



Second Quarter 2017

16 August 2017

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ASETEK in brief



Listed on Oslo Børs

OSE4520 Technology Hardware & Equipment

Business

Provider of liquid cooling solutions for data centers, servers and PCs

Sales

Q2'17 USD 11.1 million / FY'16 USD 51 million

Operating profit

Desktop PC segment Q2'17 USD 2.4 million / FY'16 USD 14.3 million

Data center segment Q2'17 USD (2.2) million / FY'16 USD (6.9) million

Market cap

USD ~385 million / NOK ~3.0* billion

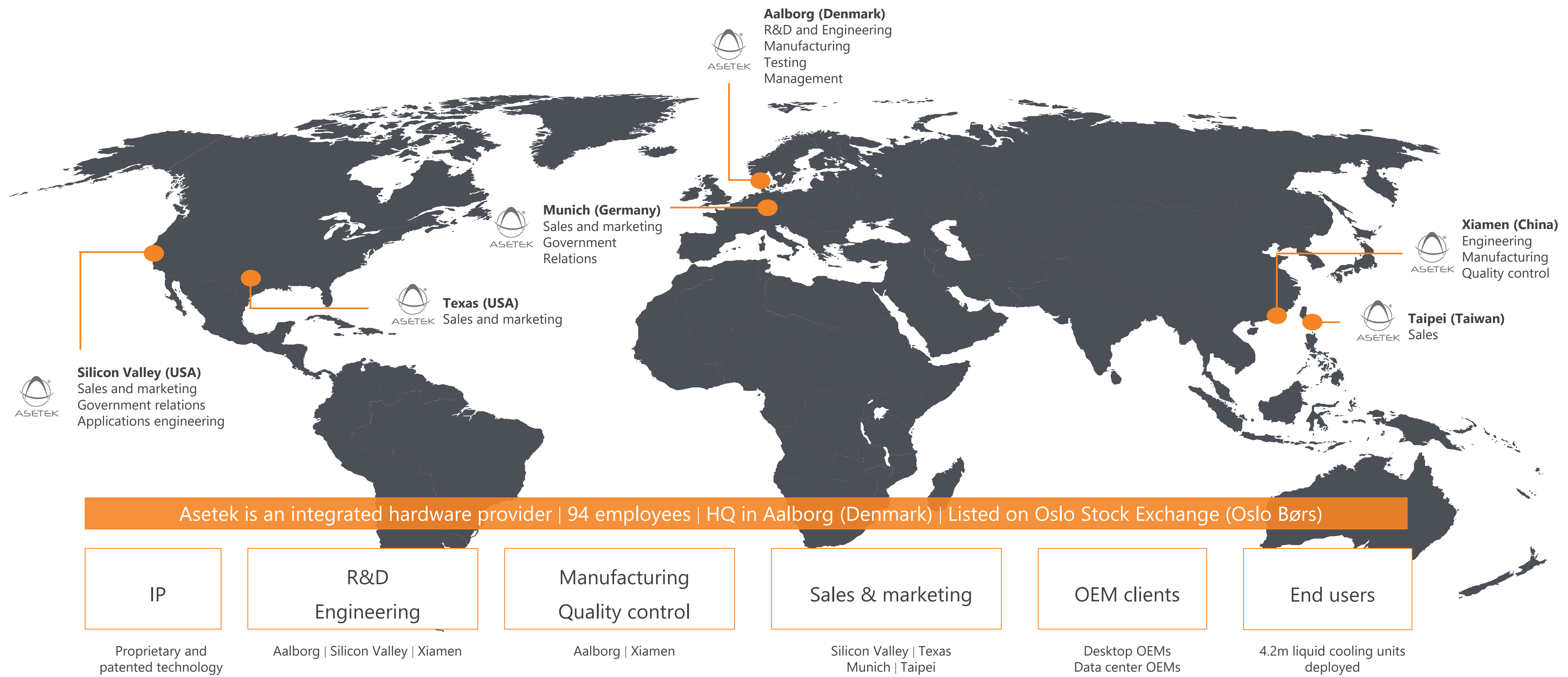
* 1 USD = NOK 7.97 (15.AUG.17)

