



Second quarter 2018

15 August 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

Q2'18 USD 19.5 million / H1'18 USD 33.4 million

Operating profit

Desktop PC segment Q2'18 USD 5.9 million / H1'18 USD 9.9 million
Data center segment Q2'18 USD (2.1) million / H1'18 USD (4.3) million

Market cap

USD ~275 million / NOK ~2.2* billion

* 1 USD = NOK 8.35 (14 AUG. '18)

What we do



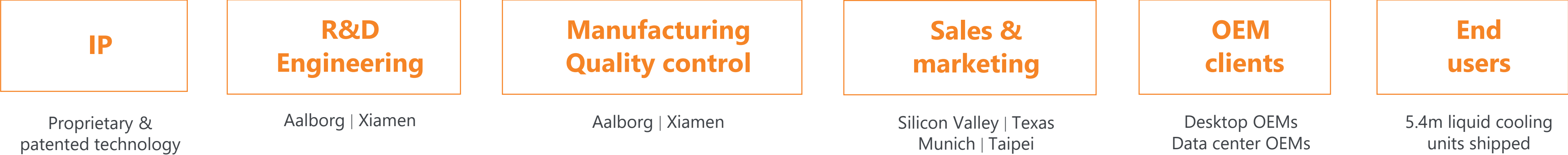
Asetek specializes in liquid cooling solutions for data centers, servers and PCs

Asetek snapshot



Company facts
Listed on Oslo Stock Exchange (Oslo Børs)
FY'17 sales of USD 58 million
FY'17 adjusted EBITDA of USD 6.8 million
94 employees

