors.

Risk Factors

On July 1, Asetek updated its revenue and profitability outlook for 2024, reflecting a decrease of 28% to 32% compared to 2023 and a reduced EBITDA margin. See further discussion of customer and market risks affecting near-term revenue expectations in the Group Outlook section of this report. As a result of the change in outlook, Management is closely reviewing the Company's liquidity.

Asetek's revenue is subject to fluctuations and is dependent on its ability to develop new, high-performance products that meet customer demands; 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.

In the first half of 2024, two customers accounted for 35% and 20% of total revenue. In the event of a decline or loss of significant 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. imposes tariffs on imports of certain goods manufactured in China. Asetek liquid coolers produced in China are currently subject to a 25% tariff. The existence of these tariffs and their impact has contributed to the uncertainties in the Liquid Cooling market. The Company continues to work to minimize the impact of these tariffs on Asetek and its customers.

Asetek relies upon suppliers and partners to supply products and services at competitive prices. Supply constraints, such as a global chip shortage or 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 Asetek 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 Group Outlook section of this report, the 2023 Prospectus and the Company's Annual Report for 2023, available at the Company's website: www.asetek.com

Condensed Interim Financial Statements

Consolidated Statement of Comprehensive Income

Figures in USD (000's)		1H 2024		1H 2023		2023
		Unaudited		*Unaudited*		
Revenue	$	24,920	$	39,257	$	76,332
Cost of sales		13,798		21,666		41,624
Gross profit		11,122		17,591		34,708
Research and development		4,084		3,434		7,379
Selling, general and administrative		9,608		8,174		17,079
Special items		-		807		847
Total operating expenses		13,692		12,415		25,305
Operating income (loss)		(2,570)		5,176		9,403
Foreign exchange (loss) gain		940		(460)		(1,015)
Finance income (costs)		(4)		66		110
Total financial income (expenses)		936		(394)		(905)
Income before tax		(1,634)		4,782		8,498
Income tax (expense) benefit		(1,658)		(1,053)		(2,497)
Income (loss) for the period		(3,292)		3,729		6,001
Other comprehensive income items that may be reclassified to profit or loss in subsequent periods:						
Foreign currency translation adjustments		(866)		280		721
Total comprehensive income (loss)	$	(4,158)	$	4,009	$	6,722
Income per share (in USD):						
Basic	$	(0.03)	$	0.06	$	0.07
Diluted	$	(0.03)	$	0.06	$	0.07

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

Consolidated Balance Sheet

Figures in USD (000's)	30 June 2024	31 Dec 2023
ASSETS	*Unaudited*	
Non-current assets		
Intangible assets	$ 11,463	$ 12,050
Property, plant and equipment	58,338	53,897
Deferred income tax assets	3,903	5,689
Other assets	237	318
Total non-current assets	73,941	71,954
Current assets		
Inventory	8,806	9,053
Trade and other receivables	10,403	12,611
Cash and cash equivalents	6,848	9,121
Total current assets	26,057	30,785
Total assets	$ 99,998	$ 102,739
EQUITY AND LIABILITIES		
Equity		
Share capital	$ 1,478	$ 1,478
Retained earnings	72,894	76,029
Translation and treasury share reserves	(12,247)	(11,381)
Total equity	62,125	66,126
Non-current liabilities		
Long-term debt	660	2,596
Total non-current liabilities	660	2,596
Current liabilities		
Short-term debt	22,016	15,782
Accrued liabilities	2,023	1,790
Accrued compensation & employee benefits	1,429	1,733
Trade payables	11,745	14,712
Total current liabilities	37,213	34,017
Total liabilities	37,873	36,613
Total equity and liabilities	$ 99,998	$ 102,739

