

Q1 2014 Investor Presentation

Svenn-Tore Larsen, CEO

Robert Giori, CFO

Summary – Q1 2014:

Rapid growth in sales and order inflows

- Revenue grows by 27% to MUSD 31.5, in seasonally slowest quarter. EBIT increases by 11% to MUSD 0.8.
- Order inflows grow to MUSD 39.7 (vs. MUSD 23.4 in prior year)
- Demand for Bluetooth Smart wireless solutions drives sales growth. BT Smart sales increase to a record high 30% of revenue (vs. 8% in Q1 2013).
- Very heavy product design activity in new «Internet of Things» applications, with many new BT Smart wireless accessories due for release in 2014.



Financial Highlights

Robert Giori, CFO

Q1 2014 Financial Highlights (MUSD)

MUSD

Financial objectives

Growth

	<u>Q1 2014</u>	<u>Q1 2013</u>	<u>Comments</u>
Revenue	31.5	24.7	Strong growth in sales of <i>Bluetooth</i> Smart and RFID solutions
Order Inflow	39.7	23.4	

Profitability

Gross Margin %	51%	47%	Gross margin improves due to customer mix
Operating Profit (EBIT)	0.8	0.7	Increased R&D and sales activity, plus accounting items drive opex growth
EBIT Margin %	3%	3%	
Net Profit after tax	0.7	0.3	