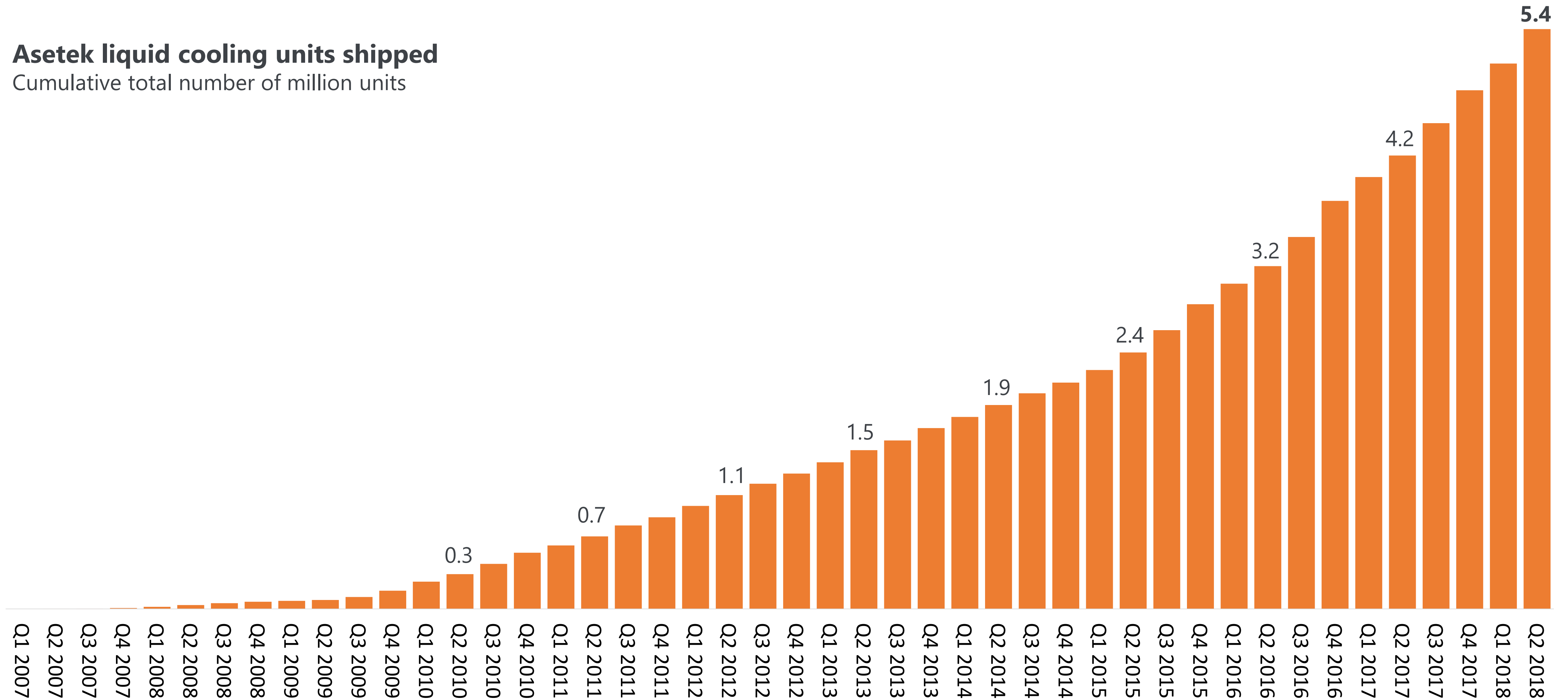
Integrated value chain



Growing adoption of Asetek liquid cooling



Asetek liquid cooling units shipped
Cumulative total number of million units

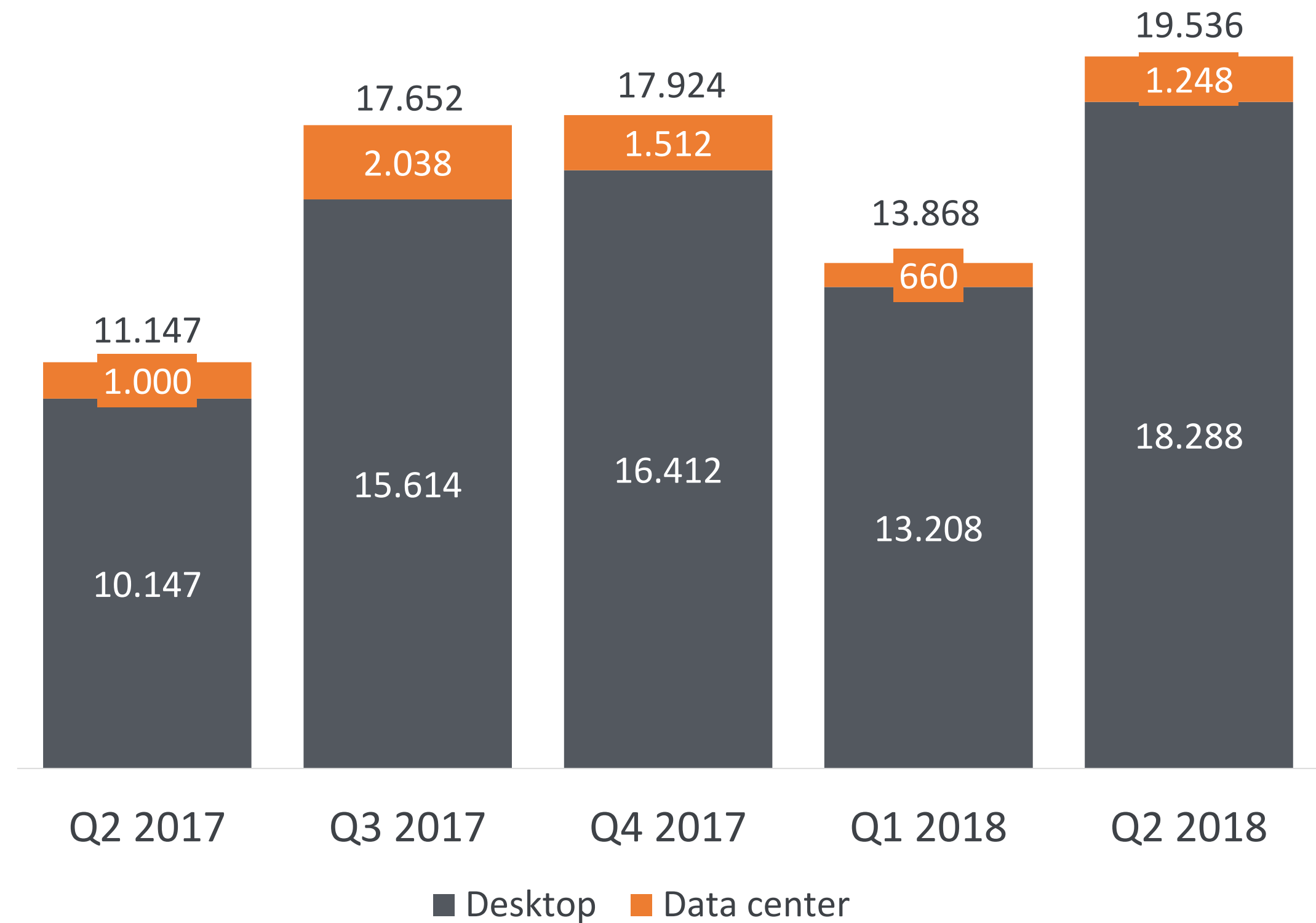


Highlights





- Record quarterly revenue of USD 19.5 million, up 75% vs. Q2'17
 - Driven by high-end desktop cooling demand
 - Q2 revenue growth reflecting increased DIY sales
 - Q2 data center revenue fuelled by OEM shipments
- ASUS selects Asetek's newest generation design for its first liquid coolers
- 2018 desktop revenue growth expectation of between 15% to 25%

