



# Summary – Q2 2015:

- Record high revenue of MUSD 52.6 (27% increase from Q2 2014). EBIT of MUSD 10.6
- BT Smart sales of MUSD 30.1, more than doubling compared to Q2 2014
- Strong growth in active Bluetooth Smart customers coupled with a high share of new designs secures future growth
- Successful launch of the nRF52 on June 17<sup>th</sup>
- Nordic released the Homekit Solution for Bluetooth smart



# Financial Highlights

Pål Elstad, CFO

# Q2 2015 Financial Highlights

## MUSD

### Financial objectives

#### **Growth**

	<u>Q2 2015</u>	<u>Q1 2015</u>	<u>Q2 2014</u>	<u>Comments</u>
Revenue	52,6	40,0	41,4	Record high revenue with 27% increase compared to last year
Order Inflow	60,2	53,3	47,8	Strong order inflow increasing backlog for Q3.

#### **Profitability**

Gross Margin %	49,5 %	54,6 %	48,3 %	Reduced GM due to product mix
Operating Profit (EBIT)	10,6	5,3	5,7	Higher revenue drives EBIT growth
EBIT Margin %	20,2 %	13,3 %	13,8 %	Capitalization of devel. cost reduces OPEX
Net Profit after tax	7,5	4,1	4,1	

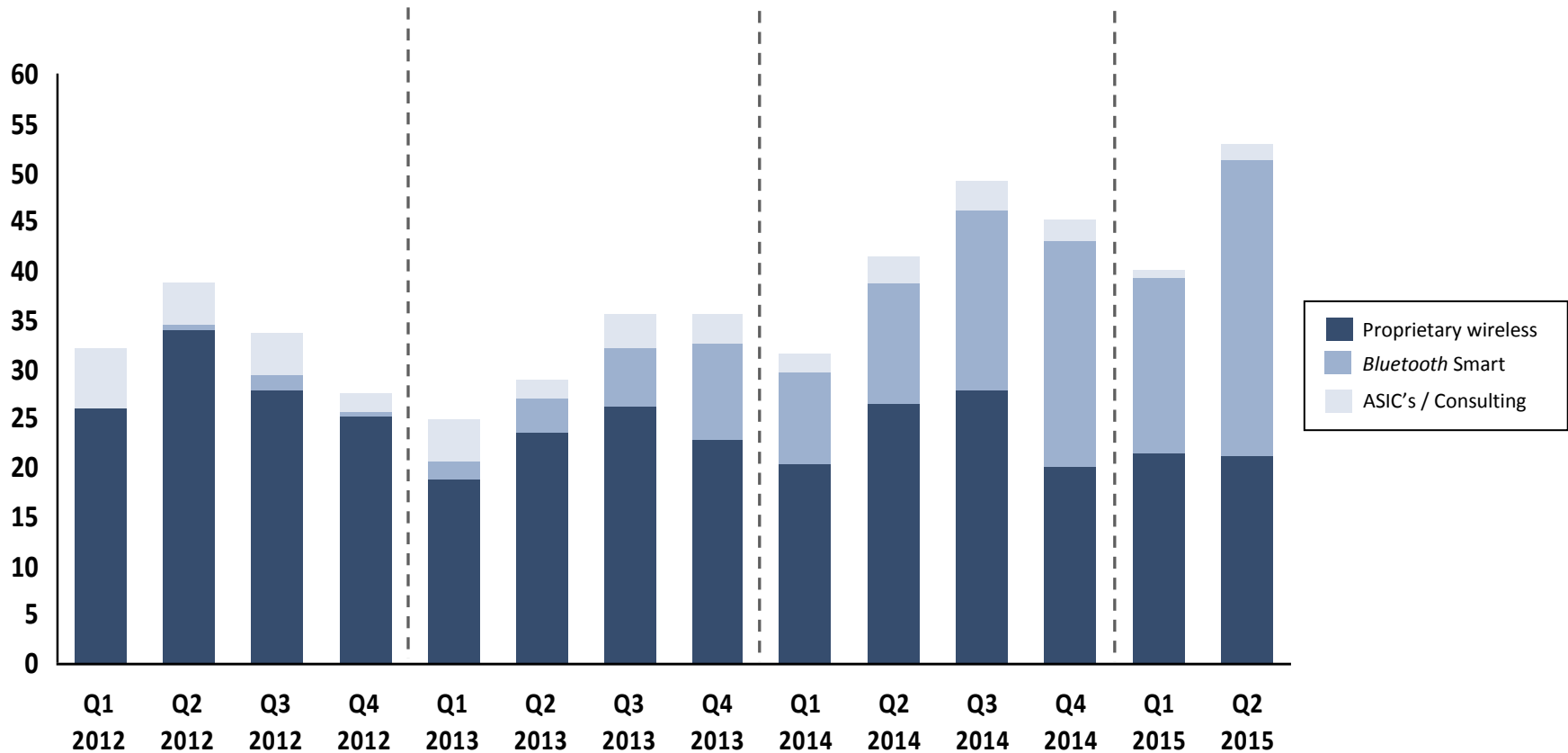
#### **Cash Flow**

Free Cash Flow	-9,4	-14,8	-12,1	Higher profits offset by buildup of inventories and receivables
Cash Balance	25,4	25,3	19,4	Increased WC and CAPEX reduces cash. Offset by MUSD 10 utilization of RCF
Accounts Receivable	54,4	40,3	39,0	Higher revenues
Inventory	45,6	42,0	24,5	Seasonal build up of inventories

# Group Revenues

- Q2 2015 Revenue of MUSD 52.6 (27% increase from prior year)
- BT Smart Revenue of MUSD 30.1 (57.1% of total revenue)