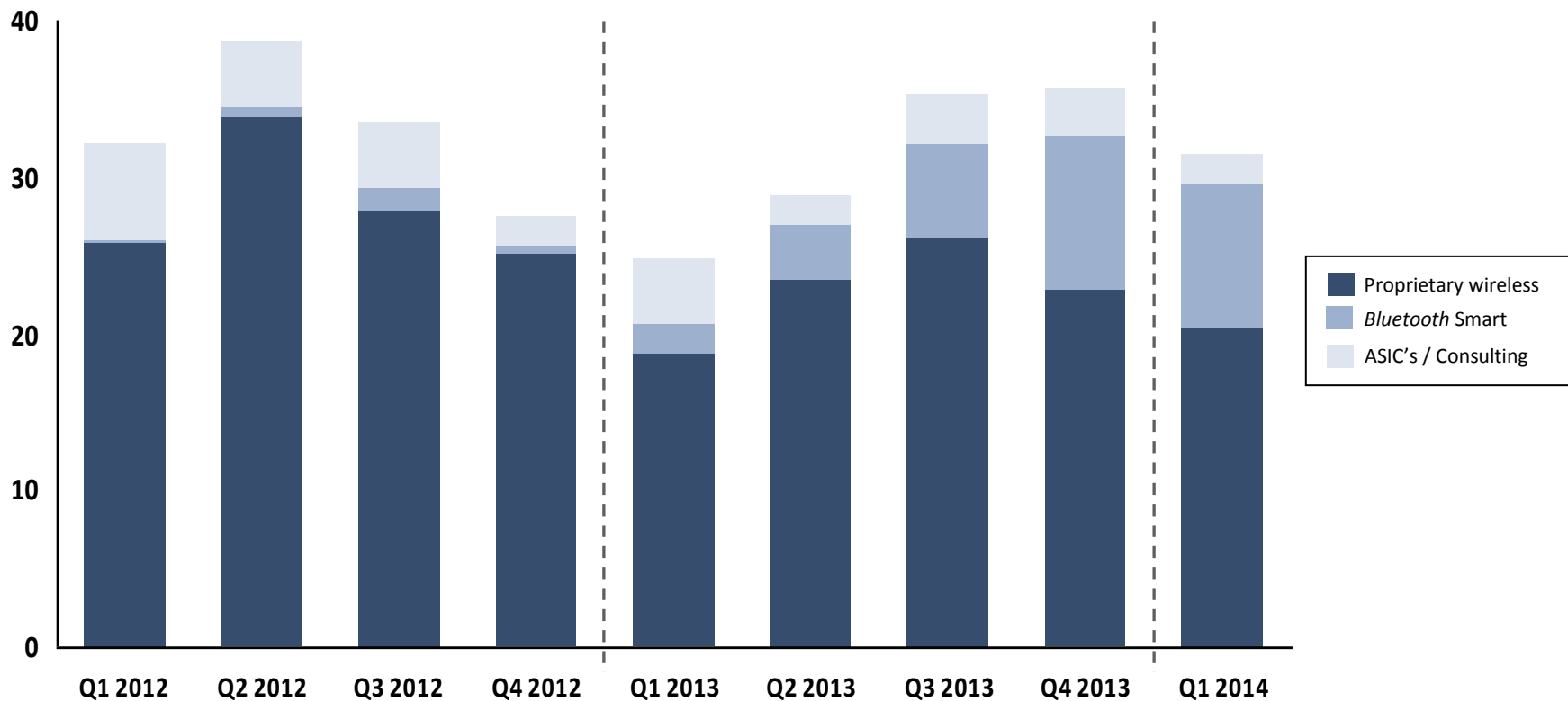
Cash Flow

Free Cash Flow	1.3	-4.8	Improved cash flow from operations
Cash Balance	33.6	32.3	
Accounts Receivable	27.1	23.8	
Inventory	24.3	13.3	Restock inventory after change in product lines

Group Revenues

- Q1 2014 Revenue of MUSD 31.5 (27% increase from prior year)
 - Growth driven by *Bluetooth* Smart solutions, which represent 30% of revenue

Revenue split by technology, 2012 – Q1 2014 (MUSD)



Segment performance – Q1 2014

PC / Tablet Accessories

Wireless mouse, keyboard, presentation tools

Q1 Revenue: MUSD 13.9 (MUSD 13.3)

- Sales of PC accessories has stabilized during last three quarters



Mobile / Wearable devices

Sports and medical monitors, mobile accessories, proximity tags, watches

Q1 Revenue: MUSD 11.4 (MUSD 3.9)

- Record high revenue driven by demand for *Bluetooth* Smart in wearable electronics



ASICs (application specific IC's)

Wide sector span

Q1 Revenue: MUSD 1.8 (MUSD 2.6)

- Supporting existing customers only, not a focus area for growth. Sales fluctuates based on few designs.



Home electronics devices

TV / appliance remotes, game controls, wireless charging, toys

Q1 Revenue: MUSD 1.1 (MUSD 1.1)

- New *Bluetooth* Smart designs expected to drive growth in 2014

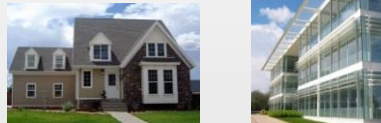


Installed Sensor networks

RFID systems, building sensors, industrial automation, automotive

Q1 Revenue: MUSD 3.2 (MUSD 2.3)

- Rapid growth in revenue driven by recent RFID design wins



Consulting services

Custom electronics design

Q1 Revenue: MUSD 0.0 (MUSD 1.5)

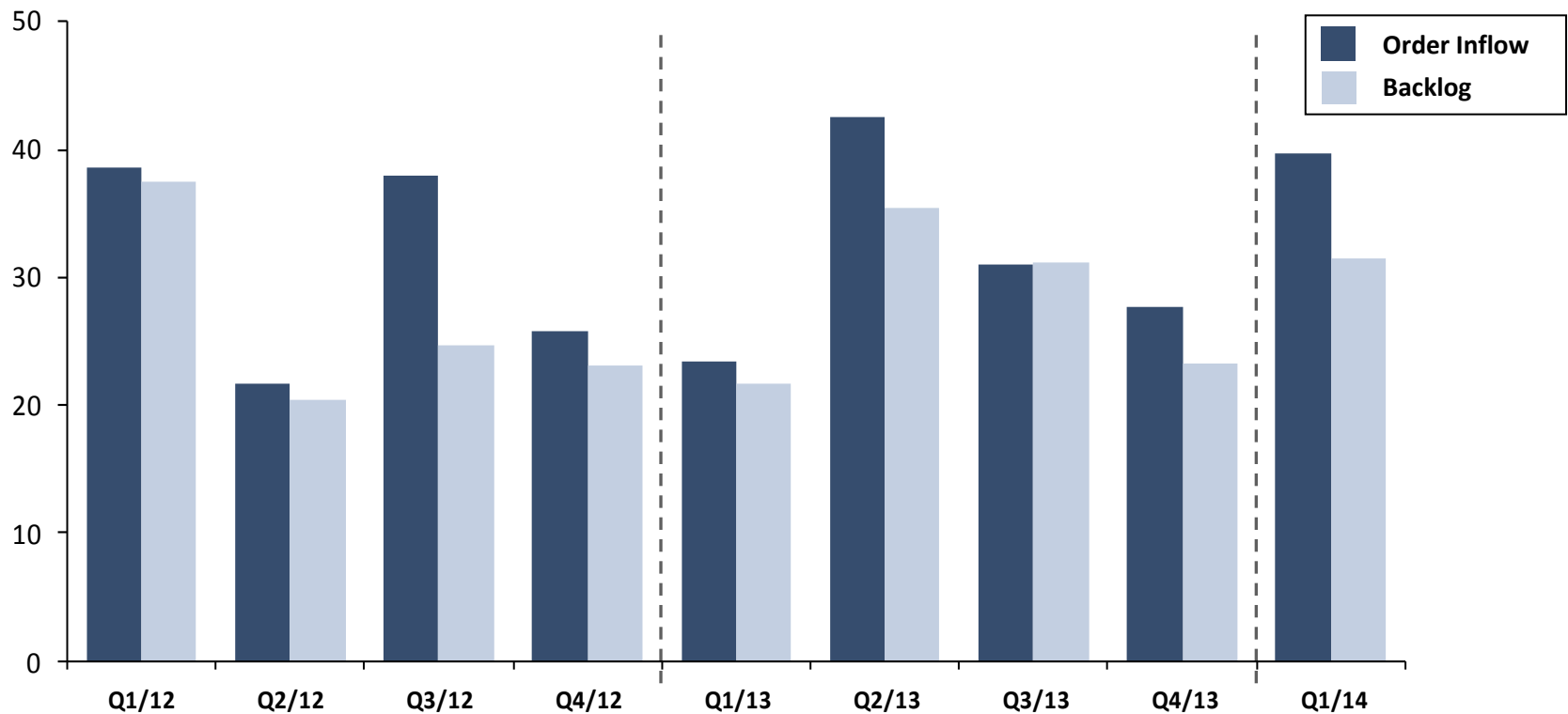
- Project services for existing ASIC customers



