

Q2 2014 Investor Presentation

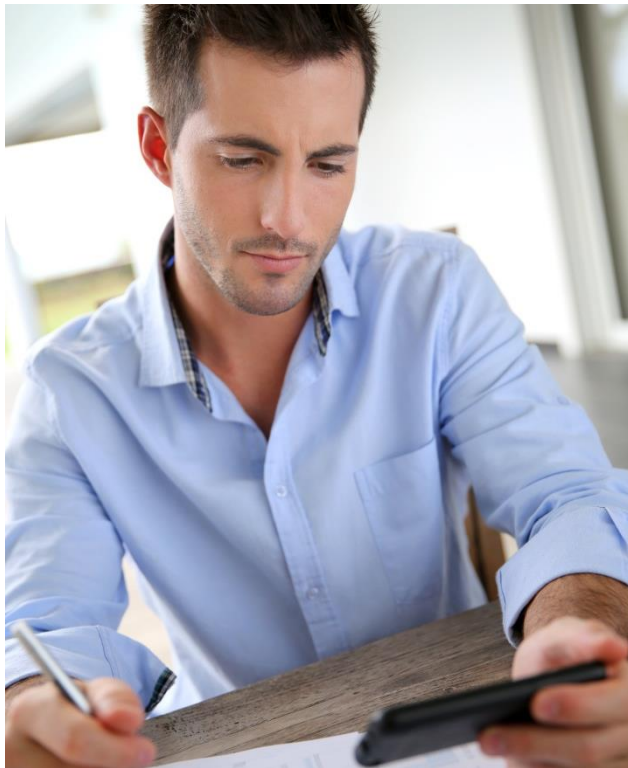
Svenn-Tore Larsen, CEO

Robert Giori, CFO

Summary – Q2 2014:

Strong performance across all segments

- Revenue increases by 44% to MUSD 41.4, with growth across all segments. EBIT increases by 106% to MUSD 5.7.
- Order inflows grow to MUSD 47.8, and backlog increases to MUSD 37.9.
- Demand for Bluetooth Smart wireless solutions continues to take off. BT Smart sales increase to MUSD 12.2 (vs. MUSD 3.5 in Q2 2013)
- Record high sales of 10,218 development kits in 1H 2014, driven by exploding interest in developing new «Internet of Things» applications



Financial Highlights

Robert Giori, CFO

Q2 2014 Financial Highlights (MUSD)

MUSD

Financial objectives

Growth

	<u>Q2 2014</u>	<u>Q2 2013</u>	<u>Comments</u>
Revenue	41.4	28.8	Strong sales growth across all segments.
Order Inflow	47.8	42.5	Exceptionally strong growth within BT Smart.

Profitability

Gross Margin %	48%	48%	Higher revenue drives EBIT growth
Operating Profit (EBIT)	5.7	2.8	Opex increases with higher R&D and sales activity, plus accounting items
EBIT Margin %	14%	10%	
Net Profit after tax	4.1	2.0	

