



First Quarter 2017

26 April 2017

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ASETEK in brief



Listed on Oslo Børs

OSE4520 Technology Hardware & Equipment

Business

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

Sales

FY'16 USD 51 million / Q1'17 USD 11.5 million

Operating profit

Desktop PC segment FY'16 USD 14.3 million / Q1'17 USD 3.2 million

Data center segment FY'16 USD (6.9) million / Q1'17 USD (2.1) million

Market cap

USD ~220 million / NOK ~1.9* billion

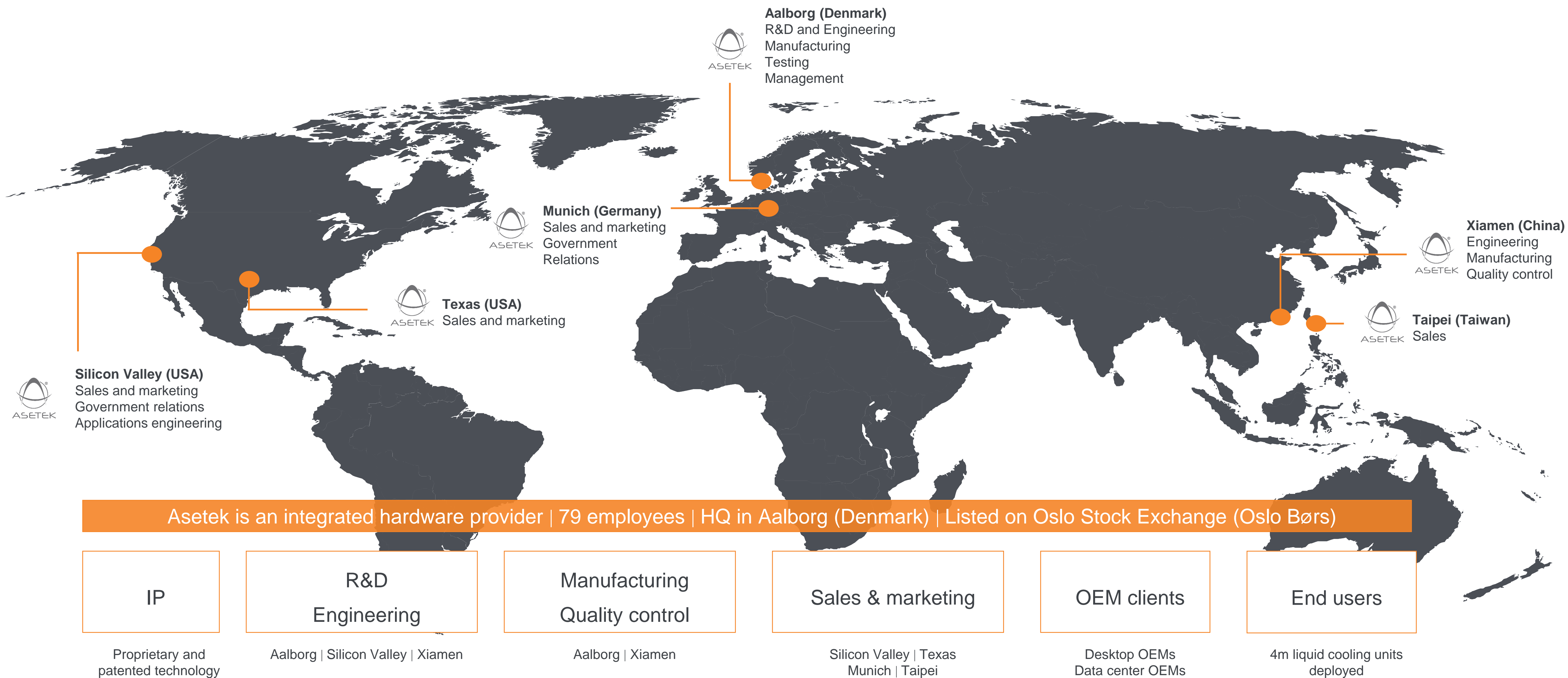
* 1 USD = NOK 8.60 (25.04.17)

