



**Second Quarter 2016**

August 17, 2016

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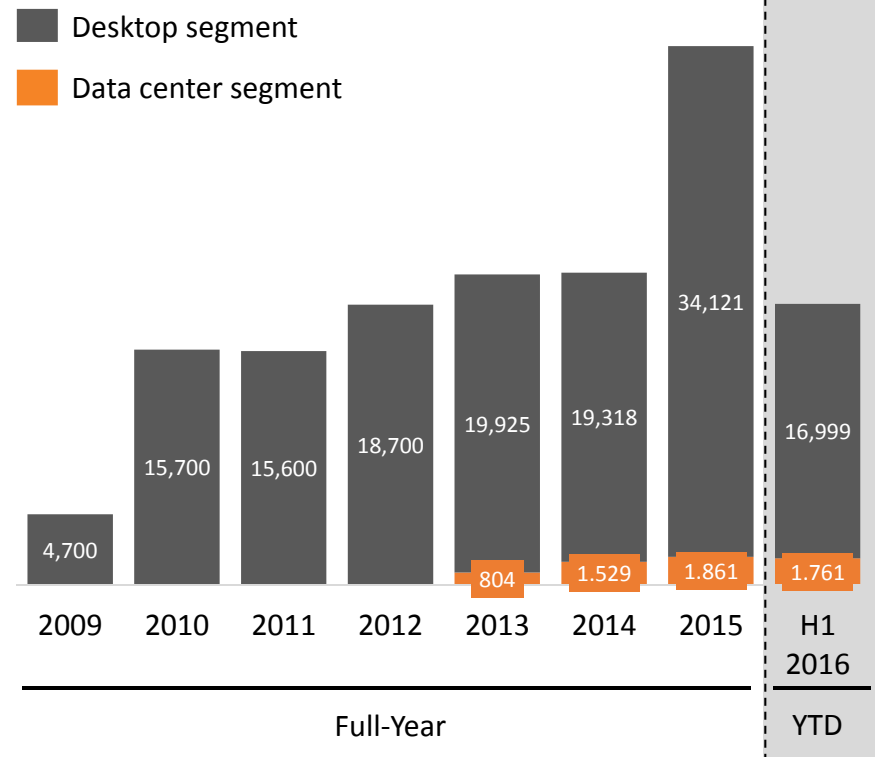
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# Highlights







- Desktop segment Q2 revenue of \$7.6m as expected
  - H1'16 revenue of \$17m +30% vs. H1'15
- Data center segment received its largest, single OEM order to date
  - From Fujitsu for a Japan installation
- Positive EBITDA and cash flow last 4 quarters
  - Driven by revenue growth and cost savings


Group revenue, USD thousands



# Both segments progressing

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Segment	Value proposition	Select OEM customers	End-users
Desktop	 Enhanced performance   Reduced noise		Do-It-Yourself
			Gaming/High Performance PCs
			Workstation
Data center	 Energy and cost savings   Density increase Higher Performance		Joint Center for Advanced High Performance Computing (JCAHPC)
			+ other end-users in the U.S. and Europe

 Progress in Q2'16

# Desktop segment continues positive development in challenging PC industry

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- Do-it-yourself (DIY) category demand down from extraordinary levels of recent quarters
- 1 new product began shipping to a repeat customer
- Gaming/ Performance category improved vs. Q2'15
- Growth in the graphics cooling market
- 3 new products began shipping to repeat customers
- Workstation category marginal part of segment today

