

LIQUID  
COOLING  
*Done right!*



ASETEK

**Third quarter 2013**

20 November, Oslo, Norway



ASETEK

[www.asetek.com](http://www.asetek.com)

# Web Presentation



Presentation by:



CEO & Founder

André S. Eriksen



CFO

Peter D. Madsen

[Investor.relations@asetek.com](mailto:Investor.relations@asetek.com)



# New development 11/19/13

LIQUID  
COOLING  
*Done right!*

HP to make Asetek RackCDU available for sale

- Asetek RackCDU™ D2C™ Liquid Cooling solutions will be available from HP as a Third Party Option (3PO) kit for specific HP ProLiant Servers (initially HP ProLiant SL230s and HP ProLiant DL560 Gen8).
- HP specific server liquid cooling kits and RackCDU SKUs for these servers are being developed by Asetek
- Expected to be available for customers to order from HP through their Account Executives 1H 2014.



# Highlights



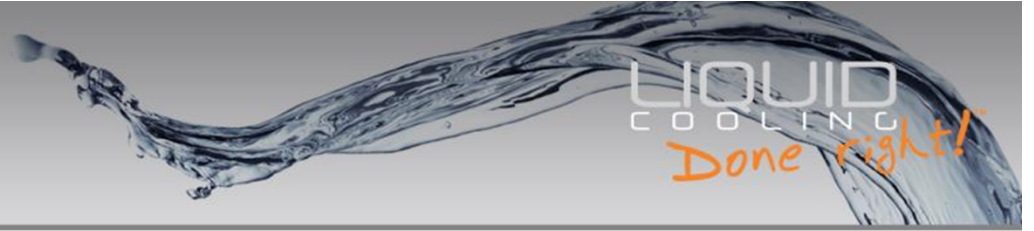
| USD (000's)                         | Q3 2013        | Q2 2013 | Q3 2012 |
|-------------------------------------|----------------|---------|---------|
| Revenue                             | <b>4 357</b>   | 5 335   | 4 850   |
| <i>Revenue, desktop</i>             | 4 192          | 5 335   | 4 850   |
| <i>Revenue, datacenter</i>          | 165            | -       | -       |
| Gross profit                        | <b>1 746</b>   | 2 000   | 1 726   |
| Gross margin %                      | <b>40.1%</b>   | 37.5%   | 35.6%   |
| EBITDA (unaudited)                  | <b>(1 454)</b> | (1 524) | (795)   |
| Operating profit (loss)             | <b>(2 027)</b> | (1 880) | (1 360) |
| Net income (loss)                   | <b>(1 781)</b> | (2 386) | (1 904) |
| <br>                                |                |         |         |
| Purchases of property and equipment | <b>273</b>     | 182     | 11      |
| <br>                                |                |         |         |
| Units shipped (1 000)               | <b>91</b>      | 114     | 107     |

## Third quarter highlights

- Revenues \$4.4 million
  - Decline over Q2 broadly in line with previous announcement
  - 10% y-o-y growth target maintained
- Gross margin above 40%
  - Reflects improved cost management and product mix
- Operating loss \$2.0 million
  - Intellectual property defense costs \$0.6 million
- Shipped 91,000 liquid cooling units
- Received first commercial order for RackCDU™
  - Cray Inc. for Mississippi State University



# Agenda



- I. **Operational review**
- II. Financial review
- III. Summary and outlook
- IV. Q&A Session



