



Third Quarter 2017

25 October 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

Q3'17 USD 17.7 million / FY'16 USD 51 million

Operating profit

Desktop PC segment Q3'17 USD 4.7 million / FY'16 USD 14.3 million

Data center segment Q3'17 USD (2.3) million / FY'16 USD (6.9) million

Market cap

USD ~350 million / NOK ~2.8* billion

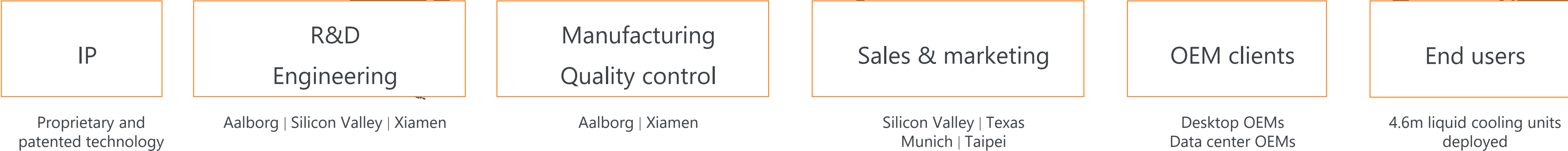
* 1 USD = NOK 7.99 (24 OCT. 17)

What we do



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

Our integrated value chain and global reach

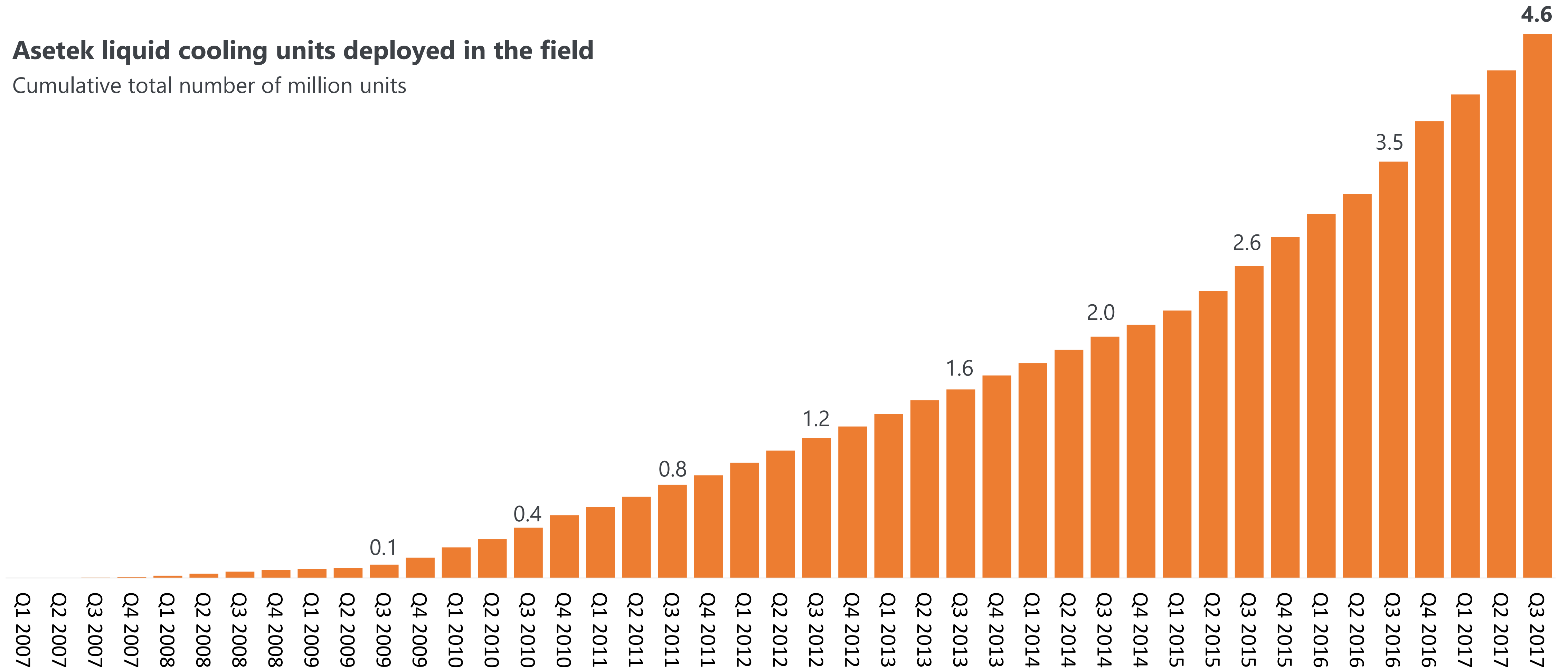


> 4.5 million liquid cooling units deployed in the field



Asetek liquid cooling units deployed in the field