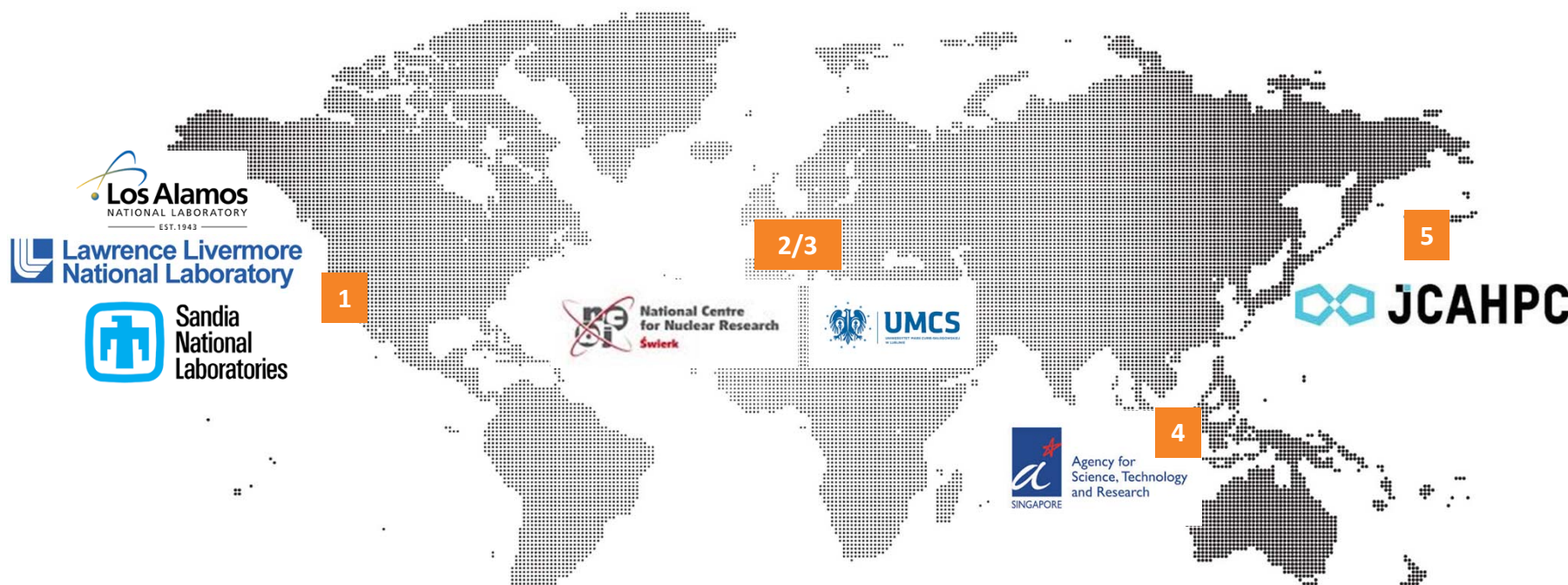
Shipped 162,000 desktop units in Q2'16



ASETEK

# Data center segment experiences broadening acceptance of liquid cooling

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

- 1: 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
- 2/3: Poland**, Format installed Asetek liquid cooled HPC systems at the National Centre for Nuclear Research (NCBJ) and a University. 7 Racks
- 4: Singapore**, 40 rack Fujitsu HPC cluster at the Agency for Science, Technology and Research (A\*Star)
- 5: Japan**, 70 Asetek liquid cooled Fujitsu servers will be installed at the Joint Center for Advanced High-Performance Computing (JCAHPC)

# Largest single installation PO to date received from existing OEM Fujitsu

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## HPC installation in Japan



- Announced purchase order April 28<sup>th</sup> for a total of 70 RackCDU™ and in excess of 8,000 node level cooling loops
- The order is for an installation at the Joint Center for Advanced High Performance Computing (JCAHPC) in conjunction with University of Tokyo and Tsukuba University

## Performance and cost rationale

- Fujitsu is using Asetek's liquid cooling to remove heat from processors and other high power components in its 8,208 node Fujitsu PRIMERGY cluster to deliver maximum performance while keeping operating costs at a minimum
- The installation is expected to be the highest performance supercomputer system in Japan

## Expecting \$1-1.5m of revenue in 2016

- Shipped \$0.2 million of RackCDU Direct to Chip™ products to Fujitsu in Q2



# Deliveries under purchase agreement with OEM Penguin as planned

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Asetek's technology  
will be part of one  
of the world's  
largest Open  
Compute-based  
installations