ASETEK

# Desktop

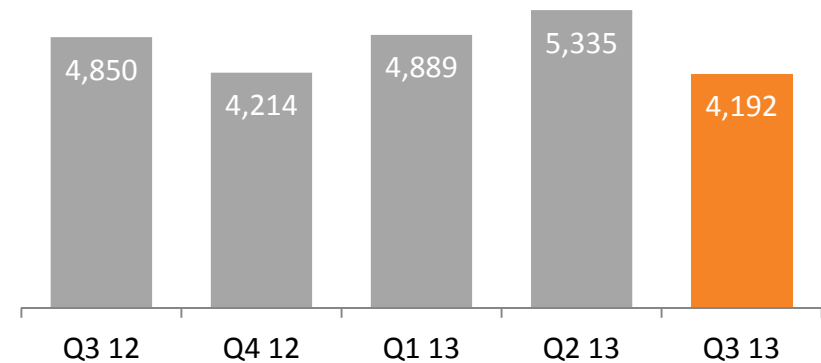


## Operational highlights

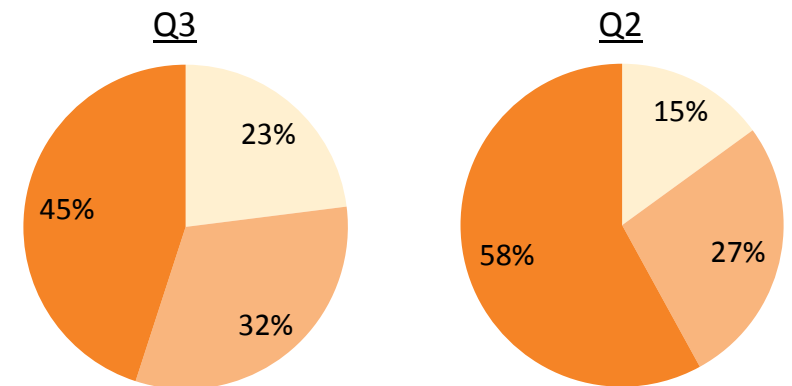
- As expected Do-it-Yourself (DIY) market revenue temporarily declined as we ended the relationship with two customers due to developments of in-house liquid cooling products
  - Expect to offset in Q4 with demand from continuing DIY customers and graphics card business
  - Expect to fully offset in 2014 with increased business with existing customers
  - Started shipment of three new DIY liquid coolers in Q3
- Gaming/Performance Desktop PC market is forecasted to grow in Q4
  - Graphics cooling products expected to ship on large order

## Revenue development

USD (000's)



## Revenue split 2013



Workstations Gaming/Performance Desktop PC's Do-It-Yourself



# Datacenter

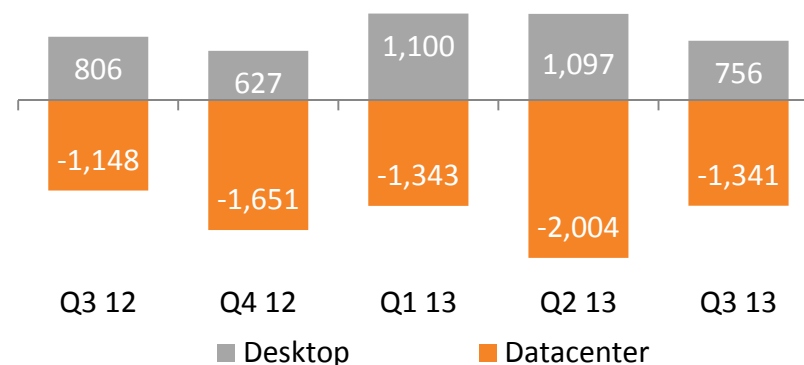
LIQUID  
COOLING  
*Done right!*

## Operational highlights

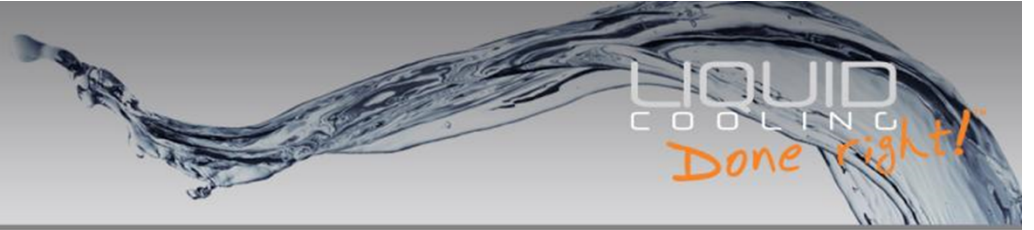
- Secured first commercial order for RackCDU™
  - Total revenue to be recognized in Q4 (five racks)
- Executed first major retrofit contract at Redstone Arsenal for US Department of Defense
  - Generated revenue of \$165 thousand in Q3
  - A tier 1 server OEM has provided warranty for servers cooled by RackCDU under the program
- Partnering with Signature Technology Group
  - Warranty, service and support program for RackCDU liquid cooling equipped data centers
- Winner of the American Business Award for “Best New Product or Service-Hardware-Computer”