Order inflow / order backlog

- Order inflow of MUSD 39.7 in Q1 2014 (70% increase from prior year)
- Order backlog of MUSD 31.5 at quarter-end
 - Order cycle remains shorter than normal based on new design activity

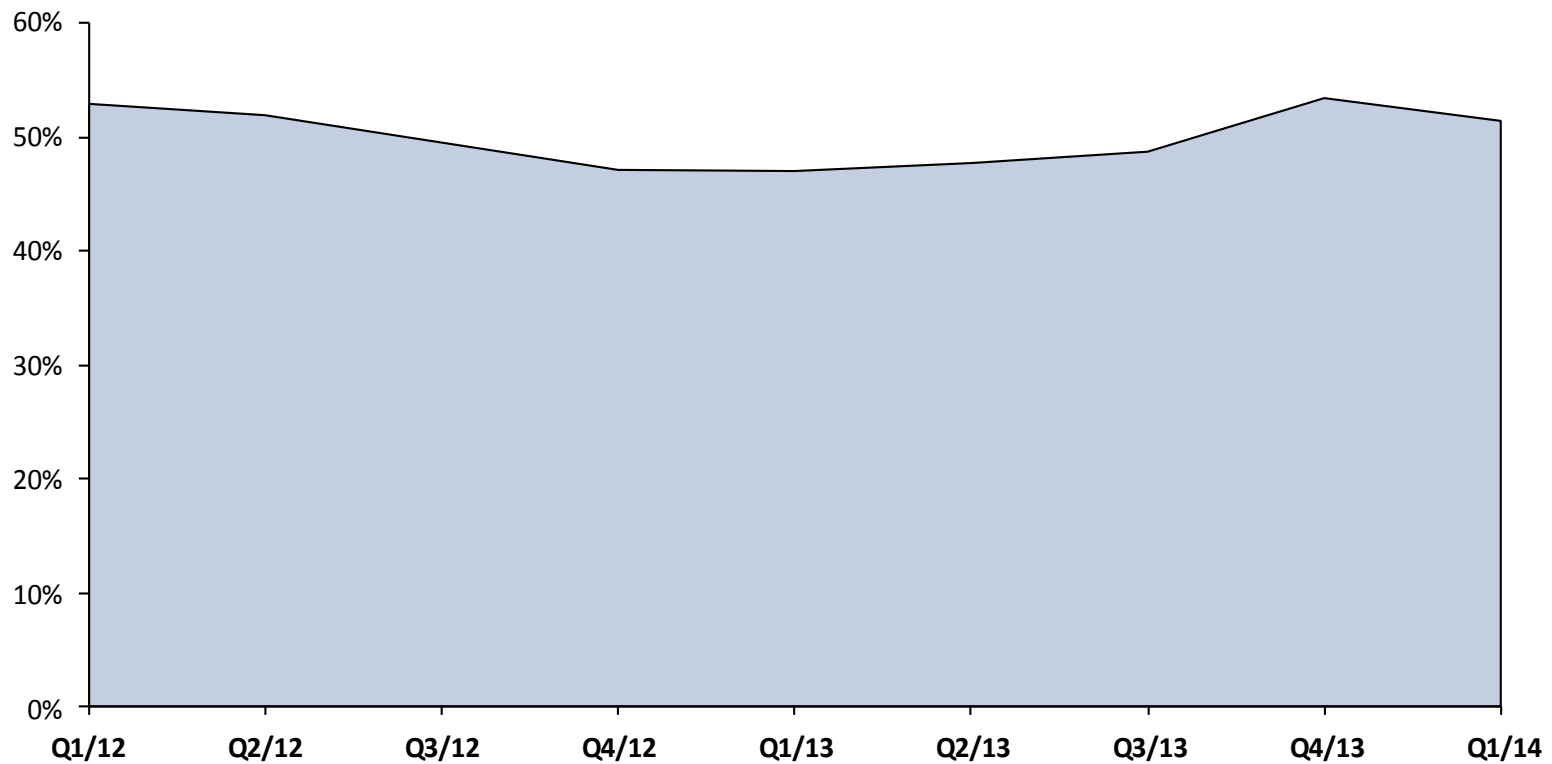
Order Inflow and Backlog 2012 – Q1 2014 (MUSD)