Expecting  
\$1.5-2.0m of  
revenue in 2016



- Penguin is incorporating RackCDU D2C™ liquid cooling into its Tundra™ Extreme Scale (ES) HPC server product line
- One of the end users of these solutions will be the U.S. National Nuclear Security Administration's CTS-1 systems deployment at three major national laboratories, forming an Open Compute-based installation
- Asetek expects total orders on this project to result in shipment of >100 RackCDU in the first year and 300 RackCDU within the first three years
- Shipped \$0.1m of product under purchase agreement in Q2
- Generated cumulative revenue of \$0.9m in H1'16
- The CTS-1 project and the OEM relationship with Penguin is anticipated to result in \$1.5 to \$2.0 million of total revenue for Asetek in 2016



# Both U.S. government contracts progressing, yielding revenue in H2'16



## California Energy Commission contract

2 year contract

- Total contract value \$3.5m
- Revenue of \$0.2m in Q2, principally from engineering associated with converting a supercomputer (the first of two data centers) to liquid cooling
- Generated cumulative revenue of \$1.0m through Q2
- Expecting substantial increase in revenue on this project during the balance of 2016

## Department of Defense (ESTCP) contract

3 year contract

- Total contract value \$2.4m
- Generated cumulative revenue of \$2.1m from inception in 2013 through June 2016
- Project restarted after being paused temporarily while the DoD relocated the project to a different site
- The new site was secured during the first quarter and facilities work will begin in Q3'16
- Revenue is expected to ramp in H2'16

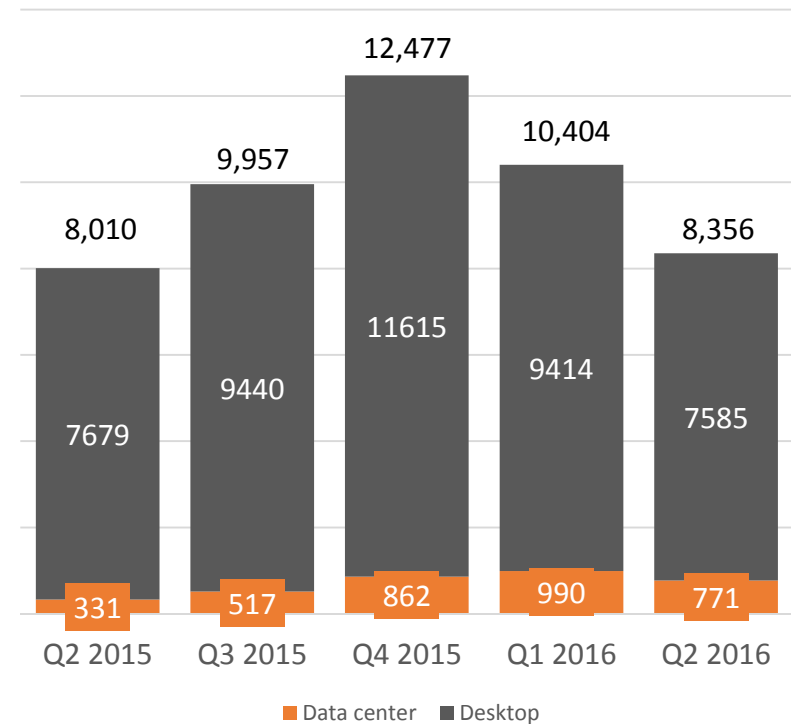


# Revenue development



- Q2'16 group revenue of \$8.4m driven by desktop sales
  - Increase of 4% vs Q2'15
- Q2'16 desktop revenue \$7.6m
  - Down 1% vs Q2'15
  - Development as anticipated
- Q4'15 data center revenue of \$0.8m
  - Mainly revenue from CEC contract and Fujitsu

