

LIQUID
COOLING
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DNB TMT Opportunity Conference 2015

September 22, 2015
Oslo, Norway



ASETEK

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Asetek highlights

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1

Growing market for liquid cooling driven by performance and efficiency needs

2

Asetek the world-leading provider of computer liquid cooling solutions

3

Proprietary and patented technology, >2m units deployed

4

Growing and profitable desktop computer business main revenue driver up until today

5

Expanding data centers business with OEM portfolio key addition of Fujitsu in Q2'15

6

Delivered record group revenues of USD in Q2'15, expecting further growth in H2'15 and 2016



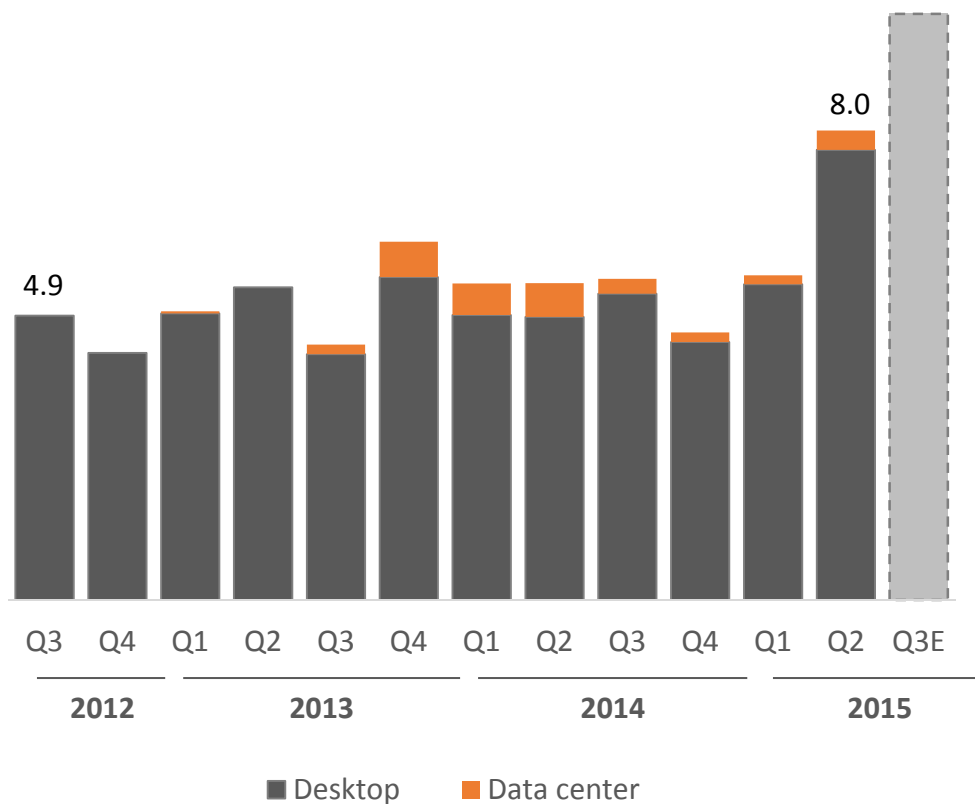
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Expecting Q3'15 revenues of approx \$10m

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Revenues
\$ million

Group revenues
~10.0



- Expecting revenues of approx \$10m in Q3'15
- As communicated in the Q2 report, mainly driven by desktop segment
- Full and final Q3 2015 financial report announced October 28th, 2015



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- I. Highlights
- II. Market**
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Increasing liquid cooling momentum

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FACE 2 FUJITSU

Corporate Blog

Fujitsu LCT: How Hot Water Can Keep Your Data Center Cool

With server performance and density growing on an annual basis and data centers ever expanding, keeping the appropriate operating temperature can turn into a real challenge both from a technical and a financial perspective. This is particularly true for so-called scale-out environments, i.e. farms of server clusters that handle massively parallel workloads, as well as for high-performance computing (HPC). With Fujitsu's new Cool-Central® Liquid Cooling Technology in place, administrators can sit back and chill out.