What we do



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

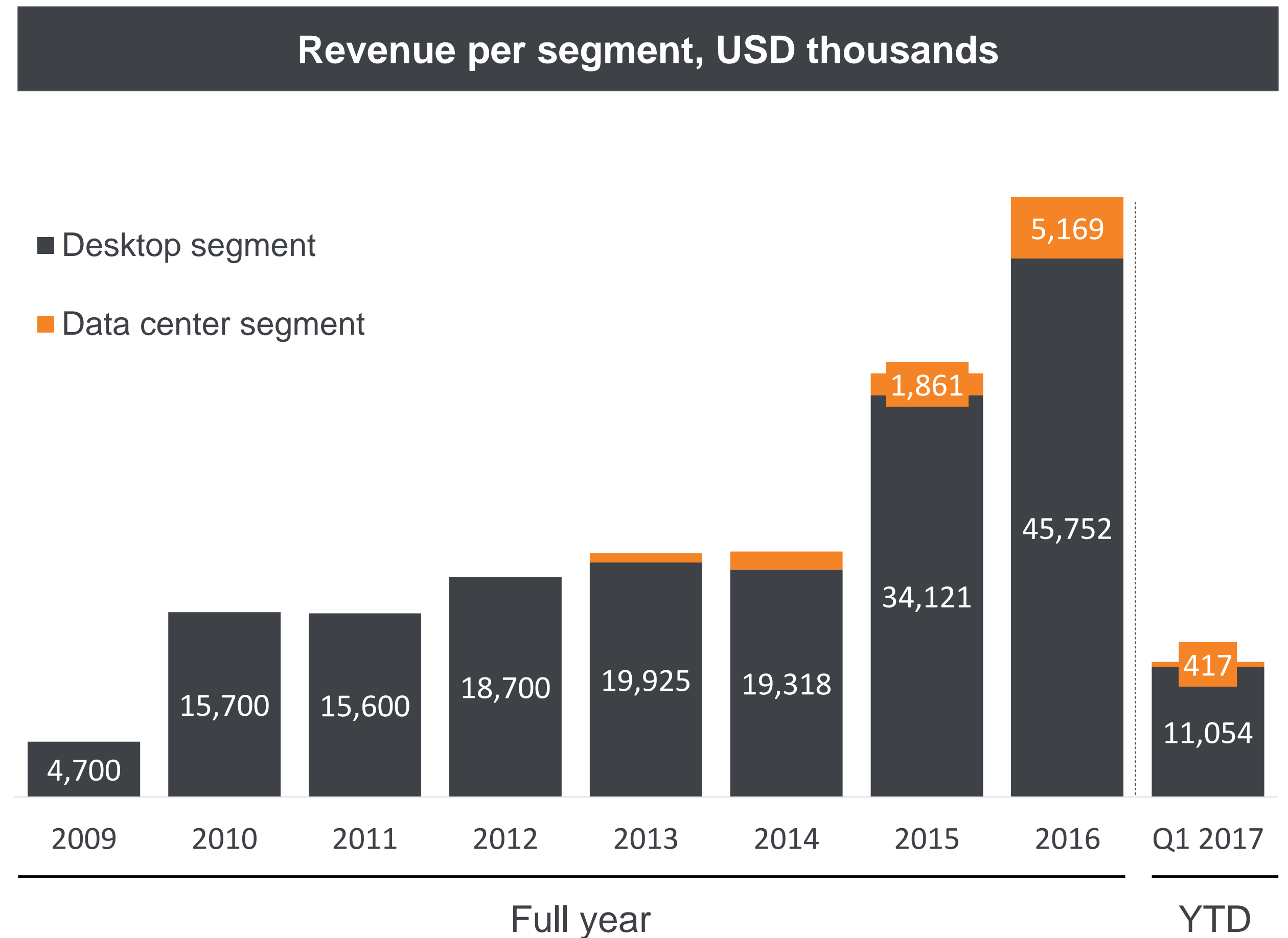
Our integrated value chain and global reach



Q1'17 report highlights



- New orders and development agreement with major player reflect increased end-user adoption in data center segment
- New data center customer in South Korea
- Surpassed >4m shipped sealed loop coolers since inception
- Revenues of USD 11.5 million, up 10% vs. Q1'16
 - Driven by high-end gaming cooling demand
- Dividend of NOK 1.00 per share for 2016 approved



Two business segments



IP Platform	Business segments	Market	Q1'17 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>96% of revenue USD 3.4m of EBITDA</p> <p>4% of revenue USD (1.8m) of EBITDA</p>

Positive development despite challenged PC industry



**Do-It-Yourself
PC enthusiasts**
81% sales*

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



**Gaming and Performance
Desktop PCs**
18% sales*

- Increasing need for advanced cooling due to customer desire for a more immersive gaming experience
- 3 new products began shipping



