



Investor Presentation Q2 2016

July 13th 2016, Oslo



Q2 2016

Svenn-Tore Larsen, CEO

Headlines

- ▶ Q2 revenue at 52.7, flat year over year and up 32% quarter over quarter
- ▶ Bluetooth Smart revenue at MUSD 27.2, derived from a record high number of customers
- ▶ Strong proprietary sales with increasing revenue from new designs outside PC Accessories
- ▶ Accelerating design win ratio with nRF52, however yield issues still impacts the quarter
- ▶ Release of specifications for Bluetooth 5.0, will open new markets for Bluetooth Smart

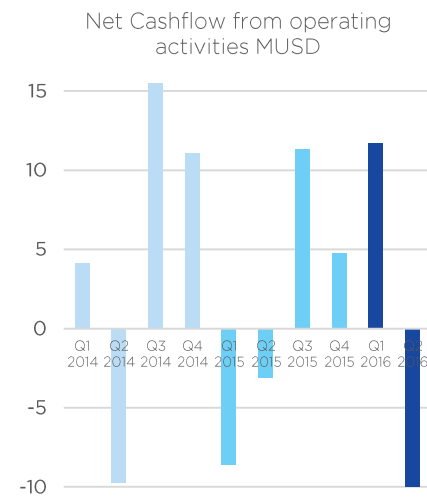
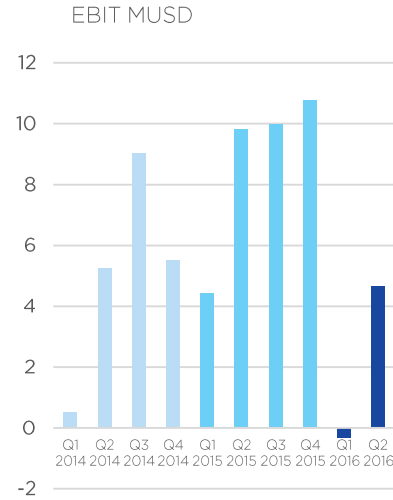
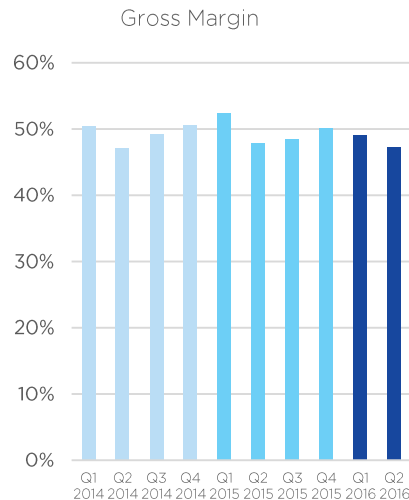
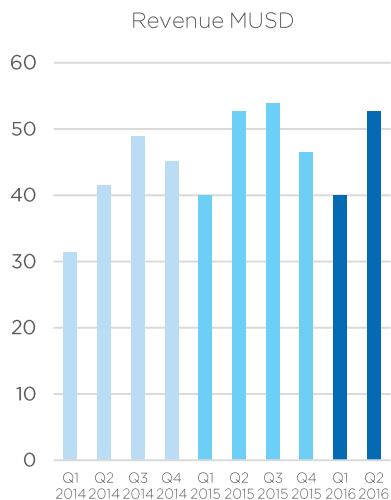