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

Consolidated Statement of Changes in Equity

Unaudited

Figures in USD (000's)	Share capital	Share premium	Translation reserves	Treasury share reserves	Retained earnings	Total
Equity at January 1, 2024	$ 1,478	$ -	$ (175)	$ (11,206)	$ 76,029	$ 66,126
Total comprehensive income - six months ended June 30, 2024						
Income for the period	-	-	-	-	(3,292)	(3,292)
Foreign currency translation adjustments	-	-	(866)	-	-	(866)
Total comprehensive income - six months ended June 30, 2024	-	-	(866)	-	(3,292)	(4,158)
Transactions with owners - six months ended June 30, 2024						
Share based payment expense	-	-	-	-	157	157
Transactions with owners - six months ended June 30, 2024	-	-	-	-	157	157
Equity at June 30, 2024	$ 1,478	$ -	$ (1,041)	$ (11,206)	$ 72,894	$ 62,125
Equity at January 1, 2023	$ 444	$ -	$ (896)	$ (11,206)	$ 54,406	$ 42,748
Total comprehensive income - six months ended June 30, 2023						
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
Transactions with owners - six months ended June 30, 2023						
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
Equity at June 30, 2023	$ 1,478	$ -	$ (616)	$ (11,206)	$ 73,408	$ 63,064

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

Consolidated Cash Flow Statement

Figures in USD (000's)		1H 2024		1H 2023		2023
		Unaudited		*Unaudited*		
Cash flows from operating activities						
Income for the period	$	(3,292)	$	3,729	$	6,001
Depreciation and amortization		2,615		2,791		5,100
Impairment of intangible assets		18		208		60
Finance income recognized		(68)		(131)		(265)
Finance costs recognized		633		599		1,284
Finance income, cash received		68		131		265
Finance costs, cash paid		(618)		(491)		(1,243)
Income tax expense (benefit)		1,658		1,053		2,497
Cash receipt (payment) for income tax		(67)		(105)		543
Share based payments expense		157		165		514
Changes in trade receivables, inventories, other assets		2,049		(11,525)		(847)
Changes in trade payables and accrued liabilities		(2,514)		6,904		2,371
Net cash provided by (used in) operating activities		639		3,328		16,280
Cash flows from investing activities						
Additions to intangible assets		(1,114)		(1,822)		(2,561)
Purchase of property, plant and equipment		(5,840)		(15,791)		(24,902)
Disposal of property, plant and equipment		-		62		90
Net cash used in investing activities		(6,954)		(17,551)		(27,373)
Cash flows from financing activities						
Borrowings (repayment) on line of credit for building construction		5,061		(1,910)		(2,874)
Net proceeds from issuance of share capital		-		17,020		17,020
Costs incurred for issuance of share capital		-		(878)		(878)
Financing of previously purchased equipment		-		181		181
Principal payments on equipment financing		(121)		(145)		(293)
Principal payments on leases		(392)		(425)		(840)
Net cash provided by (used in) financing activities		4,548		13,843		12,316
Effect of exchange rate changes on cash and cash equivalents		(506)		64		487
Net changes in cash and cash equivalents		(2,273)		(316)		1,710
Cash and cash equivalents at beginning of period		9,121		7,411		7,411
Cash and cash equivalents at end of period	$	6,848	$	7,095	$	9,121
Supplemental disclosures -						
Assets acquired under leases	$	152	$	212	$	273

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 operations in USA, China and Taiwan. The Company's shares trade on the Nasdaq Copenhagen Exchange under the symbol 'ASTK'.

These condensed consolidated financial statements for the first half ended June 30, 2024 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 2023 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, 2023.

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

2. Shareholders' equity

At June 30, 2024, 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, 2024, there were 4.5 million options and warrants outstanding.

In May 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 met the requirements for exemption from accounting for derivative financial instruments per IAS 32 Financial Instruments Presentation. In conjunction with the rights offering, the Company transitioned the listing of its shares for trading to Nasdaq Copenhagen from the Oslo Stock Exchange. Operating expense in the second quarter and first half of 2023 included $0.8 million of non-recurring costs associated with the listing transition, classified as a special item in operating expense on the income statement

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 2024 and 2023 is as follows:

Intangible assets

Unaudited, USD (000's)	1H 2024	1H 2023
Balance, January 1	12,050	12,014
Additions to capitalized development costs	1,114	1,822
Amortization	(1,470)	(1,558)
Impairment loss	(18)	(208)
Exchange rate effects and other	(213)	122
Balance, June 30	11,463	12,192

4. Property, plant and equipment and debt financing

Property plant and equipment, net (PP&E) totaled $58.3 million at June 30, 2024 compared with $53.9 million at December 31, 2023. Additions to PP&E in the first half of 2024 totaled $6.0 million, of which $5.2 million pertained to construction of a new headquarters and R&D facility. Borrowing costs capitalized in the first half of 2024 totaled $0.6 million ($0.5 million in the first half of 2023). At June 30, 2024, the Company had outstanding commitments for construction costs totaling $0.5 million, principally all of which is projected to occur in the third quarter of 2024.

