



Fourth Quarter 2017

28 February 2018

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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

Q4'17 USD 17.9 million / FY'17 USD 58 million

Operating profit

Desktop PC segment Q4'17 USD 4.7 million / FY'17 USD 16.0 million
Data center segment Q4'17 USD (2.3) million / FY'17 USD (7.3) million

Market cap

USD ~285 million / NOK ~2.2* billion

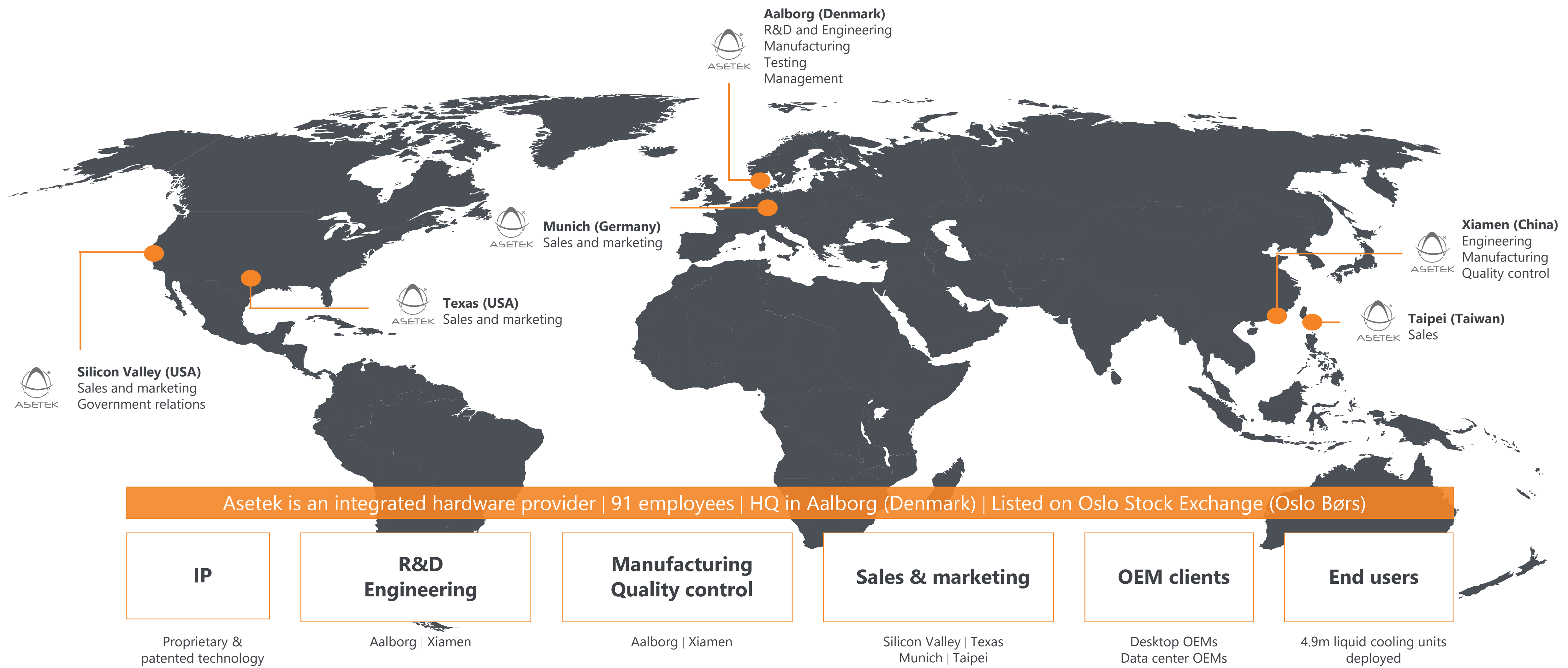
* 1 USD = NOK 7.87 (27 FEB. '18)