## EBITDA: Continuing investments in Datacenter

USD (000's)



# Agenda



- I. Operational review
- II. Financial review**
- III. Summary and outlook
- IV. Q&A Session





# Income Statement



| USD (000's)                               | Q3 2013        | Q2 2013        | Q1 2013      | FY 2012        |
|---|----------------|----------------|--------------|----------------|
| Revenue                                   | 4 357          | 5 335          | 4 925        | 18 681         |
| Gross Profit                              | 1 746          | 2 000          | 1 878        | 6 788          |
| <i>Gross margin</i>                       | 40%            | 37%            | 38%          | 36%            |
| Total operating expenses                  | 3 773          | 3 880          | 3 376        | 11 660         |
| Operating Income                          | (2 027)        | (1 880)        | (1 498)      | (4 872)        |
| Financial Income (expense) and income tax | 246            | (506)          | 1 318        | (3 686)        |
| Income for the period                     | (1 781)        | (2 386)        | (180)        | (8 558)        |
| Foreign currency translation adjustments  | 87             | 68             | (132)        | 67             |
| <b>Total comprehensive income</b>         | <b>(1 694)</b> | <b>(2 318)</b> | <b>(312)</b> | <b>(8 491)</b> |

- Revenue decline, broadly in line with expectations, expected to be offset in Q4
- Margin improvement



# Income Statement – segment breakdown



| USD (000's)              | YTD 2013       |                | YTD 2012       |                |
|--------------------------|----------------|----------------|----------------|----------------|
|                          | Desktop        | Datacenter     | Desktop        | Datacenter     |
| Revenue                  | <b>14 416</b>  | <b>201</b>     | <b>14 467</b>  | -              |
| Cost of sales            | 8 779          | 91             | 8 990          | -              |
| Gross Profit             | <b>5 637</b>   | <b>110</b>     | <b>5 477</b>   | -              |
| Gross Margin             | 39.1%          | 54.7%          | 37.9%          | N/A            |
| Other operating expenses | 3 090          | 5 843          | 3 317          | 3 012          |
| Capitalized expenses     | - 406          | -1 045         | - 937          | -              |
| EBITDA                   | <b>2 953</b>   | <b>(4 688)</b> | <b>3 097</b>   | <b>(3 012)</b> |
| EBITDA margin            | 20.5%          | -2332.3%       | 21.4%          | N/A            |
| Depreciations            | 1 244          | 233            | 1 497          | -              |
| EBIT, by segment         | <b>1 709</b>   | <b>(4 921)</b> | <b>1 600</b>   | <b>(3 012)</b> |
| EBIT Margin              | 11.9%          | -2448.3%       | 11.1%          | N/A            |
| Headquarters costs       | 2 193          |                | 993            |                |
| <b>EBIT, total</b>       | <b>(5 406)</b> |                | <b>(2 405)</b> |                |