Group revenue
USD thousands



Our two business segments

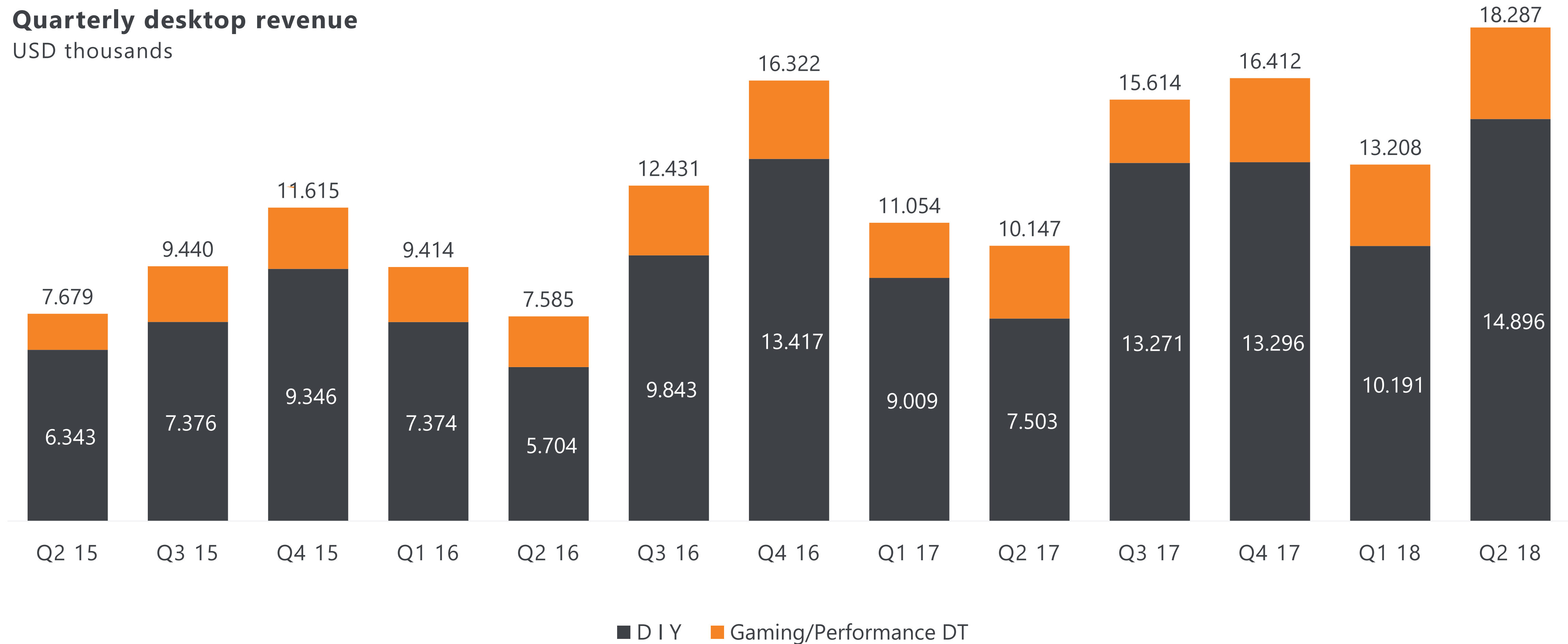


IP Platform	Business segments	Market	Q2'18 financials
<p>Applications Technology Systems Products</p> <p>Patents</p> <p>High Volume manufacturing</p> <p>WW hub infrastructure</p>	 <p>Desktop PC</p>  <p>Data Center</p>	<ul style="list-style-type: none">• Do It Yourself (DIY)• Gaming <ul style="list-style-type: none">• High performance computing (HPC)• Server racks• Servers• Hyperscale computing	<p>94% of revenue USD 5.9m of EBITDA</p> <p>6% of revenue USD (2.1m) of EBITDA</p>

Desktop do-it-yourself (DIY) driving revenue

Quarterly desktop revenue

USD thousands



Our desktop business

Do-It-Yourself PC enthusiasts / gamers
81% sales



OEM Gaming Desktop PCs
19% sales



Shipped 319,000 desktop units in Q2 2018

ASUS selects Asetek's newest generation design for its first liquid coolers

- ASUS, a premium brand for gaming systems, is expanding its Republic of Gamers (ROG) ecosystem utilizing Asetek's solutions
- ASUS first all-in-one liquid coolers, ROG Ryujin and Ryuo
- Based on Asetek's latest generation 6 liquid cooling solution

ASUS[®]



Desktop market update



Desktop revenue drivers

- Strong Q2 2018 for the desktop segment driven by product launches from Corsair as well as unusually high demand for certain existing products
- When CPU and GPU suppliers experience challenges bringing new products to market, PC Enthusiasts, Gamers and eSports Professionals tend to postpone upgrading their PCs leading to a slowdown in the market which in turn creates revenue variability

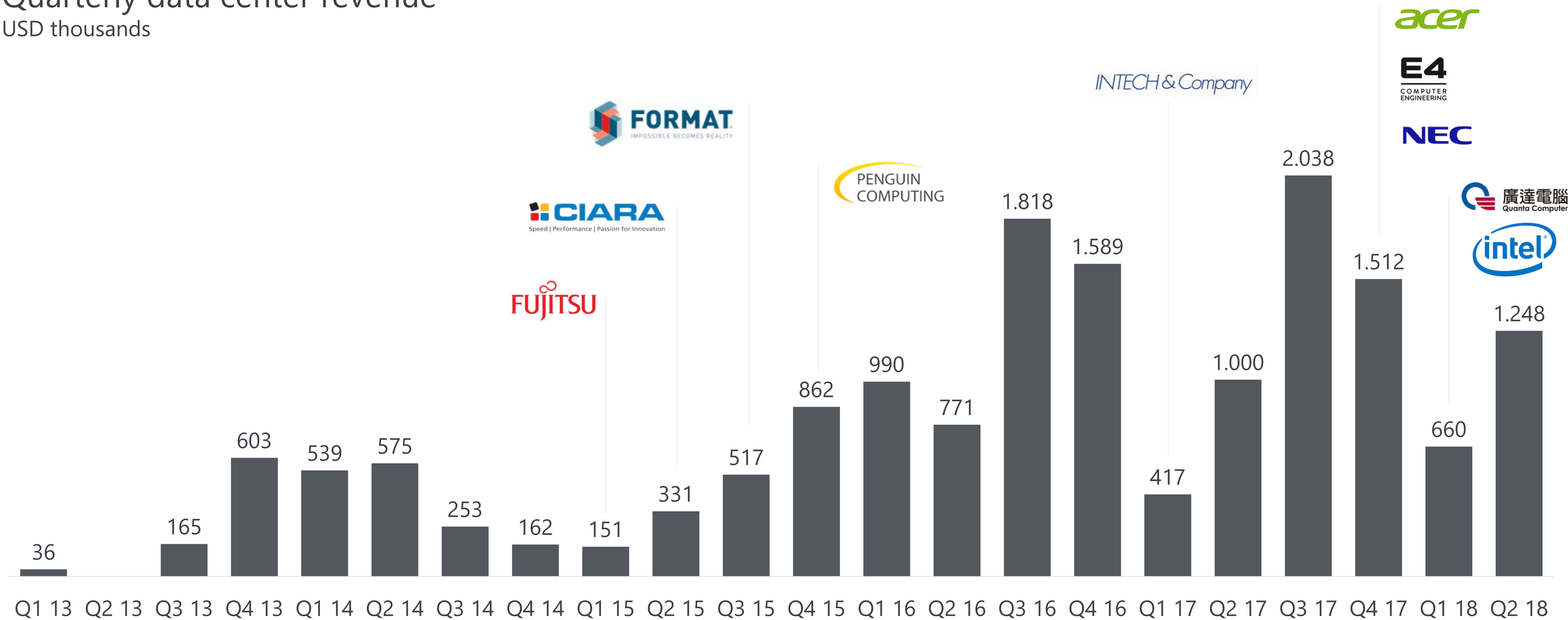
Desktop outlook

- Expect Q3 2018 revenue in the DIY market to approximate the level achieved in Q3 2017
- Expect Gaming/Performance Desktop PC market to increase from the levels achieved in Q3 2017
- As one major GPU launch has experienced delays, Asetek's full-year revenue growth may shift towards the lower-end of the guided desktop range