What we do



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

Our integrated value chain and global reach

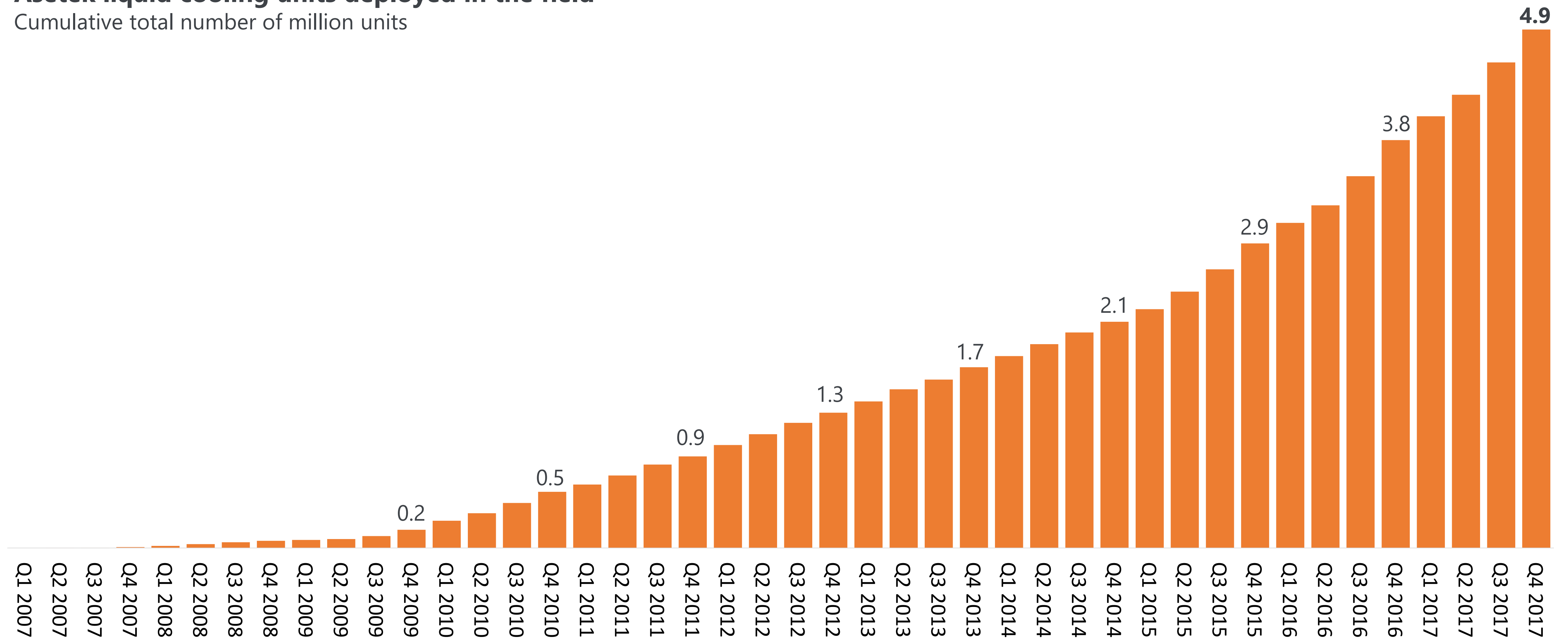


~4.9 million liquid cooling units deployed in the field



Asetek liquid cooling units deployed in the field

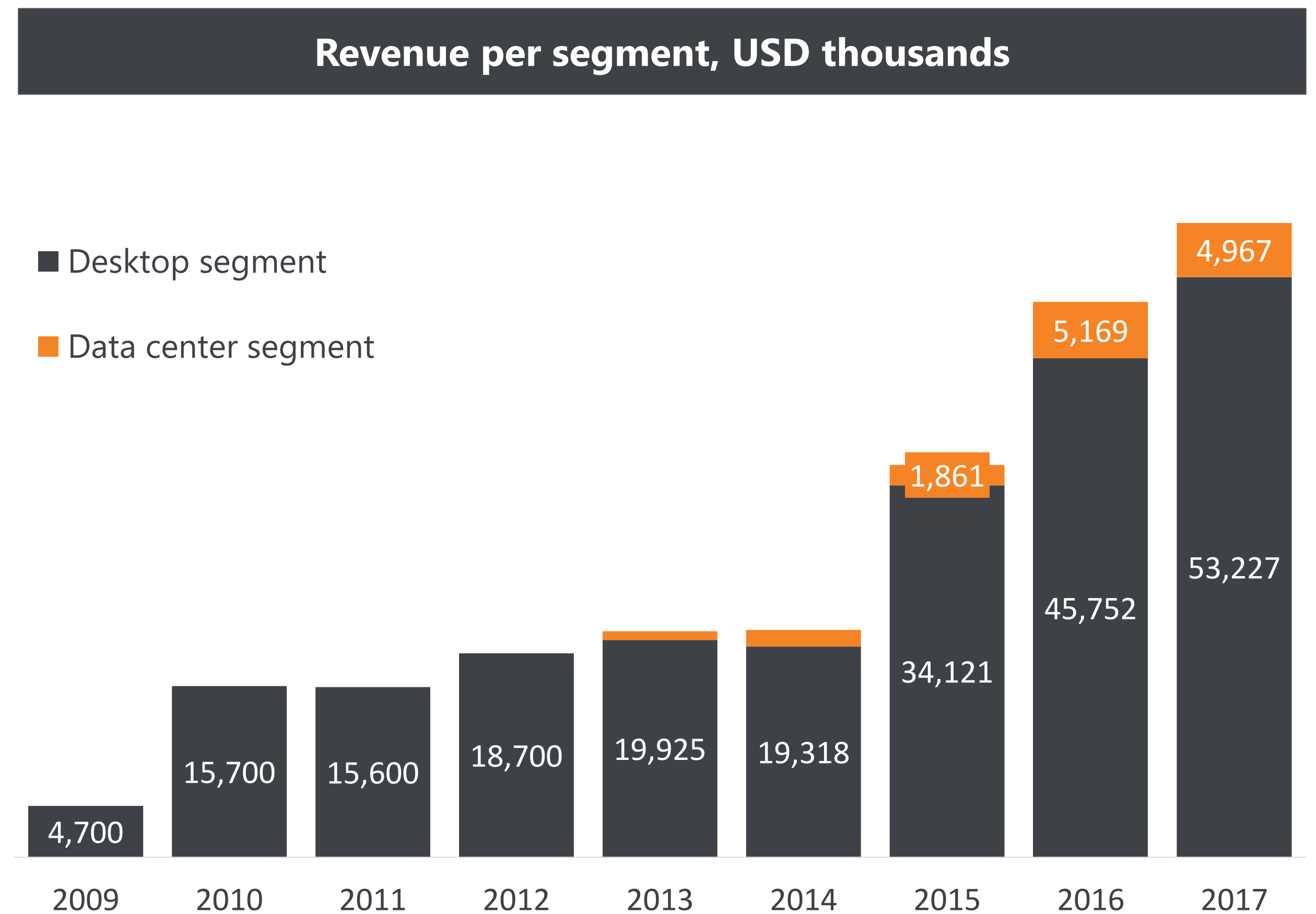
Cumulative total number of million units



Highlights



- Q4 2017 revenue of USD 17.9 million, on par with extraordinary high Q4 2016
- Record full year revenue of USD 58.2 million, up 14% from 2016
- Desktop segment revenue driven by high-end gaming cooling demand
- Announced data center orders and new OEM partners
- Announcements regarding major data center partner anticipated in Q1 2018
- Desktop revenue expected to grow in the range of 5% to 15% in 2018, data center in the range of 50% to 75%