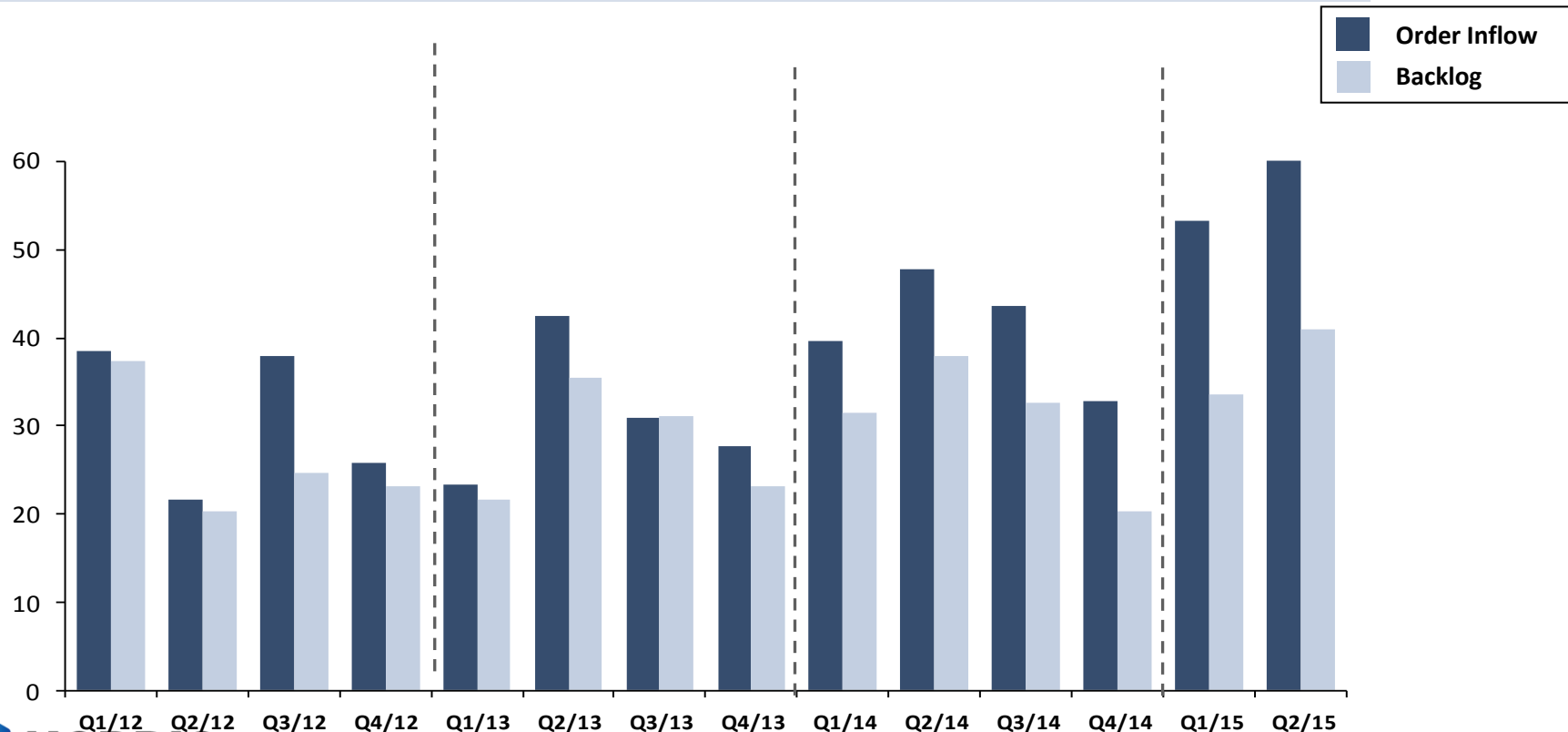
Revenue split by technology, 2012 – Q2 2015 (MUSD)



# Order inflow / order backlog

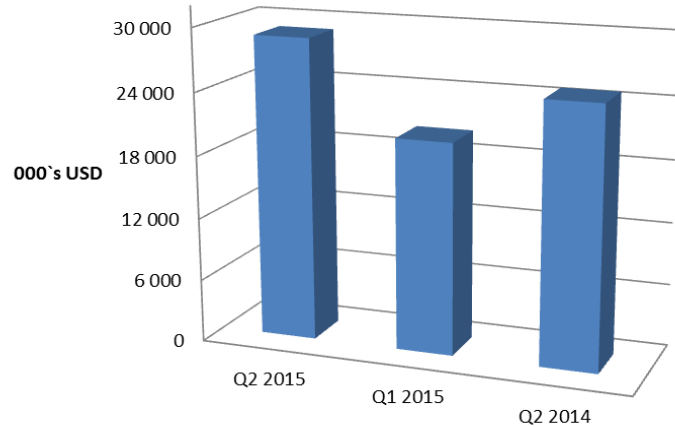
- Record high order inflow of MUSD 60.2 in Q2 2015
- Order backlog of MUSD 41.1 at quarter-end
- Nordic will effective from December 31, 2015 cease to report orders and only report backlog at end of Quarter

Order Inflow and Backlog 2012 – Q2 2015 (MUSD)



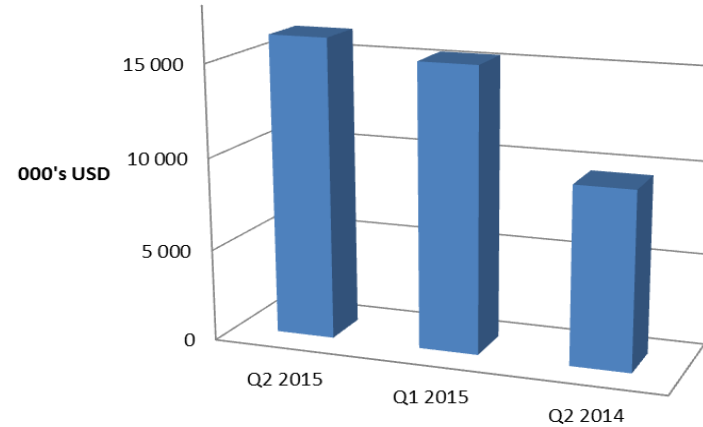
# Growth Markets

### Consumer Electronics



	Q2 2015	Q1 2015	Q2 2014
■ Consumer Electronics	28 954	20 262	24 852

### Wearables



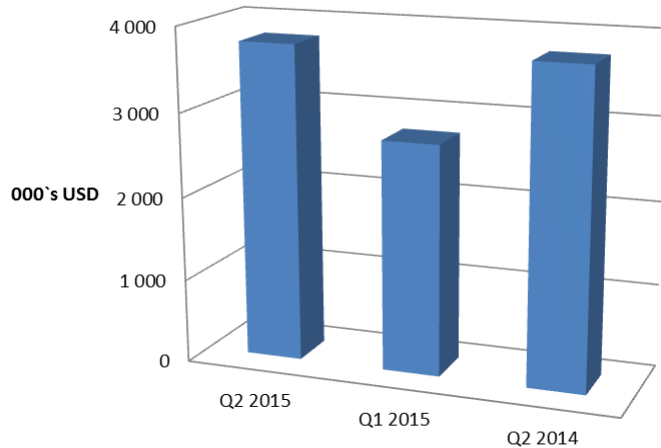
	Q2 2015	Q1 2015	Q2 2014
■ Wearables	16 296	15 360	9 629