Gross margin

- Gross margin of 51 % in Q1 2014
 - Gross margin improves from prior year, as the revenue mix changes toward smaller customers

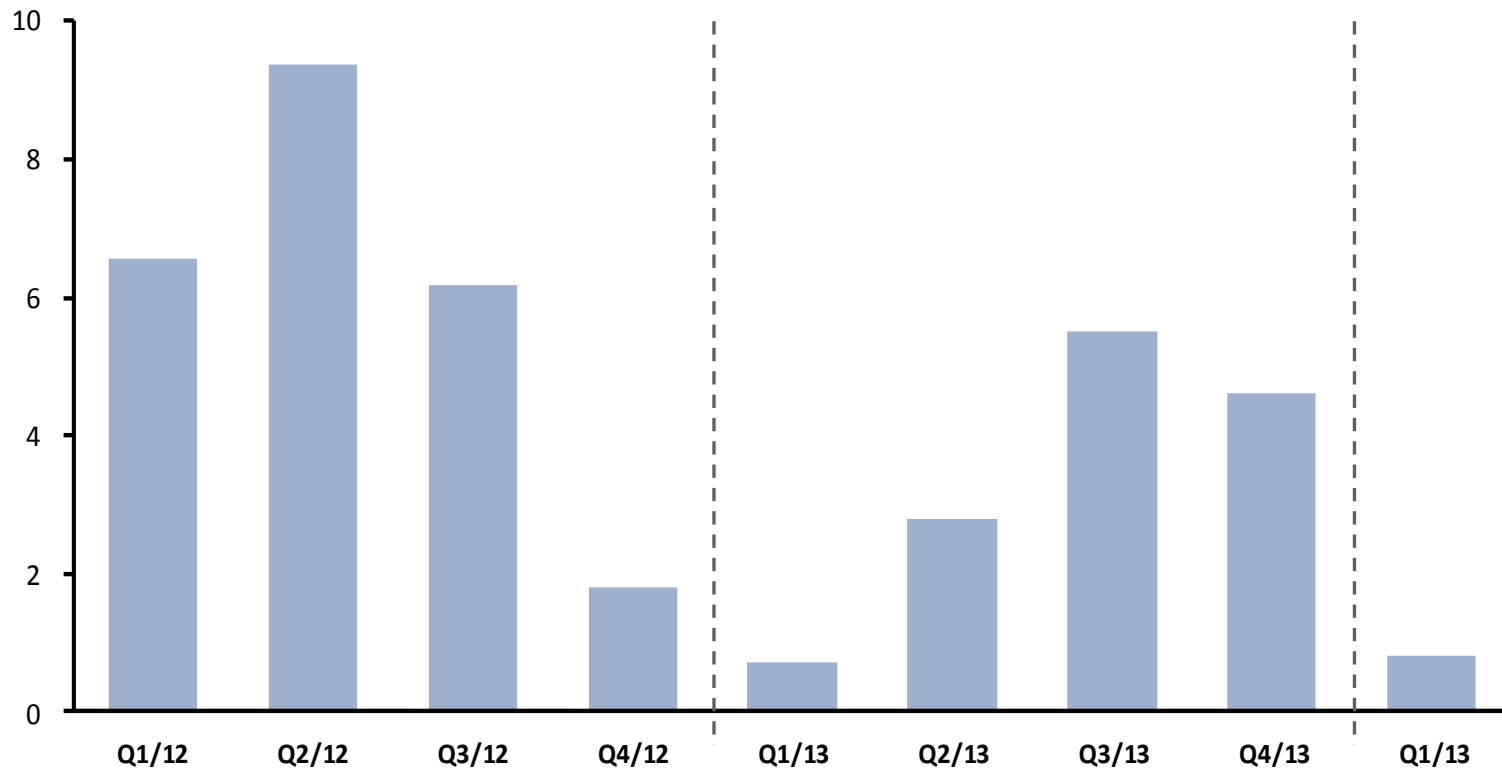
Gross Margin % of revenue 2012 – Q1 2014