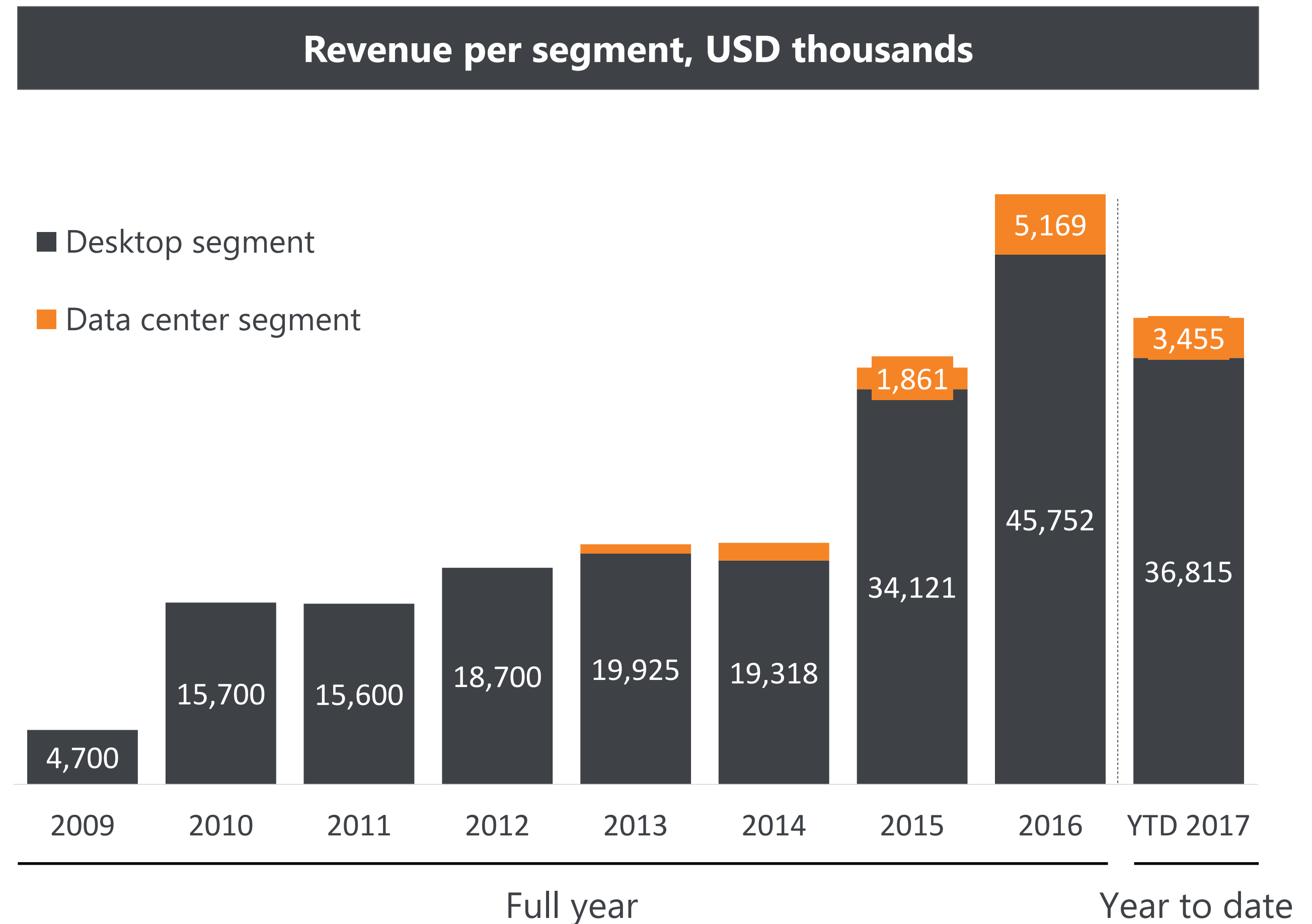
Cumulative total number of million units



Highlights



- Revenue of USD 17.7 million, up 24% vs. Q3'16
 - Driven by high-end gaming cooling demand
- Increased end-user adoption through orders from new and existing data center OEM partners
- New desktop product developments with Lenovo and AMD
- Full-year 2017 data center revenue expectation changed: Now anticipating roughly the same level as in 2016 due to an unexpected adjustment to a large anticipated order in Q4
- Firming up full-year 2017 desktop revenue growth expectations to 15%-20% compared to the earlier announced of 10%-20%