What we do



Asetek specializes in liquid cooling solutions **data centers, servers and PCs**

Our integrated value chain and global reach

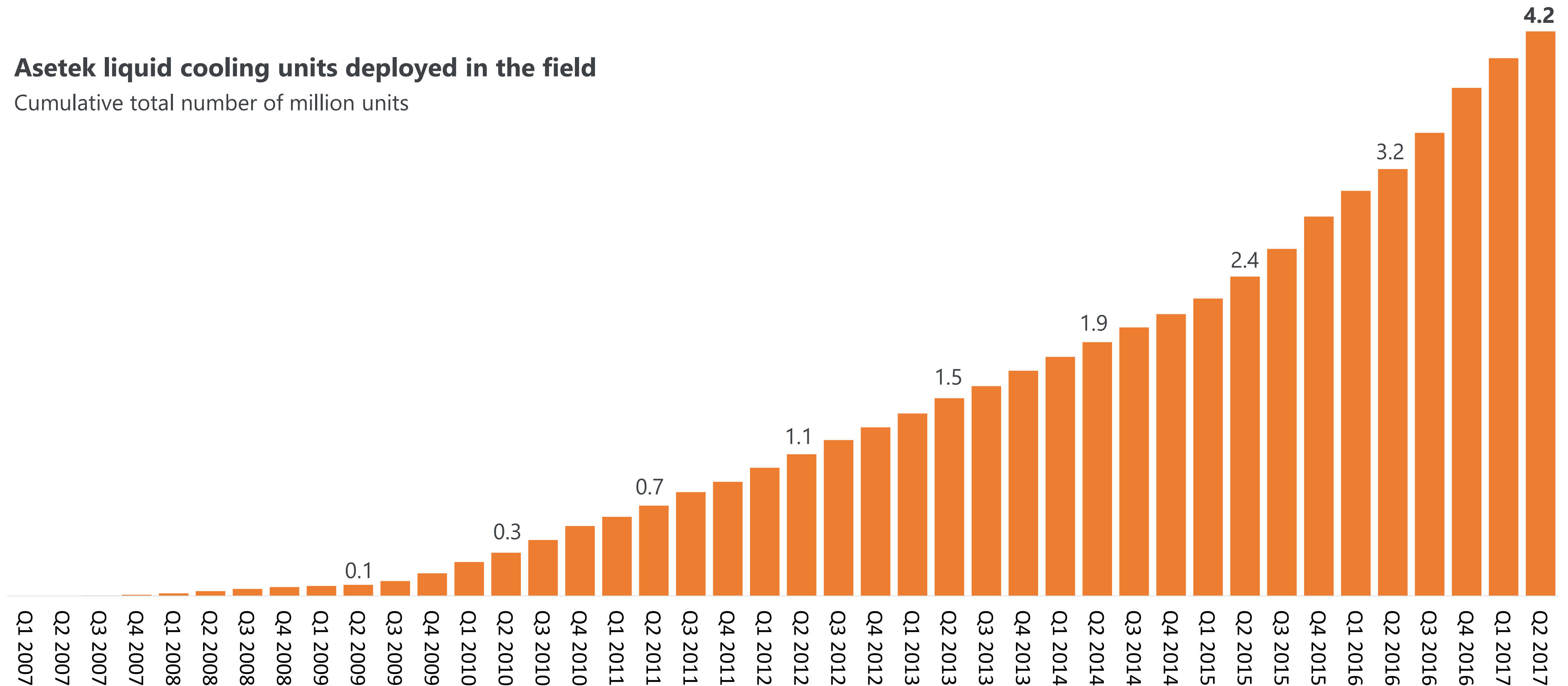


> 4.2 million liquid cooling units deployed in the field



Asetek liquid cooling units deployed in the field

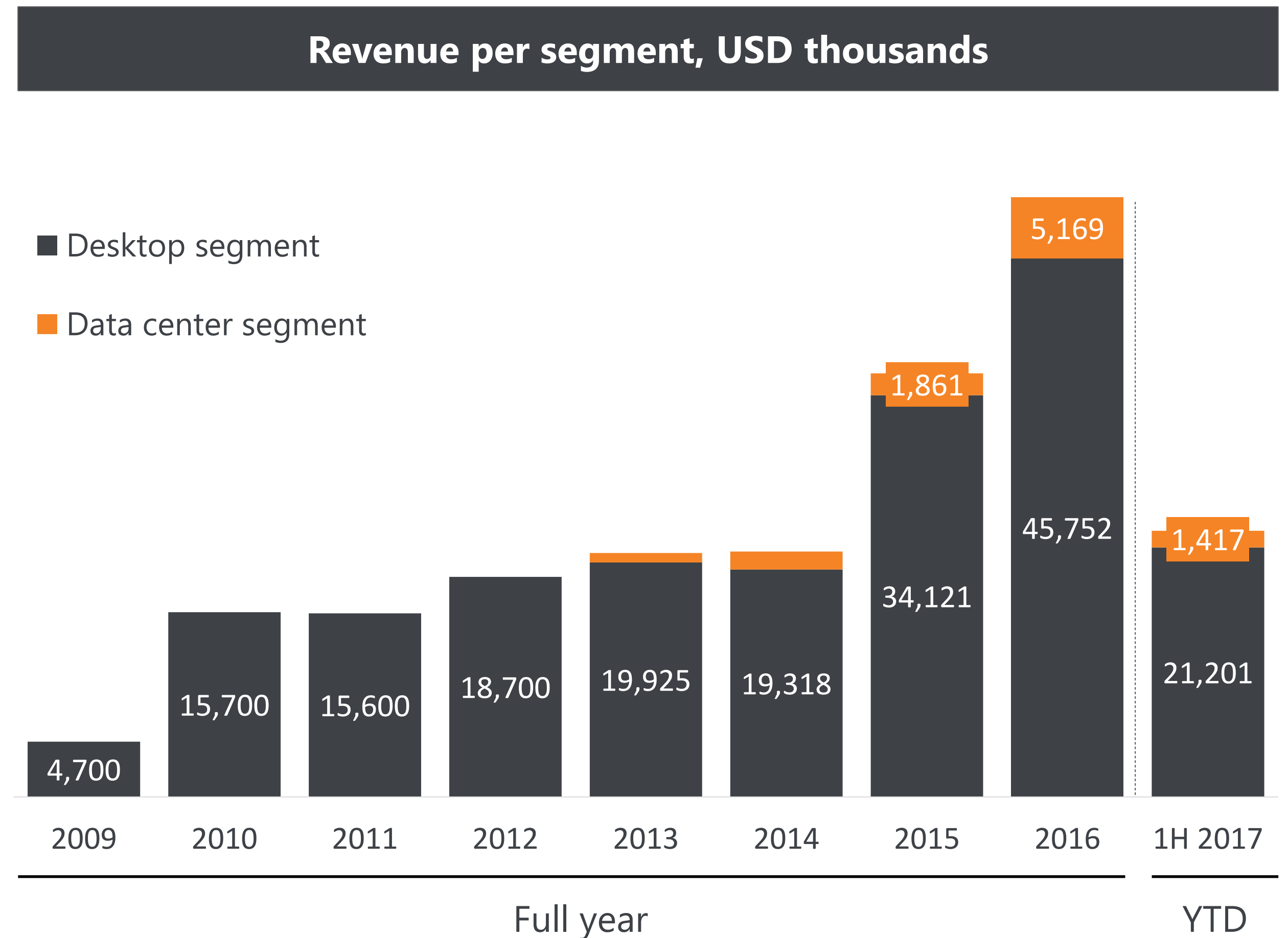
Cumulative total number of million units