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Liquid Server Cooling Goes Mainstream With Fujitsu PRIMERGY

by Alcorn JULY 22, 2015 11:30 AM - Source: Fujitsu

TAGS: Servers Data Center Enterprise

Data center administrators covet density (in all its forms) above most other considerations because it is one of the key factors to reducing OPEX. Packing more compute into a smaller space either shrinks the overall footprint or provides more processing power within the same amount of space. The problem with incredibly dense architectures is the sheer amount of power piped into each rack. Servers emit power as heat, and dense designs present tremendous cooling challenges.

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The Power Series team at IBM is making big moves on price and performance.

Blog: Multiple Approaches to Container Scalability

Article: Bringing Software-Defined Networking to the WAN

Arthur Cole | INFRASTRUCTURE | POSTED 30 JUN 2015

Liquid cooling is gaining, well, steam (sorry) in the data center as compute densities creep up and organizations look for ways to keep temperatures within tolerance without busting the budget on less-efficient air-handling infrastructure.

inside HPC

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Interview: Asetek Rides Rapid Adoption of Liquid Cooling for HPC

by August 10, 2015 by Rich Bruckner

The HPC industry's expanded use of liquid cooling was evident at the recent ISC 2015 conference in Frankfurt. To learn more, we caught up with Steve Branton from Asetek.

insideHPC: What's new with liquid cooling from Asetek?

Steve Branton: The first thing that we're going to talk about is the increased availability through our partners. And then we want to talk a little bit about where we've advanced the system. And



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Get to Know Some of Dell's 13th-Generation PowerEdge Servers

Fujitsu Unveils Liquid-Cooled Primergy Servers

Fujitsu Unveils Liquid-Cooled Primergy Servers

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The systems in the vendor's Cool-Central Liquid Cooling Solutions will cut energy costs in half and increase density up to five times, officials say.

Fujitsu is introducing a liquid-cooled server solution that officials say will reduce cooling costs by 50 percent and increase data center density by up to five times for such scale-out environments as high-performance computing.

The company last week unveiled the Primergy CX400 M1 and its cluster nodes that make up the company's Cool-Central Liquid Cooling Solutions, which were developed in conjunction with Asetek, a company based in Denmark that makes liquid-cooling technologies for data centers.

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ASIA PACIFIC APPLICATION DELIVERY CONTAINER VENDOR OF THE YEAR

Data Center and Infrastructure

Fujitsu says its new servers reduces cooling costs by up to 50%

By News Staff | Wednesday, July 22, 2015 - 09:49

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Fujitsu has extended its energy-efficient server solutions for large scale-out environments including High Performance Computing (HPC), with the introduction of the Cool-Central Liquid Cooling Solution that, the company says, reduces cooling costs by up to 50 percent.

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Asetek targets two markets

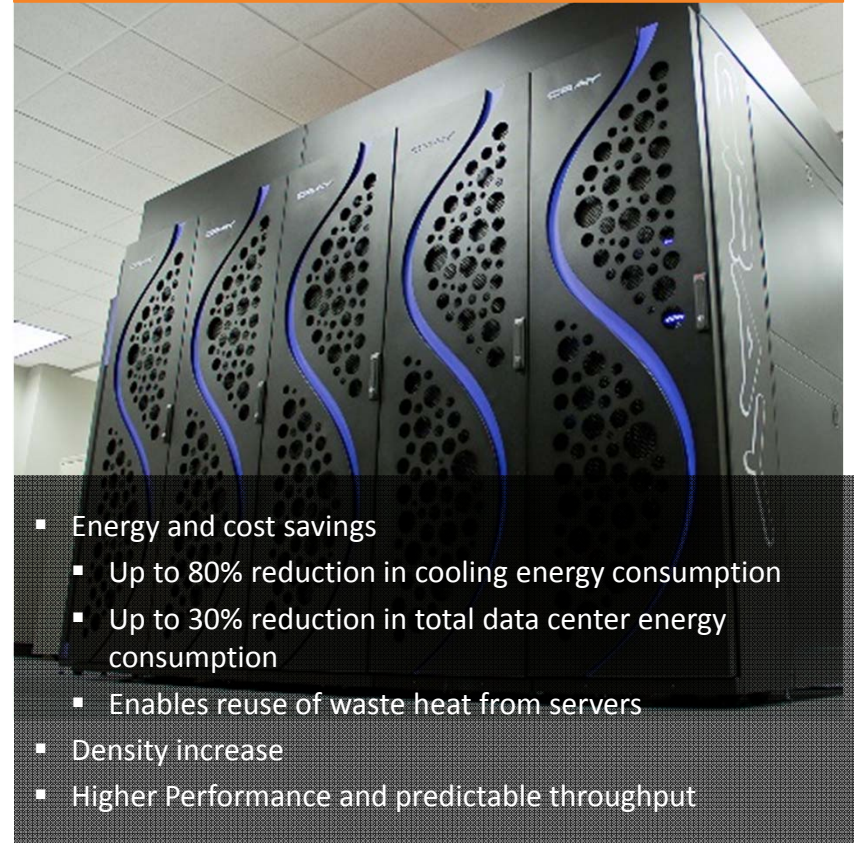
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Desktop computers