**Enterprise
Workstations**
1% sales*

- Workstation category marginal part of segment today

Shipped 224,000 desktop units in Q1'17



Continued data center expansion

- 1

Increased deployment of RACKCDU liquid cooling solution

 - Two new HPC Installations deploy Asetek signature RackCDU D2C (Direct-to-Chip) liquid cooling solutions
 - Existing HPC installations expand through repeat orders for RackCDU placed by existing OEM partners
- 2

RACKCDU cools both CPU and GPGPU at new HPC installation

 - Asetek technology offers both CPU cooling but also GPGPU (General Purpose Graphic Processor Unit) cooling
 - Power consumption of greater than 300 watts per GPU (or GPGPU co-processors) are becoming the norm
- 3

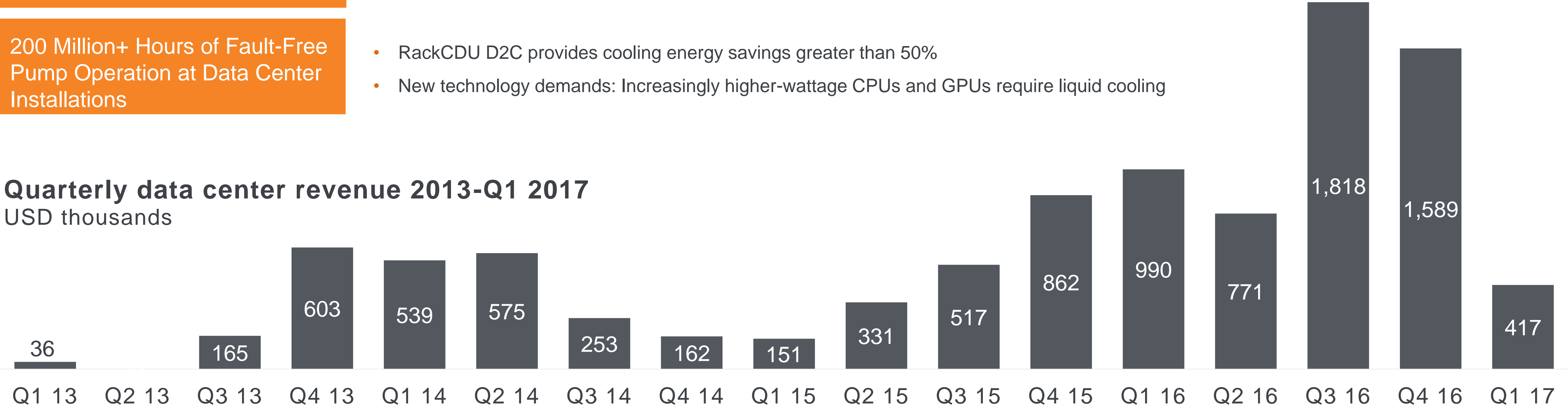
New data center customer: INTECH & Company Inc.

 - Intech & Company distributes PC and server components, EMC storage products, and APC power supplies in South Korea
 - First orders: sealed loops and InRackCDU D2C (Direct-to-Chip) liquid cooling solutions
- 4

200 Million+ Hours of Fault-Free Pump Operation at Data Center Installations

 - RackCDU D2C provides cooling energy savings greater than 50%
 - New technology demands: Increasingly higher-wattage CPUs and GPUs require liquid cooling

Quarterly data center revenue 2013-Q1 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