Financial Highlights

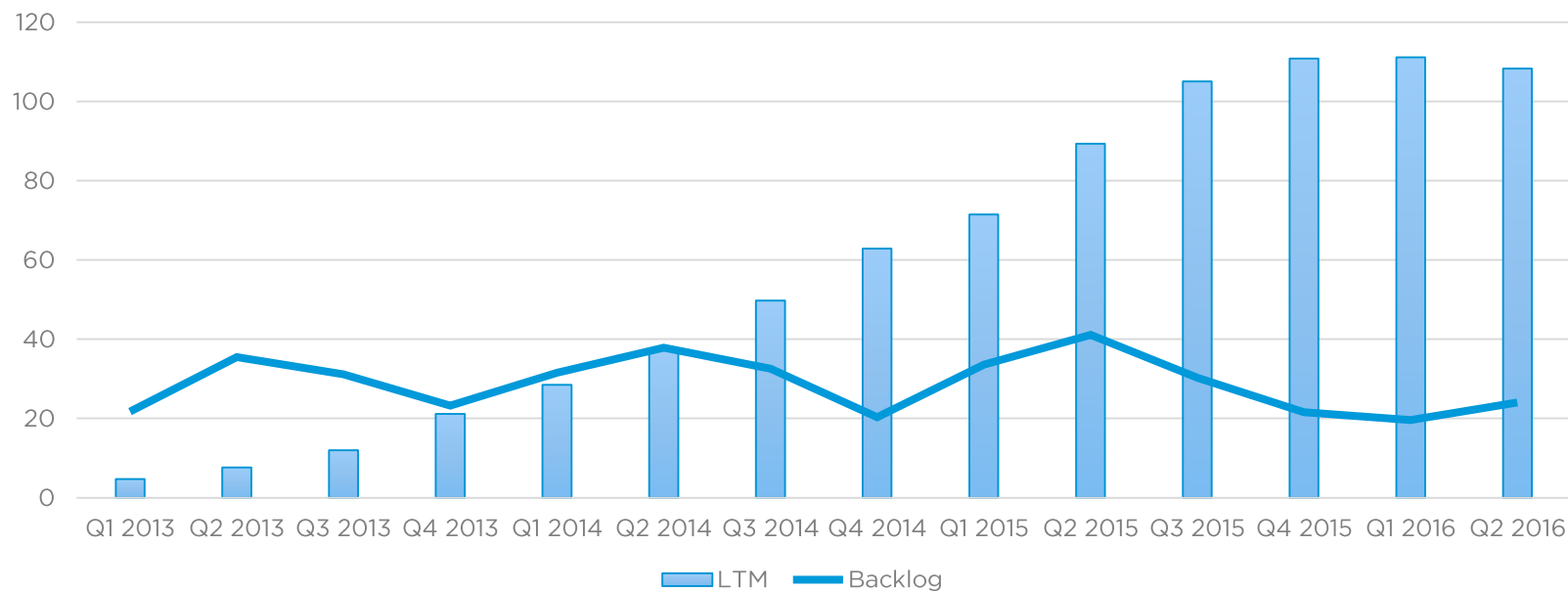
Pål Elstad, CFO

Q2 2016 Financial Highlights

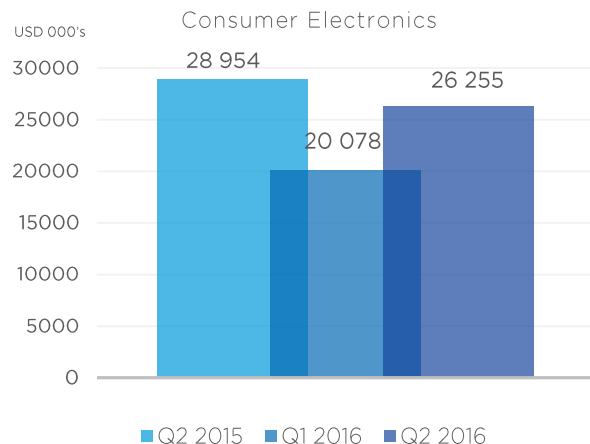
- Revenue at MUSD 52.7 compared to MUSD 52.6 in Q2 2015
- Gross Margin at 47.2%
- EBIT of MUSD 4.7
- Cash Flow from operating activities at MUSD -10.0



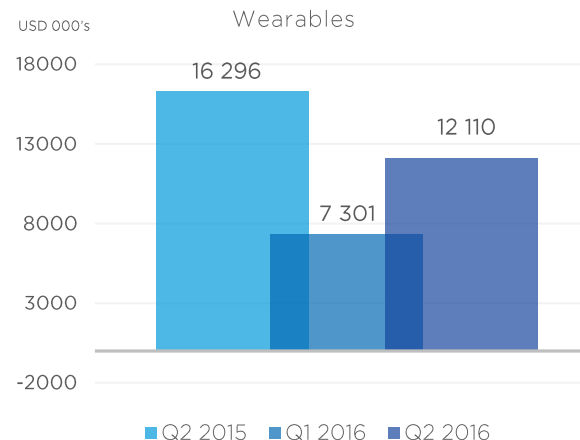
Last 12 Months BT Smart Revenues and Total Order Backlog