Two business segments

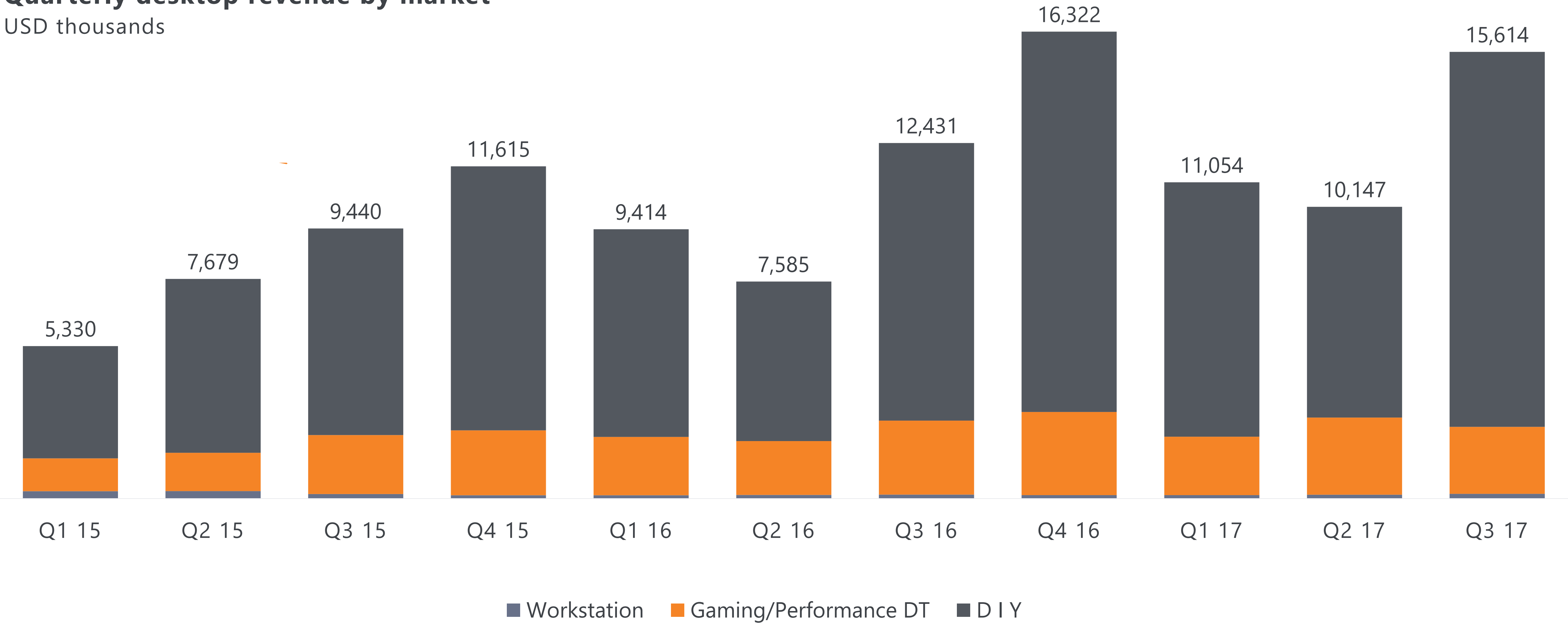


IP Platform	Business segments	Market	Q3'17 financials
<div>Applications Technology Systems Products</div> <div>Patents</div> <div>High Volume manufacturing</div> <div>WW hub infrastructure</div>	<div>Desktop PC</div> <div>Data Center</div>	<div><ul style="list-style-type: none">• Do It Yourself• Gaming• Workstations</div> <div><ul style="list-style-type: none">• Server racks• Servers</div>	<div>88% of revenue USD 5.1m of EBITDA</div> <div>12% of revenue USD (1.6m) of EBITDA</div>

Established position in desktop D Y I and gaming PCs



Quarterly desktop revenue by market
USD thousands



Asetek liquid technology in new Lenovo® gaming PC



- Asetek liquid cooling technology to be deployed in new Lenovo® Y920 Tower desktop gaming PC
- **“Lenovo is committed to bringing gamers the best performance and most immersive PC gaming experiences,”** said Will Fu, Director of Gaming Business, Lenovo PCs and Smart Devices when announced 21 August 2017. **“For those looking for a leg up in their gaming, Asetek liquid cooling provides that extra edge.”**
- In EMEA, the Lenovo Legion Y920 Tower with optional integrated liquid cooling will be available on www.lenovo.com starting in October 2017



Positive development despite challenged PC industry



**Do-It-Yourself
PC enthusiasts**
84% sales*

- Desktop segment driven by new, powerful technologies and high profile computer games
- Strong demand within the DIY market
- 5 new products began shipping



**Gaming and Performance
Desktop PCs**
15% sales*

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



**Enterprise
Workstations**
1% sales*

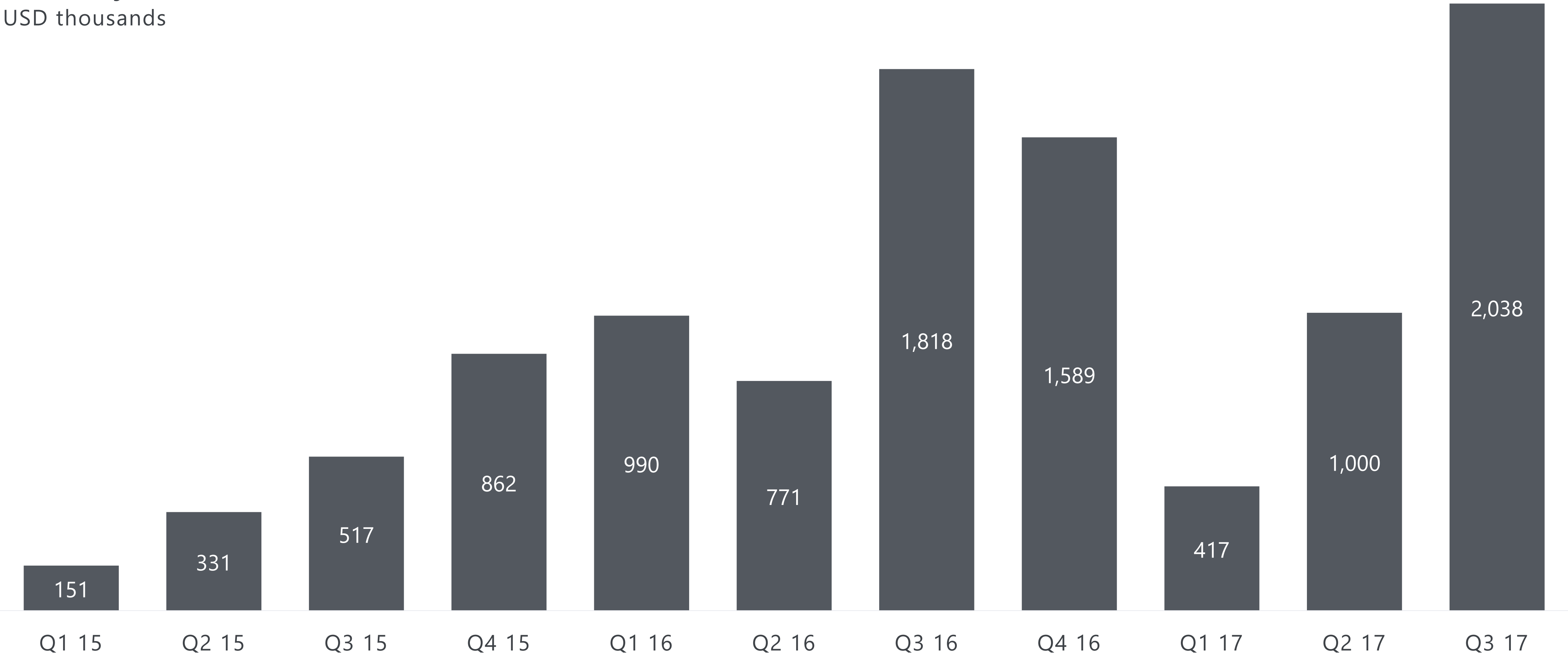
- Workstation category marginal part of segment today