Data center revenue fluctuates as OEM partnerships are developed



Quarterly data center revenue
USD thousands



New HPC orders from established data center OEMs



Undisclosed U.S. Department of Energy High Performance Computing (HPC) installation

Announced May 4, 2018

Follow up order from Penguin Computing

- Order for Asetek RackCDU D2CT (Direct-to-Chip) liquid cooling solution and D2C coolers and loops for further build-out of an undisclosed U.S. Department of Energy High Performance Computing (HPC) installation
- Order value: USD 230,000
- Delivery: To be completed in Q3 2018



Undisclosed High Performance Computing (HPC) cluster in Japan

Announced May 16, 2018

Order from Fujitsu for new HPC cluster

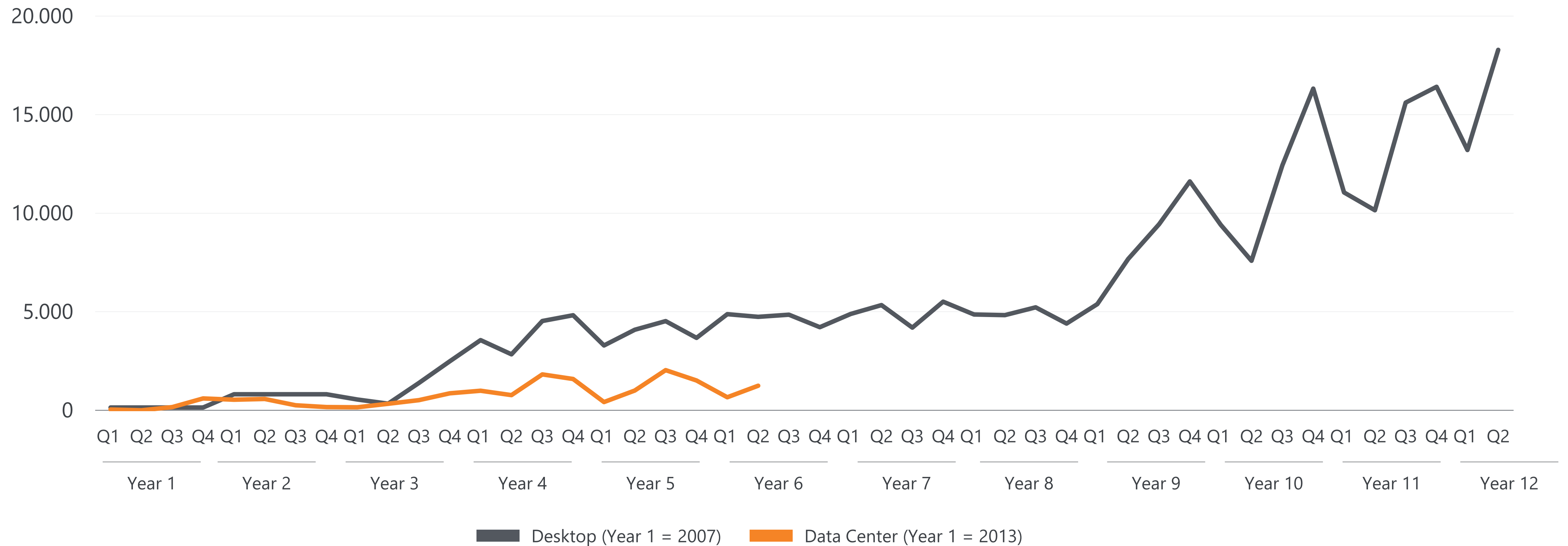
- The major installation will be implemented using Asetek's RackCDUT liquid cooling solution throughout the cluster which includes 1300 Direct-to-Chip (D2C) coolers for the cluster's compute nodes
- Order value: USD 600,000
- Delivery: To be completed in Q3 2018