Established Markets

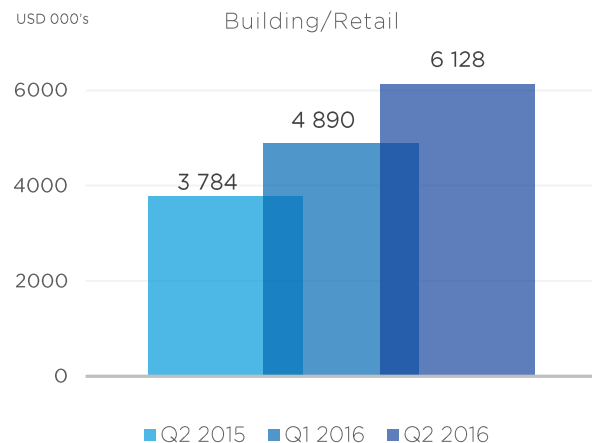


- Consumer Electronics revenues down 9.3% from Q2 2015, seasonal increase of 30.8% compared to last quarter
- Underlying Y-o-Y growth adjusted for large gaming project
- Bluetooth Adoption in PC Accessories products continues

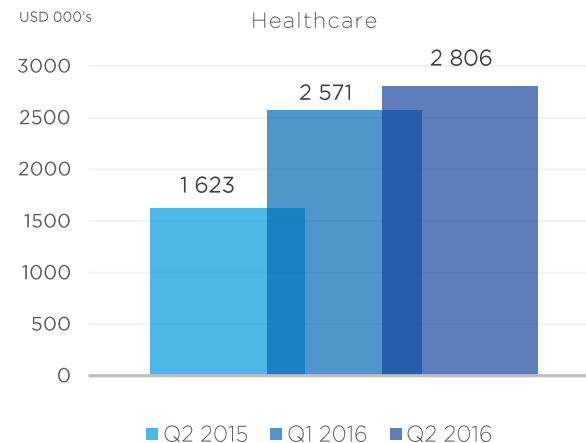


- Wearables revenues down 25.7% from Q2 2015 and seasonal increase of 65.9% from last quarter
- Stable revenue development adjusted for loss of one large design
- Broad design activity with nRF52 to compensate for loss of one large design

Emerging Markets

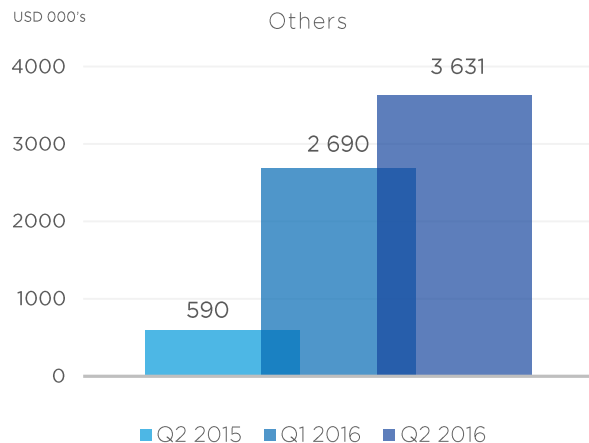


- › Building/Retail revenues up 61.9% from Q2 2015
- › Compared to last quarter revenues are up 25.3%
- › Large RF ID customer back in volumes with new designs
- › Payment solutions is a growing market

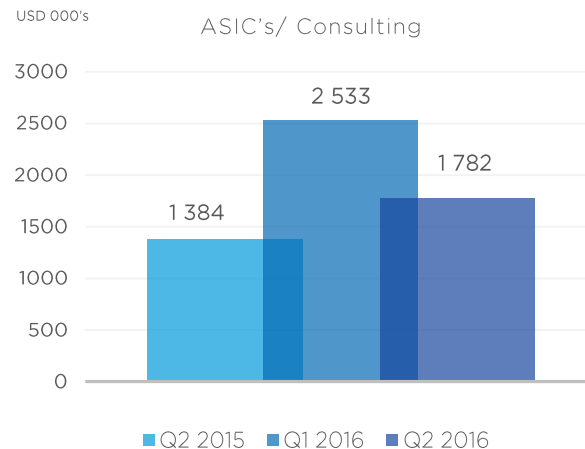


- › Healthcare revenues up 72.9% from Q2 2015
- › Compared to last quarter revenues are up 9.1%
- › Market dominated by hearing aids and glucose metering, but we are seeing new design wins within market

