

CUI Global, Inc.

CUI Global CEO Presentation at 2016 Annual
Meeting of Stockholders

Tuesday, November 29, 2016

CORPORATE PARTICIPANT

William Clough – *President and Chief Executive Officer*

PRESENTATION

William Clough

Thank you all for attending. Let me start with a brief overview of the sectors in which we are now operating.

Starting with the Energy sector, that sector is based, as you know, in Houston, Texas where our North American headquarters is and in the UK where our Western European and UK headquarters is. We are quite pleased with the performance of that sector over the course of this year. We have, as you know, obtained a very large contract, our first initial contract for the GasPT device. That contract was with SNAM RETE Gas and in a moment, I will give you an overview of where that stands.

We did some other things, though, outside of Italy. We were very proud of the fact that we got the framework agreement signed with National Grid [slide 2]. As some of you know, this puts us on an even footing with tier one contractors in the UK and Western Europe for what could be a multi-billion upgrade over the next five years in the National Grid system. It assures us of a minimum of \$40 million in work, which is service contracts and projects that we've already won. So over the course of that five years, we will get \$40 million plus spread out over the five years based on just the award of that framework agreement.

We also have finally seen the Ofgem consultation letter, which we talked about in the past. This is the letter that Ofgem is using to recommend the GasPT for use as a fiscal monitoring device throughout the UK at all levels. As you may know, at this point we are used at very large offtakes, but at the smaller offtakes, we don't meet the criteria. This letter is an effort by Ofgem to allow us to meet all criteria throughout the UK as a fiscal monitoring device. We will wait for 54 days for that letter to get comments from the industry as a whole and assuming there is no negative comments, which we think there will not be, we expect full approval in early first quarter of 2017. What that will give us is the ability to use our technology throughout Western Europe and with Ofgem approval as a fiscal monitoring device. So a big step forward into what we are trying to do in the gas industry.

As far as Snam Rete is concerned, we talked about this as well on several calls. We are quite pleased with our performance to date. We've delivered the first 400 GasPT units. They have performed flawlessly. They were delivered on time and within budget and Snam Rete is quite happy with the performance and the delivery of those devices. They are, in fact, dealing with a procedural issue that they have to deal with now, which is simply an antitrust issue raised by a regulatory agency inside of Italy. We have been told that that does not affect the total project. It does not affect funding for the project, which is fully funded and it does not affect the technology, our technology specifically, or the approvals for that technology. What it does affect is Snam Rete's ability to purchase the offtakes from the big consumers that they have to do to install our devices. They expect, they being Snam Rete, have told us they expect to have this issue resolved by first quarter of next year and they expect to take up their delivery process of 100 units a month beginning in first quarter. We feel that that will happen sometime in February or March and obviously we will keep the market informed as we move forward. We are still very confident that they will install as many as 1200 units next year, 1200 units in 2018 and the remainder of what could be a 7000-unit project in 2019 and beyond. So again, we are quite pleased with where we are.

We have done some technical things to improve our ability to deliver the product. What I'm showing you here on this next slide [slide 3] is a calibration rig that we talked about in the past.

It is now fully operational and as most of you know or have known if you've followed the company for some time, our big choke point for delivering the GasPT devices was the calibration of the devices, which up until now had been done by GL Noble Denton, our partner, and they've been able to do somewhere between 40 and 80 units a month. Well, this new calibration rig that you see pictured here will allow us to do as many as 150 to 200 a month and we can mass produce this, or in essence, move forward with a much more automated process. The device you see is a circular device that fits eight of our units inside it. It is very quick to heat up and very quick to cool down so we can do our heat calibration over a period of two days rather than two weeks. It is a very big step forward to mass producing and mass delivering the GasPT technology.