Highlights



- Revenues of USD 11.1 million, up 33% vs. Q2'16
 - Driven by high-end gaming cooling demand
 - Q2 data center revenue fueled by OEM shipments
- Increased end-user adoption through new and repeat orders from data center OEM partners
- New desktop DIY design wins
- Successful patent defense award
- Paid NOK 1 per share dividend in May
- Raised full-year 2017 revenue guidance for desktop segment



Two business segments



IP Platform	Business segments	Market	Q2'17 financials
<p>Applications Technology Systems Products</p> <p>Patents</p> <p>High Volume manufacturing</p> <p>WW hub infrastructure</p>	<p>Desktop PC</p> <p>Data Center</p>	<ul style="list-style-type: none">• Do It Yourself• Gaming• Workstations <ul style="list-style-type: none">• Server racks• Servers	<p>91% of revenue USD 2.8m of EBITDA</p> <p>9% of revenue USD (1.6m) of EBITDA</p>

Positive development despite challenged PC industry



**Do-It-Yourself
PC enthusiasts**
72% sales*

- Desktop segment driven by new, powerful technologies and high profile computer games
- Strong demand within the DIY market
- 2 new design wins (Thermaltake and Fractal Design)



**Gaming and Performance
Desktop PCs**
27% sales*

- Increasing need for advanced cooling due to customer desire for a more immersive gaming experience
- Total addressable market expanding
- 2 new products began shipping



**Enterprise
Workstations**
1% sales*

- Workstation category marginal part of segment today

Shipped 202,000 desktop units in Q2'17



Asetek now reaching end-users across all continents



Liquid Cooling Retention Kits included in Ryzen Threadripper CPUs

- The partnership will enable customers to easily utilize any existing Asetek liquid cooler with the new platform right out of the box
- AMD's Ryzen Threadripper is a new processor platform targeting the high-end desktop (HEDT) market



Partnering with Thermaltake on new cooler series

- Asetek technology to be deployed on Thermaltake's new Floe Riing RGB TT Premium edition all-in-one cooler series
- Partnership with Thermaltake has progressed over the years and liquid cooling has expanded in their portfolio

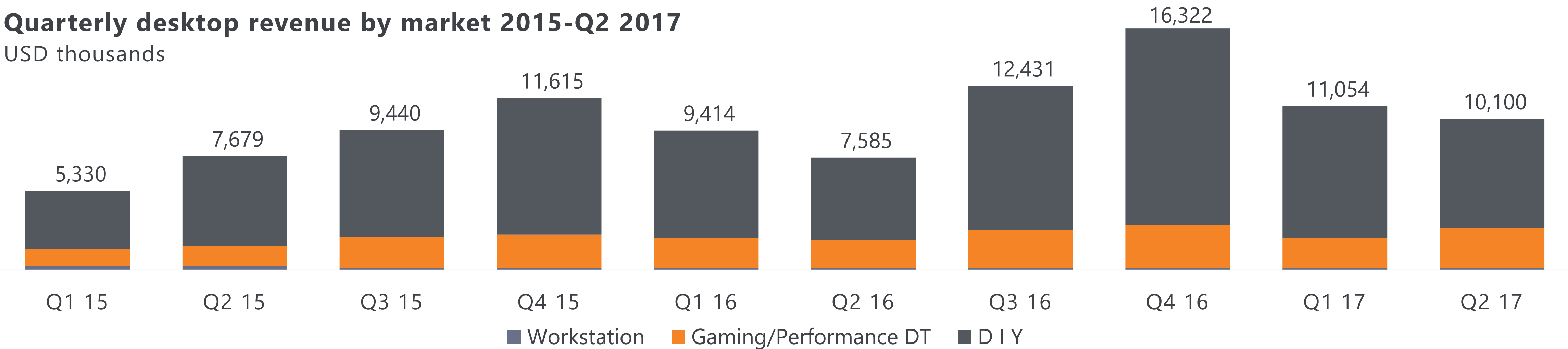


Partnering with Fractal Design on new CPU cooler

- Liquid cooling technology to be deployed on Fractal Design's new Celsius Series CPU cooler
- Asetek supplies liquid cooling technology to multiple respected global brands – AMD, Corsair, EVGA, Fractal, NZXT and Thermaltake

Quarterly desktop revenue by market 2015-Q2 2017

USD thousands





Continued data center expansion

Increasing end-user adoption through existing OEMs

Taiwan’s new supercomputer to use Asetek’s technology

- Fujitsu order for RackCDU D2CT (Direct-to-Chip) liquid cooling
- The technology is to be used at the new HPC installation at the National Center for High Performance Computing in Taiwan

Asetek to cool the world’s most advanced GPU’s

- Selected by Penguin Computing to cool NVIDIA’s P100 GPU accelerators, the most advanced GPU produced by NVIDIA
- Penguin to utilize Asetek’s RackCDU D2C™ liquid cooling into its Tundra™ Extreme Scale (ES) platform

New global partner

Asetek launch products with global player

- Undisclosed global player is expected to launch the first product at the SC17 tradeshow in November 2017.
- Revenue to begin at that time