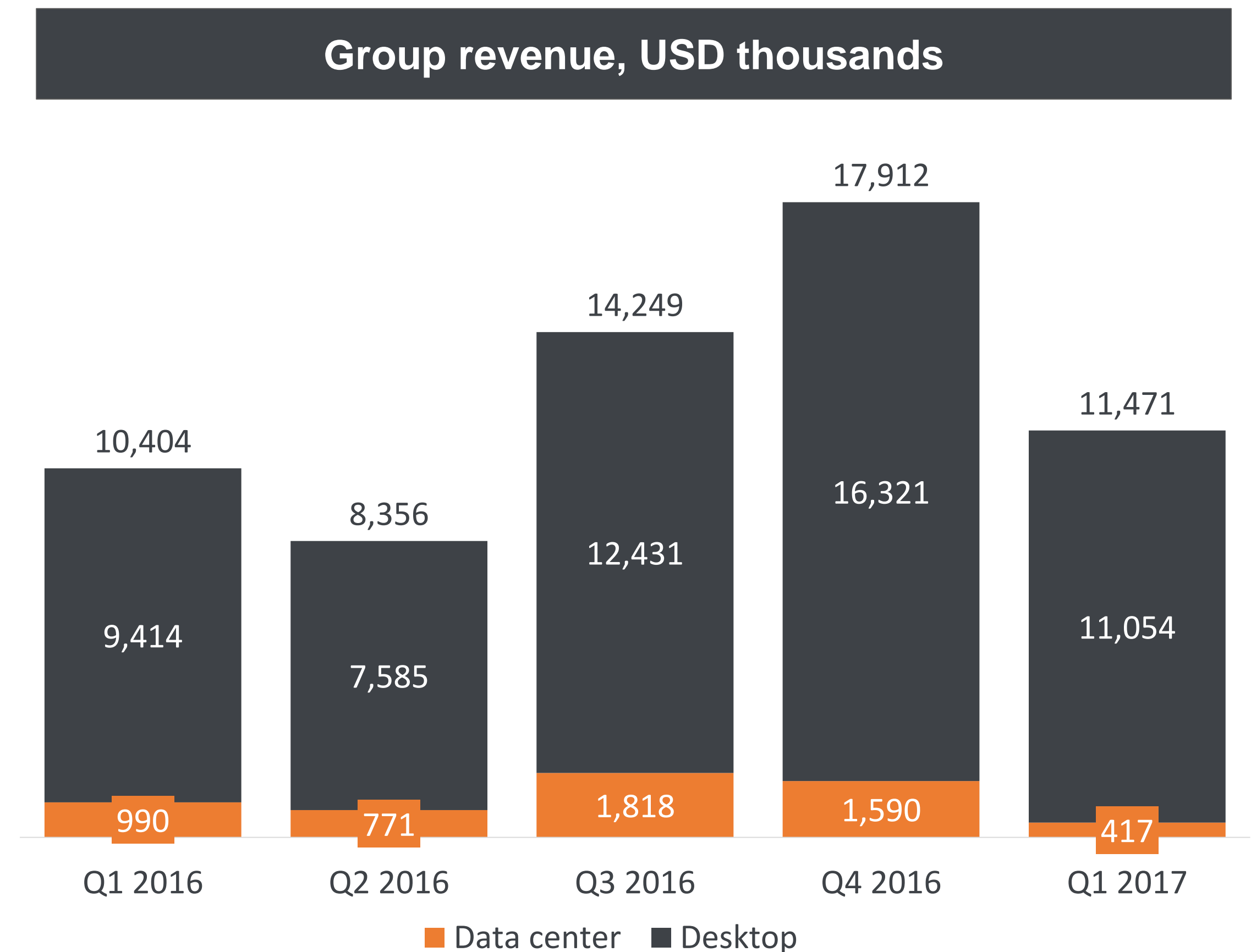
Singapore, 40 rack Fujitsu HPC cluster at the Agency for Science, Technology and Research (A*Star)