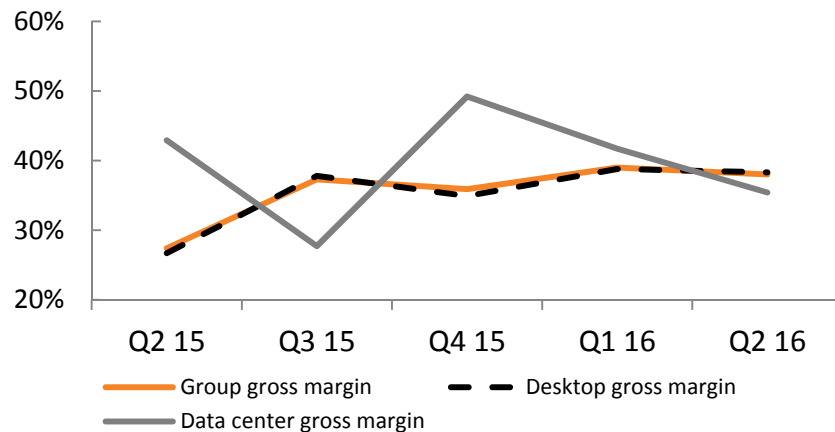
Group revenue, USD thousands



# Gross margin and earnings development

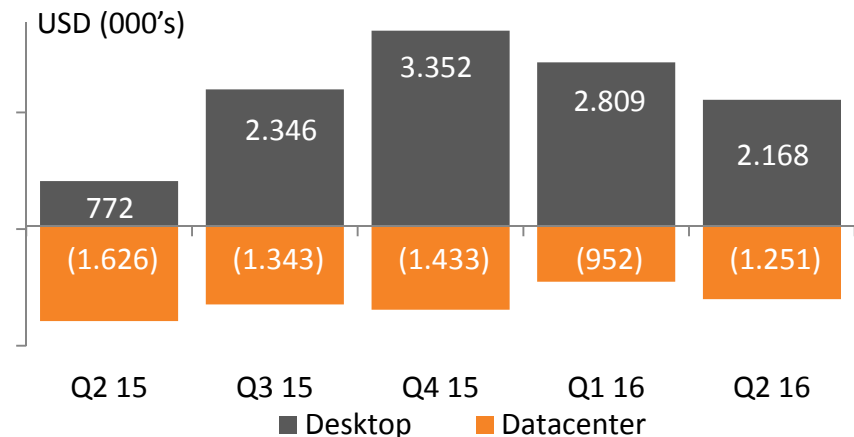


## Gross margin development



- Group gross margin increased to 38.0% (27.4%)
  - Q2/2015 was exceptionally low due to one time charge
  - General level continued from Q1 2016
- Data center gross margin at 35.4% (42.9%)
  - Margins continue to fluctuate due to variations in sales composition (government sales carry lower margins due to different markups on labor, product, outside services)

## EBITDA adjusted development



- EBITDA Adjusted
  - Reduced operating expenses from Q2 2015 in both desktop and data center due to organizational structure improvements
  - Improved desktop margins from Q2 2015



# Income Statement



USD (000's)	Q2 2016			Q2 2015		
	Group	Desktop	Data center	Group	Desktop	Data center
Revenue	<b>8 356</b>	7 585	771	<b>8 010</b>	7 679	331
Gross Margin	<b>38,0 %</b>	38,3%	35,4%	<b>27,4 %</b>	26,7%	42,9%
Other operating expenses	<b>2 259</b>	735	1 524	<b>3 048</b>	1 280	1 768
EBITDA adjusted	<b>917</b>	2 168	(1 251)	<b>( 854)</b>	772	(1 626)
Depreciations	<b>700</b>	232	468	<b>525</b>	220	305
Share based compensation	<b>82</b>	27	55	<b>30</b>	13	17
E B I T	<b>135</b>	1 909	(1 774)	<b>(1 409)</b>	539	(1 948)
EBIT Margin	<b>1,6 %</b>	25,2%	N/A	<b>-17,6 %</b>	7,0%	N/A
HQ, Litigation expenses	<b>292</b>			<b>478</b>		
HQ, Settlement received	<b>0</b>			<b>(1 844)</b>		
HQ, Share based compensation	<b>38</b>			<b>27</b>		
HQ, Other	<b>282</b>			<b>172</b>		
Headquarters costs	<b>612</b>			<b>(1.167)</b>		
<b>EBIT, total</b>	<b>( 477)</b>			<b>( 242)</b>		

- Operating expenses lowered due to organizational structural improvements in 2015
- Depreciations increase as data center products are launched into the market