In regards to Western Europe generally [slide 4], we are also in the process of negotiating a representation agreement with ENGIE, the French company. That representation agreement will allow them to represent us both in Western Europe at their two subsidiaries; GRTgaz, which is their transmission company and Elengy, which is their liquid natural gas producer and transporter. They also expect to take us to two large users in North America where they hope to, in essence, introduce us into that marketplace as partners with ENGIE. In conjunction with that partnership agreement, they've also given us access to what we believe will be the next big technology when it comes to Western Europe and North America and that is a new method of odorizing the gas. In today's environment, the way gas is odorized is pictured here on this next slide [slide 5]. They are very large, very cumbersome tanks of sulfur compound that is, in essence, injected into the pipeline and can only be used with the pipeline is pressurized and is using gas. It cannot be used if the gas is intermittent or if it is not pressurized because the sulfur will tend to settle towards the bottom of the pipeline, which will hyper-odorize the gas making it, in essence, creating a false leak situation. What has been invented, patented, and now has been deployed by ENGIE across their pipeline system is this next device [slide 6], which is an odorization nebulizer. Based around the concept that an ink jet printer uses to inject very small amounts and very precise amounts of ink in the paper to make letters, this device does the same thing with odorization of gas and you can see rather than having a large tank, you have a very small inlet that allows gas to be put into the pipeline only when the pipeline is operating. If it is not pressurized, the odorizer stops providing odorization, therefore you never have the issue that you have with gas flowing or not flowing. The key to this is, we believe, is that we already have the interest from Snam Rete Gas in as many as 7000 of these units as we start to move forward. It's going to be our job with ENGIE to, in essence, productize this device. We've already got a patented technology. We've already got certification. We're already got it deployed across ENGIE's pipeline system. We just simply need to productize it and get it out to market. Again, we believe it's going to be a very exciting product moving into 2017 and beyond.

I also wanted to talk a little bit about our partnership updates [slide 7]. As you know, we've announced these updates in the past. We have developed partnerships with a number of different organizations. We announced Daily Thermetrics earlier this year. We found them to be a very, very aggressive partner when it comes to selling thermal wells. In fact, they have introduced us to some of the iconic and most iconic traders in gas in the world; companies that are all Fortune 100 and bigger and are names that you would recognize on a daily basis. They are giving us access to those customers. They are already servicing those customers for thermal wells and we are going to be taking our sampling systems to those customers and we expect to have some real traction develop there.

Block Engineering is a company we are attempting to put together a partnership with. They have developed a method using a tuned laser to very quickly assess the calorific value of gas. Different from the GasPT, they will actually be able to provide us what's called speciation, which

is simply the higher individual elements of the gas, the complex hydrocarbons C1 through C6, something that is very necessary in the North American markets and if we can develop the right relationship with Block Engineering, we see this as the possible answer to our GasPT3.

And then last, but not least, is YZ Systems. As again, some of you know, we represent YZ's odorization systems throughout Europe, Western Europe. We think that we can use those introductions, that network, to really introduce the nebulizer throughout Western Europe as well. We think that's going to be a very exciting relationship as we move forward. Again, the Energy sector has been a big mover for us over the course of the last year. We expect it to be a big revenue driver as we go into 2017 and 2018.

Finally, I'll talk a little bit about the Power Electromechanical sector [slide 8]. Good steady growth, we have talked the fact that 2016 will be a year that's predominantly flat in that industry. We think that is true, that we will end the year flat. Frankly, that's quite an accomplishment for that management team because the Power and Electromechanical sector in general is down between 5% and 8%, so maintaining a flat outline in that kind of a market is something we are quite proud of. We are, in fact, seeing some real traction develop, though, with our VPS technology. As you may remember, that is Virtual Power System. It's a way of leveraging power for the blade server market. What you see pictured here is our VPS hardware and on the right, on your left, I guess, on the left-hand side, you will see our computer representation of what a user sees when they actually operate the system. What it does is it allows the big blade servers to, in essence, capture power when it's not needed, store that power in a battery array and then when power is demanded, that battery array can supply that necessary extra power. We think that we will see some significant revenues in this area sometime in the fourth quarter 2017, but again, we are still very confident that it's going to be something that could revolutionize the blade server market.

With that being said, I think we can all agree that we are very excited about our opportunities moving forward. The Gas and Energy segment has seen consistent growth and will continue to grow as we move into 2017. We see already that the Electronics division is starting to recapture some of the customers that we got in the past. We are starting to see now levels of inventory reduced, so we think that the 2017 outlook for the Power and Electromechanical system or sector will be much better than it has been in 2015 or 2016. All in all, we think the company has a very, very bright future.

As always, I want to thank all of you for your continued support, your continued interest. I know I speak for Dan and the entire management team along with our board of directors when I tell you that we certainly appreciate all that you bring to the table.

The last thing that I'll mention, which I mention to all of you when I meet you on a daily basis is Dan and I are both very committed to this company and very enthusiastic about where we're going so if there's ever a question or you ever need anything from us, please don't hesitate to ask. You can email or call. We are happy to answer your questions.

Again, thank you. Thank you all for your attention and your time. Thank you.