# Cash Flow Statement



| USD (000's)  | Q3 2013        | Q2 2013        | Q1 2013        | FY 2012        |
|--|----------------|----------------|----------------|----------------|
| Income (loss) for the period                                 | (1,781)        | (2 386)        | (180)          | (8 558)        |
| Depreciation, amortization and impairment                    | 573            | 356            | 548            | 2 126          |
| Finance cost (income) and taxes                              | (246)          | 506            | (1 318)        | 3 684          |
| Share based compensation                                     | 30             | 40             | 37             | 140            |
| Changes in trade receivables, inventories, other assets      | 227            | 740            | (292)          | (2 070)        |
| Changes in trade payables and accrued liabilities            | (39)           | (78)           | 102            | 1 045          |
| <b>Net cash used in operating activities</b>                 | <b>(1 236)</b> | <b>(822)</b>   | <b>(1 103)</b> | <b>(3 633)</b> |
| Additions to intangible assets and other assets              | (968)          | (284)          | (489)          | (1 165)        |
| Purchase of property and equipment                           | (273)          | (182)          | (17)           | (88)           |
| <b>Net cash used in investing activities</b>                 | <b>(1 241)</b> | <b>(466)</b>   | <b>(506)</b>   | <b>(1 253)</b> |
| Proceeds from debt issuance, other long-term liabilities     | 234            | -              | -              | 3 306          |
| Cash payments on credit lines/debt/lease                     | 158            | (277)          | (3 871)        | (357)          |
| Proceeds from issuance of conv. shares and share capital     | 6              | (2 800)        | 24 241         | 369            |
| <b>Net cash provided by financing activities</b>             | <b>398</b>     | <b>(3 077)</b> | <b>20 370</b>  | <b>3 318</b>   |
| Effect of exchange rate changes on cash and cash equivalents | <b>287</b>     | <b>(490)</b>   | <b>(80)</b>    | <b>148</b>     |
| <b>Net changes in cash and cash equivalents</b>              | <b>(1 792)</b> | <b>(4 855)</b> | <b>18 681</b>  | <b>(1 420)</b> |
| Cash and cash equivalents at beginning of period             | 15 074         | 19 929         | 1 248          | 2 668          |
| <b>Cash and cash equivalents at end of period</b>            | <b>13 281</b>  | <b>15 074</b>  | <b>19 929</b>  | <b>1 248</b>   |



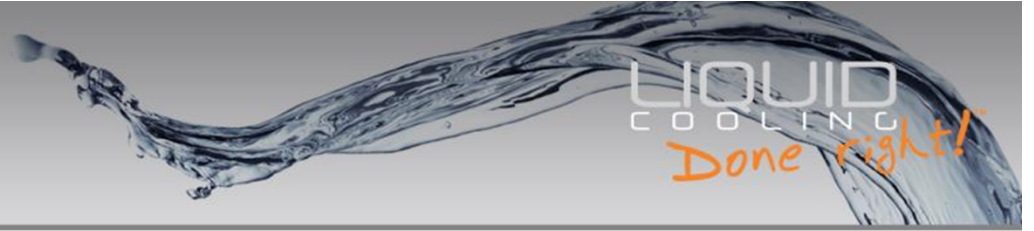
# Balance sheet



| USD (000's)   | Q3 2013       | Q2 2013       | Q1 2013       | FY 2012         |
|---|---------------|---------------|---------------|-----------------|
| Plant, Property and Equipment                           | 690           | 489           | 367           | 440             |
| Intangible Assets - Development Projects & Other Assets | 1 961         | 1 454         | 1 428         | 1 448           |
| <b>Total non-current assets</b>                         | <b>2 651</b>  | <b>1 943</b>  | <b>1 795</b>  | <b>1 888</b>    |
| Inventories   | 963           | 938           | 1 019         | 1 055           |
| Receivables   | 3 455         | 3 616         | 4 203         | 3 971           |
| Cash and equivalents                                    | 13 281        | 15 073        | 19 929        | 1 248           |
| <b>Total current assets</b>                             | <b>17 699</b> | <b>19 627</b> | <b>25 151</b> | <b>6 274</b>    |
| <b>Total assets</b>                                     | <b>20 350</b> | <b>21 570</b> | <b>26 946</b> | <b>8 162</b>    |
| <b>Total equity</b>                                     | <b>15 979</b> | <b>17 637</b> | <b>19 925</b> | <b>(40 642)</b> |
| Total non-current liabilities                           | 228           | 4             | 5             | 7 451           |
| Preferred convertible shares                            | -             | -             | -             | 37 122          |
| Accrued liabilities                                     | 1 705         | 1 239         | 4 146         | 2 241           |
| Trade payables  | 2 438         | 2 690         | 2 870         | 1 990           |
| <b>Total current liabilities</b>                        | <b>4 143</b>  | <b>3 929</b>  | <b>7 016</b>  | <b>41 353</b>   |
| <b>Total liabilities</b>                                | <b>4 371</b>  | <b>3 933</b>  | <b>7 021</b>  | <b>48 804</b>   |
| <b>Total equity and liabilities</b>                     | <b>20 350</b> | <b>21 570</b> | <b>26 946</b> | <b>8 162</b>    |