Two business segments

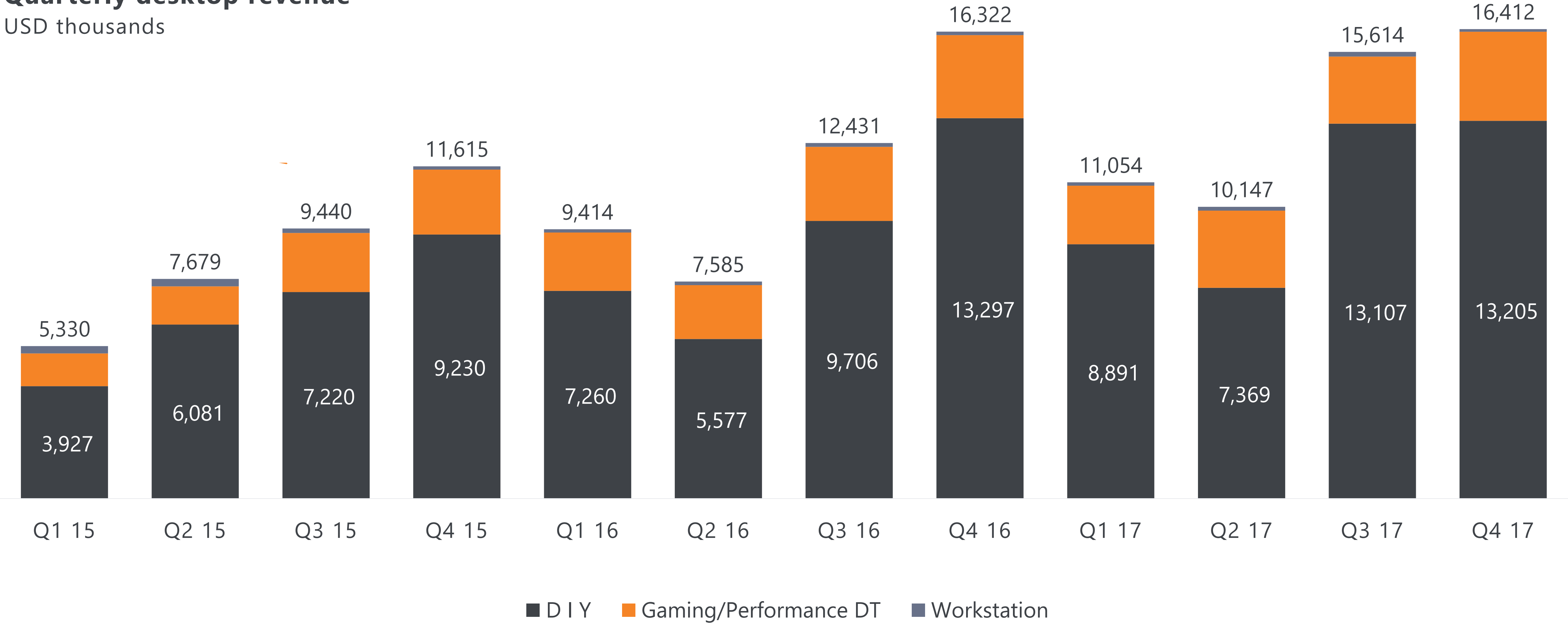


IP Platform	Business segments	Market	Q4'17 financials
<div>Applications Technology Systems Products</div> <div>Patents</div> <div>High Volume manufacturing WW hub infrastructure</div>	<div>Desktop PC</div> <div>Data Center</div>	<div><ul style="list-style-type: none">Do It Yourself (DIY)GamingWorkstations</div> <div><ul style="list-style-type: none">High performance computing (HPC)Server racksServers</div>	<div>92% of revenue USD 4.7m of EBITDA</div> <div>8% of revenue USD (2.3m) of EBITDA</div>



Desktop DIY and gaming PCs driving revenue

Quarterly desktop revenue
USD thousands



Positive development despite challenged PC industry



Do-It-Yourself PC enthusiasts 80% 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 19% sales*

- Increasing need for advanced cooling due to customer desire for a more immersive gaming experience
- Total addressable market expanding



Enterprise Workstations 1% sales*

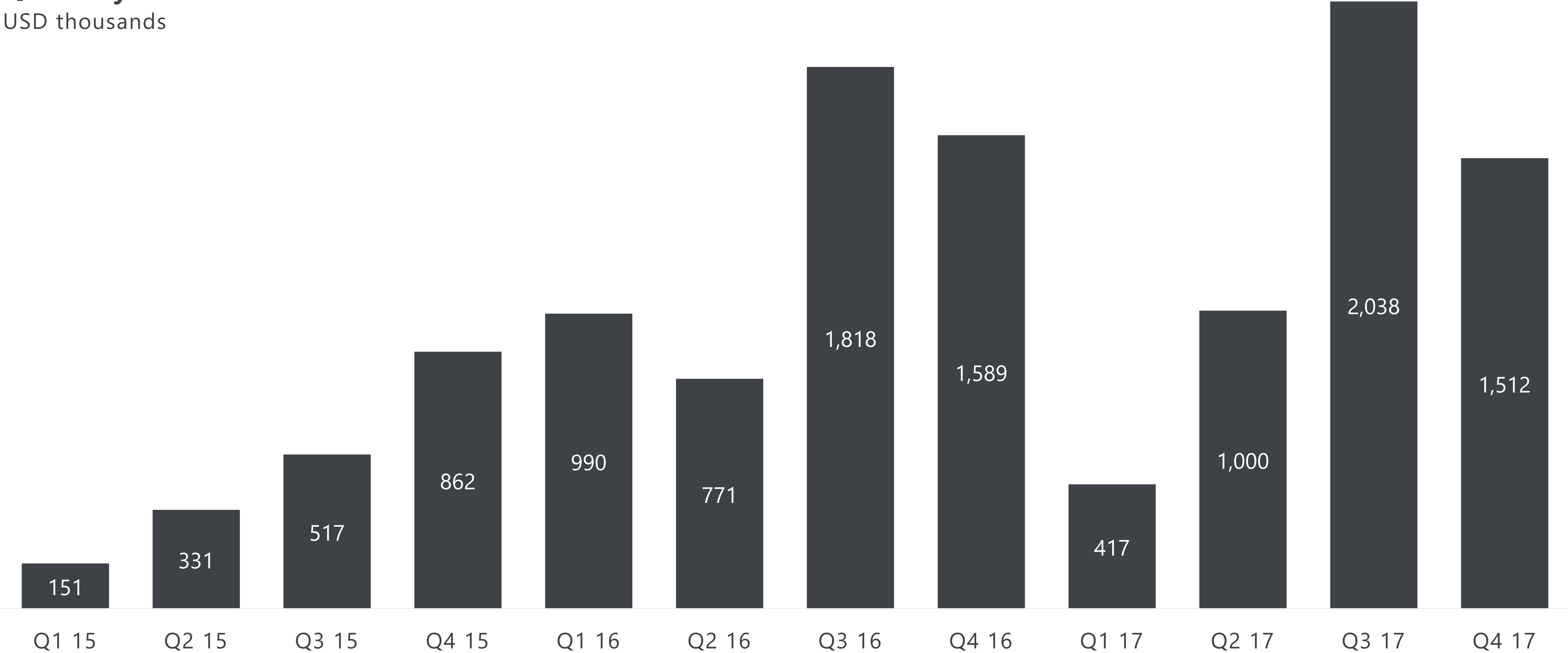
- Workstation category marginal part of segment today