Shipped 289,000 desktop units in Q3'17



All-time high quarterly data center revenue

Quarterly data center revenue
USD thousands



Data center adoption



Increasing end-user adoption
through existing OEMs

Multiple orders from OEM partner Penguin Computing

- RackCDU D2C (Direct-to-Chip) liquid cooling
- The technology is to be used at the two HPC sites at U.S. Department of Energy National Laboratories
- Combined value of approximately USD 280,000 delivered in Q3 2017

Increasing end-user adoption
through new OEM

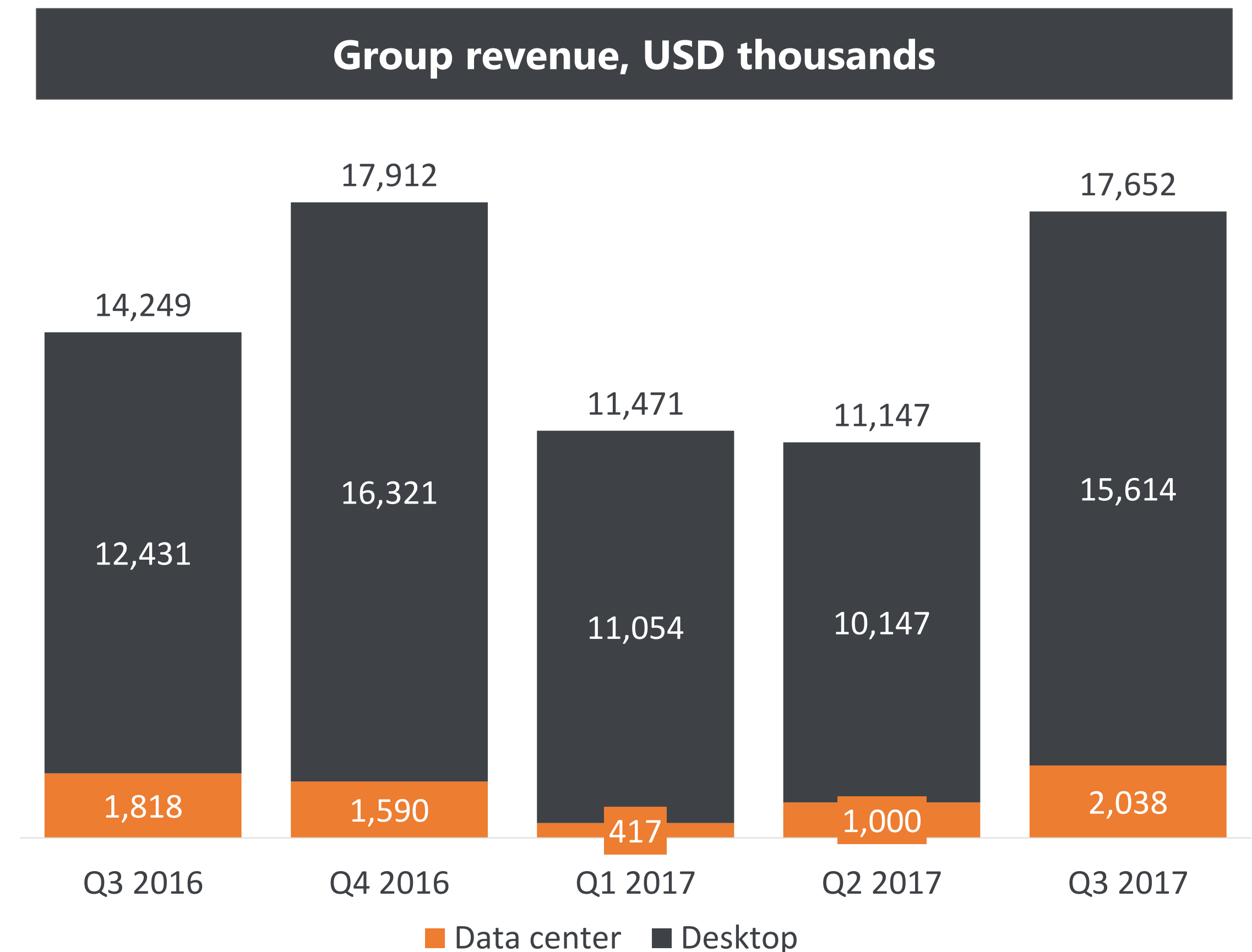
New OEM, Channel Partner and HPC Installation