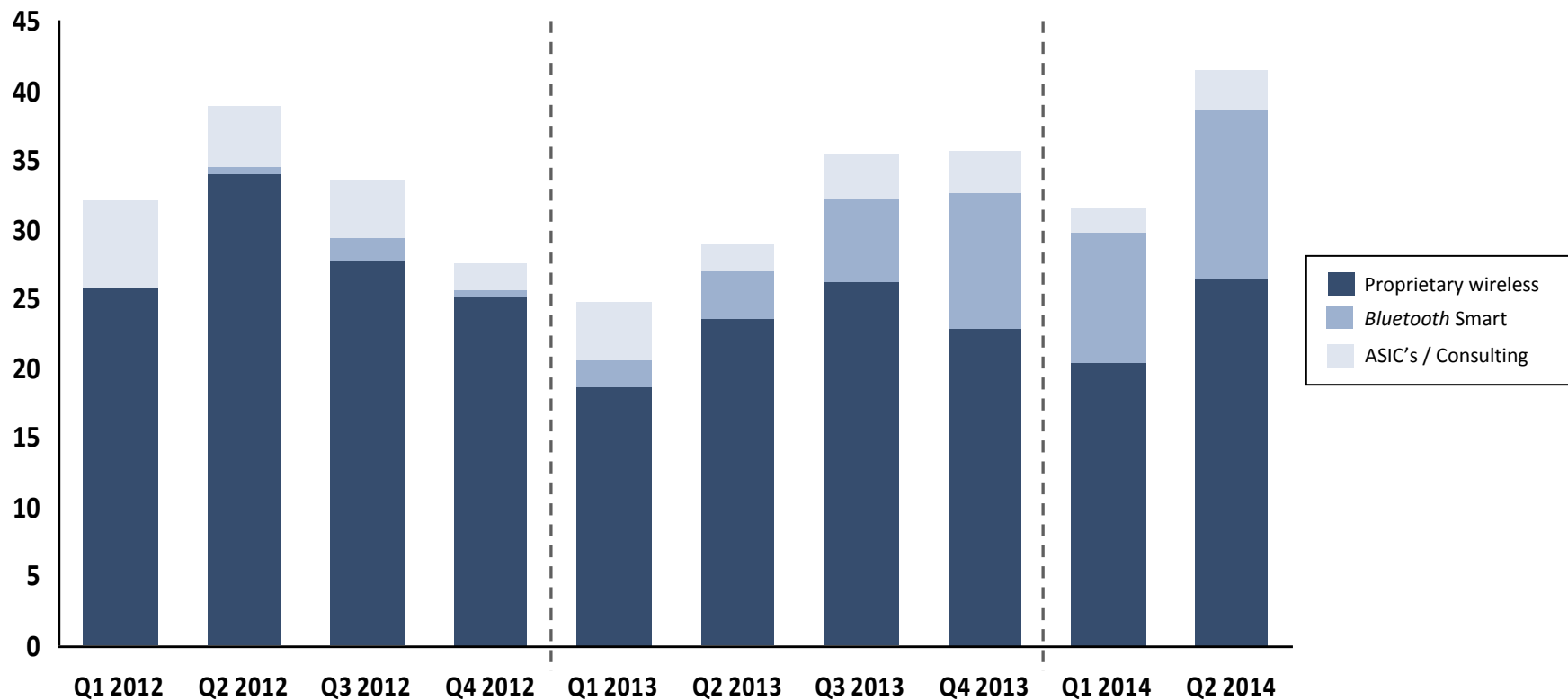
Cash Flow

Free Cash Flow	-12.1	-12.7	Seasonal factors drive weak Q2 cash flow.
Cash Balance	19.4	18.8	Very positive free cash flow expected for remainder of 2014
Accounts Receivable	39.0	29.2	
Inventory	24.5	19.3	

Group Revenues

- Q2 2014 Revenue of MUSD 41.4 (44% increase from prior year)
 - Growth driven by *Bluetooth* Smart solutions, which represent 30% of revenue

Revenue split by technology, 2012 – Q2 2014 (MUSD)



Market segments – Q2 2014

PC / Tablet Accessories

Wireless PC mouse and keyboard, tablet accessories

Q2 Revenue: MUSD 21.8 (MUSD 18.6)

- Sales of PC accessories stabilize, first major sales of BT Smart for tablets



Mobile / Wearable devices

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

Q2 Revenue: MUSD 10.4 (MUSD 4.3)

- Rapid revenue growth driven by demand for *Bluetooth* Smart in wearable electronics



ASICs (application specific IC's)

Wide sector span

Q2 Revenue: MUSD 2.9 (MUSD 1.7)

- 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

Q2 Revenue: MUSD 2.7 (MUSD 1.3)

- New *Bluetooth* Smart toy and home media designs drive growth

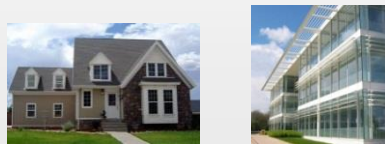


Installed Sensor networks

RFID systems, building sensors, industrial automation, automotive

Q2 Revenue: MUSD 3.7 (MUSD 2.8)

- Record high revenue driven by recent RFID design wins



Consulting services

Custom electronics design

Q2 Revenue: MUSD 0.0 (MUSD 0.1)