Shipped 304,000 desktop units in Q4'17

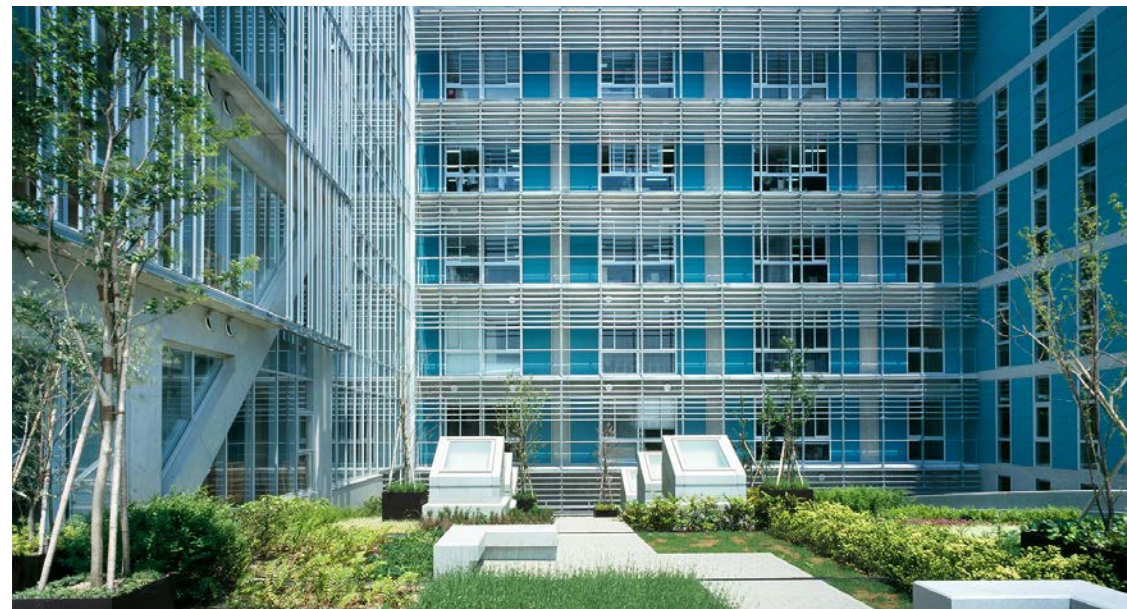
Revenue fluctuates as OEM partnerships are developed



Quarterly data center revenue
USD thousands



Two new HPC orders from OEM partner Fujitsu



Announced November 16, 2017

Order from Fujitsu to Cool Japan's Fastest AI Supercomputer System

- Order for Asetek RackCDU D2C™ (Direct-to-Chip) liquid cooling to be used at the AI Bridging Cloud Infrastructure (ABCI) cluster, set to become the fastest supercomputer system in Japan, at the National Institute of Advanced Industrial Science and Technology (AIST)
- Order value: USD 975,000
- Delivery: To be completed in Q1 2018



Announced January 24, 2018

Order from Fujitsu for Institute of Fluid Science at Tohoku University

- The supercomputing system will consist of multiple computational sub-systems using the latest liquid-cooled Fujitsu PRIMERGY x86 servers
- Order value: USD 420,000
- Delivery: To be completed in Q1 2018

Three new data center OEM partners in Q4 2017



Announced October 31, 2017

- EC Corporation, through subsidiary NEC Fielding, Ltd., deploys RackCDU Direct-to-Chip™ liquid cooling at a new HPC installation in Japan
- Solution enables more effective cooling and increased computational performance
- Solution captures between 60-80% of server heat, reducing data center cooling cost by >50% and allowing 2.5x-5x increases in data center server density



Announced November 2, 2017

- E4 Computer Engineering, an Italian technology provider of solutions for HPC, data analytics and AI utilized Asetek RackCDU D2C™ (Direct-to-Chip) liquid cooling for the D.A.V.I.D.E. SUPERCOMPUTER in Italy
- Solution enables more effective cooling and increased computational performance
- D.A.V.I.D.E. is among the harbingers of a new generation of HPC systems which deliver high performance while being environmentally conscious