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

Revenue development

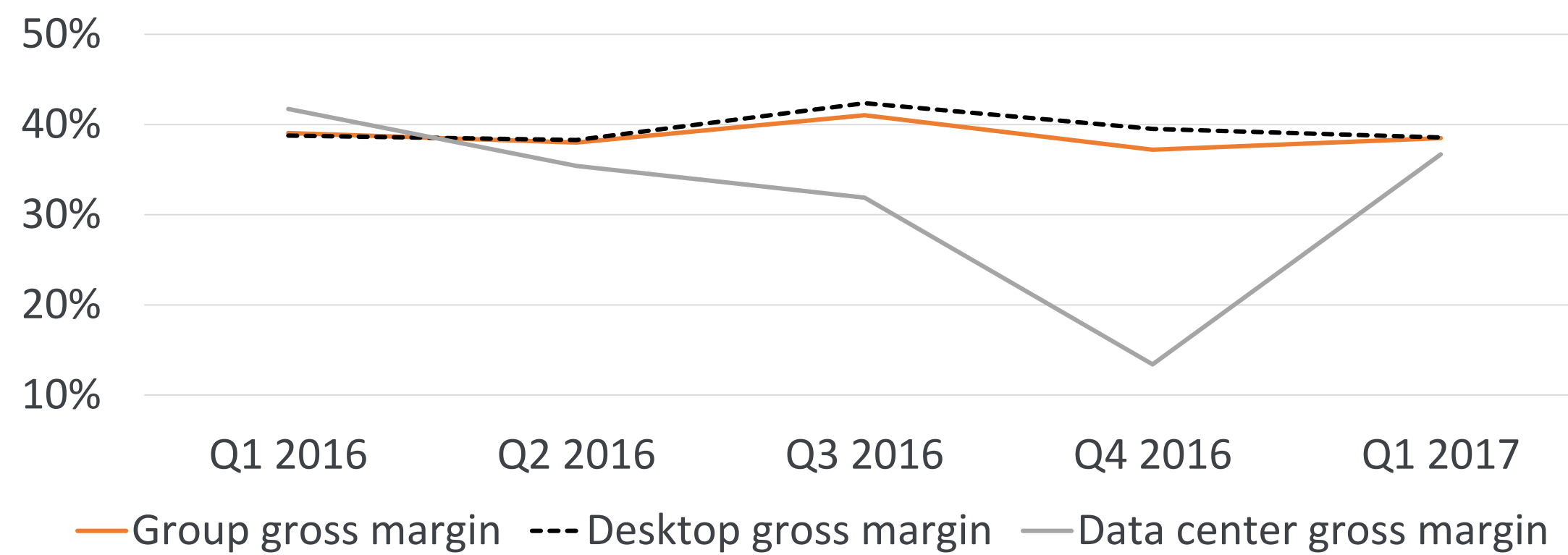


- Q1'17 group revenue of \$11.5m driven by DIY desktop sales
 - Increase of 10% vs Q1'16
- Q1'17 desktop revenue \$11.1m
 - Driven by demand in the do-it-yourself (DIY) market
 - Compares with \$9.4m in Q1'16 and \$16.3m in Q4'16
- Q1'17 data center revenue of \$0.4m
 - Compares with \$1.0m in Q1'16 and \$1.6m in Q4'16
- Reaffirming 2017 expectations



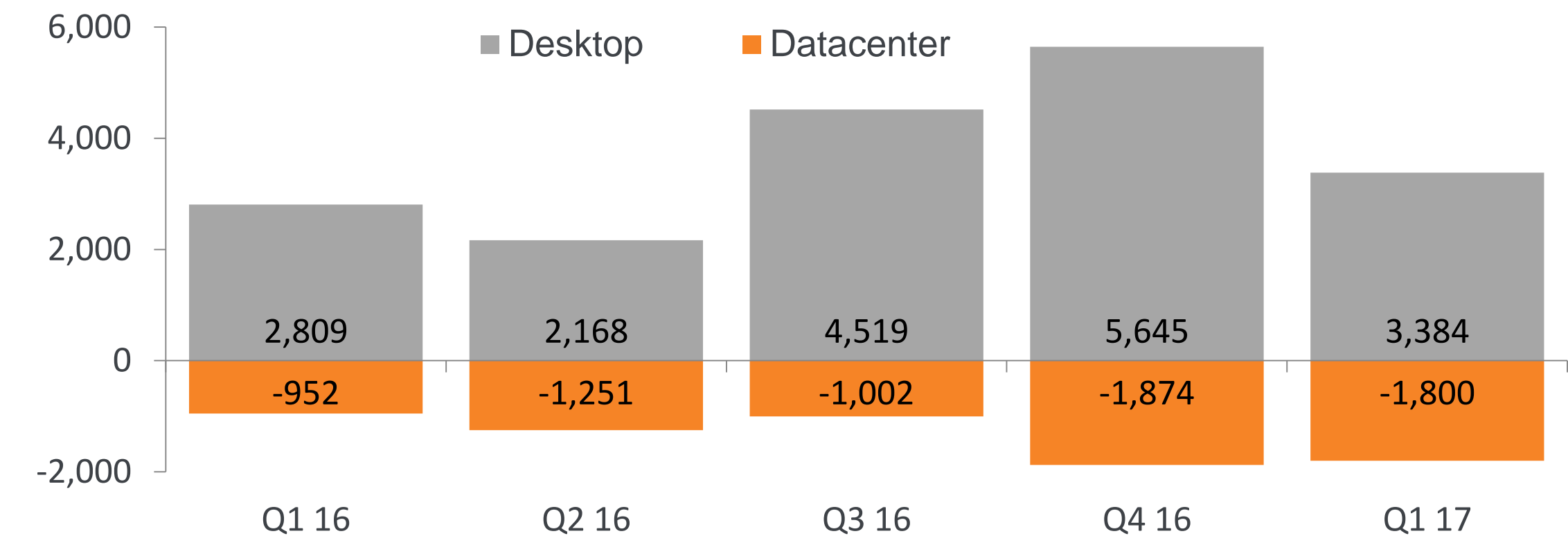
Gross margin and earnings development

Gross margin development



- Group gross margin of 38.5% (39.0%)
 - Desktop gross margin at 38.6% (38.8%)
 - Data center gross margin at 36.7% (41.7%)
 - Fluctuates due to variability in the mix of deliverables on government contracts relative to the volume of product shipments to OEMs
 - Variability is expected to continue in 2017