# Cash Flow Statement



USD (000's)	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Income (loss) for the period	(387)	391	948	( 383)	345
Depreciation, amortization and impairment	702	615	721	658	525
Finance cost (income) and taxes	9	14	511	33	23
Share based compensation	120	5	121	50	57
Changes in current assets other than cash	(752)	4 181	(2 209)	( 946)	(3 589)
Changes in payables and accrued liabilities	2 088	(3 164)	1 888	1 284	802
<b>Net cash provided (used) in operating activities</b>	<b>1 780</b>	<b>2 042</b>	<b>1 980</b>	<b>696</b>	<b>(1 837)</b>
Additions to intangible assets and other assets	(539)	(465)	(378)	( 356)	( 368)
Purchase of property and equipment & other	(251)	(129)	(550)	( 55)	( 99)
<b>Net cash used in investing activities</b>	<b>(790)</b>	<b>(594)</b>	<b>(928)</b>	<b>( 411)</b>	<b>( 467)</b>
Proceeds from debt issuance, other LT liabilities					
Cash flows on credit lines/debt/lease	(37)	(2)	(13)	201	(150)
Proceeds from issuance of capital / conv debt	4	17	117	77	(291)
<b>Net cash provided (used) by financing activities</b>	<b>(33)</b>	<b>15</b>	<b>104</b>	<b>278</b>	<b>( 441)</b>
Effect of exchange rate changes on cash	<b>(114)</b>	<b>211</b>	<b>(312)</b>	<b>(11)</b>	<b>(319)</b>
<b>Net changes in cash and cash equivalents</b>	<b>843</b>	<b>1 674</b>	<b>844</b>	<b>552</b>	<b>(3 064)</b>
Cash and cash equivalents at beginning of period	14 734	13 060	12 216	11 664	14 728
<b>Cash and cash equivalents at end of period</b>	<b>15 577</b>	<b>14 734</b>	<b>13 060</b>	<b>12 216</b>	<b>11 664</b>



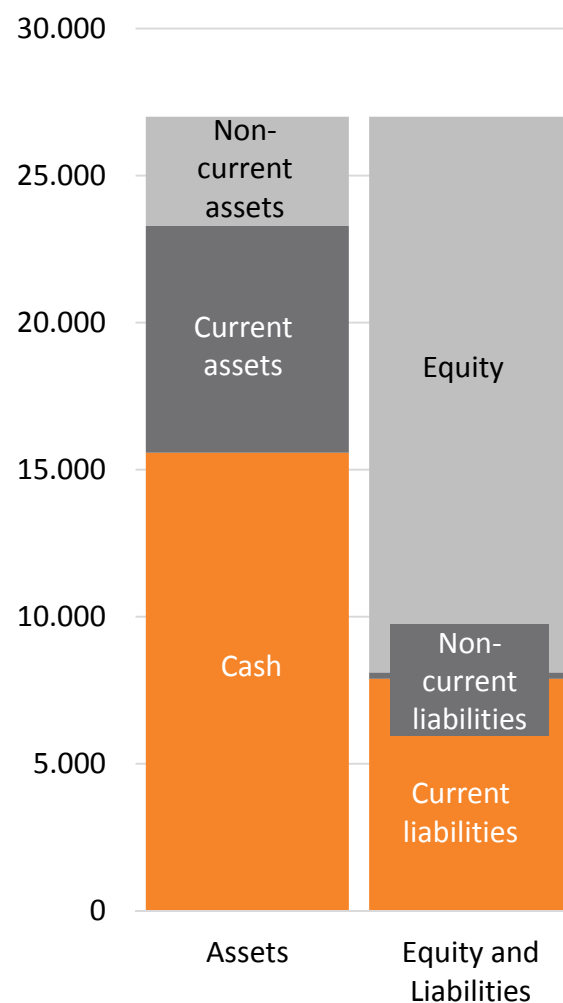
- Positive cash flow from last 4 quarters
- Solid cash position is a positive factor when partnering with multinational OEM's in pursuit of growth