- Growth of 16.5% compared to Q2 last year.
- Growth of 42.9% compared to last quarter
- PC Accesories slightly up from Q1 2015, moreover we are observing a higher adoption of BT Smart within PC Accesories
- MUSD 6 in gaming revenues representing 20% of Consumer Electronics
- MUSD 2 in Toys revenues

- Growth of 69.2% compared to Q2 last year
- Growth of 6.1% compared to last quarter
- Accelerated sales momentum observed after a moderate start of 2015

# Emerging Markets

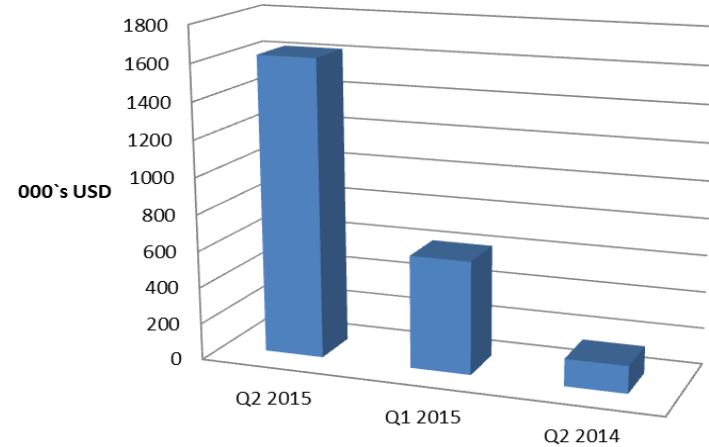
## Building/Retail



	Q2 2015	Q1 2015	Q2 2014
■ Building/Retail	3 784	2 747	3 755

- Stable revenues compared to Q2 2014. Shift from RFID to Beacons and Home Automation
- Growth of 37.7% compared to last quarter
- The market for beacons and RFID are still in the early stages of adoption. It has been identified by Nordic as a market with large potential

## Healthcare



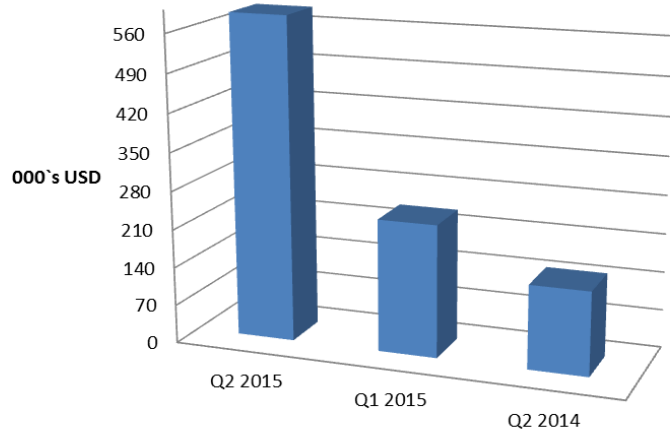
	Q2 2015	Q1 2015	Q2 2014
■ Healthcare	1 623	616	149

- Large increase from previous periods
- Growth of 163% compared to last quarter
- Strong sales compared to Q2 2014 is driven by a handful of existing customers gaining volume, plus a mix of new customer design wins



# Other Markets

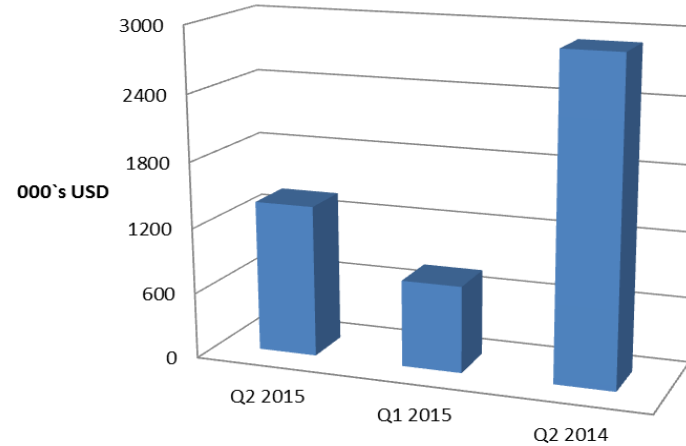
## Others



	Q2 2015	Q1 2015	Q2 2014
■ Others	590	242	153

- Growth of 285% compared to Q2 last year.
- Growth of 143% compared to last quarter. This market reflects products which do not map into our four main markets, hence revenues generated here will fluctuate on a regular basis. Modules is the largest product group within this market