Operating profit (EBIT)

- Operating profit in Q1 2014 of MUSD 0.8 (11% growth from prior year)
 - Higher revenue and gross margin partly offset by increased operating expenses

Operating Profit by quarter 2012 – Q1 2014 (MUSD)



Operating expenses

- Operating expenses (incl. depreciation) of MUSD 15.4 in Q1 2014
 - Growth in expenses is driven by higher staffing and activity in R&D and Sales, plus IFRS accounting impact of options and capitalized R&D
 - Much slower growth in operating expenses is projected from 2015 with reduced impact of accounting items

<u>USD '000</u>	<u>Q1 2014</u>	<u>Q1 2013</u>	<u>Growth</u>
Total Operating Expense (non-IFRS), including Depreciation*	13,835	12,148	14%
Add: Options expense**	1,704	365	
Less: Capitalized R&D***	(161)	(1,622)	
Total Operating Expense (IFRS), including Depreciation	15,378	10,891	41%

* Non-IFRS Operating expense is adjusted for options, capitalized R&D and related depreciation costs

** IFRS accounting expense from grant of options, plus related payroll taxes

*** Net Opex impact of Capitalized R&D and related depreciation costs

Q1 2014 Financial Summary

- Strong revenue growth driven by sales of *Bluetooth* Smart solutions

Revenue growth

- Group revenue of MUSD 31.5 (MUSD 24.7)
 - *Bluetooth* Smart sales grow to MUSD 9.3, or 30% of revenue (from 8% in Q1 2013)
 - Dramatic growth in Mobile/Wearable segment

Profitability

- Order inflow of MUSD 39.7 (MUSD 23.4)
 - Short order cycle with new product designs
- EBIT of MUSD 0.8 (MUSD 0.7)
 - Gross margin improves to 51% (47%)
 - Higher R&D and sales activity plus accounting items drive growth in Opex

Cash Flow

- Free cash flow of MUSD 1.3 (MUSD – 4.8)
 - Improved cash flow from operations
 - Ending cash balance of MUSD 33.6