# Balance sheet



USD (000's)	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Total non-current assets	3 715	3 580	3 536	3 284	3 298
Inventories	1 268	1 471	1 786	1 590	1 680
Receivables	6 443	5 678	9 366	6 609	7 095
Cash and equivalents	15 577	14 734	13 060	12 216	11 664
Total current assets	23 288	21 883	24 212	20 415	20 439
<b>Total assets</b>	<b>27 003</b>	<b>25 463</b>	<b>27 748</b>	<b>23 699</b>	<b>23 737</b>
<b>Total equity</b>	<b>18 896</b>	<b>19 306</b>	<b>18 646</b>	<b>16 220</b>	<b>17 861</b>
Total non-current liabilities	218	247	259	289	247
Total current liabilities	7 889	5 910	8 843	7 190	5 629
<b>Total liabilities</b>	<b>8 107</b>	<b>6 157</b>	<b>9 102</b>	<b>7 479</b>	<b>5 876</b>
<b>Total equity and liabilities</b>	<b>27 003</b>	<b>25 463</b>	<b>27 748</b>	<b>23 699</b>	<b>23 737</b>

Balance sheet composition – Q2 2016



- Inventory turns: ~15 times per year
  - On level with recent quarters
- Trade receivables DSO: ~58 days at Q2 2016
  - Increased as expected over Q1 2016
- Trade payables DPO: ~96 days at Q2 2016
  - High due to higher activity at the end of quarter



# 2016 business outlook per segment

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## Desktop segment

- FY 2016 revenue expectations has solidified
- Expects desktop revenue above \$37m, equal to more than 10% growth
- Revenue variability by quarter is expected to continue.
- Experienced revenue growth from GPU cooling products in recent quarters, will pursue further advancement of this market
- Q3 gross margins expected to approximate Q2



## Data center segment

- Significant revenue growth in 2016 vs. 2015 level of \$1.9m
- Revenue and operating results expected to fluctuate as partnerships with large OEMs are developed



# Summary

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- Q2 desktop segment revenue as expected, data center segment growing
- Positive EBITDA and cash flow last 4 quarters
- Largest OEM order to date received from Fujitsu for data center installation in Japan
- Positive FY 2016 outlook, expecting revenue growth from record 2015 level





# Appendix

# Income statement



Figures in USD (000's)	Q2 2016	Q2 2015*	1H 2016	1H 2015*	2015
	Unaudited	Unaudited	Unaudited	Unaudited	
Revenue	\$ 8 356	\$ 8 010	\$ 18 760	\$ 13 548	\$ 35 982
Cost of sales	5 180	5 816	11 522	9 326	23 570
<b>Gross profit</b>	<b>3 176</b>	<b>2 194</b>	<b>7 238</b>	<b>4 222</b>	<b>12 412</b>
Research and development	849	1 067	1 556	2 084	3 938
Selling, general and administrative	2 804	3 213	5 539	6 383	12 641
Other income	-	(1 844)	-	(1 844)	(1 844)
<b>Total operating expenses</b>	<b>3 653</b>	<b>2 436</b>	<b>7 095</b>	<b>6 623</b>	<b>14 735</b>
<b>Operating income</b>	<b>(477)</b>	<b>(242)</b>	<b>143</b>	<b>(2 401)</b>	<b>(2 323)</b>
Foreign exchange (loss) gain	118	610	(84)	232	305
Finance costs	(9)	(17)	(23)	(32)	(67)
<b>Total financial income (expenses)</b>	<b>109</b>	<b>593</b>	<b>(107)</b>	<b>200</b>	<b>238</b>
<b>Income before tax</b>	<b>(368)</b>	<b>351</b>	<b>36</b>	<b>(2 201)</b>	<b>(2 085)</b>
Income tax (expense) benefit	(19)	(6)	(32)	(11)	438
<b>Income for the period</b>	<b>(387)</b>	<b>345</b>	<b>4</b>	<b>(2 212)</b>	<b>(1 647)</b>
<i>Other comprehensive income items that may be reclassified to profit or loss in subsequent periods:</i>					
Foreign currency translation adjustments	(149)	(250)	100	378	181
<b>Total comprehensive income</b>	<b>\$ (536)</b>	<b>\$ 95</b>	<b>\$ 104</b>	<b>\$ (1 834)</b>	<b>\$ (1 466)</b>
<b>Income per share (in USD):</b>					
Basic	\$ (0.02)	\$ 0.01	\$ 0.00	\$ (0.09)	\$ (0.07)
Diluted	\$ (0.02)	\$ 0.01	\$ 0.00	\$ (0.09)	\$ (0.07)

\*Interim 2015 results have been restated as described in Note 5.