Other Markets



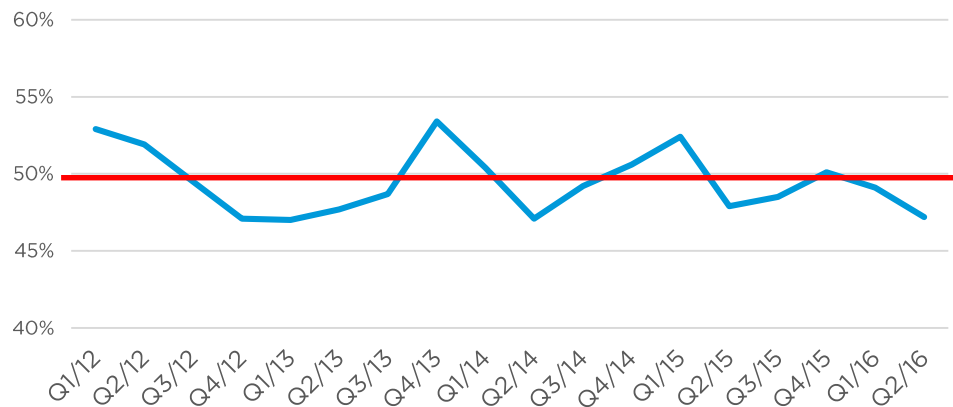
- › New market with large growth from 2015 (+500%)
- › Consist mainly of module OEM's and direct sales where no end customer is identified
- › 70+ modules using Nordic products



- › ASIC's/Consulting revenues up 28.8% from Q2 2015 and down 29.6% from last quarter
- › A few project drive revenue with ASIC's
- › ASIC's projects exist of surveillance cameras, industrial sensors, healthcare and home automation

Gross Margin

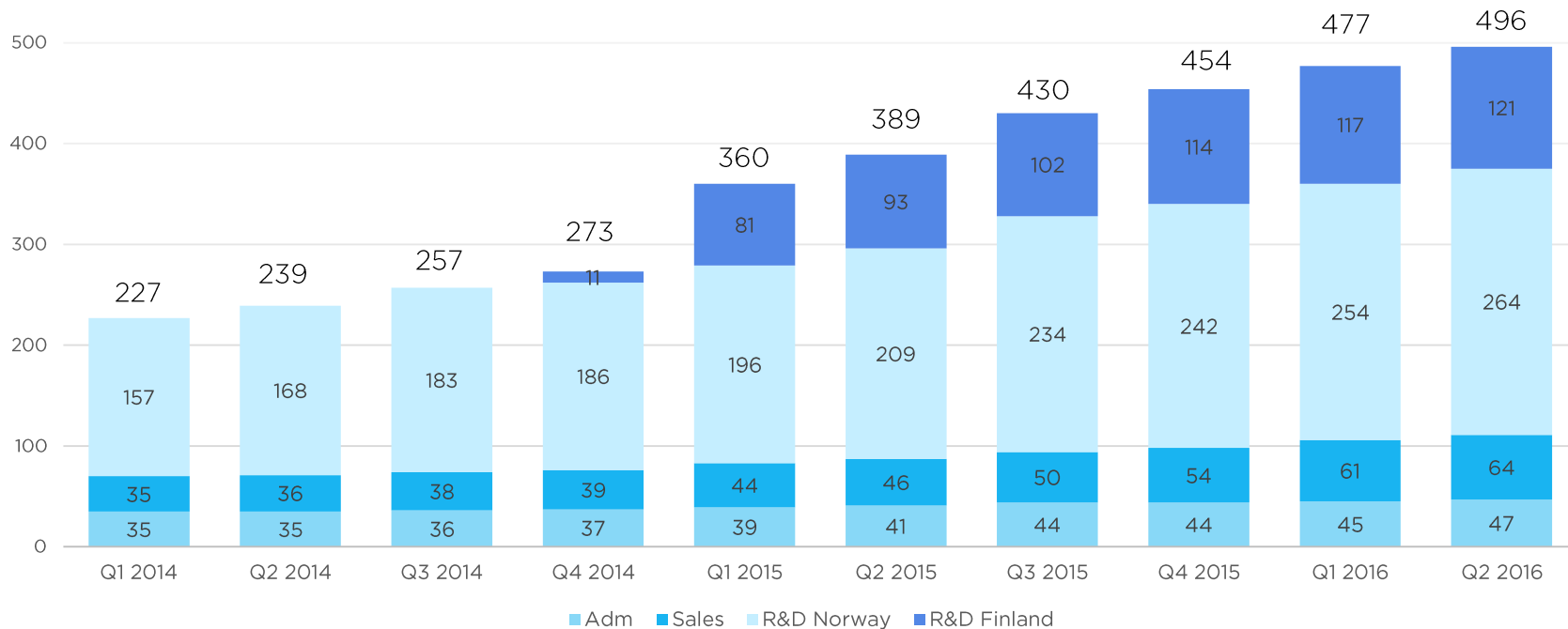
Gross margins affected by rapid ramp-up of nRF52 family