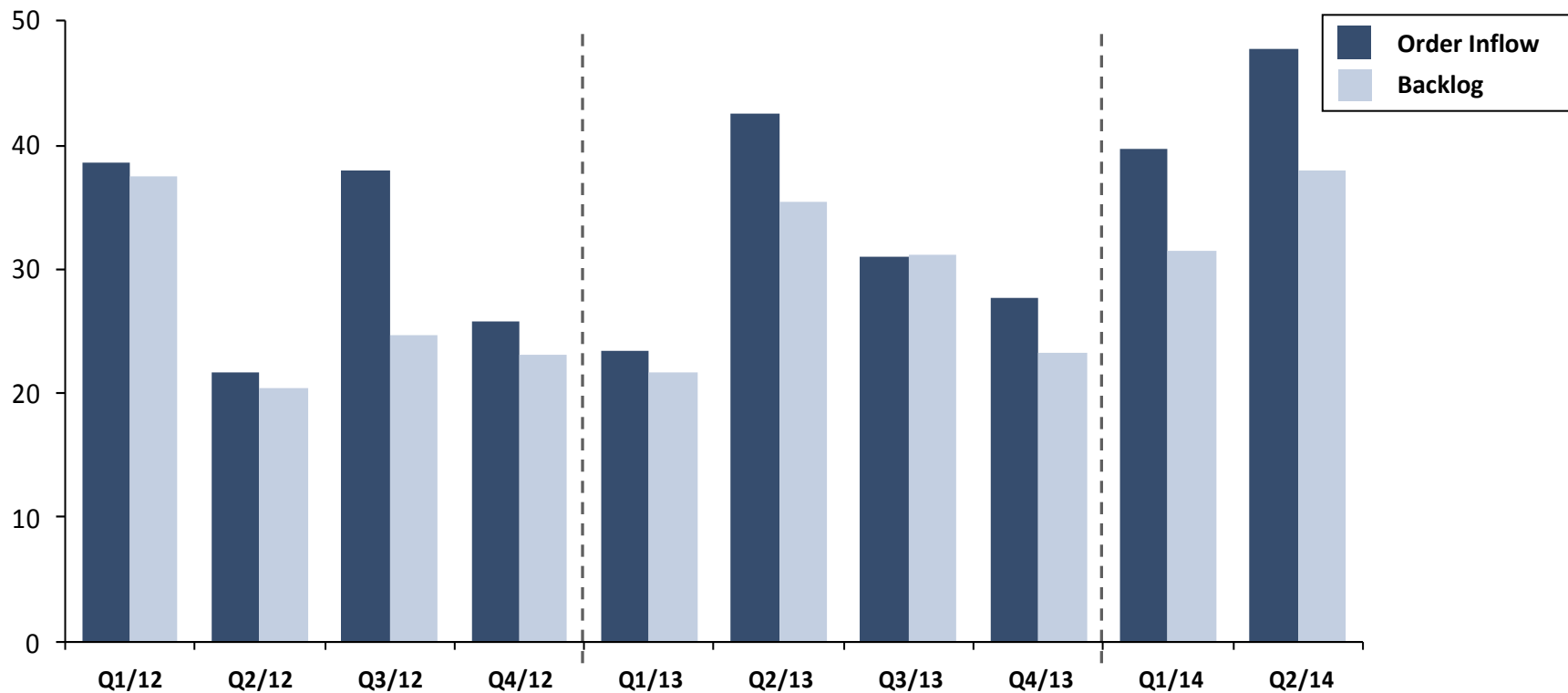
- Project services for existing ASIC customers



Order inflow / order backlog

- Order inflow of MUSD 47.8 in Q2 2014
- Order backlog of MUSD 37.9 at quarter-end
 - Order cycle remains shorter than normal based on new design activity