# Agenda



- I. Operational review
- II. Financial review
- III. Summary and outlook**
- IV. Q&A Session



# Summary and outlook



## Desktop

- Large order of graphics card related products expected to ship in Q4
- Expecting a continued flow of new product versions to existing and new customers
- Total 2013 revenue forecasted to land at planned level (+\$20m)
- Gross Margins to remain strong
- Business tracking according to plan

## Datacenter

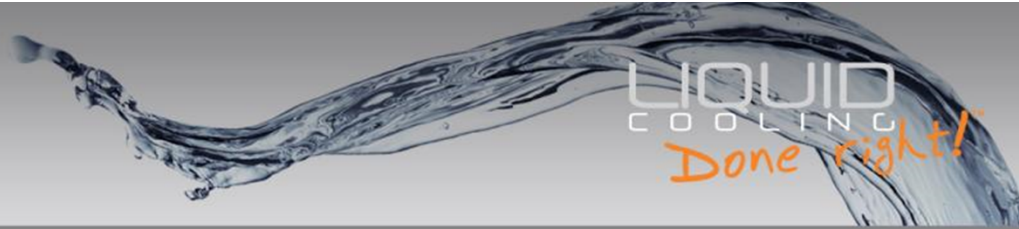
- HP to offer RackCDU for sale through 3PO program
- Revenuable government project started
- Commercial revenue confirmed to commence in Q4
- Warranty structure and support program being developed with partners
- Lawrence Berkeley National Lab study confirms Asetek's claim of 50% and higher reductions in data center cooling costs
- Numerous awards and public recognition received
- OEM design-in efforts are continuing, with various OEMs
- Business tracking according to plan



# Q&A

[Investor.relations@asetek.com](mailto:Investor.relations@asetek.com)





# Appendix





# Income statement

LIQUID  
COOLING  
Done right!

| Figures in USD (000's)  | Q3 2013           | Q3 2012          | YTD Q3 2013       | YTD Q3 2012      | 2012       |
|---|-------------------|------------------|-------------------|------------------|------------|
|   | <i>Unaudited</i>  | <i>Unaudited</i> | <i>Unaudited</i>  | <i>Unaudited</i> |            |
| Revenue   | \$ 4,357          | \$ 4,850         | \$ 14,617         | \$ 14,467        | \$ 18,681  |
| Cost of sales   | 2,611             | 3,124            | 8,993             | 9,098            | 11,893     |
| <b>Gross profit</b>   | <b>1,746</b>      | 1,726            | <b>5,624</b>      | 5,369            | 6,788      |
| Research and development  | 921               | 867              | 3,151             | 2,613            | 3,717      |
| Selling, general and administrative   | 2,807             | 2,192            | 7,843             | 5,191            | 7,878      |
| Foreign exchange loss (gain)  | 45                | 27               | 36                | (30)             | 65         |
| <b>Total operating expenses</b>   | <b>3,773</b>      | 3,086            | <b>11,030</b>     | 7,774            | 11,660     |
| <b>Operating income (loss)</b>  | <b>(2,027)</b>    | (1,360)          | <b>(5,406)</b>    | (2,405)          | (4,872)    |
| Finance income  | 272               | -                | 1,865             | -                | -          |
| Finance costs   | (26)              | (544)            | (807)             | (1,676)          | (3,693)    |
| <b>Total financial income (expenses)</b>  | <b>246</b>        | (544)            | <b>1,058</b>      | (1,676)          | (3,693)    |
| <b>Income (loss) before tax</b>   | <b>(1,781)</b>    | (1,904)          | <b>(4,348)</b>    | (4,081)          | (8,565)    |
| Income tax  | -                 | -                | -                 | 2                | 7          |
| <b>Income (loss) for the period</b>   | <b>(1,781)</b>    | (1,904)          | <b>(4,348)</b>    | (4,079)          | (8,558)    |
| <i>Other comprehensive income items that may be reclassified to profit or loss in subsequent periods:</i> |                   |                  |                   |                  |            |
| Foreign currency translation adjustments  | 87                | 24               | 23                | 14               | 67         |
| <b>Total comprehensive income (loss)</b>  | <b>\$ (1,694)</b> | \$ (1,880)       | <b>\$ (4,325)</b> | \$ (4,065)       | \$ (8,491) |
| <b>Income (loss) per share (in USD):</b>  |                   |                  |                   |                  |            |
| Basic   | \$ (0.13)         | \$ (1.21)        | \$ (0.42)         | \$ (2.59)        | \$ (5.43)  |
| Diluted   | \$ (0.13)         | \$ (1.21)        | \$ (0.42)         | \$ (2.59)        | \$ (5.43)  |