- › Nordic had a GM of 47.2% in Q2 2016
- › Reduction compared to last year mainly due to product mix and lower yields under product introduction on nRF52
- › Reduction compared to last quarter due to higher share of proprietary as well as product mix within BT Smart
- › Short term impact of low yield for the nRF52 expected to negatively impact gross margins

Headcount

4% Increase during Q2 and 27.5% last twelve months



Operating Expenses

- › Finland OPEX at MUSD 4.0 – Up from MUSD 3.5 in Q1 2016
- › Capitalized R&D expenses in Q2 at MUSD 1.5 – expect less than MUSD 1 for per remaining quarters in 2016

USD '000	Q2 2016	Q1 2016	Q2 2015	Growth Y-o-Y
Total Cash Operating Expenses , excluding Depreciation*	19 248	18 481	15 846	21 %
Add: Pension liability adjustment	-	-	-	
Add: Options expense**	(268)	248	197	
Less: Capitalized R&D***	(1 528)	(1 084)	(2 644)	
Total Reported Operating Expenses, excluding Depreciation	17 452	17 645	13 399	30 %
Total Cash Operating Expenses, excluding Depreciation* in % of LTM Revenue	40 %	38 %	34 %	

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

Operating Profit

Operational leverage short term offset by investments

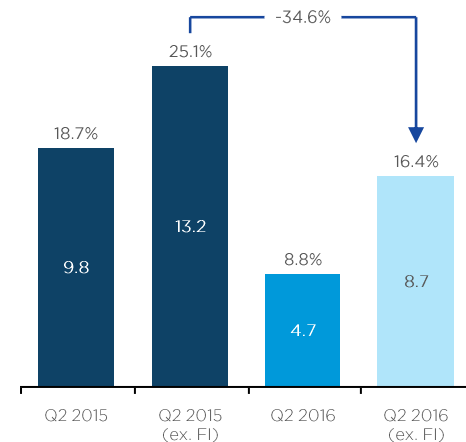
Reported EBIT

- › Effects of company expansion lead reduced EBIT in Q2 2016 compared to Q2 2015

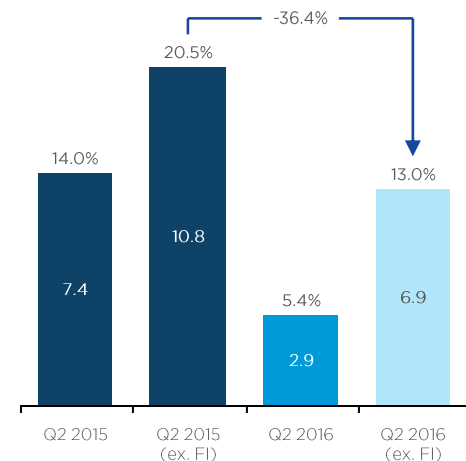
Adjusted EBIT

- › Adjusted EBIT excluding Finland in Q2 2016 down 36.4% from Q2 2015, this is a result of high costs not offset by higher revenues