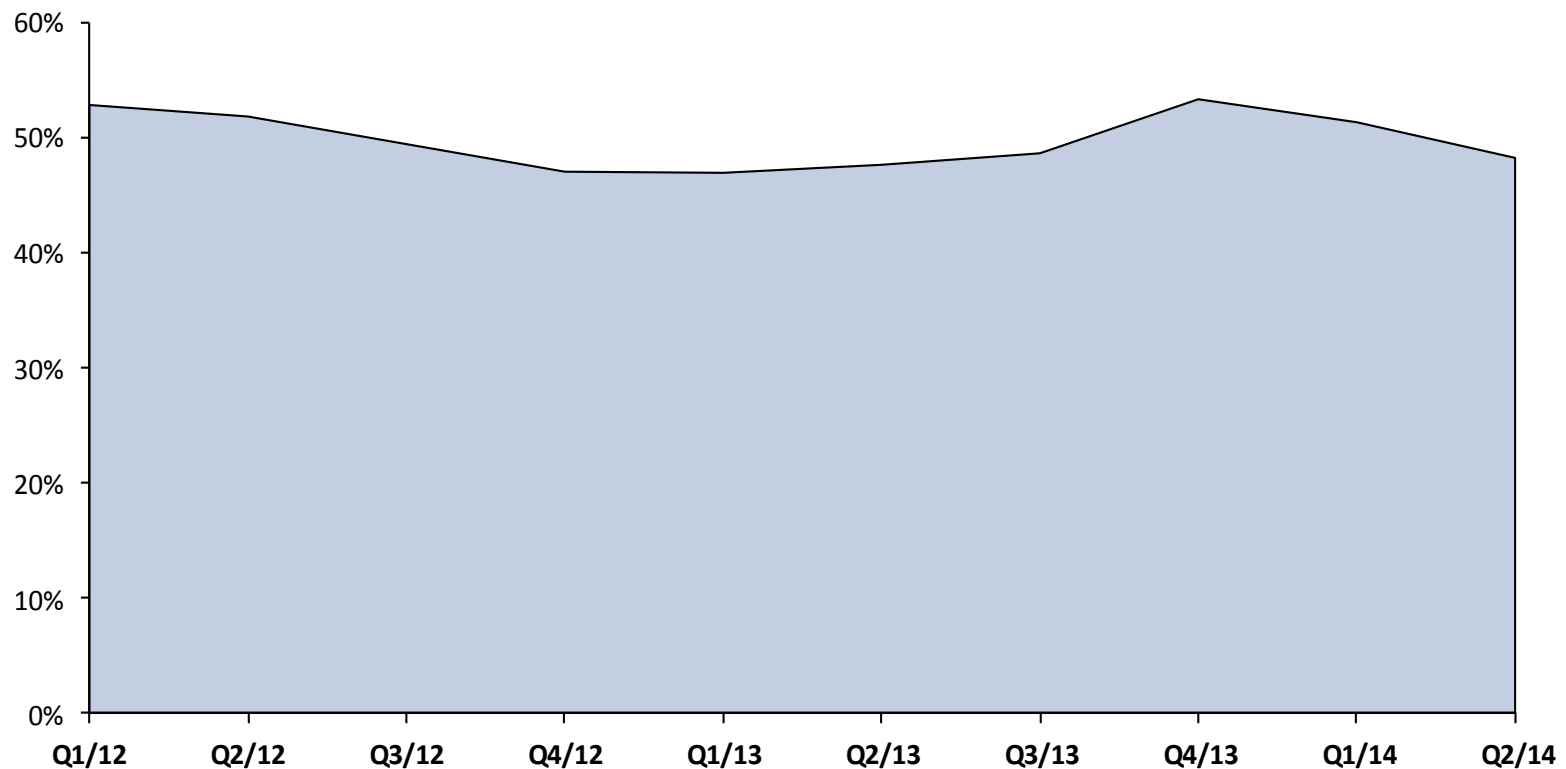
Order Inflow and Backlog 2012 – Q2 2014 (MUSD)



Gross margin

- Gross margin of 48 % in Q2 2014
 - Gross margin falls from prior quarters, as demand shifts to Nordic's 2nd generation BT Smart solution (higher ASP / lower GM%)