Business Outlook

Svenn-Tore Larsen, CEO

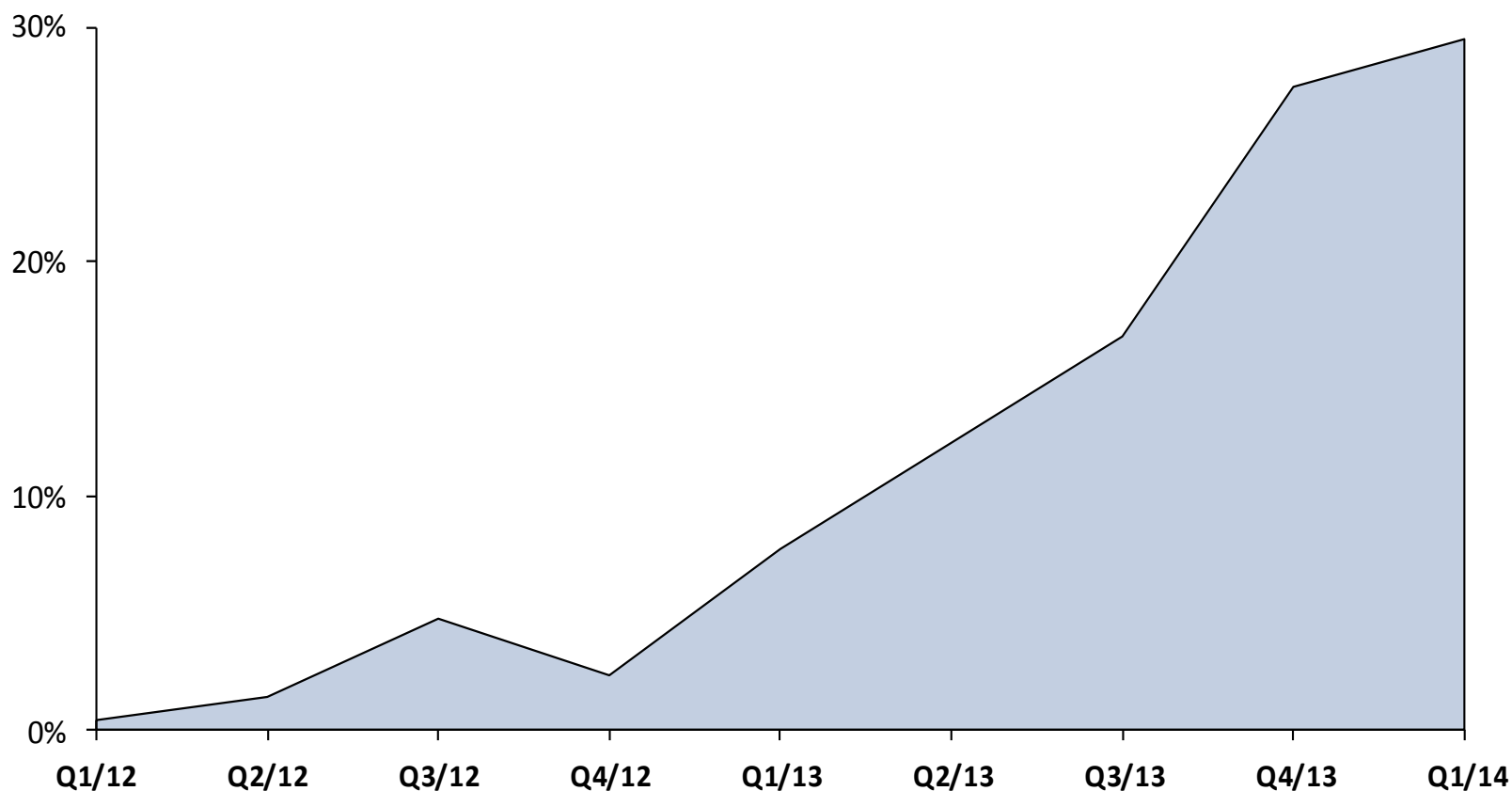
The «Internet of Things» creates major growth opportunities for *Bluetooth Smart*

- Wireless connectivity is becoming a standard feature in a growing range of electronic products (aka the «Internet of Things»)
- *Bluetooth Smart* enables these products to interact with a huge ecosystem of smartphones, tablets and other Bluetooth devices, at very low cost and power consumption
- Tremendous design activity now underway, as many new *Bluetooth Smart* wireless applications come to market

Nordic's sales of *Bluetooth* Smart solutions

- *Bluetooth* Smart sales grew to a record high 30% of revenue in Q1 2014, as demand for new «Internet of Things» applications takes off

Nordic percentage of revenue from Bluetooth Smart, 2012 – Q1 2014



Bluetooth Smart technology is spreading into many new product categories

PC / Tablet Accessories



- Mice
- Keyboards
- Tablet pens
- Tablet cases
- Game controllers
- Presentation remotes

Mobile / wearable devices



- Fitness sensors
- Medical monitors
- Proximity sensors
- Smartwatches
- Smartphone controls
- Other wearables

Home electronics



- Remote controls
- Game controllers
- Wireless toys
- Smart lighting
- Smart appliances
- Wireless chargers
- Home automation

Installed Sensor networks



- RFID
- Retail beacons
- Mobile payments
- Security / locks
- Indoor mapping
- Smart energy
- Environment sensors
- Automotive

PC / Tablet accessories

- PC accessories market has stabilized during last three quarters
- Tablet accessories are a major growth opportunity for *Bluetooth Smart*