## ASIC



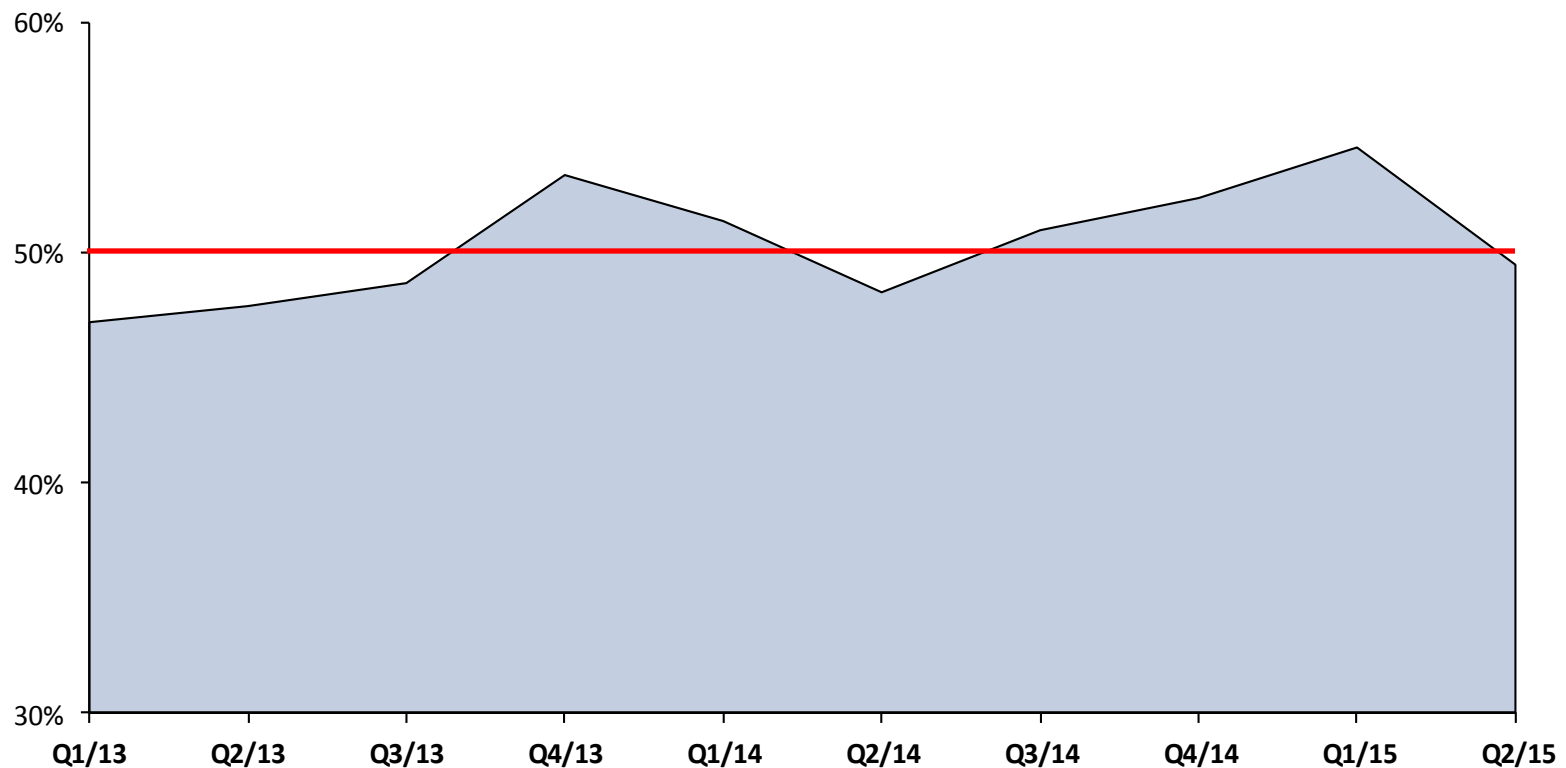
	Q2 2015	Q1 2015	Q2 2014
■ ASIC	1384	790	2905

- Decline of 52.3% compared to Q2 last year.
- Increase of 75.2% compared to last quarter.
- Nordic are not investing in this segment anymore. All revenues are from existing projects and will fluctuate from quarter to quarter based on project deliveries

# Gross Margin

- Gross margin of 49.5 % in Q2 2015
  - Gross margin reduced from prior quarters, mainly due to product mix
  - Expected to stabilize around 50% in 2H-2015

Gross Margin % of revenue 2013 – Q2 2015



# Operating Expenses

- Operating expenses (incl. depreciation) of MUSD 15.4 in Q2 2015
- Total operating expenses excluding depreciation and adjusted for options and capitalized R&D increased from MUSD 15.7 in Q1 2015 to MUSD 15.8 – higher number of employees offset by vacation pay in June charged against short term accruals
- Finland Q2 2015 operating expenses at MUSD 3.4.

<u>USD '000</u>	<u>Q2 2015</u>	<u>Q1 2015</u>	<u>Q2 2014</u>	<u>Growth Y-o-Y</u>
Total Cash Operating Expenses , excluding Depreciation*	15 847	15 715	11 290	40 %
Add: Options expense**	197	959	1 310	
Less: Capitalized R&D***	(2 644)	(1 998)	2	
Total Reported Operating Expenses, excluding Depreciation	13 399	14 676	12 602	6 %

\* Adjusted for options, capitalized R&D and related depreciation expense

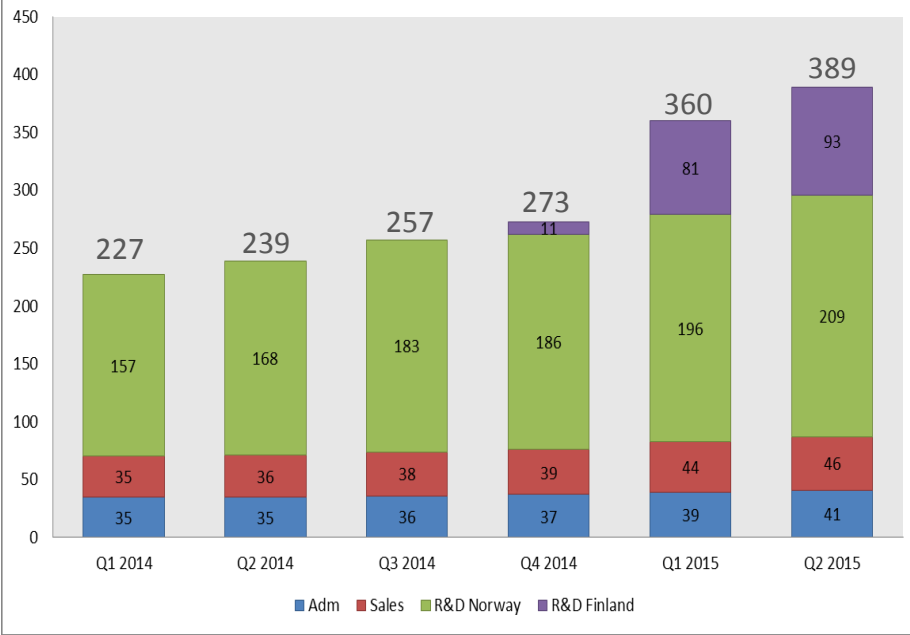
\* Cash Operating expenses are adjusted for options and capitalized R&D