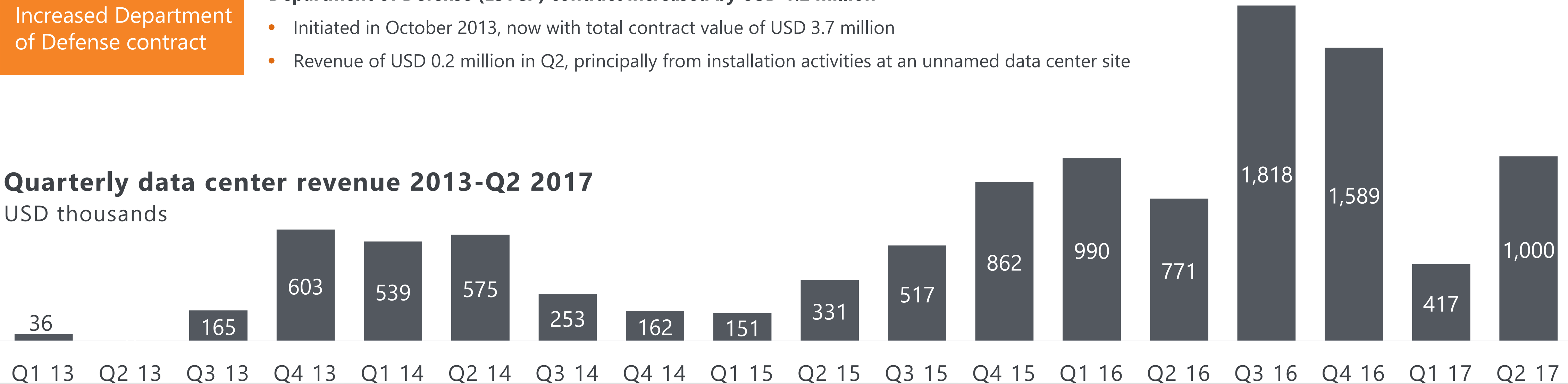
Increased Department of Defense contract

Department of Defense (ESTCP) contract increased by USD 1.2 million

- Initiated in October 2013, now with total contract value of USD 3.7 million
- Revenue of USD 0.2 million in Q2, principally from installation activities at an unnamed data center site

Quarterly data center revenue 2013-Q2 2017

USD thousands



Global leadership in OEMs & installations



North-America



Europe



Asia



OEM partners



Selected data center/HPC installations in the U.S., Europe and Asia adopting Asetek's technology

U.S., Penguin Computing and U.S. Department of Energy's National Nuclear Security Administration is using Asetek liquid cooled HPC system for an Open Compute Installations in 80 racks spanning three National Laboratories

Poland, Format installed Asetek liquid cooled HPC systems at the National Centre for Nuclear Research (NCBJ) and a University. 7 Racks

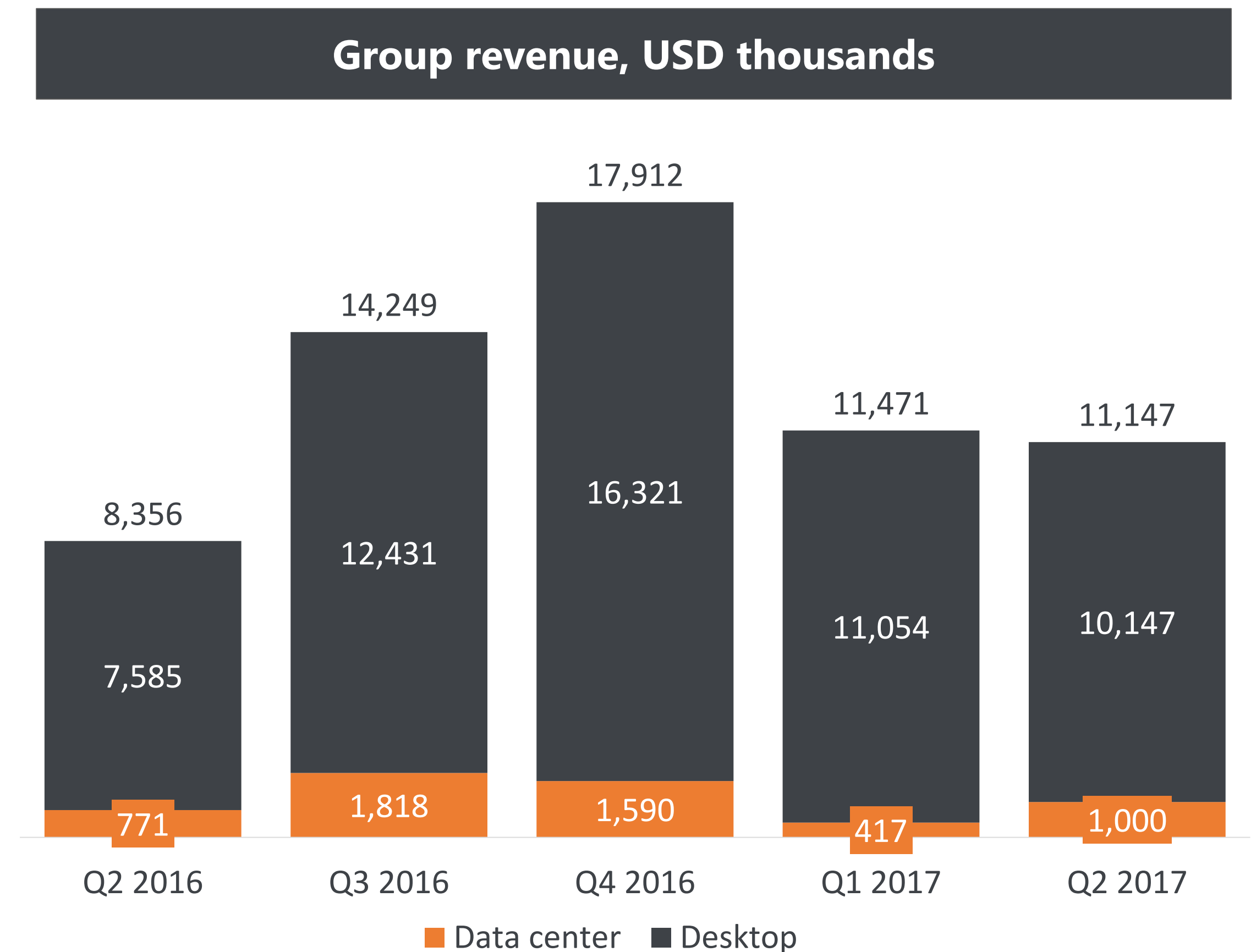
Singapore, 40 rack Fujitsu HPC cluster at the Agency for Science, Technology and Research (A*Star)