Group EBITDA development, USD thousands



- Desktop EBITDA margin of 30.6% (29.8%)
- Data center EBITDA of USD (1.8) million
 - EBITDA affected by investments in technology development, product marketing, and sales development with data center partners and OEM customers

Income statement



USD (000's)	Q1 2017			Q1 2016		
	Group	Desktop	Data center	Group	Desktop	Data center
Revenue	11 471	11 054	417	10 404	9 414	990
<i>Gross Margin</i>	38.5 %	38.6%	36.7%	39.0 %	38.8%	41.7%
Other operating expenses	2 831	878	1 953	2 205	840	1 365
EBITDA adjusted	1 584	3 384	(1 800)	1 857	2 809	(952)
Depreciations	388	162	226	615	212	403
Share based compensation	48	16	32	(8)	(3)	(5)
E B I T	1 148	3 206	(2 058)	1 250	2 600	(1 350)
<i>EBIT Margin</i>	10.0 %	29.0%	N/A	12.0 %	27.6%	N/A
HQ, Litigation expenses	549			369		
HQ, Share based compensation	24			13		
HQ, Other	296			248		
Headquarters costs	869			630		
EBIT, total	279			620		

- Increased costs related to headcount growth, investments in developing OEM partnerships and intellectual property defense
- Reduced depreciation on capitalized assets