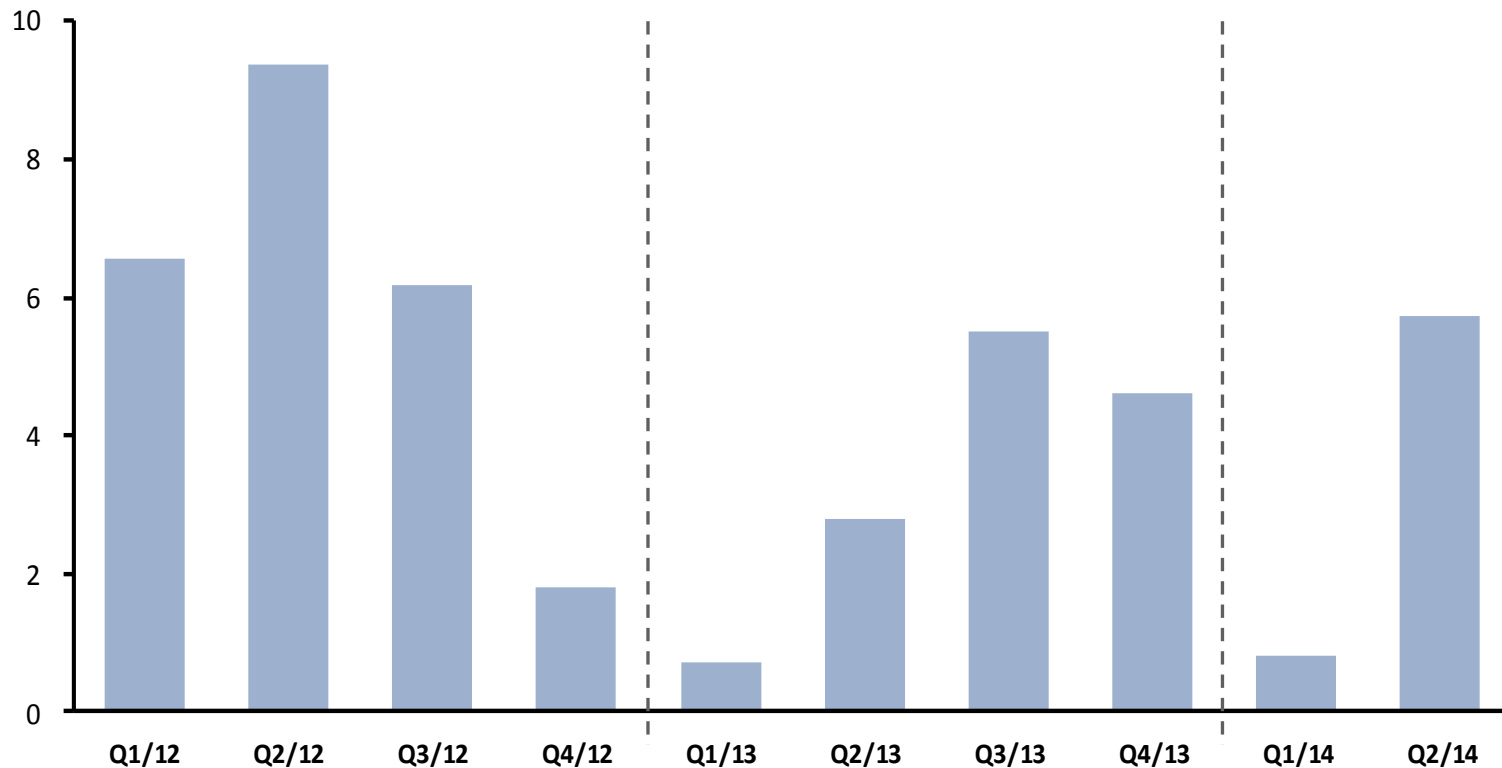
Gross Margin % of revenue 2012 – Q2 2014



Operating profit (EBIT)

- Operating profit in Q2 2014 of MUSD 5.7 (106% growth from prior year)
 - Higher revenue partly offset by increased operating expenses

Operating Profit by quarter 2012 – Q2 2014 (MUSD)



Operating expenses

- Operating expenses (incl. depreciation) of MUSD 14.3 in Q2 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>Q2 2014</u>	<u>Q2 2013</u>	<u>Growth</u>
Total Operating Expense (non-IFRS), including Depreciation*	12,987	11,750	11%
Add: Options expense**	1,310	535	
Less: Capitalized R&D***	2	(1,338)	
Total Operating Expense (IFRS), including Depreciation	14,298	10,948	31%