Japan, 70 Asetek liquid cooled Fujitsu servers at the Joint Center for Advanced High-Performance Computing (JCAHPC)

Revenue development

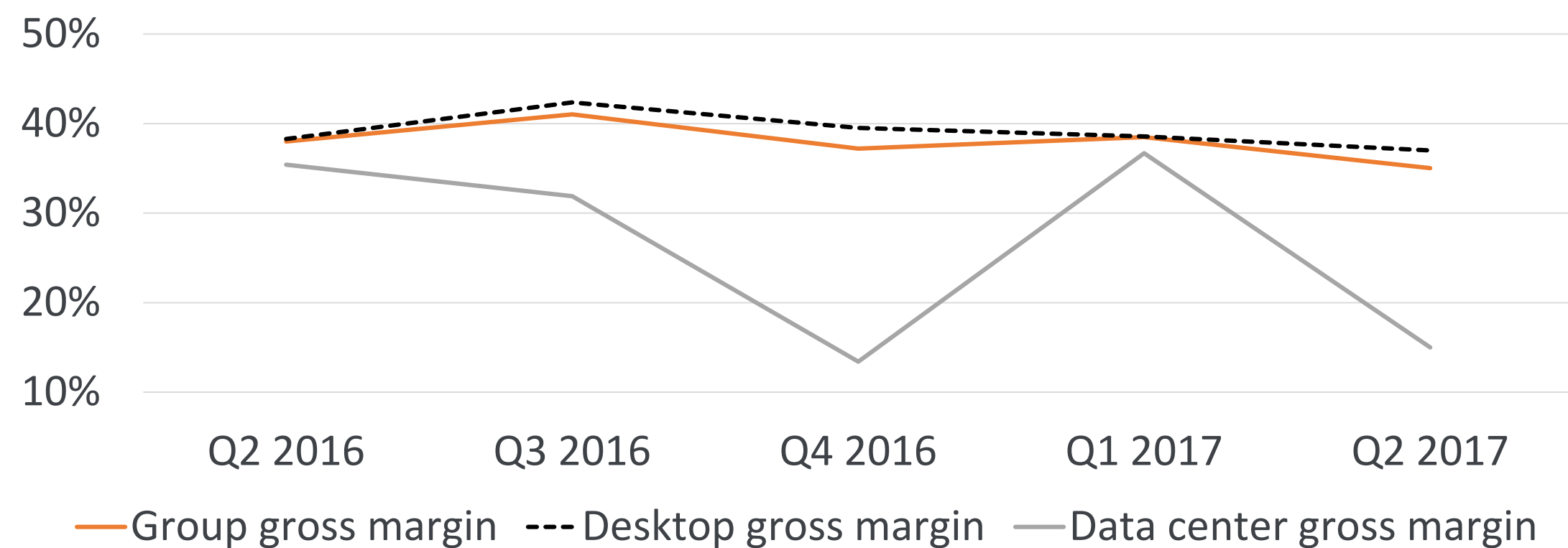


- Q2'17 group revenue of \$11.1m driven by DIY and Gaming Performance desktop sales
 - Increase of 33% vs Q2'16
- Q2'17 desktop revenue \$10.1m
 - Driven by demand in DIY and Gaming Performance desktop markets
 - Compares with \$7.6m in Q2'16 and \$11.1m in Q1'17
- Q2'17 data center revenue of \$1.0m
 - Driven by shipments to OEMs
 - Compares with \$0.8m in Q2'16 and \$0.4m in Q1'17
- Raised full-year desktop revenue expectations and reaffirming 2017 data center expectations