Cash flow statement

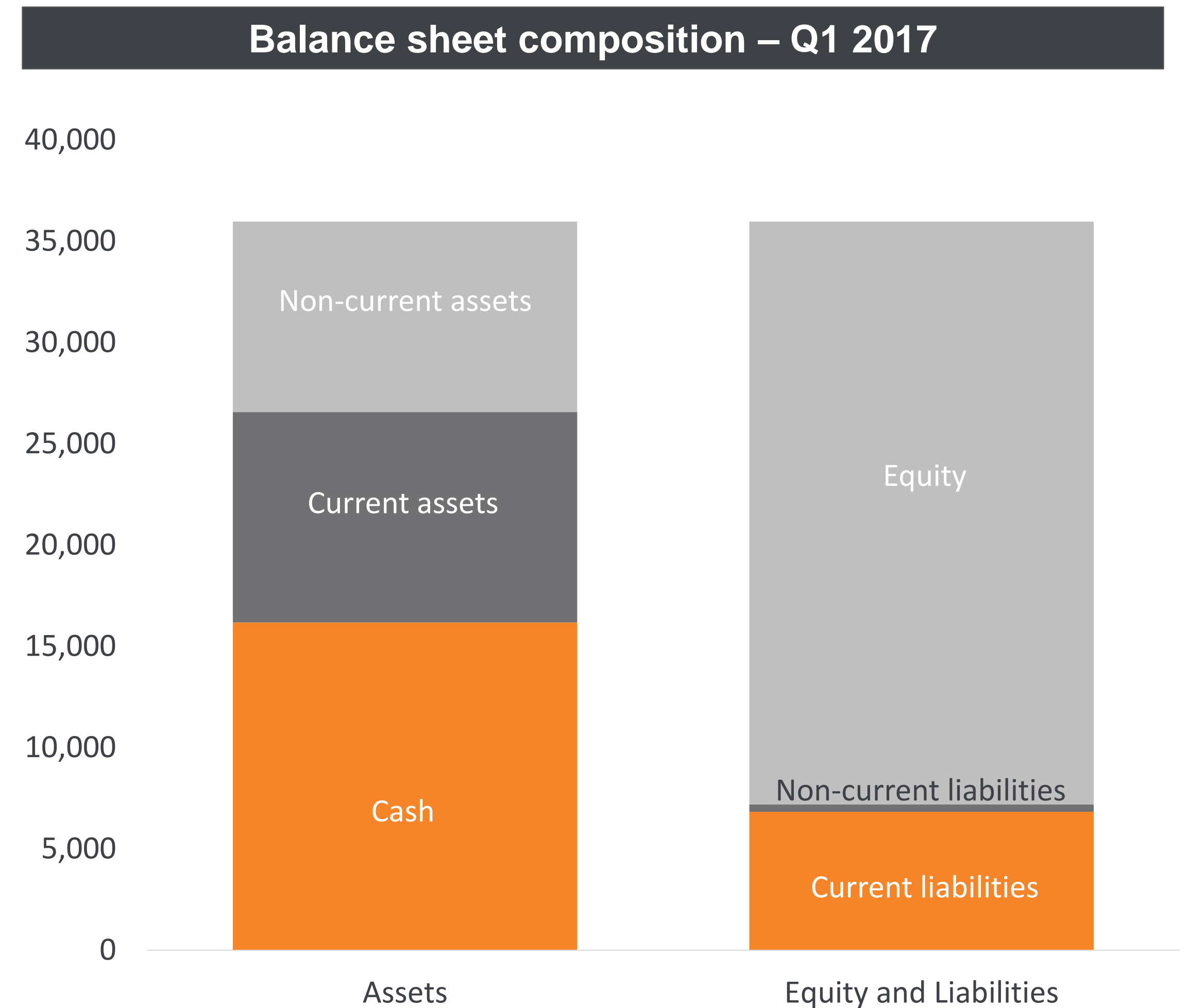


USD (000's)	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Income (loss) for the period	151	7,578	2,055	(387)	391
Depreciation, amortization and impairment	388	563	598	702	615
Finance cost (income) and taxes	8	(4,707)	6	9	14
Share based compensation	72	88	115	120	5
Changes in current assets other than cash	4,353	(4,182)	(3,142)	(752)	4,181
Changes in payables and accrued liabilities	(5,769)	1,342	3,670	2,088	(3,164)
Net cash provided (used) in operating activities	(797)	682	3 302	1 780	2 042
Additions to intangible assets and other assets	(391)	(433)	(398)	(539)	(465)
Purchase of property and equipment & other	(225)	(528)	(169)	(251)	(129)
Net cash used in investing activities	(616)	(961)	(567)	(790)	(594)
Proceeds from debt issuance, other LT liabilities					
Cash flows on credit lines/debt/lease	(213)	125	(44)	(37)	(2)
Proceeds from issuance of capital / conv debt	274	112	-	4	17
Net cash provided (used) by financing activities	61	237	(44)	(33)	15
Effect of exchange rate changes on cash	(74)	(641)	25	(114)	211
Net changes in cash and cash equivalents	(1 426)	(683)	2 716	843	1 674
Cash and cash equivalents at beginning of period	17 610	18 293	15 577	14 734	13 060
Cash and cash equivalents at end of period	16 184	17 610	18 293	15 577	14 734

Balance sheet






- Proposed dividend of NOK 1.00 per share for 2016
(Not reflected in the balance sheet)
- 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 81% sales</p></div> <div><p>Gaming and Performance Desktop PCs 18% sales</p></div>	<ul style="list-style-type: none">• Drive differentiation• Increase GPU attach	Reaffirming 2017 expectations
	<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 HPC</p>	<p>Reaffirming 2017 expectations</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



- New orders and development agreement with major player reflect increased end-user adoption in data center segment
- New data center customer in South Korea
- Surpassed >4m shipped sealed loop coolers since inception
- Revenues of USD 11.5 million, up 10% vs. Q1'16
- Dividend of NOK 1.00 per share for 2016 approved
- Reaffirming 2017 expectations



Appendix

Largest shareholders as of 24 April 2017

Name	Holding	Percentage	Country	Account Type
SUNSTONE TECHNOLOGY	3,186,341	12.5 %DNK		ORDINARY
STATE STREET BANK &	1,300,056	5.1 %USA		NOMINEE
DANSKE BANK A/S	1,226,926	4.8 %DNK		NOMINEE
ARBEJDSMARKEDETS TIL	1,177,792	4.6 %DNK		ORDINARY
STATE STREET BANK & (1)	1,060,000	4.2 %USA		NOMINEE
CLEARSTREAM BANKING	1,027,979	4.0 %LUX		NOMINEE
KLP AKSJENORGE	998,668	4.0 %NOR		ORDINARY
UBS SWITZERLAND AG	799,397	3.1 %CHE		NOMINEE
KOMMUNAL LANDSPENSJO	698,327	2.7 %NOR		ORDINARY
THE BANK OF NEW YORK	687,008	2.7 %DNK		NOMINEE
EUROCLEAR BANK S.A./	668,532	2.6 %BEL		NOMINEE
VERDIPAPIRFONDET DNB	630,613	2.5 %NOR		ORDINARY
CITIBANK, N.A. (1)	568,013	2.2 %KWT		NOMINEE
NORDNET BANK AB	538,834	2.1 %SWE		NOMINEE
NORDEA BANK AB	530,163	2.1 %DNK		NOMINEE
CITIBANK, N.A.	512,845	2.0 %FIN		NOMINEE
J.P. MORGAN CHASE (1)	471,717	2.0 %GBR		NOMINEE
J.P. MORGAN CHASE	463,000	1.8 %DEU		NOMINEE
THE BANK OF NEW YORK (1)	394,007	1.5 %BEL		NOMINEE
DANSKE INVEST NORGE	374,496	1.5 %NOR		ORDINARY
Total Top 20	17,314,714	68.0 %		
Other Shareholders	7,640,614	30.0 %		
ASETEK Treasury Shares	502,424	2.0 %		
Total share capital	25,457,752	100.0 %		