* 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

Q2 2014 Financial Summary

■ Strong revenue growth across all product segments

Revenue growth

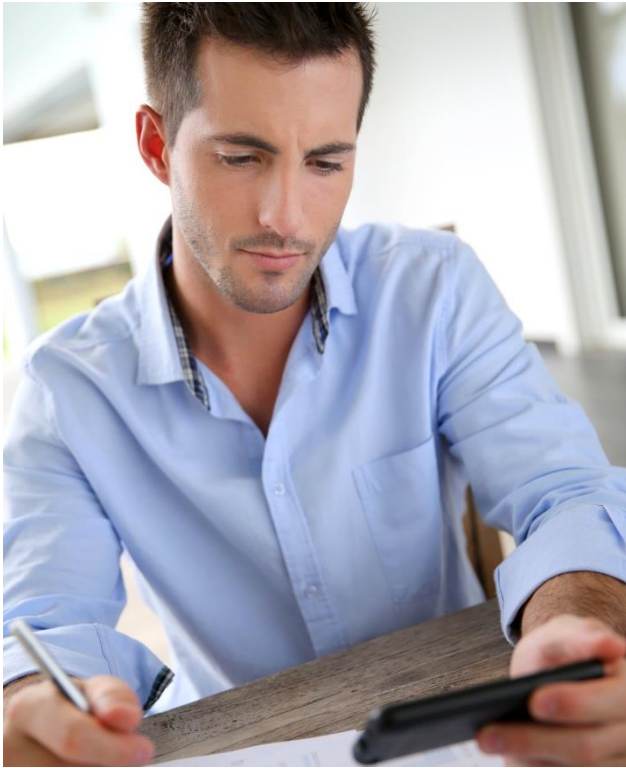
- Group revenue of MUSD 41.4 (MUSD 28.8)
 - *Bluetooth* Smart sales grow to MUSD 12.2, or 30% of revenue (from 12% in Q2 2013)
 - Dramatic growth in Mobile/Wearable segment

Profitability

- Order inflow of MUSD 47.8 (MUSD 42.5)
 - Short order cycle with new product designs
- EBIT of MUSD 5.7 (MUSD 2.8)
 - Higher revenue drives EBIT growth
 - Increased R&D and sales activity plus accounting items drive growth in Opex

Cash Flow

- Free cash flow of MUSD – 12.1 (MUSD – 12.7)
 - Seasonal factors drive weak Q2 cash flow
 - Strong free cash flow expected for remainder of year
 - Ending cash balance of MUSD 19.4



Business Outlook

Svenn-Tore Larsen, CEO

The «Internet of Things» creates a new era of growth opportunities for Nordic

- The «Internet of Things» transforms the market for low power wireless solutions, and creates new room to innovate and grow
- Bluetooth Smart is a core technology for the «IoT», as the only low power wireless standard compatible with a huge installed base of smartphones, tablets, and other devices.
- Interest in developing «IoT» applications is driving record demand for Nordic's Bluetooth Smart solutions and development kits

Nordic's first wireless era (2002 – 2013)

Key value proposition:

Eliminating wires between devices

Replacing older wireless solutions for controls/sensors

Corporate vision:

“Short-range personal interface devices will soon become entirely wireless.”

Nordic Semiconductor shall be the preferred global vendor of low power radio solutions that enable wireless personal interface devices.”

Primary competitive advantages:

Power consumption, radio performance, cost



2002 - 2013

Nordic sells 1 billion
wireless units

The new wireless era for Nordic (2014+)

Key value proposition:

Connecting devices to the internet to drive new and enhanced products and services (“Internet of Things”)

Corporate vision:

“Wireless computing transforms the products and services we use everyday by making things connected and smarter. We believe smarter things will improve our living environments, health and quality of life.

Nordic Semiconductor provides innovative wireless and embedded processing solutions which enable our customers to create smarter things.”

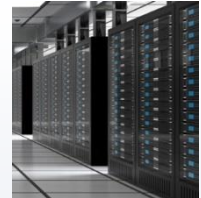
Primary competitive advantages:

Software, application coverage and ease of development, PLUS power consumption, radio performance, cost

«The Cloud»

Data services

- Web access
- Storage
- Data analysis



«Gateway»

Smartphone, router, etc.