Hardware commercialization is a long-term business



Quarterly revenue development since commercialization

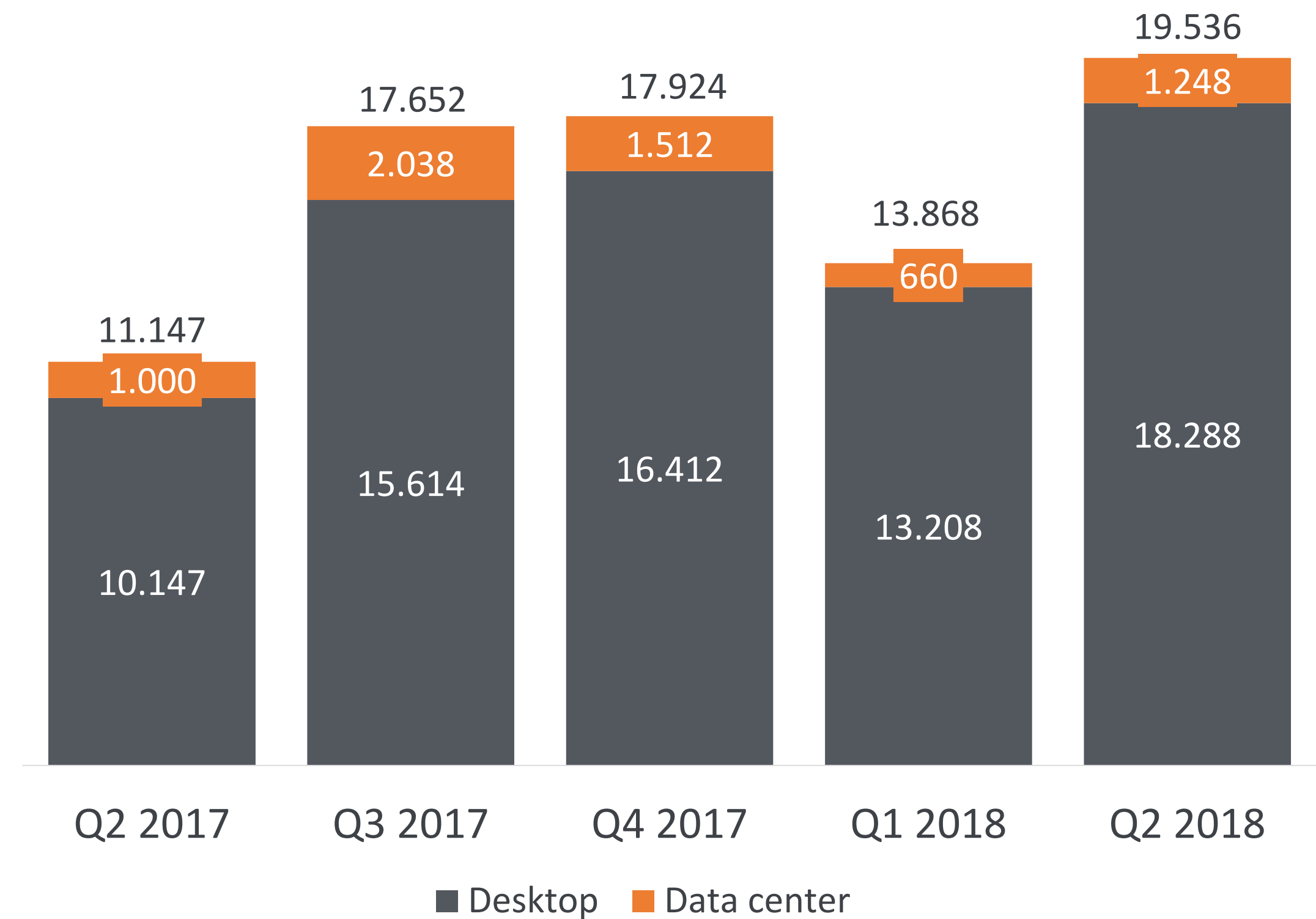
USD thousands



Revenue development

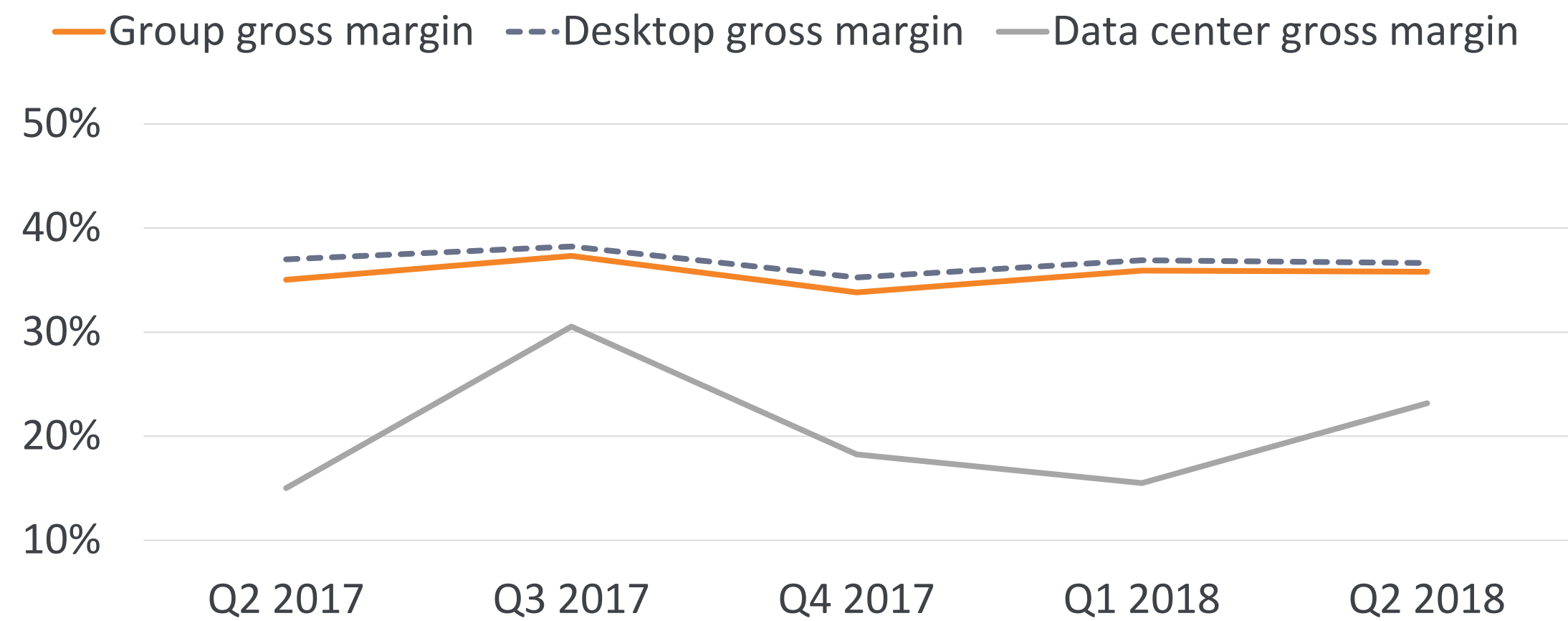
- Q2'18 group revenue of USD 19.5m driven by increased shipments in the do-it-yourself (DIY) market
 - Y-o-Y Quarterly growth of 75%
 - Record quarterly revenue
- Q2'18 desktop revenue USD 18.3m
 - Driven by an increase in DIY product sales
 - Compares with USD 10.1m in Q2'17 and USD 13.2m in Q1'18
- Q2'18 data center revenue of USD 1.2m
 - Fueled by OEM shipments
 - Compares with USD 1.0m in Q2'17 and USD 0.7m in Q1'18