- Order from a new channel partner to service demand from a new OEM customer for an undisclosed HPC installation
- RackCDU D2C (Direct-to-Chip) liquid cooling
- Value of USD 120,000, with delivery in Q4 2017

Revenue development

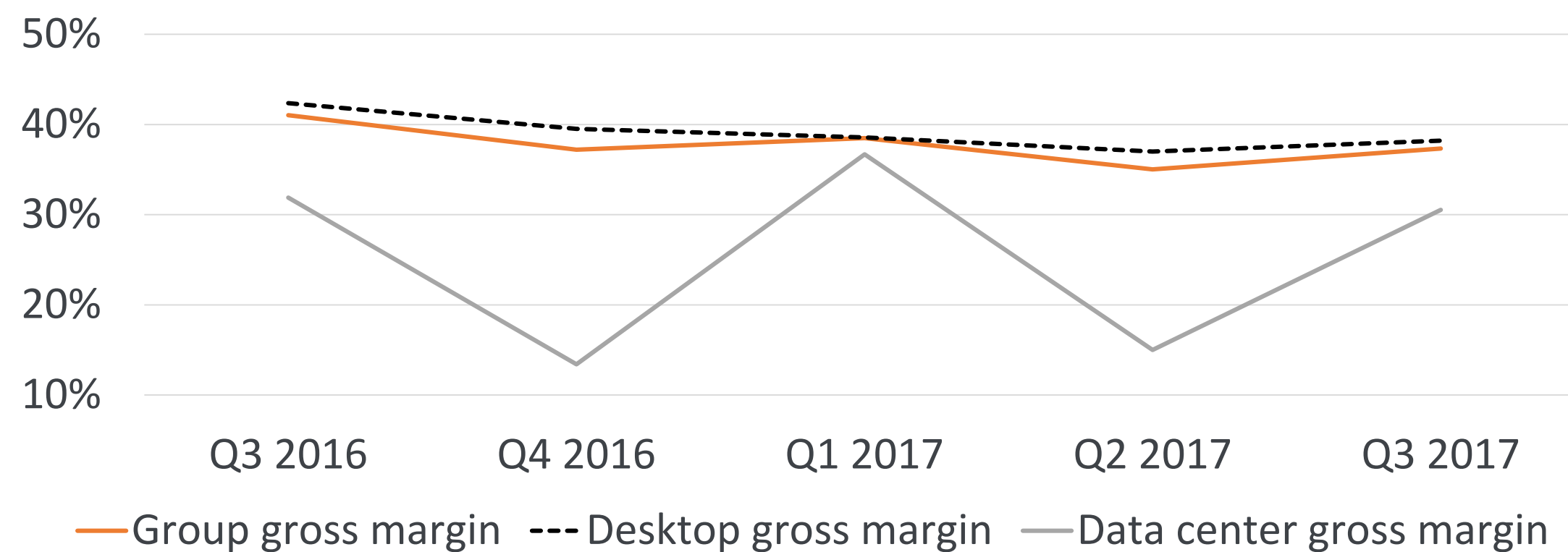


- Q3'17 group revenue of \$17.7m driven by DIY sales
 - Increase of 24% vs Q3'16
- Q3'17 desktop revenue \$15.6m
 - Driven by demand in DIY market
 - Compares with \$12.4m in Q3'16 and \$10.1m in Q2'17
- Q3'17 data center revenue of \$2.0m
 - Driven by shipments to OEMs
 - Compares with \$1.8m in Q3'16 and \$1.0m in Q2'17
- Full-year 2017 data center revenue expectation changed:
Now anticipating roughly the same level as in 2016 due to an unexpected adjustment to a large anticipated order in Q4
- Firming up full-year 2017 desktop revenue growth expectations to 15%-20% compared to the earlier announced 10%-20%