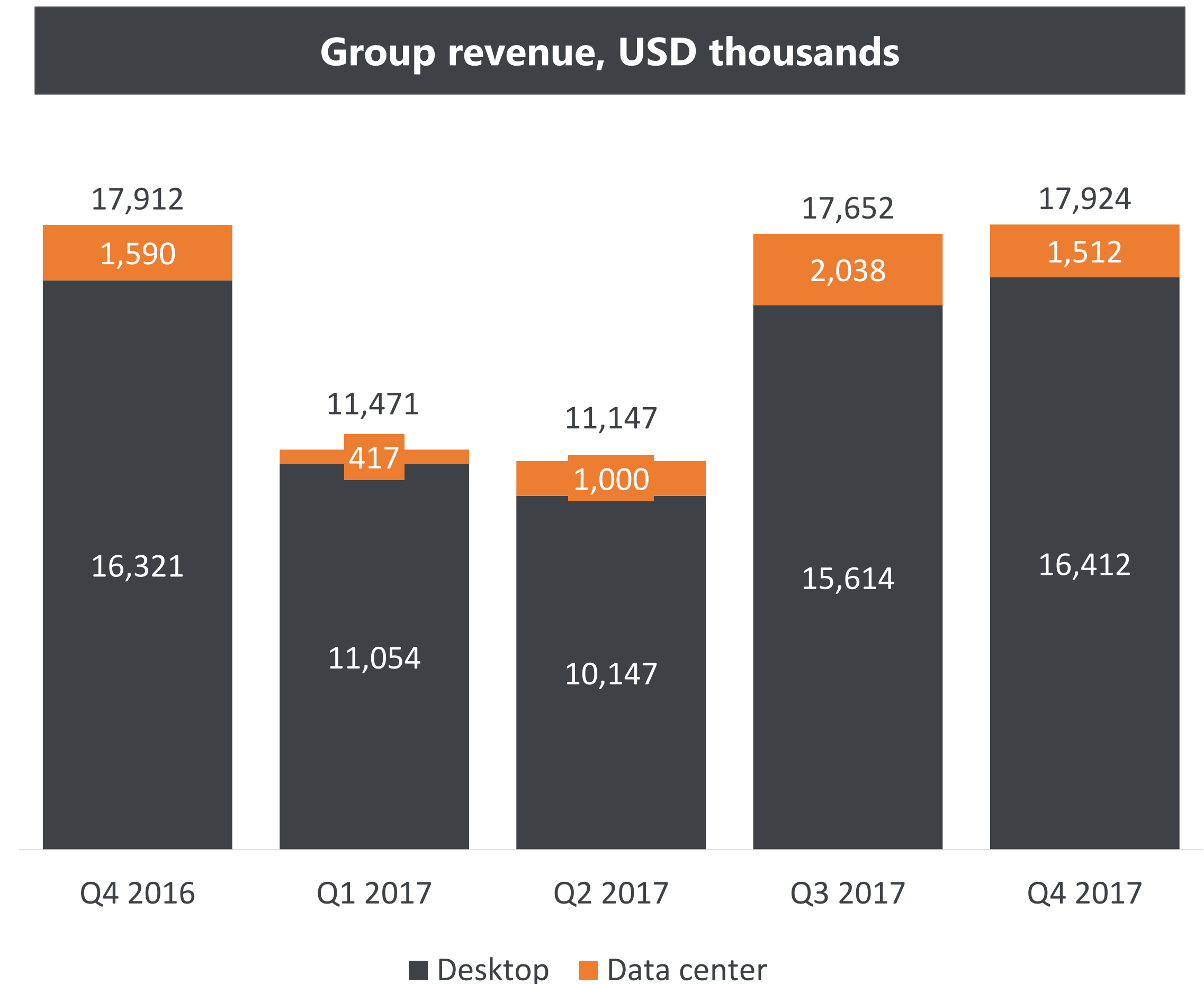
Announced November 8, 2017

- Acer will incorporate liquid cooling into their next generation of high density and high wattage server designs
- Enabling the servers to incorporate the highest performing CPUs and GPUs.
- Asetek's low pressure and flexibility in adapting to server designs were important differentiators in Acer's choice of cooling partner

Revenue development

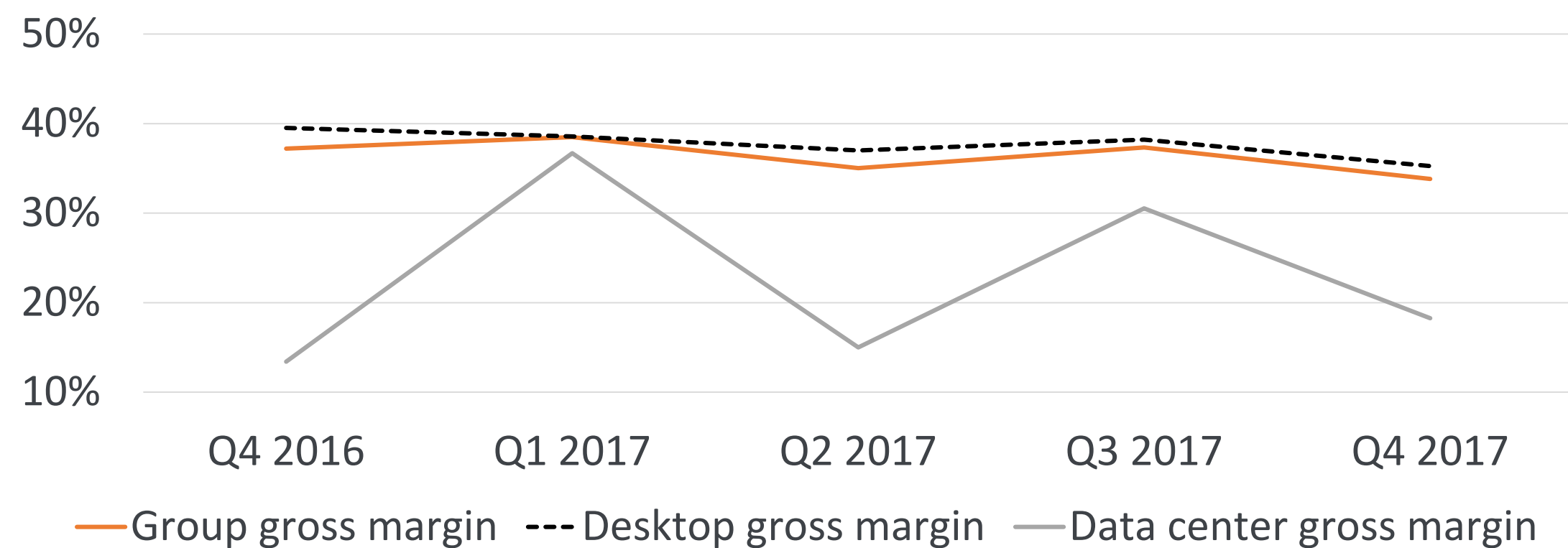


- Q4'17 group revenue of USD 17.9m driven by DIY sales
 - In line with extraordinary high Q4'16
- Q4'17 desktop revenue USD 16.4m
 - Driven by demand in DIY market
 - Compares with USD 16.3m in Q4'16 and USD 15.6m in Q3'17
- Q4'17 data center revenue of USD 1.5m
 - Decrease in OEM shipments vs. Q3'17
 - Compares with USD 1.6m in Q4'16 and USD 2.0m in Q3'17