Group revenue
USD thousands



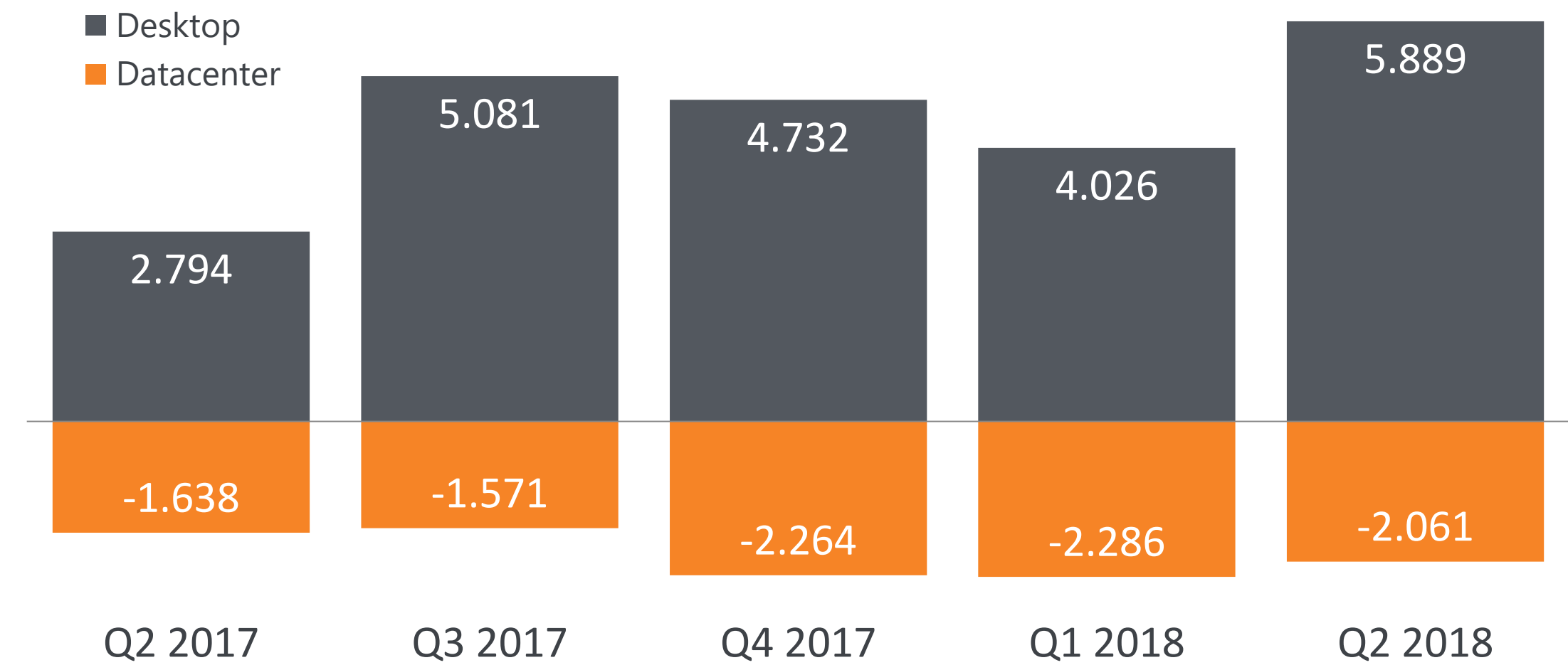
Gross margin and earnings development

Gross margin development



- Q2'18 group gross margin increased to 35.8% (35.0%)
- Q2'18 desktop gross margin decreased to 36.6% (37.0%)
 - Impacted by exchange rate headwind during 2017
 - Sales price increases implemented early 2018
- Q2'18 data center gross margin increased to 23.2% (15.0%)
 - Reflecting growth in shipments to OEMs

Group EBITDA development USD thousands



- Q2 2018 Group EBITDA of 19.6% (10.4%) reflecting very strong desktop activity
- Desktop EBITDA margin of 32.2% (27.5%)
- Data center EBITDA of USD (2.1) million

Income statement



USD (000's)	Q2 2018			Q2 2017		
	Group	Desktop	Data center	Group	Desktop	Data center
Revenue	19 536	18 288	1 248	11 147	10 147	1 000
<i>Gross Margin</i>	35.8%	36.6%	23.2%	35.0%	37.0%	15.0%
Other operating expenses	3 163	813	2 350	2 748	960	1 788
EBITDA adjusted	3 828	5 889	(2 061)	1 156	2 794	(1 638)
Depreciations	993	367	626	631	296	335
Share based compensation	169	42	127	330	111	219
E B I T	2 666	5 480	(2 814)	195	2 387	(2 192)
<i>EBIT Margin</i>	13.6%	30.0%	N/A	1.7%	23.5%	N/A
HQ, Litigation expenses	344			448		
HQ, Settlement received	-			(651)		
HQ, Share based compensation	78			161		
HQ, Other	580			267		
Headquarters costs	1 002			225		
EBIT, total	1 664			(30)		

- Strong revenue growth
- Gross margins on par with recent past experience
- Operating expenses on level with recent quarters
- Increased depreciations. Impacted by two larger projects
- Total EBIT-margin 8.5% (-0.2%)

Cash flow statement



USD (000's)	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Income (loss) for the period	2 143	(962)	3 573	1 376	(625)
Depreciation, amortization and impairment	993	848	704	712	631
Finance cost (income) and taxes	271	10	(3 040)	22	10
Share based compensation	247	413	482	552	491
Changes in current assets other than cash	(5 520)	3 412	(878)	(2 584)	(198)
Changes in payables and accrued liabilities	2 379	(4 004)	731	2 387	2 576
Net cash provided (used) in operating activities	513	(283)	1 572	2 465	2 885
Additions to intangible assets and other assets	(313)	(482)	(613)	(748)	(674)
Purchase of property and equipment & other assets	(464)	(749)	(600)	(410)	(637)
Net cash used in investing activities	(777)	(1 231)	(1 213)	(1 158)	(1 311)
Proceeds from debt issuance, other LT liabilities					
Cash flows on credit lines/debt/lease	(63)	(91)	291	(268)	286
Issuance of capital / conv debt / dividend	289	410	(262)	45	(2 281)
Net cash provided (used) by financing activities	226	319	29	(223)	(1 995)
Effect of exchange rate changes on cash	(806)	529	271	401	491
Net changes in cash and cash equivalents	(844)	(666)	659	1 485	70
Cash and cash equivalents at beginning of period	17 732	18 398	17 739	16 254	16 184
Cash and cash equivalents at end of period	16 888	17 732	18 398	17 739	16 254