A summary of the Company's net debt as of the balance sheet date is as follows:

Net debt	*Unaudited*	
USD (000's)	**30 June 2024**	**31 Dec 2023**
Line of credit, due within one year	(21,156)	(14,700)
Equipment financing - due within one year	(261)	(270)
Leases - amounts due within one year	(599)	(812)
Debt included in current liabilities	(22,016)	(15,782)
Line of credit, due after one year	-	(1,489)
Equipment financing - due after one year	(613)	(756)
Leases - amounts due after one year	(47)	(351)
Total Debt	(22,676)	(18,378)
Less cash and cash equivalents	6,848	9,121
Net Debt	(15,828)	(9,257)

On July 1, the Company renegotiated the terms of its line of credit to update covenants and extend the facilities to April 1, 2026.

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.

	Unaudited	*Unaudited*
Unaudited, USD (000's)	**1H 2024**	**1H 2023**
Income attributable to equity holders of the Company (USD 000's)	$ (3,292)	$ 3,729
Weighted average number of common shares outstanding (000's)	97,058	65,970
Basic and diluted income per share	$ (0.03)	$ 0.06

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 2024, the Group purchased services totaling approximately $502,000 ($400,000 in first six months of 2023) from this vendor. At June 30, 2024 and 2023, the Group had outstanding payables to this vendor of $68,000 and $53,000 respectively.

The Company occasionally purchases equipment and other services from Valdemar Eriksen Racing A/S ("VER"), an organization partly owned by the Company's CEO. In the six months ended June 30, 2024 and 2023, the Company paid $14,500 and $0 to VER, 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. Following the revised outlook for 2024, Management has reassessed the likelihood of realization resulting in a write-down of $2.0 million as of June 30, 2024. The balance represents the value of the net operating losses and timing differences that Management expects to be utilized to offset future taxable income. Due to the uncertainty in respect of forecasting earnings for a long period of time, Management has limited the forecast period to five years.

8. Segment information

The Company reports on three segments: Liquid cooling, Data center and SimSports. Data center results were not material for all periods presented. 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.

First Half

Figures in USD (000's)	Liquid cooling		SimSports	
	1H 2024	1H 2023	1H 2024	1H 2023
Revenue	21,015	35,452	3,905	3,703
EBITDA, adjusted	6,736	13,507	(4,660)	(2,734)
EBITDA margin	32.1%	38.1%	-120.0%	-45.1%

Reconciliation to Income before tax

Figures in USD (000's)	1H 2024	1H 2023
EBITDA, adjusted - Liquid cooling	6,736	13,507
EBITDA, adjusted - Data center	-	(114)
EBITDA, adjusted - SimSports	(4,660)	(2,734)
Special items	-	(807)
Headquarters costs	(1,874)	(1,720)
Share based compensation	(157)	(165)
Depreciation and amortization	(2,615)	(2,791)
Total financial income (expenses)	936	(394)
Consolidated income before tax	(1,634)	4,782

Revenue Disaggregation:

Figures in USD (000's)	1H 2024	1H 2023
OEMs and System Integrators	21,007	35,903
Retailers (mainly SimSports)	2,196	2,465
Direct to customer (mainly SimSports)	1,717	889
Total revenue	24,920	39,257

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 2024. 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 2023.

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 Company's stock exchange release published on July 1, 2024 and the Group's Annual Report for 2023. The Interim Report has not been audited or reviewed by the auditors.

Asetek A/S
Aalborg, 13 August 2024

Management:

André S. Eriksen
CEO

Peter Dam Madsen
CFO

Board of Directors:

René Svendsen-Tune
Chairman

Erik Damsgaard
Vice chairman

Maja Frølunde Sand-Grimnitz
Member

Jukka Pertola
Member

Anja Monrad
Member

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