- Collect sensor data
- User interface
- Process data (app)



«the last mile»



«Things»

Sensors and Accessories

- Sense environment
- Control accessories



Smarter Things, Smarter Services – Driving the next era of market growth

- The “Internet of Things” is being driven by demand for products and services which are smarter, more useful and more convenient



Smarter Things with cloud services

- New products which integrate local sensors and controls with data services provided from the cloud



Smarter Services with Things

- New services based on information collected in sensor networks and processed in the cloud

Recent technology trends enable the «IoT»

- Key technology trends enable the implementation of wireless solutions into a growing range of products and sensors



- **Mobile computing (“hubs”):**

- Huge growth of smartphones and tablets, enabling instant access to wireless and software apps

- **Smart sensors / accessories (“nodes”):**

- Very low power and low cost microcontrollers, sensors and MEMS to capture and process data

- **Connectivity technology:**

- Ultra-low power wireless solutions to transfer data
- Rapid adoption of new *Bluetooth* Smart standard for connecting billions of devices

- **“App” ecosystem:**

- Enormous popularity of smartphone apps – users enjoy engaging and interacting via their phones

- **Cloud Computing:**

- Cloud / Big Data services can manage end applications, and store and process data captured at the nodes

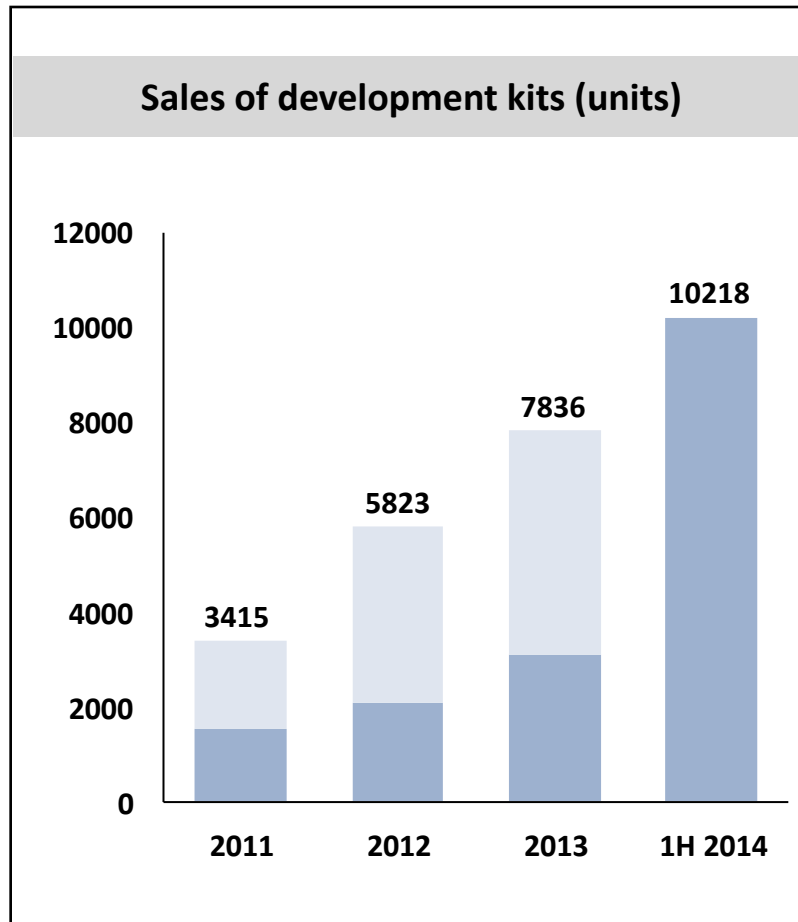
Major radio technologies within the «IoT» today

- Bluetooth Smart is a core technology for the IoT, as the only low power standard compatible with a huge installed base of smartphones and other devices.

Three primary radio technologies within the «IoT»:

	<u>Range</u>	<u>Data rate</u>	<u>Power Consumption</u>	<u>Cost</u>
Cellular	Long-range	High*	Very high	High (licensed)
Wi Fi	Short-range	Very High*	High	Low (unlicensed)
Bluetooth (BT Smart)	Short-range	Low*	Very low	Very low (unlicensed)

Exploding interest in the «IoT» is driving record sales of Nordic's development kits