PC accessories

- Nordic maintains dominant market share
- Still mostly using proprietary 2.4 GHz RF solutions due to large installed base of non-Bluetooth and non-Windows 8 PC's (lacking HW/SW support for BT Smart)
- Demand has stabilized since 2H 2013



Tablet accessories

- Wireless accessories provide much greater convenience when writing on tablets
- Previously used «Classic» Bluetooth due to lack of USB dongle or HID support for BT Smart
- Large new market opportunity as tablets now integrate HID support for *Bluetooth Smart*, with first major new orders received during Q1 2014



Mobile / Wearable devices

- Mobile / Wearable devices have been the first large growth market for *Bluetooth* Smart, and continue to grow at a rapid rate

Sports

Measures athletic performance

- Running speed and distance
- Heart rate monitors
- Cycle meters
- Smart sports equipment

Security

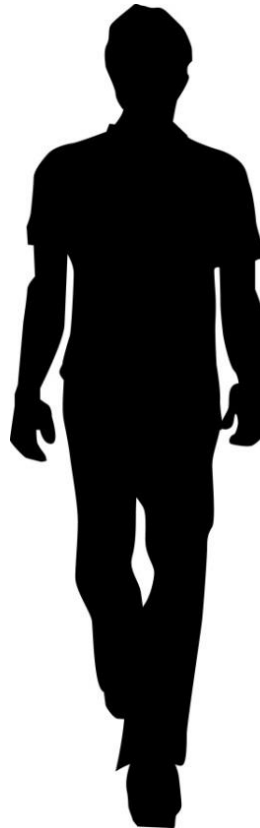
Prevents loss of valuables

- Electronic keys
- Security tag and location finder
- Autolock for PC or mobile
- Child monitor

Smartwatches

Easy access to mobile phone

- Caller ID for incoming voice calls
- Missed call alerts (name and photo)
- Calendar and appointment
- Music control



Health & Wellness

Monitors fitness and lifestyle

- Activity monitors
- Weight scales
- Sleep monitor
- Body fat & BMI meter

Medical devices

Management of medical conditions

- Cardiac monitor
- Blood glucose meter
- Blood pressure cuff
- Body temperature meters

Other mobile accessories

Diverse applications

- Payment solutions
- Digital jewelry
- Camera controls
- Environment monitors (UV)

Home electronics

- Large market opportunity as wireless technologies are integrated into a broad range of home electronics and appliances

Remote controls



- New Connected TV's and set-top boxes are replacing traditional television
- More complex navigation requirements for Connected TVs and other media is driving a transition to Bluetooth Smart remote solutions

Toys and gaming



- Wireless technology creates new opportunities for innovative toy designs
- Connected TV's and other devices provide an alternative platform for gaming, creating a market for controllers which is not run by console manufacturers

Home automation



- Bluetooth Smart can enable smartphones to control and monitor home environment and major appliances
- Indoor sensors, furnishings and kitchen appliances are early markets

Wireless Charging



- New Rezence wireless charging standard relies on *Bluetooth* Smart to transfer critical data between the charger and the devices charged
- Enables greater spacial freedom and ability to charge multiple devices

Installed Sensor Networks

- Nordic's largest and most diverse market opportunity in the longer term – with sensor applications for the home, commercial, automotive, and industrial use

Building automation

Sensor-equipped lights, appliances



Security / RFID

Access control / emergency systems



Smart energy

Solutions for heating, ventilation, air conditioning



Retail and commercial

Retail beacons for mobile payments, information and promotions



Factory automation

Industrial controls and sensors to manage production environment



Indoor location

Maps and positioning services for indoor use



Automotive

Sensors to monitor a vehicle's performance and environment



Asset management

Track and monitor conditions of sensitive items



Strong competitive advantages

- Nordic Semiconductor is the market leader within *Bluetooth* Smart solutions, with its best-in-class nRF51 product line, software, and customer experience.