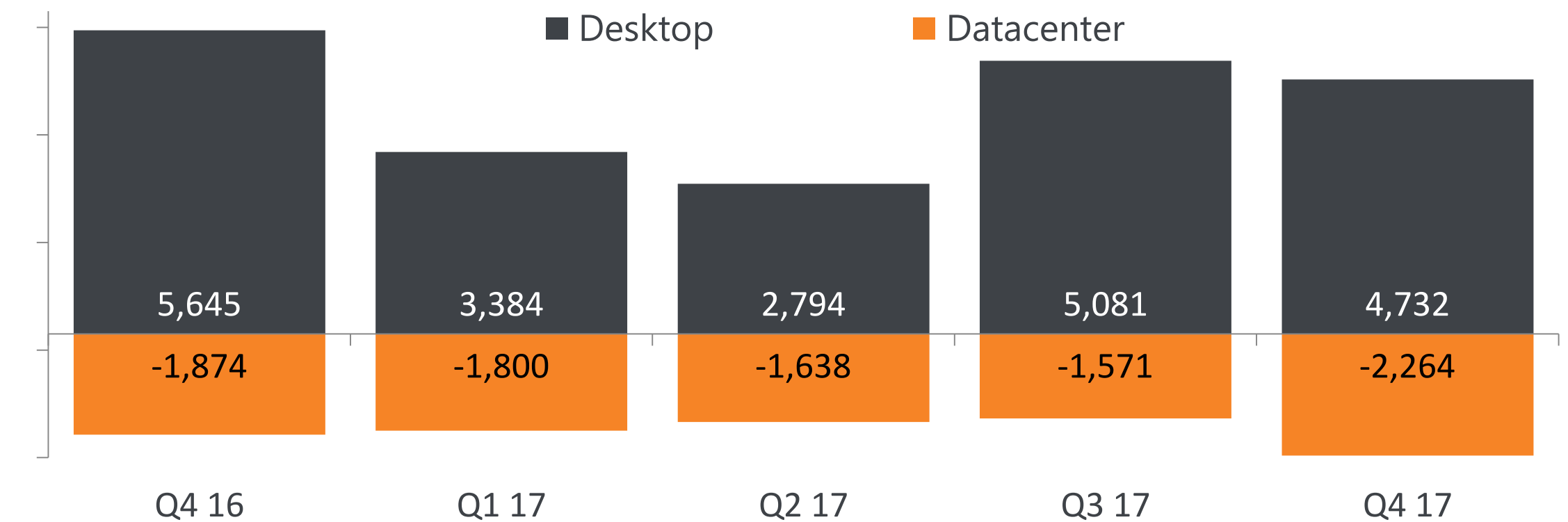
Gross margin and earnings development

Gross margin development



- Group gross margin of 33.8% (37.2%)
- Desktop gross margin at 35.2% (39.5%)
 - Impacted by increased product costs and a continued weakening of USD
- Data center gross margin at 18.3% (13.5%)
 - Fluctuations driven by variability in the mix of deliverables on government contracts relative to volume of OEM shipments

Group EBITDA development, USD thousands



- Desktop EBITDA margin of 28.8% (34.6%)
- Data center EBITDA of USD (2.3) million
 - Since Q4 2016, the cost level has increased in preparation of launch with a global player as announced in February 2017

Income statement



USD (000's)	Q4 2017			Q4 2016		
	Group	Desktop	Data center	Group	Desktop	Data center
Revenue	17 924	16 412	1,512	17 912	16 322	1 590
Gross Margin	33.8 %	35.2%	18.3%	37.2 %	39.5%	13.5%
Other operating expenses	3 593	1 053	2 540	2 893	805	2 088
EBITDA adjusted	2 468	4 732	(2 264)	3 772	5 646	(1 874)
Depreciations	699	340	359	540	201	339
Share based compensation	374	108	266	59	20	39
E B I T	1 395	4 284	(2 889)	3 173	5 425	(2 252)
EBIT Margin	7.8 %	26.1%	N/A	17.7 %	33.2%	N/A
HQ, Litigation expenses, net	320			305		
HQ, Share based compensation	107			29		
HQ, Other	183			356		
Headquarters costs	610			690		
EBIT, total	785			2 483		

Increased overhead costs

- Data Center was the main driver due to high R&D activity and work towards launch of new partner
- Desktop increase was primarily related to work up towards significant product launch
- Share based compensation costs associated with warrants issued to employees increased to USD 0.5 million in Q4 2017
- Significant negative impact from fluctuations in currency exchange rates

Exchange Rate Development

CNY vs. USD – 2016 and 2017



- 6% increase in the Chinese Yuan (CNY) vs. USD
 - Explains cost price increases for desktop COGS in 2017
 - Most of desktop COGS is denominated in CNY

DKK vs. USD – 2016 and 2017



- 12% increase in the Danish krone (DKK) vs the USD
 - Partial explanation for 2017 increase in overheads
 - About 80% of overheads are denominated in DKK