# Balance Sheet

LIQUID  
COOLING  
Done right!

| Figures in USD (000's)                     | 30 Sept 2013     | 30 June 2013     | 31 Mar 2013      | 31 Dec 2012     |
|--|------------------|------------------|------------------|-----------------|
|  | <i>Unaudited</i> | <i>Unaudited</i> | <i>Unaudited</i> |                 |
| <b>ASSETS</b>                              |                  |                  |                  |                 |
| <i>Non-current assets</i>                  |                  |                  |                  |                 |
| Property and equipment                     | \$ 690           | \$ 489           | \$ 367           | \$ 440          |
| Intangible assets                          | 1,638            | 1,454            | 1,428            | 1,448           |
| Other assets                               | 323              | -                | -                | -               |
| <b>Total non-current assets</b>            | <b>2,651</b>     | <b>1,943</b>     | <b>1,795</b>     | <b>1,888</b>    |
| <i>Current assets</i>                      |                  |                  |                  |                 |
| Inventory                                  | 963              | 938              | 1,019            | 1,055           |
| Trade receivables and other                | 3,455            | 3,616            | 4,203            | 3,971           |
| Cash and cash equivalents                  | 13,281           | 15,073           | 19,929           | 1,248           |
| <b>Total current assets</b>                | <b>17,699</b>    | <b>19,627</b>    | <b>25,151</b>    | <b>6,274</b>    |
| <b>Total assets</b>                        | <b>\$ 20,350</b> | <b>\$ 21,570</b> | <b>\$ 26,946</b> | <b>\$ 8,162</b> |
| <b>EQUITY AND LIABILITIES</b>              |                  |                  |                  |                 |
| <i>Equity</i>                              |                  |                  |                  |                 |
| Share capital                              | \$ 239           | \$ 239           | \$ 239           | \$ 2            |
| Share premium                              | 64,644           | 64,608           | 64,577           | 3,935           |
| Accumulated deficit                        | (48,566)         | (46,785)         | (44,398)         | (44,218)        |
| Translation reserves                       | (338)            | (425)            | (493)            | (361)           |
| <b>Total equity</b>                        | <b>15,979</b>    | <b>17,637</b>    | <b>19,925</b>    | <b>(40,642)</b> |
| <i>Non-current liabilities</i>             |                  |                  |                  |                 |
| Long-term debt                             | -                | 4                | 5                | 7,451           |
| Other long-term liabilities                | 228              | -                | -                | -               |
| <b>Total non-current liabilities</b>       | <b>228</b>       | <b>4</b>         | <b>5</b>         | <b>7,451</b>    |
| <i>Current liabilities</i>                 |                  |                  |                  |                 |
| Redeemable preferred shares                | -                | -                | -                | 29,510          |
| Convertible option on preferred shares     | -                | -                | -                | 7,612           |
| Short-term debt                            | 412              | 253              | 527              | 314             |
| Accrued liabilities                        | 701              | 446              | 3,113            | 1,393           |
| Accrued compensation and employee benefits | 592              | 540              | 506              | 534             |
| Trade payables                             | 2,438            | 2,690            | 2,870            | 1,990           |
| <b>Total current liabilities</b>           | <b>4,143</b>     | <b>3,929</b>     | <b>7,016</b>     | <b>41,353</b>   |
| <b>Total liabilities</b>                   | <b>4,371</b>     | <b>3,933</b>     | <b>7,021</b>     | <b>48,804</b>   |
| <b>Total equity and liabilities</b>        | <b>\$ 20,350</b> | <b>\$ 21,570</b> | <b>\$ 26,946</b> | <b>\$ 8,162</b> |