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

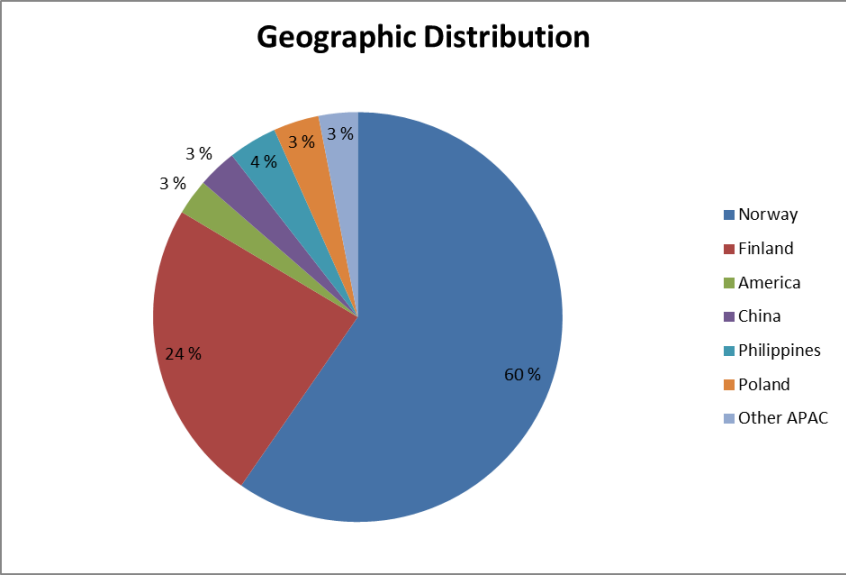
\*\*\* Net Opex impact of Capitalized R&D

# Group Employees

### Headcount Development



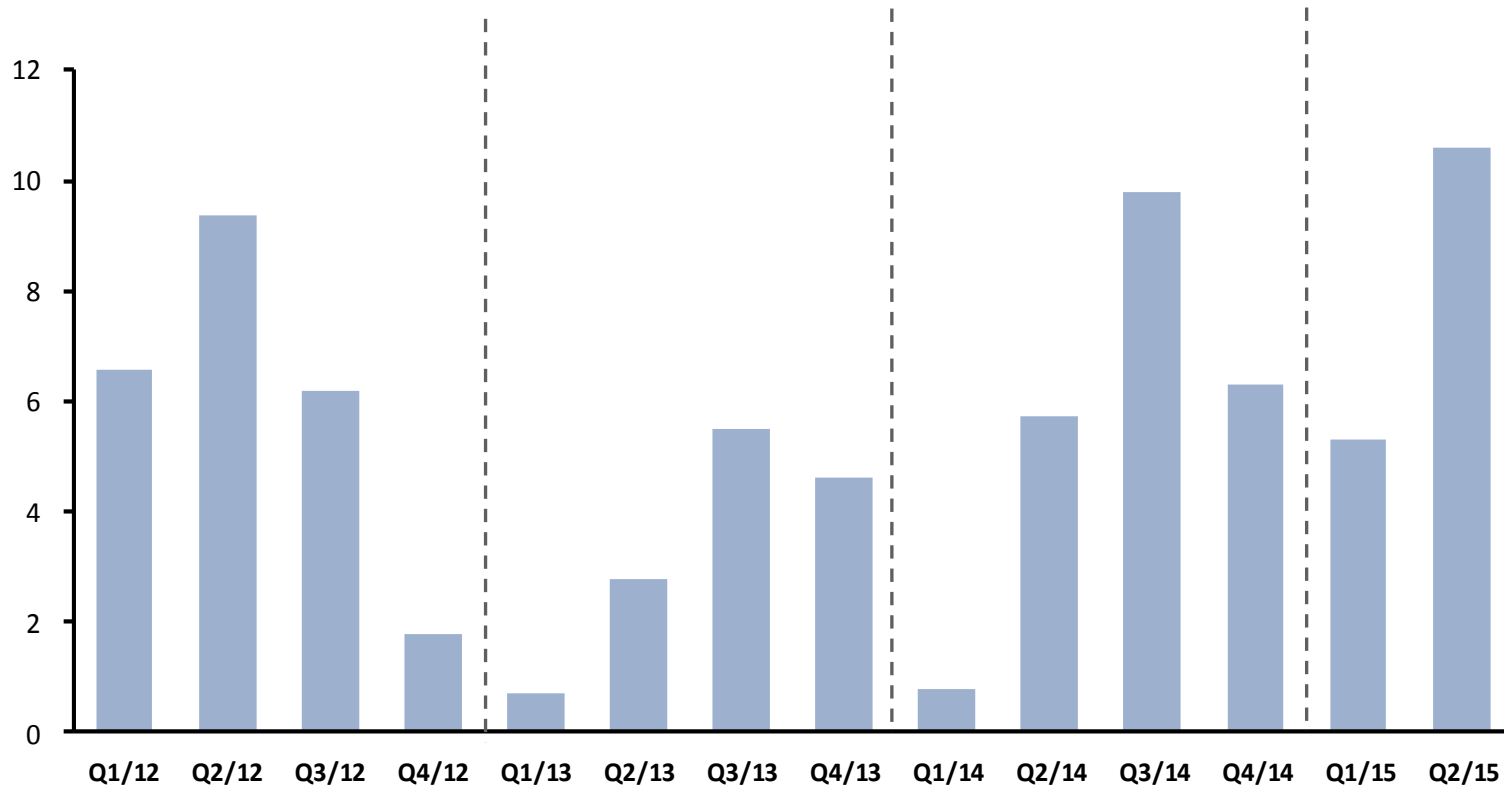
### Geographic Distribution



# Operating profit (EBIT)

- Operating profit in Q2 2015 of MUSD 10.6
  - Higher revenue offset by increased operating expenses

Operating Profit by quarter 2012 – Q2 2015 (MUSD)



# Q2 2015 Financial Summary

## Revenue growth

- Group revenue of MUSD 52.6 (MUSD 41.4)
  - *Bluetooth* Smart sales grow to MUSD 30.1 , or 57.1% of revenue (29.5%)
- Record high order inflow of MUSD 60.2 (MUSD 47.8)
  - Strong order inflow from new revenue markets