- Enhanced performance
- Reduced noise
- Reliable components

Data centers



- Energy and cost savings
 - Up to 80% reduction in cooling energy consumption
 - Up to 30% reduction in total data center energy consumption
 - Enables reuse of waste heat from servers
- Density increase
- Higher Performance and predictable throughput



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Mega drivers behind increasing demand

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Power and cost savings



- Energy cost and uptime is the number one concern for data center owners
- Focus on re-using waste heat from data centers
- Power/cooling is the #1 data center design criteria
- Sometimes more power is used in cooling the servers than actually running them

High Performance Computing (HPC)



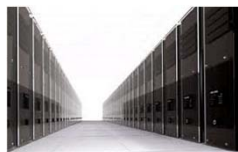
- HPC characterized by utilizing the fastest possible hardware and building thousands of servers into supercomputing clusters requiring high density and state of the art heat rejection
- Continued growth in HPC by government, laboratories, military agencies, universities/academia, oil & gas and large technical enterprises

Going green



- Climate Change driving the demand for greater data center efficiency
- Data centers account for almost 2-3% of the global power consumption
- Ability to recover data center waste heat for reuse in building, campus and district heating

Hyper scale data centers



- Big data, virtualization, and mobile computing are driving growth in large general purpose data centers for computing, storage, cloud and other advancing markets.
- Be it owned, co-located, leased or Cloud-based is driving utilization up and it is not uncommon that companies spend as much power on cooling their data centers as they do on actually running the servers



Sources: Datacenter Dynamics 2012 Global Census, BP, U.S. Energy Information Agency, Uptime Institute

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Integrated and scalable business based on proven technology and unique IP

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Market position

- Market leader by revenue, volume and customers
- Robust channel and OEM partnerships with almost all large industry players
- 15 years of experience with thermal management and liquid cooling

Technology

- Highly efficient direct-to-chip liquid cooling
- Plug and play technology
- No end-user maintenance
- Common core technology behind all products
- Possible to re-use waste heat
- Low cost by design

Manufacturing

- Highly scalable manufacturing model using "copy exact" principle
- Full control over production at contract manufacturer in China
- High-tech CNC manufacturing plant in Denmark
- High volume production cost advantage

Intellectual property

- All products and technologies are patent protected
- Approximately 20 granted patents worldwide
- Approximately 10 in the US
- Approximately 15 patents pending



Unique IP demonstrated in Q2'15, strengthens competitiveness and growth platform

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- Asetek's sizable portfolio of IP rights including patents provides competitive advantages and barriers to entry for competitors
 - Pending patent and utility model applications worldwide
 - Recently issued patents include EU patent with 2003 priority in 12 countries and China patent
 - Additional applications under preparation
- In June 2015, the U.S. District Court of Northern California determined that competitor CoolIT Systems shall pay damages to Asetek totaling \$1.9m
 - Asetek expects to receive the full settlement within six months of the court ruling
 - Will recognize the payments in the financial statements when received
 - Received an initial payment of \$0.5m in July
- Won over CMI USA in the U.S. District Court of Northern California in December 2014
 - Awaiting the Court to award final damages and injunction/royalties



Q2'15 record quarter for the desktop segment

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- Asetek's desktop revenue increased 59% vs. Q2 2014
 - Significant demand in the DIY market compared with modest demand in the second quarter 2014
 - Second quarter revenues in the Gaming/ Performance Desktop PC market remained level with the same period of last year.
 - Revenues in the Workstation market declined
- Multiple new products ready for launch in Q3
 - Began shipping one new DIY product
 - Shipment of multiple new desktop products planned for in Q3



Corsair advanced liquid cooling delivered by Asetek



Asetek has been building liquid cooling market demand since 2012, results emerging...