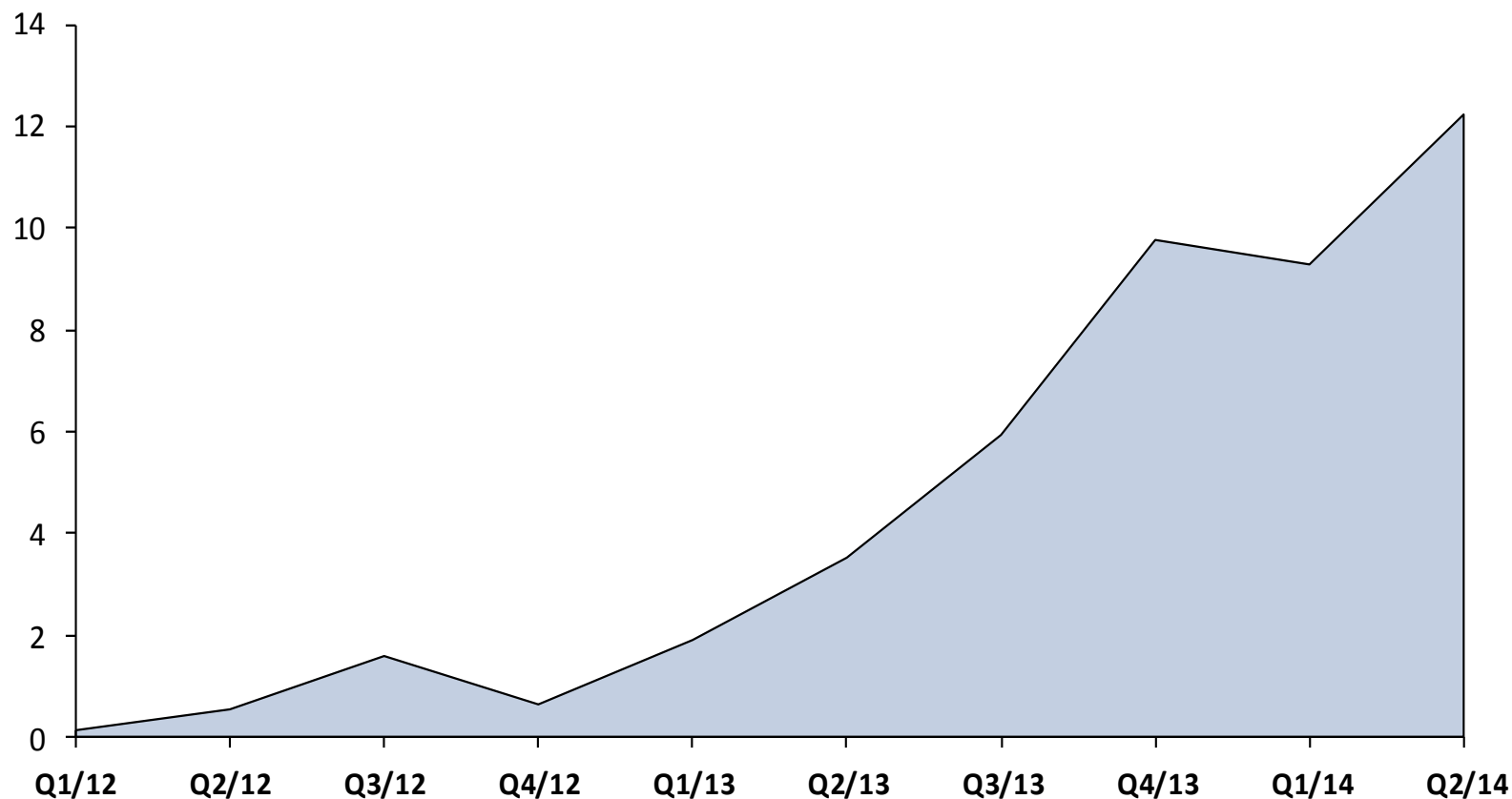
- Record high 10218 development kits sold in 1H 2014, with strong acceleration in Q2 2014
- Significantly more than all of the development kits sold last year
- Huge growth in demand for *Bluetooth* Smart development kits

■ First Half
■ Second Half

Record sales of Bluetooth Smart solutions

- Sales of Bluetooth Smart solutions increase to MUSD 12.2 in Q2 2014, as demand for «Internet of Things» applications grows

Total Nordic revenue from Bluetooth Smart, 2012 – Q2 2014 (MUSD)



Market opportunities for Nordic to innovate and grow



- Still early days for the IoT
- Years away from commoditization
- Need for continued innovation
 - Features, power, performance
 - More advanced SoCs and software
 - IPV6 over Bluetooth Smart – headless routers
 - Even lower power and energy harvesting
 - Complementary wireless technologies
- Opportunities for differentiation and growth

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