## Profitability

- EBIT of MUSD 10.6 (MUSD 5.7)
  - Higher revenues and gross margin drives EBIT growth
  - Capitalized development cost and FX lowering OPEX

## Cash Flow

- Free cash flow of MUSD -9.4 (MUSD -12.1)
  - Outflow primarily due to build up of wafer inventory.
  - Ending cash balance of MUSD 25.4



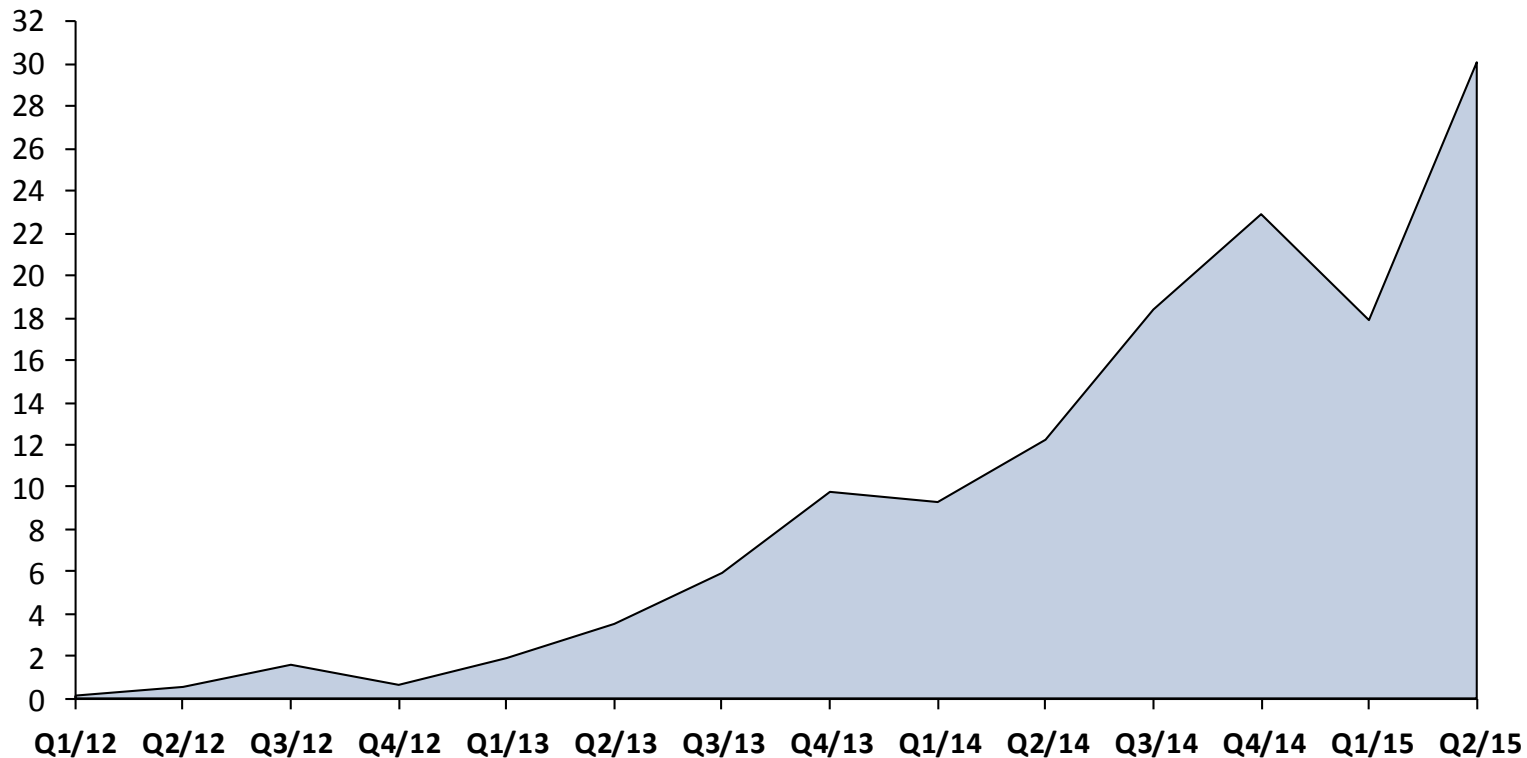
# Business Outlook

Svenn-Tore Larsen, CEO

# High Sales of Bluetooth Smart

- Q2 Bluetooth Smart revenues of 30.1 MUSD, taking the total for 1H2015 to MUSD 48.0
- Representing close to 52% of 1H2015 revenues

Total Nordic revenue from Bluetooth Smart, 2012 – Q2 2015 (MUSD)