EBIT MUSD Reported
as % of revenue

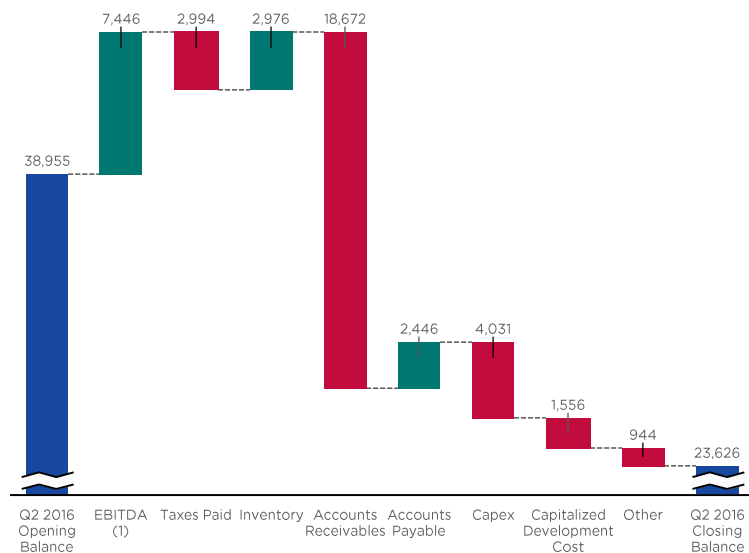


EBIT MUSD Adjusted*
as % of revenue



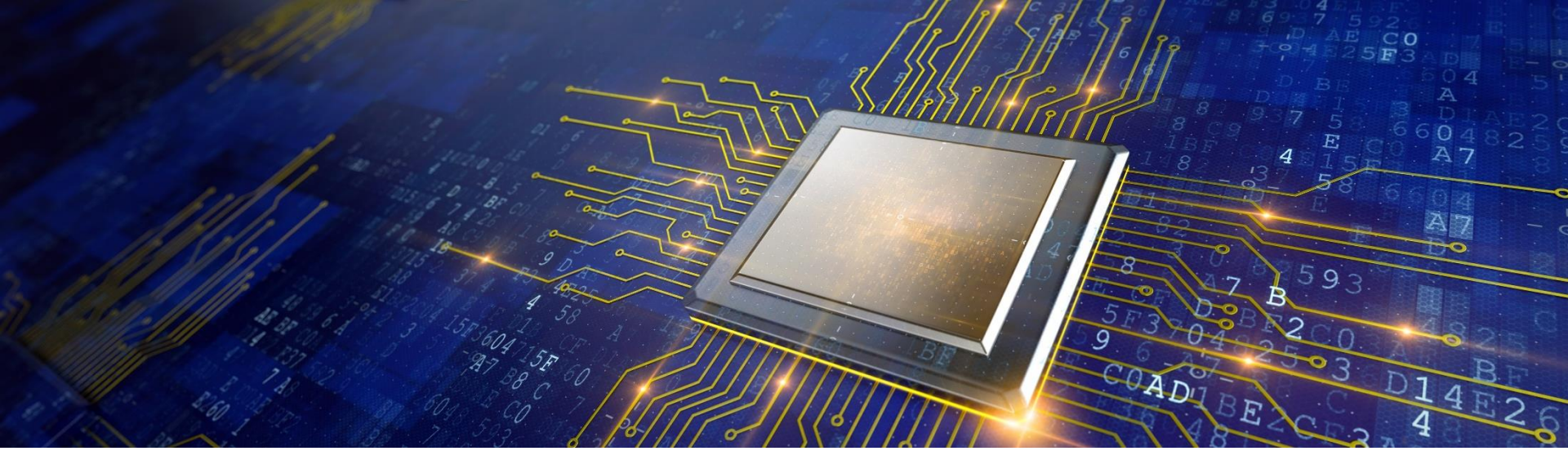
*Adjusted for capitalized R&D and options