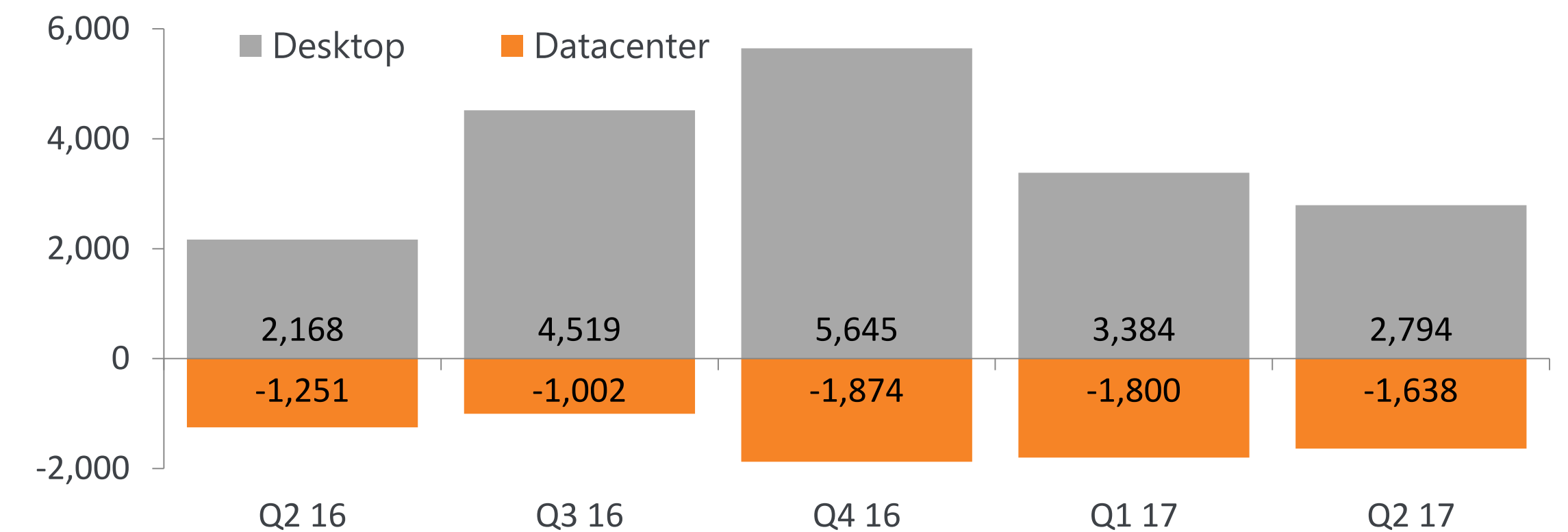
Gross margin and earnings development

Gross margin development



- Group gross margin of 35.0% (38.0%)
 - Desktop gross margin at 37.0% (38.3%)
 - Decline due to replacement of products shipped to a customer in Q4/16
 - Data center gross margin at 15.0% (35.4%)
 - Decline due primarily to replacement of products at customer site (\$0.2m/20%-points) in order to stand behind quality leadership position

Group EBITDA development, USD thousands



- Desktop EBITDA margin of 27.5% (28.6%)
- Data center EBITDA of USD (1.6) million
 - Since Q4/16, the expenditure level has been increased in preparation of launch with a global player as announced in February 2017.

Income statement

USD (000's)	Q2 2017			Q2 2016		
	Group	Desktop	Data center	Group	Desktop	Data center
Revenue	11 147	10 147	1,000	8 356	7 585	771
Gross Margin	35.0 %	37.0%	15.0%	38.0 %	38.3%	35.4%
Other operating expenses	2 748	960	1 788	2 259	735	1 524
EBITDA adjusted	1 156	2 794	(1 638)	917	2 168	(1 251)
Depreciations	631	296	335	700	232	468
Share based compensation	330	111	219	82	27	55
EBIT	195	2 387	(2 192)	135	1 909	(1 774)
EBIT Margin	1.7 %	23.5%	N/A	1.6 %	25.2%	N/A
HQ, Litigation expenses	448			292		
HQ, Settlement received	(651)					
HQ, Share based compensation	161			38		
HQ, Other	267			282		
Headquarters costs	225			612		
EBIT, total	(30)			(477)		

- Increased costs related to headcount growth, investments in developing OEM partnerships and intellectual property defense
- USD 0.7 million settlement awarded for a patent infringement lawsuit