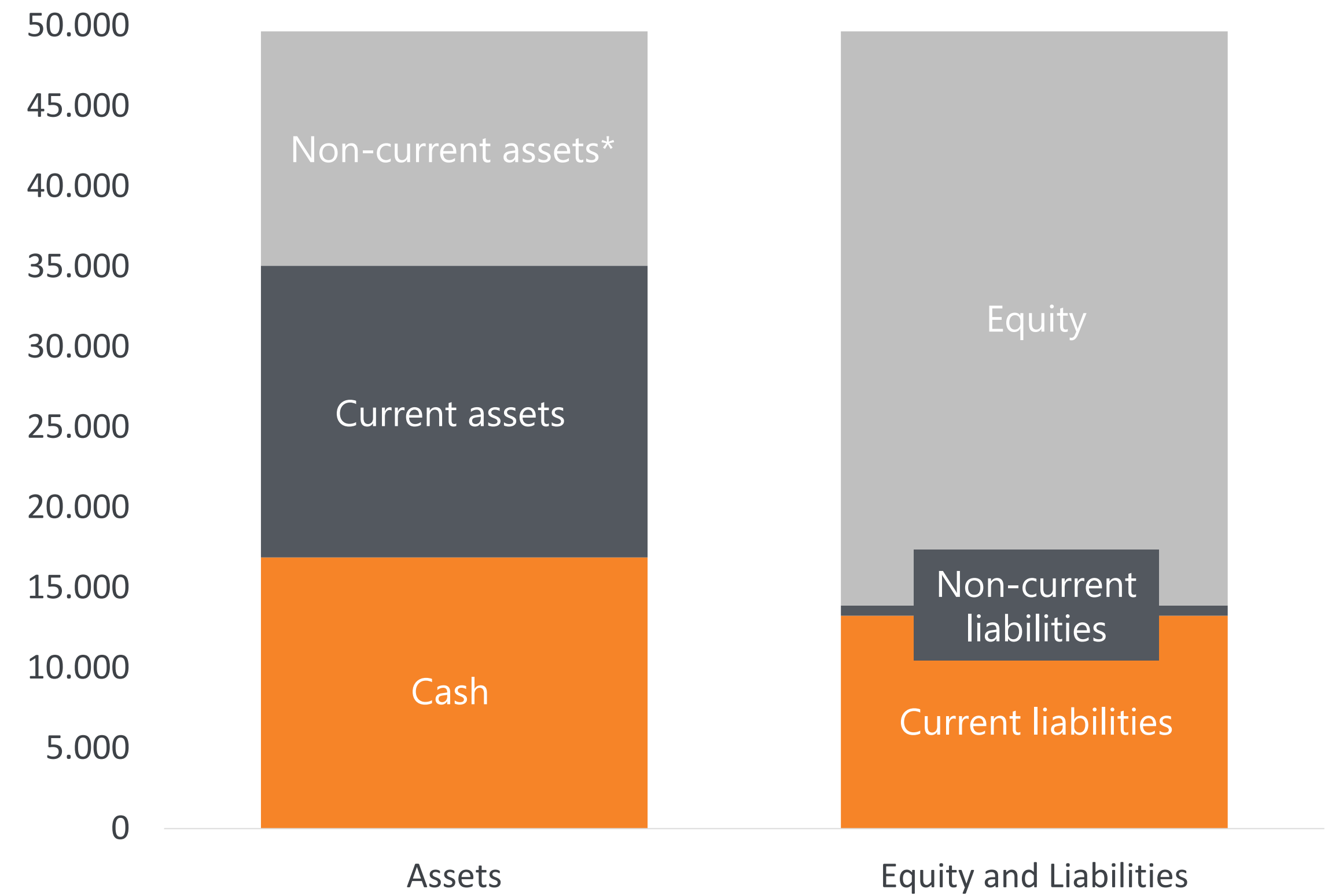
Balance sheet



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



Balance sheet composition

USD thousands



Desktop strategy and outlook



Goal	Strategic platform	Strategy	Outlook
<p>Continue to dominate the desktop liquid cooling market</p>	 <p>Do-It-Yourself PC enthusiasts 81% sales</p>  <p>Gaming and Performance Desktop PCs 19% sales</p>	<ul style="list-style-type: none">• Drive innovation• Drive differentiation• Increase GPU attach	<p>2018 desktop revenue growth expectation of between 15% and 25% over 2017</p>

Data center strategy and outlook



Goal	Strategy	Outlook
<p>Create a meaningful and profitable business</p>	<p>Increase end-user adoption with existing OEMs Add new OEMs</p> <p>Exploit established leadership within HPC</p> <p>Explore potential opportunities to grow beyond the HPC segment</p>	<p>Data center revenue expected to be on level with 2017</p>

Summary



- Record quarterly revenue of USD 19.5 million, up 75% vs. Q2'17
- Growth driven by high-end desktop cooling demand
- ASUS selects Asetek's newest generation design for its first liquid coolers
- Strong long-term market outlook