# Balance Sheet



Figures in USD (000's)	30 June 2016	31 Dec 2015
<b>ASSETS</b>	<i>Unaudited</i>	
<i>Non-current assets</i>		
Intangible assets	\$ 1 864	\$ 1 852
Property and equipment	1 267	1 188
Other assets	584	496
<b>Total non-current assets</b>	<b>3 715</b>	<b>3 536</b>
<i>Current assets</i>		
Inventory	1 268	1 786
Trade receivables and other	6 443	9 366
Cash and cash equivalents	15 577	13 060
<b>Total current assets</b>	<b>23 288</b>	<b>24 212</b>
<b>Total assets</b>	<b>\$ 27 003</b>	<b>\$ 27 748</b>
<b>EQUITY AND LIABILITIES</b>		
<i>Equity</i>		
Share capital	\$ 416	\$ 416
Share premium	76 686	76 665
Accumulated deficit	(58 504)	(58 633)
Translation and other reserves	298	198
<b>Total equity</b>	<b>18 896</b>	<b>18 646</b>
<i>Non-current liabilities</i>		
Long-term debt	218	259
<b>Total non-current liabilities</b>	<b>218</b>	<b>259</b>
<i>Current liabilities</i>		
Short-term debt	387	375
Accrued liabilities	1 138	862
Accrued compensation & employee benefits	814	1 272
Trade payables	5 550	6 334
<b>Total current liabilities</b>	<b>7 889</b>	<b>8 843</b>
<b>Total liabilities</b>	<b>8 107</b>	<b>9 102</b>
<b>Total equity and liabilities</b>	<b>\$ 27 003</b>	<b>\$ 27 748</b>

# Equity



*Unaudited*

Figures in USD (000's)	Share capital	Share premium	Translation reserves	Other reserves	Accumulated deficit	Total
<b>Equity at January 1, 2016</b>	\$ 416	\$ 76,665	\$ 207	\$ (9)	\$ (58,633)	\$ 18,646
<b>Total comprehensive income - six months ended June 30, 2016</b>						
Income for the period	-	-	-	-	4	4
Foreign currency translation adjustments	-	-	100	-	-	100
<b>Total comprehensive income - six months ended June 30, 2016</b>	-	-	100	-	4	104
<b>Transactions with owners - six months ended June 30, 2016</b>						
Shares issued	-	21	-	-	-	21
Share based payment expense	-	-	-	-	125	125
<b>Transactions with owners - six months ended June 30, 2016</b>	-	21	-	-	125	146
<b>Equity at June 30, 2016</b>	\$ 416	\$ 76,686	\$ 307	\$ (9)	\$ (58,504)	\$ 18,896

*Unaudited*

<b>Equity at January 1, 2015</b>	\$ 264	\$ 64,451	\$ 26	\$ (12)	\$ (57,307)	\$ 7,422
<b>Total comprehensive income - six months ended June 30, 2015</b>						
Loss for the period*	-	-	-	-	(2,212)	(2,212)
Foreign currency translation adjustments	-	-	378	-	-	378
<b>Total comprehensive income - six months ended June 30, 2015</b>	-	-	378	-	(2,212)	(1,834)
<b>Transactions with owners - six months ended June 30, 2015</b>						
Shares issued	152	12,799	-	1	-	12,952
Less: issuance costs	-	(829)	-	-	-	(829)
Share based payment expense	-	-	-	-	150	150
<b>Transactions with owners - six months ended June 30, 2015</b>	152	11,970	-	1	150	12,273
<b>Equity at June 30, 2015</b>	\$ 416	\$ 76,421	\$ 404	\$ (11)	\$ (59,369)	\$ 17,861

\*Interim 2015 results have been restated as described in Note 5.