Cash flow statement

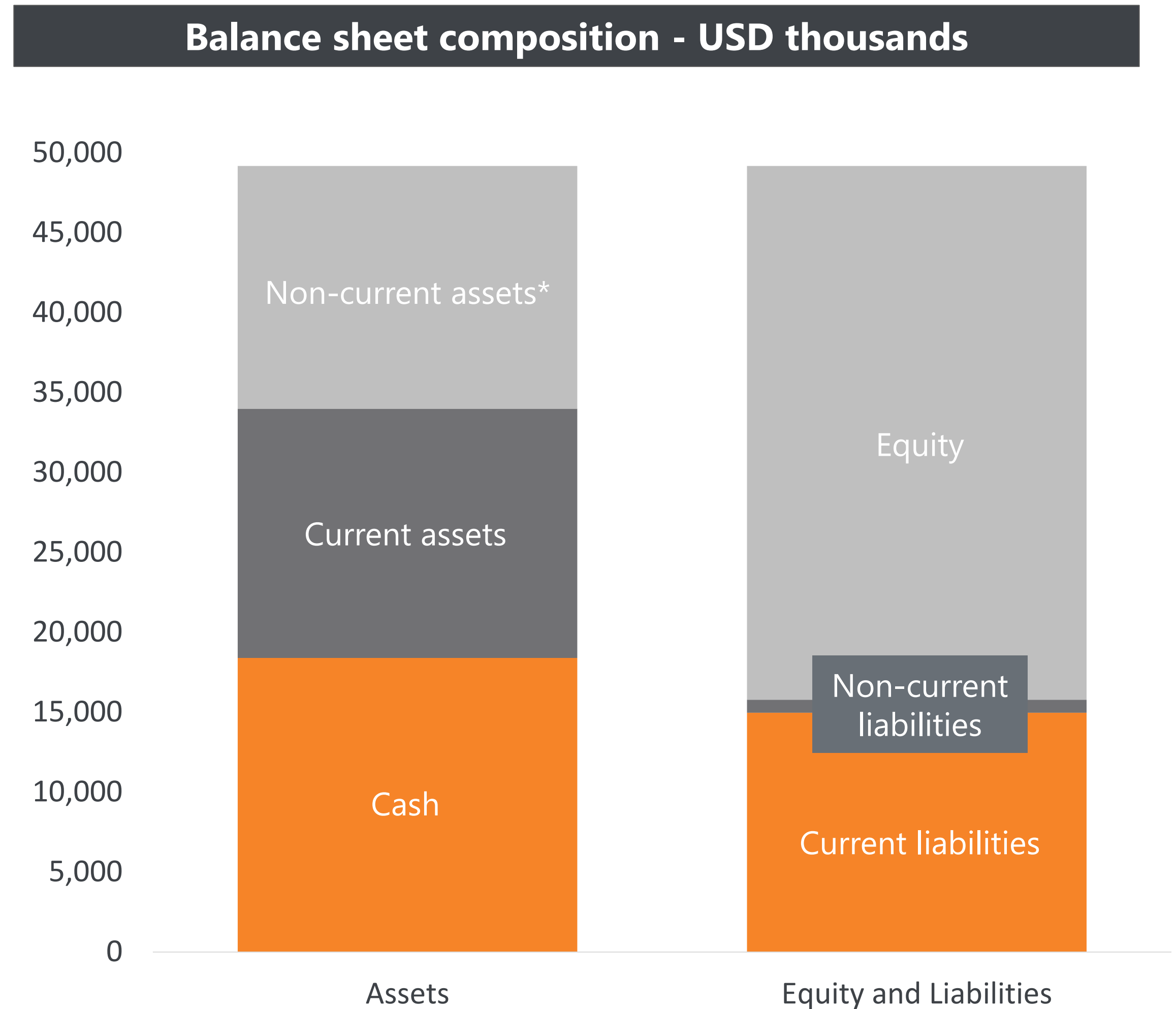


USD (000's)	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Income (loss) for the period	3 573	1 376	(625)	151	7 578
Depreciation, amortization and impairment	704	712	631	388	563
Finance cost (income) and taxes	(3 040)	22	10	8	(4 707)
Share based compensation	482	552	491	72	88
Changes in current assets other than cash	(878)	(2 584)	(198)	4 353	(4 182)
Changes in payables and accrued liabilities	731	2 387	2 576	(5 769)	1 342
Net cash provided (used) in operating activities	1 572	2 465	2 885	(797)	682
Additions to intangible assets and other assets	(613)	(748)	(674)	(391)	(433)
Purchase of property and equipment & other assets	(600)	(410)	(637)	(225)	(528)
Net cash used in investing activities	(1 213)	(1 158)	(1 311)	(616)	(961)
Proceeds from debt issuance, other LT liabilities					
Cash flows on credit lines/debt/lease	291	(268)	286	(213)	125
Issuance of capital / conv debt / dividend	(262)	45	(2 281)	274	112
Net cash provided (used) by financing activities	29	(223)	(1 995)	61	237
Effect of exchange rate changes on cash	271	401	491	(74)	(641)
Net changes in cash and cash equivalents	659	1 485	70	(1 426)	(683)
Cash and cash equivalents at beginning of period	17 739	16 254	16 184	17 610	18 293
Cash and cash equivalents at end of period	18 398	17 739	16 254	16 184	17 610

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	<div><p>Do-It-Yourself PC enthusiasts 80% sales</p></div>	<ul style="list-style-type: none">• Drive differentiation• Increase GPU attach	Desktop revenue expected to grow in the range of 5% to 15% in 2018
	<div><p>Gaming and Performance Desktop PCs 19% 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>Execute on the development agreement with the as yet to be disclosed major player in data center market</p>	<p>Data center revenue expected to grow in the range of 50% to 75% in 2018</p>
	<p>Exploit established leadership within HPC</p>	
	<p>Explore potential opportunities to grow beyond the HPC segment</p>	

Summary



- Record full year revenue of USD 58.2 million, up 14% from 2016
- Announcements regarding major data center partner anticipated in Q1 2018
- Desktop revenue expected to grow in the range of 5% to 15% in 2018
- Data center revenue expected to grow in the range of 50% to 75% in 2018
- Profitability for 2018 is expected to exceed 2017 amid minimal growth in spending and continued investment in the data center business