Income statement



Figures in USD (000's)	Q1 2017	Q1 2016	2016
	<i>Unaudited</i>	<i>Unaudited</i>	
Revenue	\$ 11,471	\$ 10,404	\$ 50,921
Cost of sales	7,056	6,342	31,171
Gross profit	4,415	4,062	19,750
Research and development	883	707	3,428
Selling, general and administrative	3,253	2,735	11,653
Total operating expenses	4,136	3,442	15,081
Operating income	279	620	4,669
Foreign exchange (loss) gain	(110)	(202)	330
Finance (income) costs	(9)	(14)	(8)
Total financial income (expenses)	(119)	(216)	322
Income before tax	160	404	4,991
Income tax (expense) benefit	(9)	(13)	4,646
Income for the period	151	391	9,637
<i>Other comprehensive income items that may be reclassified to profit or loss in subsequent periods:</i>			
Foreign currency translation adjustments	(6)	249	(455)
Total comprehensive income	\$ 145	\$ 640	\$ 9,182
Income per share (in USD):			
Basic	\$ 0.01	\$ 0.02	\$ 0.39
Diluted	\$ 0.01	\$ 0.02	\$ 0.38

Balance sheet



Figures in USD (000's)	31 Mar 2017	31 Dec 2016
ASSETS	<i>Unaudited</i>	
<i>Non-current assets</i>		
Intangible assets	\$ 2,043	\$ 1,871
Property and equipment	1,924	1,684
Deferred income tax assets	4,765	4,874
Other assets	675	642
Total non-current assets	9,407	9,071
<i>Current assets</i>		
Inventory	1,111	1,158
Trade receivables and other	9,272	13,325
Cash and cash equivalents	16,184	17,610
Total current assets	26,567	32,093
Total assets	\$ 35,974	\$ 41,164
EQUITY AND LIABILITIES		
<i>Equity</i>		
Share capital	\$ 417	\$ 417
Share premium	274	-
Retained earnings	28,353	28,130
Translation and other reserves	(260)	(257)
Total equity	28,784	28,290
<i>Non-current liabilities</i>		
Long-term debt	361	264
Total non-current liabilities	361	264
<i>Current liabilities</i>		
Short-term debt	387	524
Accrued liabilities	1,245	1,305
Accrued compensation & employee benefits	1,153	1,413
Trade payables	4,044	9,368
Total current liabilities	6,829	12,610
Total liabilities	7,190	12,874
Total equity and liabilities	\$ 35,974	\$ 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 - quarter ended March 31, 2017						
Income for the period	-	-	-	-	151	151
Foreign currency translation adjustments	-	-	(6)	-	-	(6)
Total comprehensive income - quarter ended March 31, 2017	-	-	(6)	-	151	145
Transactions with owners - quarter ended March 31, 2017						
Shares issued	-	274	-	3	-	277
Share based payment expense	-	-	-	-	72	72
Transactions with owners - quarter ended March 31, 2017	-	274	-	3	72	349
Equity at March 31, 2017	\$ 417	\$ 274	\$ (254)	\$ (6)	\$ 28,353	\$ 28,784
Equity at January 1, 2016	\$ 416	\$ 76,665	\$ 207	\$ (9)	\$ (58,633)	\$ 18,646
Total comprehensive income - quarter ended March 31, 2016						
Loss for the period	-	-	-	-	391	391
Foreign currency translation adjustments	-	-	249	-	-	249
Total comprehensive income - quarter ended March 31, 2016	-	-	249	-	391	640
Transactions with owners - quarter ended March 31, 2016						
Shares issued	-	15	-	-	-	15
Share based payment expense	-	-	-	-	5	5
Transactions with owners - quarter ended March 31, 2016	-	15	-	-	5	20
Equity at March 31, 2016	\$ 416	\$ 76,680	\$ 456	\$ (9)	\$ (58,237)	\$ 19,306