Appendix

Largest shareholders as of 14 August 2018



Name	Holding	Percentage	Country	Account Type
ARBEJDSMARKEDETS TIL	2,654,768	10.3%	DNK	ORDINARY
CLEARSTREAM BANKING	1,787,310	6.9%	LUX	NOMINEE
UBS SWITZERLAND AG	1,627,347	6.2%	CHE	NOMINEE
SUNSTONE TECHNOLOGY	1,586,341	6.2%	DNK	ORDINARY
DANSKE BANK A/S	1,471,845	5.7%	DNK	NOMINEE
HSBC BANK PLC	1,267,579	4.9%	GBR	NOMINEE
NORDEA BANK AB	1,117,760	4.3%	DNK	NOMINEE
KLP AKSJENORGE	977,671	3.8%	NOR	ORDINARY
RBC INVESTOR SERVICE	845,256	3.3%	LUX	NOMINEE
DZ PRIVATBANK S.A. 0	836,300	3.2%	LUX	NOMINEE
KOMMUNAL	768,200	3.0%	NOR	ORDINARY
THE BANK OF NEW YORK (1)	676,490	2.6%	DNK	NOMINEE
LANNEBO EUROPA SMÅBO	588,535	2.3%	SWE	ORDINARY
NORDNET BANK AB	559,374	2.3%	SWE	NOMINEE
THE BANK OF NEW YORK	480,506	1.9%	BEL	NOMINEE
J.P. MORGAN CHASE	418,872	1.6%	GBR	NOMINEE
EUROCLEAR BANK S.A./	409,206	1.6%	BEL	NOMINEE
STATE STREET BANK AN	364,500	1.4%	USA	NOMINEE
STATE STREET BANK &	306,242	1.2%	USA	NOMINEE
BANQUE DE LUXEMBOURG	299,000	1.2%	LUX	NOMINEE
Total Top 20	19,043,102	73.9%		
Other Shareholders	6,459,618	25.1%		
ASETEK Treasury Shares	248,681	1.0%		
Total share capital	25,751,401	100.0%		

Income statement



Figures in USD (000's)	Q2 2018		Q2 2017		1H 2018		1H 2017		2017	
	<i>Unaudited</i>		<i>Unaudited</i>		<i>Unaudited</i>		<i>Unaudited</i>			
Revenue	\$	19 536	\$	11 147	\$	33 404	\$	22 618	\$	58 194
Cost of sales		12 545		7 243		21 458		14 299		37 225
Gross profit		6 991		3 904		11 946		8 319		20 969
Research and development		1 437		1 007		2 559		1 890		4 220
Selling, general and administrative		3 890		3 578		8 105		6 831		14 905
Other expense (income)		-		(651)		-		(651)		(913)
Total operating expenses		5 327		3 934		10 664		8 070		18 212
Operating income		1 664		(30)		1 282		249		2 757
Foreign exchange (loss) gain		764		(562)		194		(672)		(1 239)
Finance income (costs)		53		(3)		43		(12)		(19)
Total financial income (expenses)		817		(565)		237		(684)		(1 258)
Income before tax		2 481		(595)		1 519		(435)		1 499
Income tax (expense) benefit		(338)		(30)		(338)		(39)		2 976
Income for the period		2 143		(625)		1 181		(474)		4 475
<i>Other comprehensive income items that may be reclassified to profit or loss in subsequent periods:</i>										
Foreign currency translation adjustments		(1 088)		733		(171)		727		1 253
Total comprehensive income	\$	1 055	\$	108	\$	1 010	\$	253	\$	5 728
Income per share (in USD):										
Basic	\$	0.08	\$	(0.02)	\$	0.05	\$	(0.02)	\$	0.18
Diluted	\$	0.08	\$	(0.02)	\$	0.04	\$	(0.02)	\$	0.17

Balance sheet



Figures in USD (000's)	30 June 2018	31 Dec 2017
ASSETS	<i>Unaudited</i>	
<i>Non-current assets</i>		
Intangible assets	\$ 2 495	\$ 2 754
Property and equipment	4 156	3 856
Deferred income tax assets	7 635	7 778
Other assets	314	794
Total non-current assets	14 600	15 182
<i>Current assets</i>		
Inventory	3 016	2 316
Trade receivables and other	15 150	13 280
Cash and cash equivalents	16 888	18 398
Total current assets	35 054	33 994
Total assets	\$ 49 654	\$ 49 176
EQUITY AND LIABILITIES		
<i>Equity</i>		
Share capital	\$ 422	\$ 419
Retained earnings	34 510	31 976
Translation and other reserves	830	999
Total equity	35 762	33 394
<i>Non-current liabilities</i>		
Long-term debt	644	816
Total non-current liabilities	644	816
<i>Current liabilities</i>		
Short-term debt	1 016	1 051
Accrued liabilities	1 745	2 432
Accrued compensation & employee benefits	1 304	1 335
Trade payables	9 183	10 148
Total current liabilities	13 248	14 966
Total liabilities	13 892	15 782
Total equity and liabilities	\$ 49 654	\$ 49 176

Equity



Unaudited

Figures in USD (000's)	Share capital	Translation reserves	Other reserves	Retained earnings	Total
Equity at January 1, 2018	\$ 419	\$ 1 005	\$ (6)	\$ 31 976	\$ 33 394
Total comprehensive income - six months ended June 30, 2018					
Income for the period	-	-	-	1 181	1 181
Foreign currency translation adjustments	-	(171)	-	-	(171)
Total comprehensive income - six months ended June 30, 2018	-	(171)	-	1 181	1 010
Transactions with owners - six months ended June 30, 2018					
Shares issued	3	-	2	693	698
Share based payment expense	-	-	-	660	660
Transactions with owners - six months ended June 30, 2018	3	-	2	1 353	1 358
Equity at June 30, 2018	\$ 422	\$ 834	\$ (4)	\$ 34 510	\$ 35 762
Equity at January 1, 2017	\$ 417	\$ (248)	\$ (9)	\$ 28 130	\$ 28 290
Total comprehensive income - six months ended June 30, 2017					
Income for the period	-	-	-	(474)	(474)
Foreign currency translation adjustments	-	727	-	-	727
Total comprehensive income - six months ended June 30, 2017	-	727	-	(474)	253
Transactions with owners - six months ended June 30, 2017					
Shares issued	1	-	3	440	444
Share based payment expense	-	-	-	563	563
Dividends	-	-	-	(2 907)	(2 907)
Transactions with owners - six months ended June 30, 2017	1	-	3	(1 904)	(1 900)
Equity at June 30, 2017	\$ 418	\$ 479	\$ (6)	\$ 25 752	\$ 26 643

Strategic position



Large and growing markets

Supplying global brands

Market leading solutions

Strong IP

Profitable growth