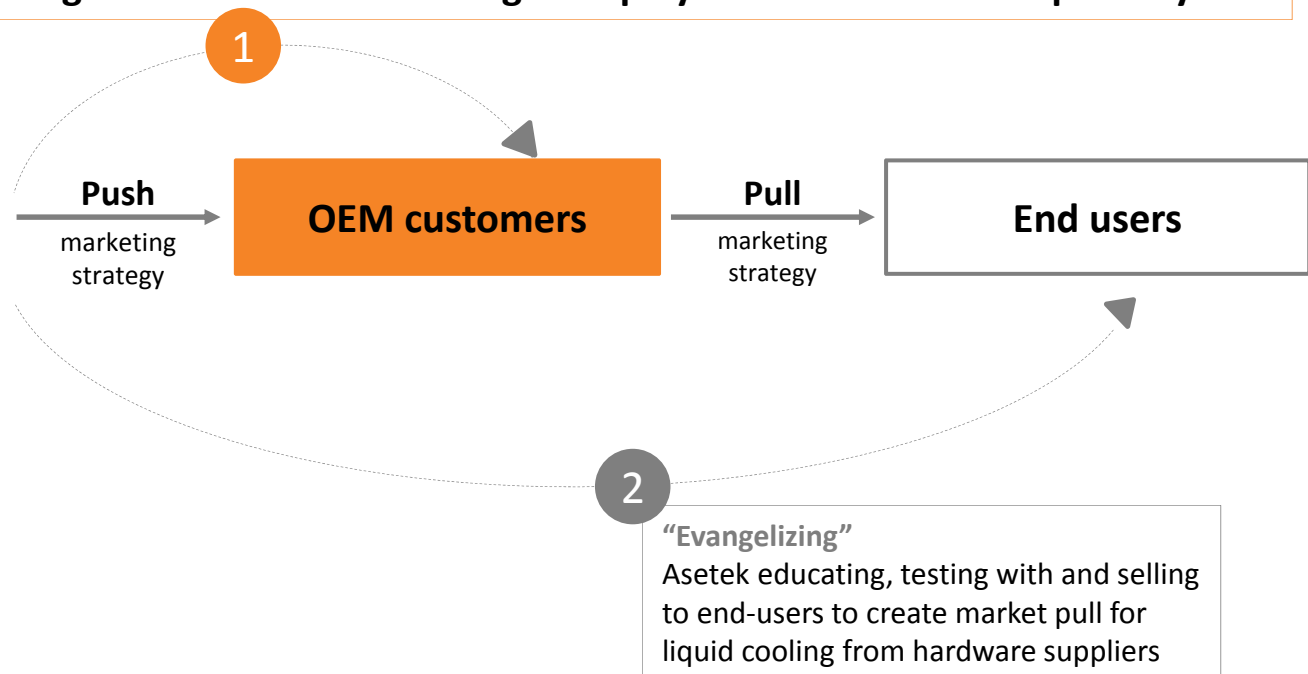
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Supply

Demand creation

Main focus moving forward

- Firming up Tier 1 OEM adoption and contracts
- Closing contracts with select regional players with shorter adoption cycles



...OEM Fujitsu data center revenues started, order substantiates milestone partnership with Fujitsu



- Received first production order in Q2'15 under the OEM purchase agreement with Fujitsu
 - Agreement announced in February 24th, PO announced July 1st
 - RackCDU Direct-to-Chip™ data center liquid cooling system
 - Approx 40 racks, including >5000 pumps and loops for CPU, GPU and memory
 - Value > \$0.5m translated into initial Q2 revenues of \$0.2m revenue
 - The largest single order Asetek has received so far on its RackCDU products
- The official launch of FUJITSU Cool-safe® products based on RackCDU is scheduled for Q3
 - Fujitsu won an award on its PRIMERGY servers with Asetek's liquid cooling
 - Key benefits: Reduced data center OpEx and CapEx, immediate to 1 year payback typical, 2.5x-5x increases in server density
- Order substantiates milestone partnership with Fujitsu
 - Further validates strategy of cooling data centers through global OEMs