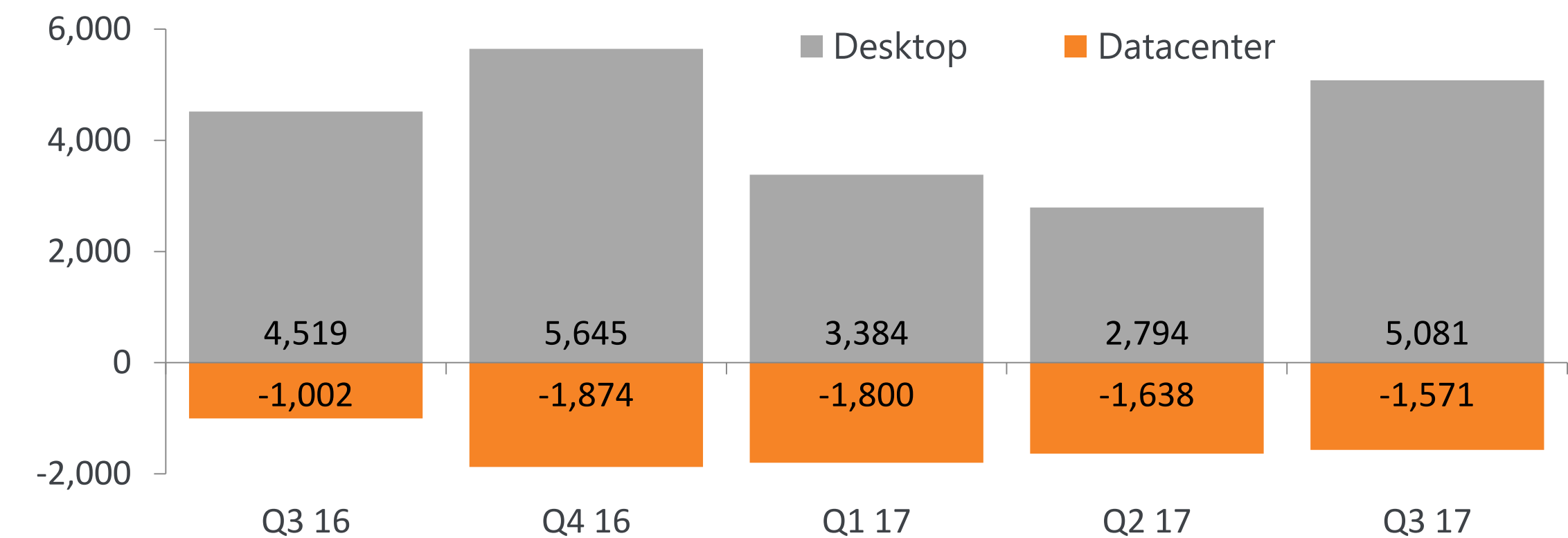
Gross margin and earnings development

Gross margin development



- Group gross margin of 37.3% (41.0%)
 - Desktop gross margin at 38.2% (42.4%)
 - Decline primarily due to an extraordinarily rich mix of desktop products shipped in 2016
 - Data center gross margin at 30.5% (31.9%)
 - Fluctuations in gross margin due to variability in the mix of deliverables on government contracts relative to the volume of product shipments to OEMs

Group EBITDA development, USD thousands



- Desktop EBITDA margin of 32.5% (36.4%)
- 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)	Q3 2017			Q3 2016		
	Group	Desktop	Data center	Group	Desktop	Data center
Revenue	17 652	15 614	2 038	14 249	12 431	1 818
<i>Gross Margin</i>	37.3 %	38.2%	30.5%	41.0 %	42.4%	31.9%
Other operating expenses	3 079	886	2 193	2 330	748	1 582
EBITDA adjusted	3 510	5 081	(1 571)	3 517	4 519	(1 002)
Depreciations	712	235	477	594	161	433
Share based compensation	409	114	295	81	32	49
E B I T	2 389	4 732	(2 343)	2 842	4 326	(1 484)
<i>EBIT Margin</i>	13.5 %	30.3%	N/A	19.9 %	34.8%	N/A
HQ, Litigation expenses, net	254			443		
HQ, Share based compensation	144			34		
HQ, Other	268			322		
Headquarters costs	666			799		
EBIT, total	1 723			2 043		

- Increased costs related to organizational growth and share based compensation
 - Increase primarily within data center organization
 - Share based compensation costs associated with warrants issued to employees increased to USD 0.6 million in Q3 2017