Appendix

Largest shareholders as of 23 February 2018



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	1,703,349	6.7%	DNK	NOMINEE
UBS SWITZERLAND AG	1,638,097	6.4%	CHE	NOMINEE
CLEARSTREAM BANKING	1,507,391	5.9%	LUX	NOMINEE
HSBC BANK PLC	1,267,579	5.0%	GBR	NOMINEE
NORDEA BANK AB	1,107,444	4.2%	DNK	NOMINEE
KLP AKSJENORGE	977,671	3.8%	NOR	ORDINARY
RBC INVESTOR SERVICE	882,931	3.4%	LUX	NOMINEE
KOMMUNAL	707,670	2.8%	NOR	ORDINARY
NORDNET BANK AB	650,047	2.5%	SWE	NOMINEE
THE BANK OF NEW YORK (1)	632,745	2.5%	DNK	NOMINEE
LANNEBO EUROPA SMÅBO	538,535	2.1%	SWE	ORDINARY
EUROCLEAR BANK S.A./	470,582	1.8%	BEL	NOMINEE
J.P. MORGAN CHASE	431,052	1.7%	GBR	NOMINEE
STATE STREET BANK &	412,078	1.6%	USA	NOMINEE
THE BANK OF NEW YORK	398,844	1.6%	BEL	NOMINEE
DZ PRIVATBANK S.A. 0	372,500	1.5%	LUX	NOMINEE
DANSKE BANK A/S (1)	274,783	1.1%	DNK	NOMINEE
GOLDMAN SACHS INTERN	270,000	1.1%	GBR	NOMINEE
Total Top 20	19,445,477	76.1%		
Other Shareholders	5,792,001	22.6%		
ASETEK Treasury Shares	330,524	1.3%		
Total share capital	25,568,002	100.0%		

Income statement



Figures in USD (000's)	Q4 2017	Q4 2016	2017	2016
	<i>Unaudited</i>	<i>Unaudited</i>		
Revenue	\$ 17 924	\$ 17 912	\$ 58 194	\$ 50 921
Cost of sales	11 863	11 244	37 225	31 171
Gross profit	6 061	6 668	20 969	19 750
Research and development	1 231	1 038	4 220	3 428
Selling, general and administrative	3 961	3 147	14 905	11 653
Other expense (income)	84	-	(913)	-
Total operating expenses	5 276	4 185	18 212	15 081
Operating income	785	2 483	2 757	4 669
Foreign exchange (loss) gain	(248)	425	(1 239)	330
Finance costs	15	21	(19)	(8)
Total financial income (expenses)	(233)	446	(1 258)	322
Income before tax	552	2 929	1 499	4 991
Income tax (expense) benefit	3 021	4 649	2 976	4 646
Income for the period	3 573	7 578	4 475	9 637
<i>Other comprehensive income items that may be reclassified to profit or loss in subsequent periods:</i>				
Foreign currency translation adjustments	36	(575)	1 253	(455)
Total comprehensive income	\$ 3 609	\$ 7 003	\$ 5 728	\$ 9 182
Income per share (in USD):				
Basic	\$ 0.14	\$ 0.30	\$ 0.18	\$ 0.39
Diluted	\$ 0.13	\$ 0.29	\$ 0.17	\$ 0.38

Balance sheet



Figures in USD (000's)	31 Dec 2017	31 Dec 2016
ASSETS		
<i>Non-current assets</i>		
Intangible assets	\$ 2 754	\$ 1 871
Property and equipment	3 856	1 684
Deferred income tax assets	7 778	4 874
Other assets	794	642
Total non-current assets	15 182	9 071
<i>Current assets</i>		
Inventory	2 316	1 158
Trade receivables and other	13 280	13 325
Cash and cash equivalents	18 398	17 610
Total current assets	33 994	32 093
Total assets	\$ 49 176	\$ 41 164
EQUITY AND LIABILITIES		
<i>Equity</i>		
Share capital	\$ 419	\$ 417
Retained earnings	31 976	28 130
Translation and other reserves	999	(257)
Total equity	33 394	28 290
<i>Non-current liabilities</i>		
Long-term debt	816	264
Total non-current liabilities	816	264
<i>Current liabilities</i>		
Short-term debt	1 051	524
Accrued liabilities	2 432	1 305
Accrued compensation & employee benefits	1 335	1 413
Trade payables	10 148	9 368
Total current liabilities	14 966	12 610
Total liabilities	15 782	12 874
Total equity and liabilities	\$ 49 176	\$ 41 164

Equity



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 - year ended December 31, 2017						
Income for the period	-	-	-	-	4 475	4 475
Foreign currency translation adjustments	-	-	1 253	-	-	1 253
Total comprehensive income - year ended December 31, 2017	-	-	1 253	-	4 475	5 728
Transactions with owners - year ended December 31, 2017						
Shares issued	2	-	-	3	684	689
Dividends	-	-	-	-	(2 910)	(2 910)
Share based payment expense	-	-	-	-	1 597	1 597
Transactions with owners - year ended December 31, 2017	2	-	-	3	(629)	(624)
Equity at December 31, 2017	\$ 419	\$ -	\$ 1 005	\$ (6)	\$ 31 976	\$ 33 394
Equity at January 1, 2016	\$ 416	\$ 76 665	\$ 207	\$ (9)	\$ (58 633)	\$ 18 646
Total comprehensive income - year ended December 31, 2016						
Loss for the period	-	-	-	-	9 637	9 637
Foreign currency translation adjustments	-	-	(455)	-	-	(455)
Total comprehensive income - year ended December 31, 2016	-	-	(455)	-	9 637	9 182
Transactions with owners - year ended December 31, 2016						
Shares issued	1	133	-	-	-	134
Transfer	-	(76 798)	-	-	76 798	-
Share based payment expense	-	-	-	-	328	328
Transactions with owners - year ended December 31, 2016	1	(76 665)	-	-	77 126	462
Equity at December 31, 2016	\$ 417	\$ -	\$ (248)	\$ (9)	\$ 28 130	\$ 28 290