# Cash Flow

LIQUID  
COOLING  
Done right!

| Figures in USD (000's)                                       | YTD Q3 2013      | YTD Q3 2012     | 2012            |
|--|------------------|-----------------|-----------------|
|  | Unaudited        | Unaudited       |                 |
| <b>Cash flows from operating activities</b>                  |                  |                 |                 |
| Income (loss) for the period                                 | \$ (4,348)       | \$ (4,079)      | \$ (8,558)      |
| Depreciation and amortization                                | 1,477            | 1,497           | 2,052           |
| Finance costs (income)                                       | (1,058)          | 1,676           | 3,693           |
| Income tax expense (income)                                  | -                | (3)             | (7)             |
| Impairment of intangible assets                              | -                | -               | 74              |
| Cash payments for income tax                                 | -                | -               | (2)             |
| Share based payments expense                                 | 107              | 104             | 140             |
| Changes in trade receivables, inventories, other assets      | 675              | (1,499)         | (2,070)         |
| Changes in trade payables and accrued liabilities            | (15)             | 742             | 1,045           |
| <b>Net cash used in operating activities</b>                 | <b>(3,162)</b>   | <b>(1,562)</b>  | <b>(3,633)</b>  |
| <b>Cash flows from investing activities</b>                  |                  |                 |                 |
| Additions to intangible assets                               | (1,427)          | (807)           | (1,165)         |
| Addition to other assets                                     | (314)            | -               | -               |
| Purchase of property and equipment                           | (472)            | (77)            | (88)            |
| <b>Net cash used in investing activities</b>                 | <b>(2,213)</b>   | <b>(884)</b>    | <b>(1,253)</b>  |
| <b>Cash flows from financing activities</b>                  |                  |                 |                 |
| Proceeds from debt issuance                                  | -                | -               | 3,000           |
| Long-term deposit received from sub-lessee                   | 234              | -               | -               |
| Cash payments on long-term debt                              | (3,621)          | -               | -               |
| Funds drawn (paid) against line of credit                    | 97               | 882             | 306             |
| Cash payments for interest on debt                           | (461)            | (310)           | (322)           |
| Proceeds from issuance of share capital                      | 24,852           | -               | 3               |
| Cash paid for fees related to IPO                            | (3,405)          | -               | -               |
| Proceeds from issuance of convertible preferred shares       | -                | 364             | 366             |
| Principal and interest payments on finance leases            | (5)              | (28)            | (35)            |
| <b>Net cash provided by financing activities</b>             | <b>17,691</b>    | <b>908</b>      | <b>3,318</b>    |
| Effect of exchange rate changes on cash and cash equivalents | (283)            | 22              | 148             |
| <b>Net changes in cash and cash equivalents</b>              | <b>12,033</b>    | <b>(1,516)</b>  | <b>(1,420)</b>  |
| Cash and cash equivalents at beginning of period             | 1,248            | 2,668           | 2,668           |
| <b>Cash and cash equivalents at end of period</b>            | <b>\$ 13,281</b> | <b>\$ 1,152</b> | <b>\$ 1,248</b> |