Cash flow statement

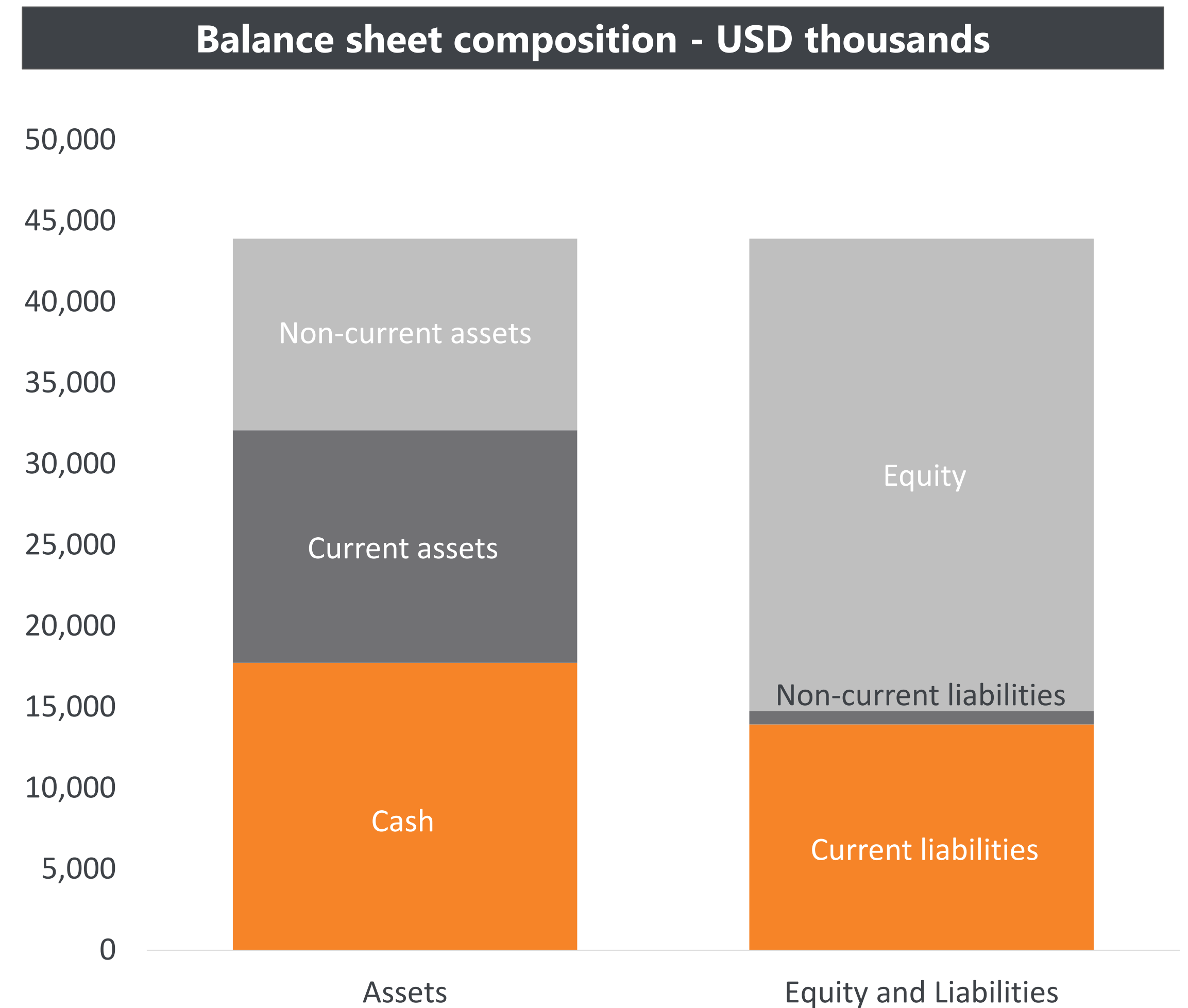


USD (000's)	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Income (loss) for the period	1 376	(625)	151	7 578	2 055
Depreciation, amortization and impairment	712	631	388	563	598
Finance cost (income) and taxes	22	10	8	(4 707)	6
Share based compensation	552	491	72	88	115
Changes in current assets other than cash	(2 584)	(198)	4 353	(4 182)	(3 142)
Changes in payables and accrued liabilities	2 387	2 576	(5 769)	1 342	3 670
Net cash provided (used) in operating activities	2 465	2 885	(797)	682	3 302
Additions to intangible assets and other assets	(748)	(674)	(391)	(433)	(398)
Purchase of property and equipment & other assets	(410)	(637)	(225)	(528)	(169)
Net cash used in investing activities	(1 158)	(1 311)	(616)	(961)	(567)
Proceeds from debt issuance, other LT liabilities					
Cash flows on credit lines/debt/lease	(268)	286	(213)	125	(44)
Issuance of capital / conv debt / dividend	45	(2 281)	274	112	-
Net cash provided (used) by financing activities	(223)	(1 995)	61	237	(44)
Effect of exchange rate changes on cash	401	491	(74)	(641)	25
Net changes in cash and cash equivalents	1 485	70	(1 426)	(683)	2 716
Cash and cash equivalents at beginning of period	16 254	16 184	17 610	18 293	15 577
Cash and cash equivalents at end of period	17 739	16 254	16 184	17 610	18 293

Balance sheet





- Strong cash position
- Low interest bearing debt
- Lean balance sheet enabling growth and financial flexibility



Desktop strategy and outlook



Goal	Strategic platform	Strategy	Outlook
Continue to dominate the desktop liquid cooling market	 <p>Do-It-Yourself PC enthusiasts 84% sales</p>	<ul style="list-style-type: none"> • Drive differentiation • Increase GPU attach 	<p>Firming up full-year 2017 desktop revenue growth expectations to 15%-20% compared to the earlier announced 10%-20%*</p>
	 <p>Gaming and Performance Desktop PCs 15% sales</p>		
	 <p>Enterprise Workstations 1% sales</p>	<ul style="list-style-type: none"> • Recover market share 	

Data center strategy and outlook



Goal	Strategy	Outlook
Increase end-user adoption with existing OEMs Add new OEMs	Exploit established leadership within HPC	<ul style="list-style-type: none">• Full-year 2017 data center revenue expectation changed: Now anticipating roughly the same level as in 2016 due to an unexpected adjustment to a large anticipated order in Q4.• Launch of new partner at SC17 on track.
	Execute on the development agreement with the as yet to be disclosed major player in data center market	
	Explore potential opportunities to grow beyond the HPC segment	

Summary



- Revenue of USD 17.7 million, up 24% vs. Q3'16
- Increased end-user adoption through orders from new and existing data center OEM partners
- New desktop product developments with Lenovo and AMD
- Asetek settles dispute with Cooler Master, CMI
- Full-year 2017 data center revenue expectation changed: Now anticipating roughly the same level as in 2016 due to an unexpected adjustment to a large anticipated order in Q4
- Firming up full-year 2017 desktop revenue growth expectations to 15%-20% compared to the earlier announced 10%-20%