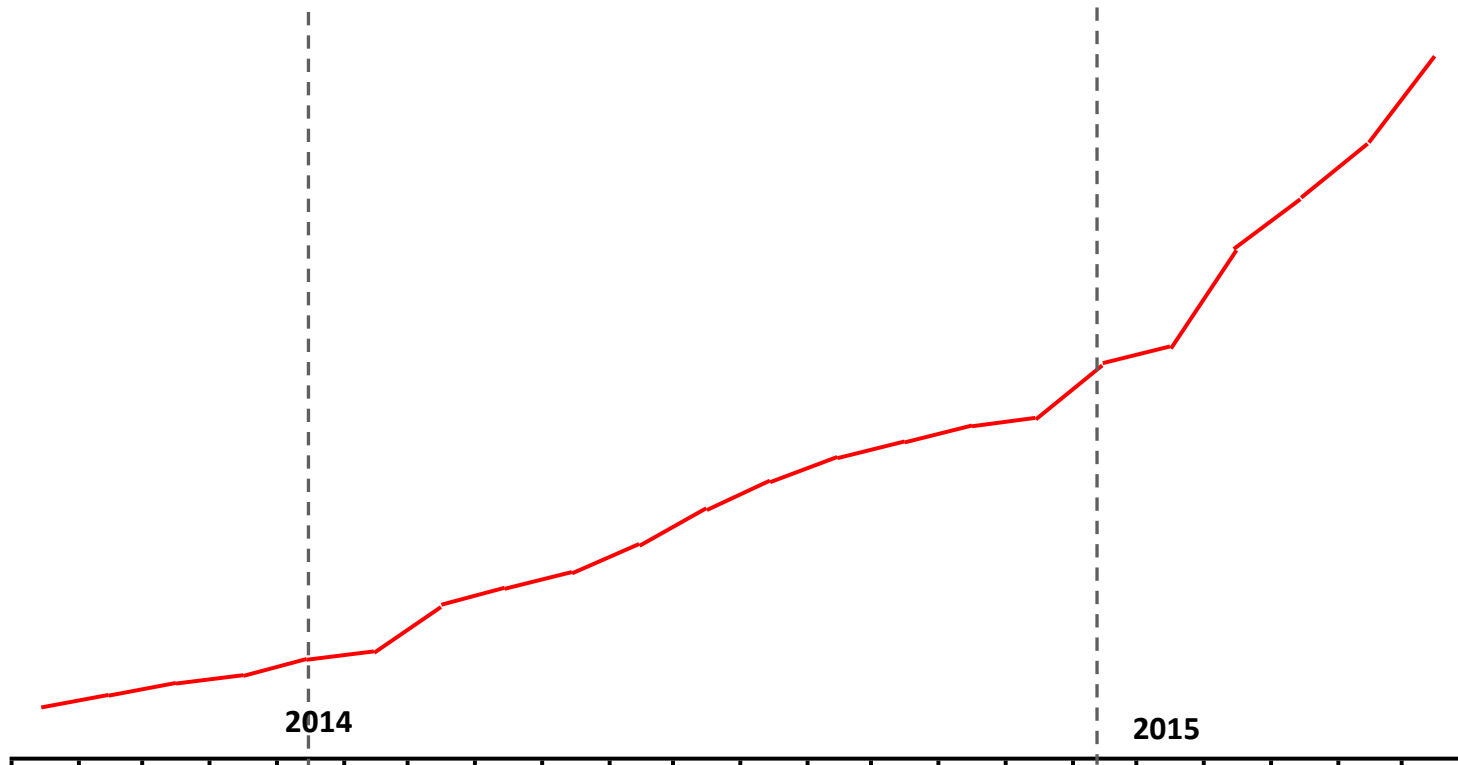




# Bluetooth Smart Active Customers

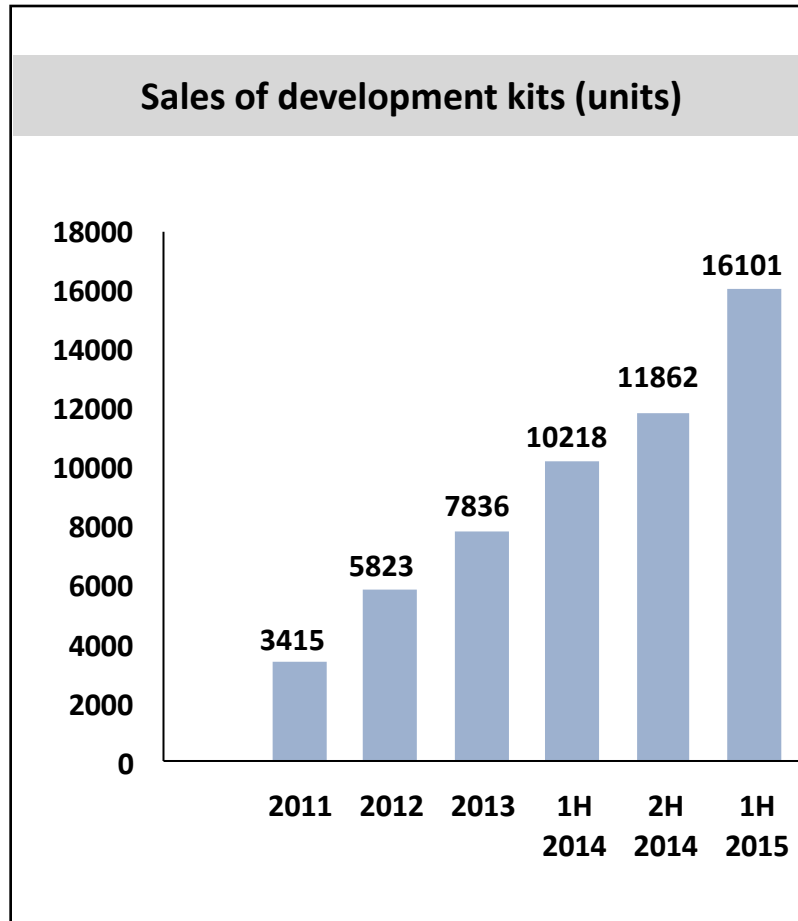
- Number of active BT Smart customers continues to grow
  - More than 50% growth in active customers in 1H2015

Number of "Active" Bluetooth Smart customers\*, 2013 – 2015



\* Definition of "Active" Customer: An end customer which has purchased a larger volume during prior six months (i.e., a customer actively selling product to end customers or preparing a high volume prototype)

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



- Record high 16101 development kits sold in 1H 2015
- 36% growth from 2H 2014
- Sales of development kits continues to build Nordic's customer base

# HomeKit Solution

## Nordic Semiconductor launches HomeKit solution for nRF51

- Nordic announced on June 16th the availability of its HomeKit solution for the nRF51
- Provides developers with a unique solution for HomeKit products that meets all requirements on size, power consumption and performance
- Released with iOS 8 last year, HomeKit is a framework for the creation of products and apps that will give a secure and consistent user experience when using an iPhone, iPad or iPod touch to interact with smart products in our homes
- Poly-Control has developed, based on HomeKit and the nRF 51 the innovative and stylish keyless door lock system – Danalock



# First Rezence Charger Available on the market

- Gill Electronics selects Nordic's nRF51 for device communication in its TesLink 33+W Wireless Power Transmitter resonant charging system
- TesLink overcomes limitations of induction charging allowing users to simultaneously wirelessly charge multiple devices using a wide-area charging field
- 33+W of power across a distance of up to 40mm and over an area of 22 by 15cm. 33+W of power is sufficient to simultaneously charge a smartphone and two tablets, or a smartphone and a portable computer.
- Gill Electronics' U.S. FCC-certified TesLink Wireless Power Transmitter can be mounted to the underside of almost any non-metallic work surface—up to 35mm in thickness—and once connected provides a large topside area suitable for wireless charging.