Additional contracts signed, chosen by Wall Street supplier CIARA in Q2, regional OEM in Q3



**Announced
1 June 2015**

- CIARA supplies enterprise servers, storage and services and is one of the largest system manufacturers in North America
 - Products employed worldwide by finance, aerospace, engineering, transportation, energy, government, education and defense companies/institutions
- Asetek to cool CIARA's High Frequency server line
 - Financial institutions' high frequency trading craves server performance
 - Cooling is a bottleneck for high performance hardware
- Asetek currently expects CIARA cooperation to generate revenues >\$1m on an annual basis
 - Delivery scheduled to begin in the third quarter 2015

Regional OEM

"Format"

**announced
17 August 2015**

- Polish IT solutions provider FORMAT Sp. Ltd placed purchase order for RackCDU™ data center liquid cooling system in June
 - Building on the success of previous smaller orders
 - Poland a liquid cooling early adopter
- Ordered 6 RackCDU with cooling loops for a total of 471 compute nodes
 - Will be delivered in Q3
 - \$100k revenue



U.S. government contracts part of increasing data center adoption

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Department of Defense (ESTCP) contract

- Total contract amount \$2.4m
- \$0.2m invoiced in 2015
- \$1.8m invoiced from inception in 2013 through June 2015
- Stage-2 installations expected to commence in H1 2016

California Energy Commission contract

- Total contract amount \$3.6m
 - Recently signed
 - First product delivery and invoicing expected late 2015
-
- Potential positive impact from recent California Title-24 datacenter energy efficiency legislation
 - New datacenters over 70 kW IT heat load, and...
 - Existing datacenters adding more than 175 kW IT heat load...
 - Must implement cooling technology that reduces daily operating costs and carbon footprint



Sandia

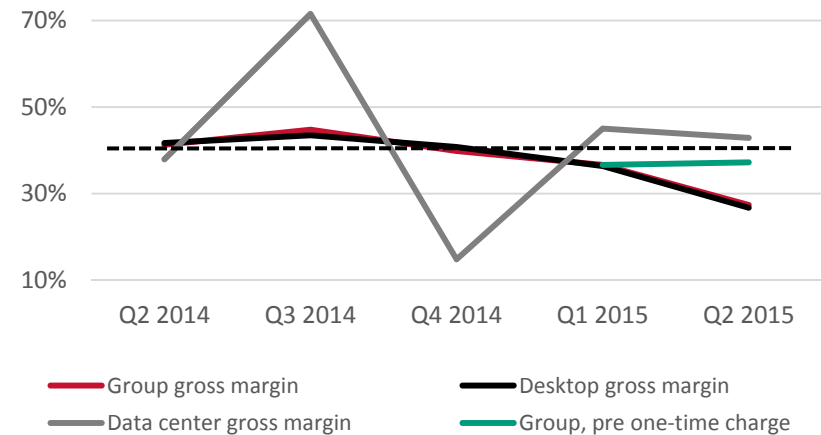


Q2'15 gross margin and earnings recap

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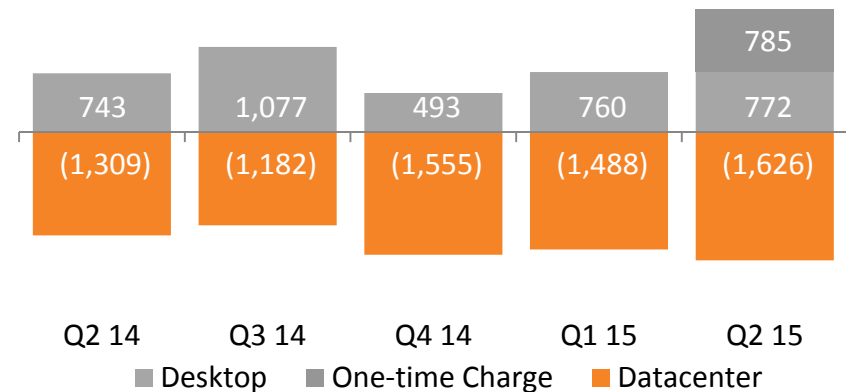
- Group gross margin decreased to 27.4% in (40.9%) due to product/customer mix changes and one-off-charge.
 - Group gross margin pre one-off-charge would be **37.2%**, which is higher than Q1 2015
- Data center gross margin up to above 40%
 - However too early to predict stable level
- Desktop EBITDA down to 10%
 - Desktop continues at double digit %-contribution
 - One-time cost consumed 10 %-points in Q2 2015
- Data center EBITDA
 - Constant consumption in data center