Appendix

Largest shareholders as of 23 October 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	1,722,795	6.7%	DNK	NOMINEE
UBS SWITZERLAND AG	1,382,580	5.4%	CHE	NOMINEE
HSBC BANK PLC	1,267,579	5.0%	GBR	NOMINEE
CLEARSTREAM BANKING	1,117,090	4.4%	LUX	NOMINEE
NORDEA BANK AB	997,273	3.9%	DNK	NOMINEE
KLP AKSJENORGE	894,535	3.5%	NOR	ORDINARY
THE BANK OF NEW YORK (1)	772,186	3.0%	DNK	NOMINEE
STATE STREET BANK &	679,295	2.6%	USA	NOMINEE
KOMMUNAL	669,922	2.6%	NOR	ORDINARY
NORDNET BANK AB	628,837	2.5%	SWE	NOMINEE
THE BANK OF NEW YORK	537,895	2.1%	BEL	NOMINEE
EUROCLEAR BANK S.A./	530,636	2.1%	BEL	NOMINEE
RBC INVESTOR SERVICE	517,666	2.0%	LUX	NOMINEE
VERDIPAPIRFONDET DNB	456,579	1.8%	NOR	ORDINARY
SKANDINAVISKA ENSKIL	447,678	1.8%	SWE	NOMINEE
J.P. MORGAN CHASE (1)	424,573	1.7%	GBR	NOMINEE
CITIBANK, N.A.	423,840	1.6%	KWT	NOMINEE
J.P. MORGAN CHASE	332,000	1.3%	DEU	NOMINEE
Total Top 20	19,005,138	74.4%		
Other Shareholders	6,188,811	24.2%		
ASETEK Treasury Shares	353,709	1.4%		
Total share capital	25,547,658	100.0%		

Income statement



Figures in USD (000's)	Nine months ended				
	Q3 2017	Q3 2016	30-Sep-17	30-Sep-16	2016
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	
Revenue	\$ 17,652	\$ 14,249	\$ 40,270	\$ 33,009	\$ 50,921
Cost of sales	11,063	8,405	25,362	19,927	31,171
Gross profit	6,589	5,844	14,908	13,082	19,750
Research and development	1,099	834	2,989	2,390	3,428
Selling, general and administrative	4,113	2,967	10,944	8,506	11,653
Other income	(346)	-	(997)	-	-
Total operating expenses	4,866	3,801	12,936	10,896	15,081
Operating income	1,723	2,043	1,972	2,186	4,669
Foreign exchange (loss) gain	(319)	(11)	(991)	(95)	330
Finance costs	(22)	(6)	(34)	(29)	(8)
Total financial income (expenses)	(341)	(17)	(1,025)	(124)	322
Income before tax	1,382	2,026	947	2,062	4,991
Income tax (expense) benefit	(6)	29	(45)	(3)	4,646
Income for the period	1,376	2,055	902	2,059	9,637
<i>Other comprehensive income items that may be reclassified to profit or loss in subsequent periods:</i>					
Foreign currency translation adjustments	490	20	1,217	120	(455)
Total comprehensive income	\$ 1,866	\$ 2,075	\$ 2,119	\$ 2,179	\$ 9,182
Income per share (in USD):					
Basic	\$ 0.05	\$ 0.08	\$ 0.04	\$ 0.08	\$ 0.39
Diluted	\$ 0.05	\$ 0.08	\$ 0.03	\$ 0.08	\$ 0.38

Balance sheet



Figures in USD (000's)	30 Sept 2017	31 Dec 2016
ASSETS	<i>Unaudited</i>	
<i>Non-current assets</i>		
Intangible assets	\$ 2 573	\$ 1 871
Property and equipment	3 421	1 684
Deferred income tax assets	5 107	4 874
Other assets	722	642
Total non-current assets	11 823	9 071
<i>Current assets</i>		
Inventory	1 799	1 158
Trade receivables and other	12 550	13 325
Cash and cash equivalents	17 739	17 610
Total current assets	32 088	32 093
Total assets	\$ 43 911	\$ 41 164
EQUITY AND LIABILITIES		
<i>Equity</i>		
Share capital	\$ 418	\$ 417
Retained earnings	27 762	28 130
Translation and other reserves	963	(257)
Total equity	29 143	28 290
<i>Non-current liabilities</i>		
Long-term debt	834	264
Total non-current liabilities	834	264
<i>Current liabilities</i>		
Short-term debt	702	524
Accrued liabilities	2 318	1 305
Accrued compensation & employee benefits	1 577	1 413
Trade payables	9 337	9 368
Total current liabilities	13 934	12 610
Total liabilities	14 768	12 874
Total equity and liabilities	\$ 43 911	\$ 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 - nine months ended Sept 30, 2017						
Income for the period	-	-	-	-	902	902
Foreign currency translation adjustments	-	-	1 217	-	-	1 217
Total comprehensive income - nine months ended Sept 30, 2017	-	-	1 217	-	902	2 119
Transactions with owners - nine months ended Sept 30, 2017						
Shares issued	1	-	-	3	521	525
Share based payment expense	-	-	-	-	1 116	1 116
Dividends	-	-	-	-	(2 907)	(2 907)
Transactions with owners - nine months ended Sept 30, 2017	1	-	-	3	(1 270)	(1 266)
Equity at September 30, 2017	\$ 418	\$ -	\$ 969	\$ (6)	\$ 27 762	\$ 29 143
Equity at January 1, 2016	\$ 416	\$ 76 665	\$ 207	\$ (9)	\$ (58 633)	\$ 18 646
Total comprehensive income - nine months ended Sept 30, 2016						
Loss for the period	-	-	-	-	2 059	2 059
Foreign currency translation adjustments	-	-	120	-	-	120
Total comprehensive income - nine months ended Sept 30, 2016	-	-	120	-	2 059	2 179
Transactions with owners - nine months ended Sept 30, 2016						
Shares issued	-	21	-	-	-	21
Share based payment expense	-	-	-	-	240	240
Transactions with owners - nine months ended Sept 30, 2016	-	21	-	-	240	261
Equity at September 30, 2016	\$ 416	\$ 76 686	\$ 327	\$ (9)	\$ (56 334)	\$ 21 086