Cash flow statement

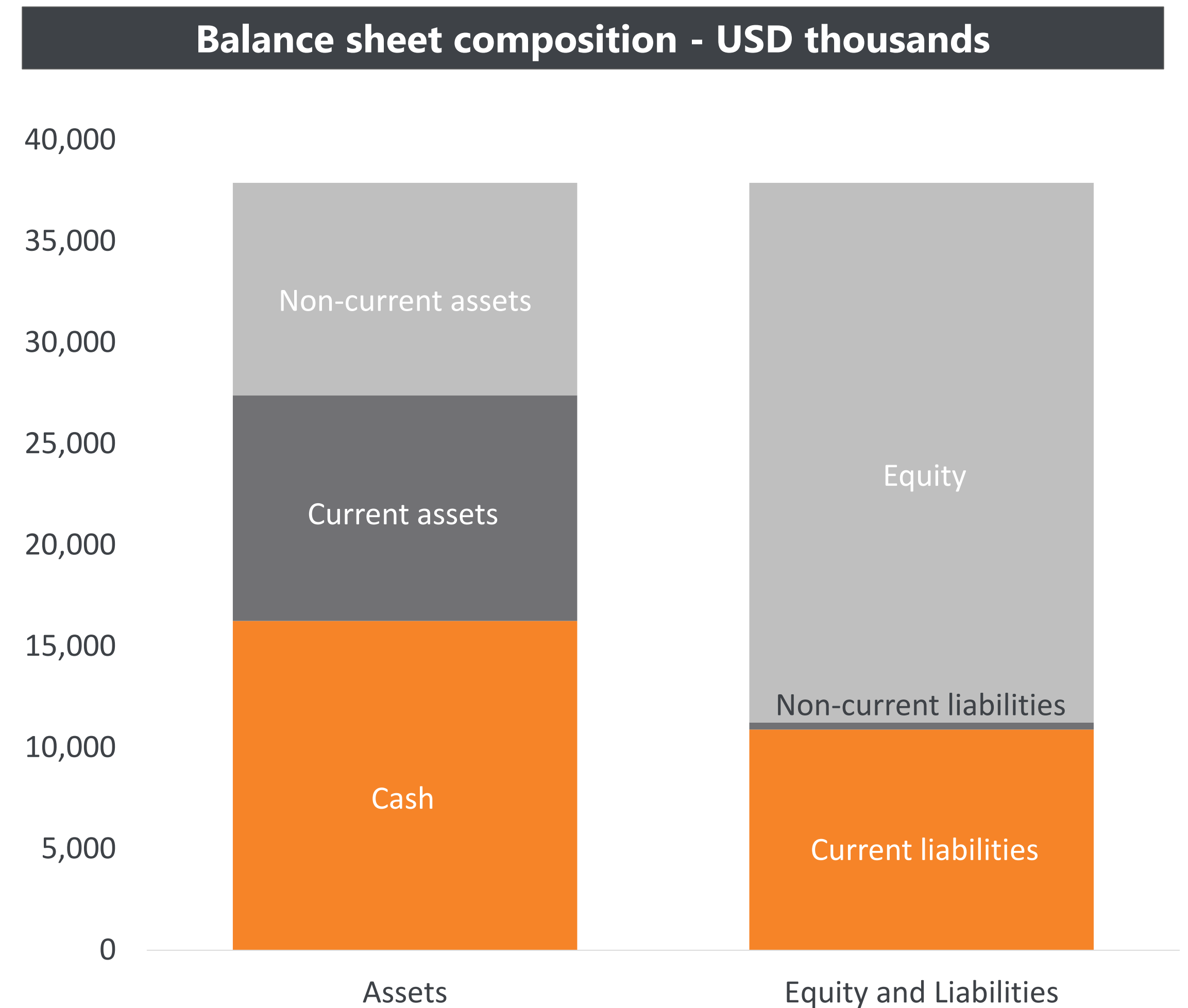


USD (000's)	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Income (loss) for the period	(625)	151	7 578	2 055	(387)
Depreciation, amortization and impairment	631	388	563	598	702
Finance cost (income) and taxes	10	8	(4 707)	6	9
Share based compensation	491	72	88	115	120
Changes in current assets other than cash	(198)	4 353	(4 182)	(3 142)	(752)
Changes in payables and accrued liabilities	2 576	(5 769)	1 342	3 670	2 088
Net cash provided (used) in operating activities	2 885	(797)	682	3 302	1 780
Additions to intangible assets and other assets	(674)	(391)	(433)	(398)	(539)
Purchase of property and equipment & other	(637)	(225)	(528)	(169)	(251)
Net cash used in investing activities	(1 311)	(616)	(961)	(567)	(790)
Proceeds from debt issuance, other LT liabilities					
Cash flows on credit lines/debt/lease	286	(213)	125	(44)	(37)
Issuance of capital / conv debt / dividend	(2 281)	274	112	-	4
Net cash provided (used) by financing activities	(1 995)	61	237	(44)	(33)
Effect of exchange rate changes on cash	491	(74)	(641)	25	(114)
Net changes in cash and cash equivalents	70	(1 426)	(683)	2 716	843
Cash and cash equivalents at beginning of period	16 184	17 610	18 293	15 577	14 734
Cash and cash equivalents at end of period	16 254	16 184	17 610	18 293	15 577

Balance sheet






- NOK 1.00 per share distribution of 2016 dividend in May
- Limited investments in fixed asset
- Strong cash position
- Low interest bearing debt
- Balance sheet enabling growth and financial flexibility



Desktop strategy and outlook



Goal	Strategic platform	Strategy	Outlook
Continue to dominate the desktop liquid cooling market	<div><p>Do-It-Yourself PC enthusiasts 72% sales</p></div>	<ul style="list-style-type: none">• Drive differentiation• Increase GPU attach	Expecting revenue growth between 10% and 20%* for the full year 2017 compared with the full year 2016. Thus expecting a couple of strong quarters ahead exceeding even the strong quarters of 2016.
	<div><p>Gaming and Performance Desktop PCs 27% sales</p></div>		
	<div><p>Enterprise Workstations 1% sales</p></div>	<ul style="list-style-type: none">• Recover market share	



Data center strategy and outlook

Goal	Strategy	Outlook
<p>Increase end-user adoption with existing OEMs</p> <p>Add new OEMs</p>	<p>Exploit established leadership within HPC</p>	<p>Reaffirming 2017 expectations. Despite a small delay in the release of our new partner we expect a strong second half year.</p>
	<p>Execute on the development agreement with the as yet to be disclosed major player in data center market</p>	
	<p>Explore potential opportunities to grow beyond the HPC segment</p>	

Summary



- Revenues of USD 11.1 million, up 33% vs. Q2'16
- Increased end-user adoption through new and repeat order from data center OEM partners
- Zero-tolerance quality policy cost a couple of margin points in Q2
- New desktop DIY design wins
- Successful patent defense award
- Paid NOK 1 per share dividend in May
- Raised full-year 2017 revenue guidance for desktop segment
- Expect a couple of strong quarters ahead