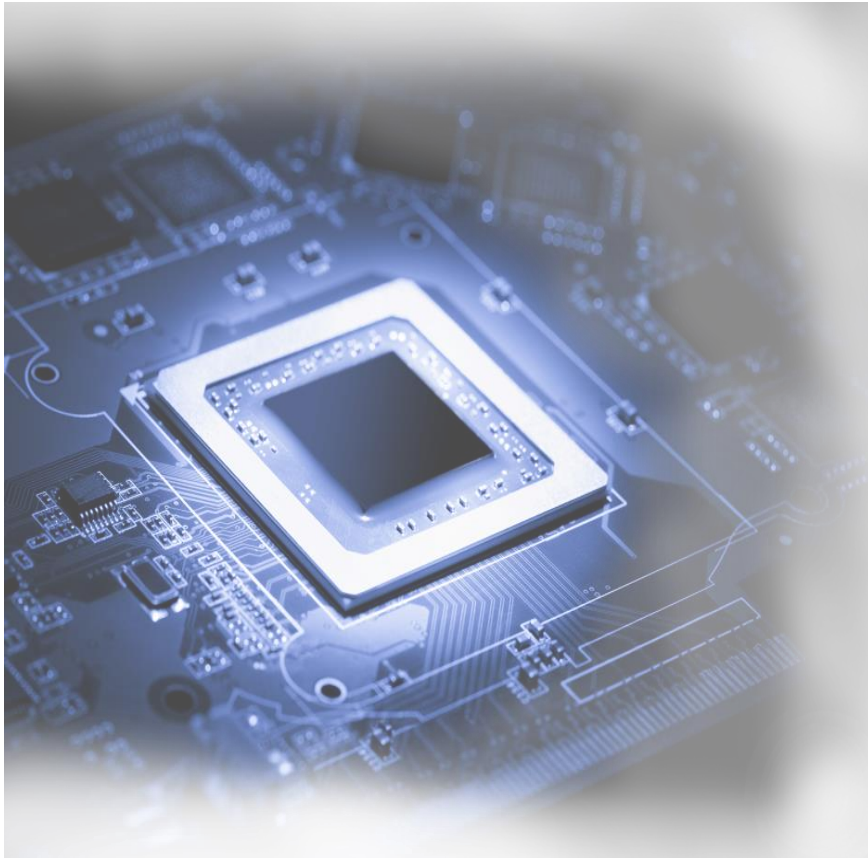


# Finland



- Half a year since Finland office officially kicked off.
- Successful integration with Norway and Poland organization
- Key licenses in place
- Customer and partner discussions
- Projects are progressing as planned

# Changing the Game Again with nRF52



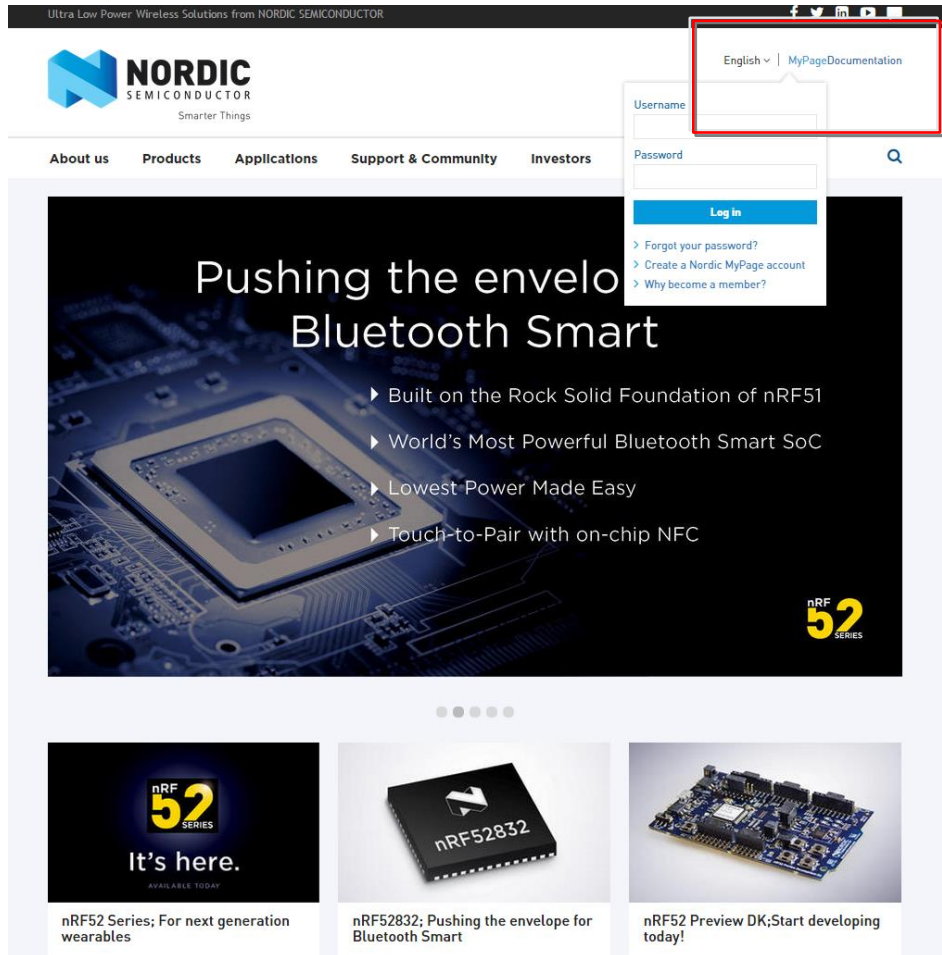
- Built on the Rock Solid Foundation of nRF51
- World Most Powerful Bluetooth Smart SoC
- Lowest Power Made Easy
- Pushing the Envelope on Single-Chip
- The nRF52 is architected for speed:
  - High performance radio
  - 64 Mhz Arm Cortex – M4F
  - Embedded Flash
  - Multi Segment RAM
  - Easy DMA

# Business Outlook

- Growth in revenues driven by Bluetooth Smart sales, in combination with stable demand for proprietary solutions
- Re-iterate gross margin prediction of approximately 50% for 2H2015
- OPEX will continue to grow as the organization expands and accommodates for this growth
- We see new segments growing with a broader diversity of customers

# For more information on Nordic

- Sign up for a Nordic MyPage account on our website - [www.nordicsemi.com](http://www.nordicsemi.com)



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