Margin development



EBITDA development

USD (000's)



Q2'15 balance sheet recap

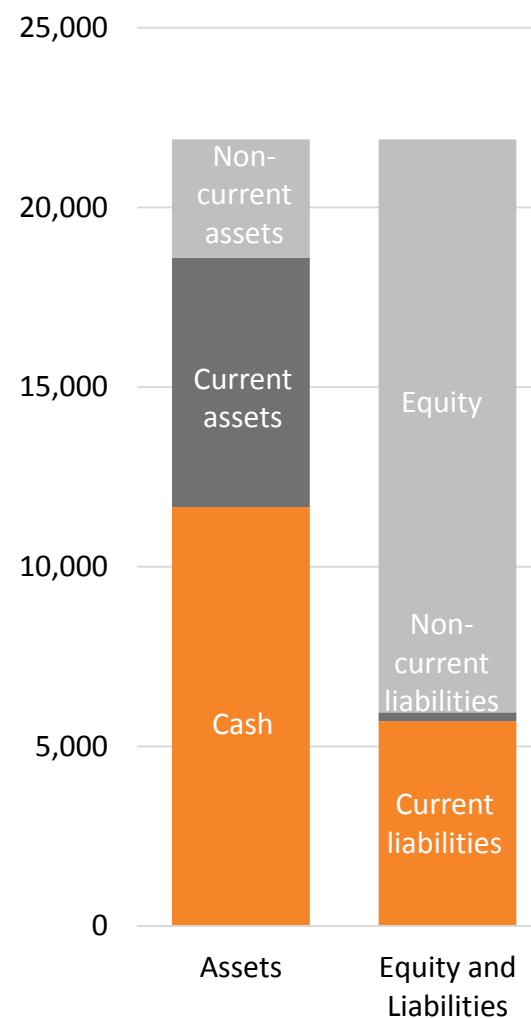
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USD (000's)	Q2 2015	Q1 2015	Q4 2014
Total non-current assets	3 298	3 316	3 356
Inventories	1 680	1 065	1 102
Receivables	5 251	3 976	4 186
Cash and equivalents	11 664	14 728	4 170
Total current assets	18 595	19 769	9 458
Total assets	21 893	23 085	12 814
Total equity	16 017	17 246	7 422
Total non-current liabilities	247	255	309
Total current liabilities	5 629	5 584	5 083
Total liabilities	5 876	5 839	5 392
Total equity and liabilities	21 893	23 085	12 814

- Inventory turns: ~15 times per year
 - Slight improvement over Q1 2015
- Trade receivables DSO: ~45 days at Q2 2015
 - Constant despite significant growth in activity
- Trade payables DPO: ~70 days at Q2 2015
 - Lower than Q1 2015 due to vendor composition

(above calculations exclude one-time charge)

Balance sheet composition – Q2 2015



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Q2'15 outlook reiterated and firmed-up

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Asetek desktop segment expectations:

- Significant desktop growth in Q3, translating into approx. \$10m group Q3'15 revenues
- Launch of six new DIY products in Q3
- Desktop margins to return up to recent levels



Asetek sealed all-in-one liquid coolers

Asetek data center segment expectations:

- Completion of first Fujitsu order in H2 2015
- Commencement on California Energy Commission \$3.5m project with initial shipments and revenues late 2015
- Significant revenue growth in 2016



RackCDU D2C™ Liquid Cooling
Direct-to-Chip, Hot Water Liquid Cooling for Data Centers



Summary

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- 1 Growing market for liquid cooling driven by performance and efficiency needs
- 2 Asetek the world-leading provider of computer liquid cooling solutions
- 3 Proprietary and patented technology, >2m units deployed
- 4 Growing and profitable desktop computer business main revenue driver as of today
- 5 Expanding data centers business with OEM portfolio key addition of Fujitsu in Q2'15
- 6 Delivered record group revenues in Q2'15, expecting further growth in H2'15 and 2016