Wireless system-on-chip performance

- High radio sensitivity with ultra-low power consumption
- ARM Cortex M0 CPU
- 256kB/128kB Flash memory for application and protocol stacks (non-volatile memory)
- Unique multiprotocol functionality (BT Smart, ANT, proprietary RF)
- Stable and mature system architecture

Software and Developer Support

- Feature rich and stable *Bluetooth* Smart stack
- Unique separation between application and protocol stack – eases product design
- Unique DFU (design for upgradability) feature – protects from software bugs and obsolescence
- Strong documentation, development tools, application software and reference designs

Experience in Ultra-low power wireless category

- Clear market leader – over 1 billion IC's sold
- Major contributor to *Bluetooth* Smart standard
- Board member of Bluetooth SIG from 2011
- Chairman of Bluetooth SIG from 2012
- Very strong reference customers
- Application design and market know-how

New R&D Office in Krakow, Poland

- Nordic opens new R&D office in January 2014, with focus on software development
- Very attractive nearshoring location, based on availability of highly skilled talent, local technical universities, and proximity to Norway

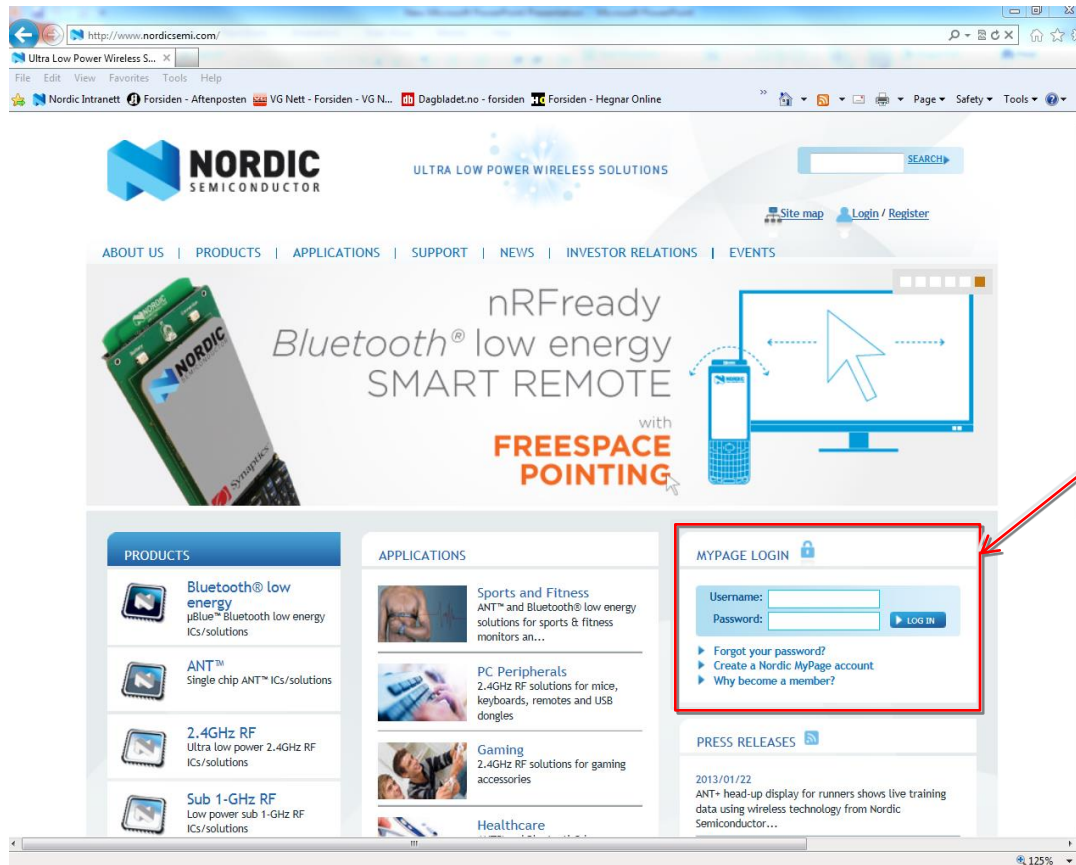


Business Outlook

- Strong growth in revenues, driven by Bluetooth Smart sales
 - Sales of BT Smart expected to more than triple in 2014 (i.e., MUSD 63+ in Bluetooth Smart sales)
 - Continued growth in wearable fitness monitors, plus many new designs in emerging product categories
- Gross margin of approximately 50% in 2014
- Operating expenses including depreciation projected to grow to approximately MUSD 60 - 64 in 2014*
 - 2014 Opex growth driven heavily by accounting items (options / capitalized R&D), which are expected to diminish in 2015

For more information on Nordic

- Sign up for a Nordic MyPage account on our website - www.nordicsemi.com



Provides latest company and investor news directly to your Email address

- Wireless Quarterly magazine – learn more about Nordic's products and markets
- Direct links to Nordic content on YouTube, Facebook, LinkedIn, Twitter
- Press releases
- Stock exchange notices