Appendix

Largest shareholders as of 15 August 2017

Name	Holding	Percentage	Country	Account Type
SUNSTONE TECHNOLOGY	3,186,341	12.5%	DNK	ORDINARY
ARBEJDSMARKEDETS TIL	2,015,838	7.9%	DNK	ORDINARY
DANSKE BANK A/S	1,596,248	6.3%	DNK	NOMINEE
UBS SWITZERLAND AG	1,371,766	5.4%	CHE	NOMINEE
HSBC BANK PLC	1,267,579	4.9%	GBR	NOMINEE
CLEARSTREAM BANKING	1,003,215	3.9%	LUX	NOMINEE
KLP AKSJENORGE	970,406	3.8%	NOR	ORDINARY
STATE STREET BANK &	960,000	3.8%	USA	NOMINEE
NORDEA BANK AB	912,097	3.6%	DNK	NOMINEE
THE BANK OF NEW YORK (1)	768,447	3.0%	DNK	NOMINEE
KOMMUNAL	705,871	2.8%	NOR	ORDINARY
NORDNET BANK AB	606,890	2.4%	SWE	NOMINEE
THE BANK OF NEW YORK	568,464	2.2%	BEL	NOMINEE
RBC INVESTOR SERVICE	489,068	1.9%	LUX	NOMINEE
VERDIPAPIRFONDET DNB	488,662	1.9%	NOR	ORDINARY
J.P. MORGAN CHASE (1)	428,113	1.7%	GBR	NOMINEE
CITIBANK, N.A.	426,937	1.7%	KWT	NOMINEE
J.P. MORGAN CHASE	358,000	1.4%	DEU	NOMINEE
EUROCLEAR BANK S.A./	301,400	1.2%	BEL	NOMINEE
SKANDINAVISKA ENSKIL	290,394	1.1%	SWE	NOMINEE
Total Top 20	18,715,736	73.4%		
Other Shareholders	6,469,761	25.3%		
ASETEK Treasury Shares	336,400	1.3%		
Total share capital	25,521,897	100.0%		

Income statement



Figures in USD (000's)	Q2 2017	Q2 2016	1H 2017	1H 2016	2016
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	
Revenue	\$ 11 147	\$ 8 356	\$ 22 618	\$ 18 760	\$ 50 921
Cost of sales	7 243	5 180	14 299	11 522	31 171
Gross profit	3 904	3 176	8 319	7 238	19 750
Research and development	1 007	849	1 890	1 556	3 428
Selling, general and administrative	3 578	2 804	6 831	5 539	11 653
Other income	(651)	-	(651)	-	-
Total operating expenses	3 934	3 653	8 070	7 095	15 081
Operating income	(30)	(477)	249	143	4 669
Foreign exchange (loss) gain	(562)	118	(672)	(84)	330
Finance costs	(3)	(9)	(12)	(23)	(8)
Total financial income (expenses)	(565)	109	(684)	(107)	322
Income before tax	(595)	(368)	(435)	36	4 991
Income tax (expense) benefit	(30)	(19)	(39)	(32)	4 646
Income for the period	(625)	(387)	(474)	4	9 637
<i>Other comprehensive income items that may be reclassified to profit or loss in subsequent periods:</i>					
Foreign currency translation adjustments	733	(149)	727	100	(455)
Total comprehensive income	\$ 108	\$ (536)	\$ 253	\$ 104	\$ 9 182
Income per share (in USD):					
Basic	\$ (0.02)	\$ (0.02)	\$ (0.02)	\$ 0.00	\$ 0.39
Diluted	\$ (0.02)	\$ (0.02)	\$ (0.02)	\$ 0.00	\$ 0.38

Balance sheet



Figures in USD (000's)	30 June 2017	31 Dec 2016
ASSETS	<i>Unaudited</i>	
<i>Non-current assets</i>		
Intangible assets	\$ 2 290	\$ 1 871
Property and equipment	2 503	1 684
Deferred income tax assets	4 988	4 874
Other assets	708	642
Total non-current assets	10 489	9 071
<i>Current assets</i>		
Inventory	1 450	1 158
Trade receivables and other	9 694	13 325
Cash and cash equivalents	16 254	17 610
Total current assets	27 398	32 093
Total assets	\$ 37 887	\$ 41 164
EQUITY AND LIABILITIES		
<i>Equity</i>		
Share capital	\$ 418	\$ 417
Retained earnings	25 752	28 130
Translation and other reserves	473	(257)
Total equity	26 643	28 290
<i>Non-current liabilities</i>		
Long-term debt	350	264
Total non-current liabilities	350	264
<i>Current liabilities</i>		
Short-term debt	743	524
Accrued liabilities	2 526	1 305
Accrued compensation & employee benefits	1 729	1 413
Trade payables	5 896	9 368
Total current liabilities	10 894	12 610
Total liabilities	11 244	12 874
Total equity and liabilities	\$ 37 887	\$ 41 164

Equity



Unaudited

Figures in USD (000's)	Share capital	Share premium	Translation reserves	Other reserves	Retained earnings	Total
Equity at January 1, 2017	\$ 417	\$ -	\$ (248)	\$ (9)	\$ 28 130	\$ 28 290
Total comprehensive income - six months ended June 30, 2017						
Income for the period	-	-	-	-	(474)	(474)
Foreign currency translation adjustments	-	-	727	-	-	727
Total comprehensive income - six months ended June 30, 2017	-	-	727	-	(474)	253
Transactions with owners - six months ended June 30, 2017						
Shares issued	1	-	-	3	440	444
Share based payment expense	-	-	-	-	563	563
Dividends	-	-	-	-	(2 907)	(2 907)
Transactions with owners - six months ended June 30, 2017	1	-	-	3	(1 904)	(1 900)
Equity at June 30, 2017	\$ 418	\$ -	\$ 479	\$ (6)	\$ 25 752	\$ 26 643
Equity at January 1, 2016	\$ 416	\$ 76 665	\$ 207	\$ (9)	\$ (58 633)	\$ 18 646
Total comprehensive income - six months ended June 30, 2016						
Loss for the period	-	-	-	-	4	4
Foreign currency translation adjustments	-	-	100	-	-	100
Total comprehensive income - six months ended June 30, 2016	-	-	100	-	4	104
Transactions with owners - six months ended June 30, 2016						
Shares issued	-	21	-	-	-	21
Share based payment expense	-	-	-	-	125	125
Transactions with owners - six months ended June 30, 2016	-	21	-	-	125	146
Equity at June 30, 2016	\$ 416	\$ 76 686	\$ 307	\$ (9)	\$ (58 504)	\$ 18 896