Q2 Cash Flow



Cash flow Q2 2016 USD ('000)

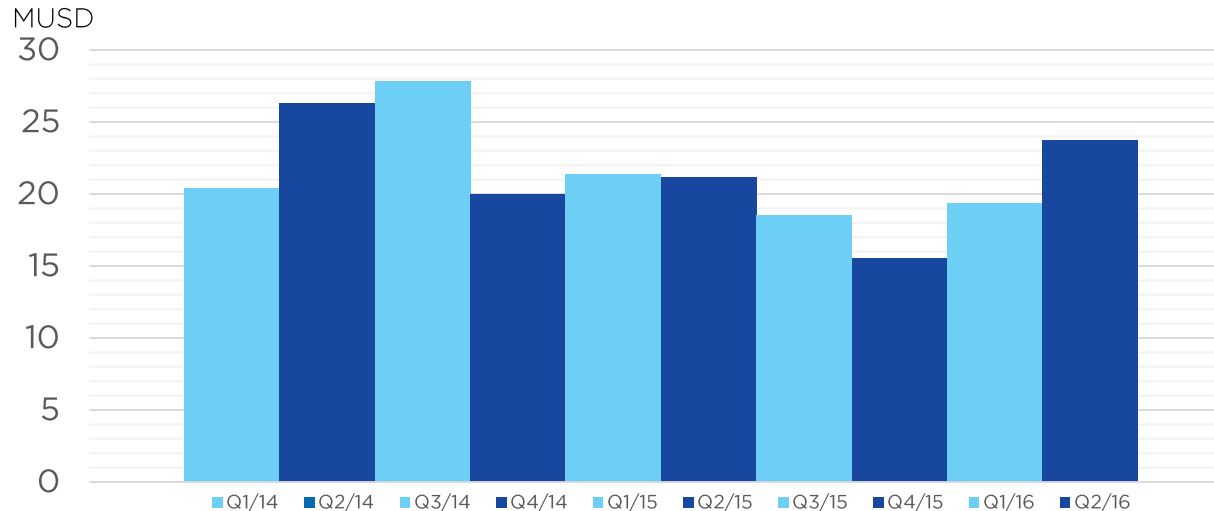
- › Seasonal negative cash flow from operations of MUSD -10
- › Main driver is increased accounts receivables due to:
 - › Higher Sales
 - › Sales late in the quarter
- › Offset by improvement in inventory and account payables
- › NWC in % of LTM revenues increased from 28% in Q1 2016 to 41% Q2 2016, compared to 43% in Q2 2015
- › High capex of MUSD 4 during Q2 mainly as a result of high IP purchases



Business Outlook

Svenn-Tore Larsen, CEO

Proprietary Revenues 2014-2016

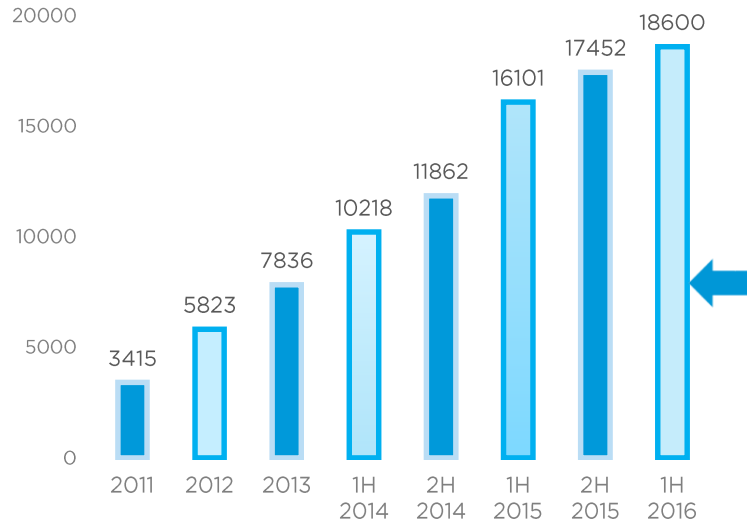


- › Strong proprietary sales in Q2 2016. 30% of revenues came from outside PC Accessories.

Development Kit Sales

A leading indicator

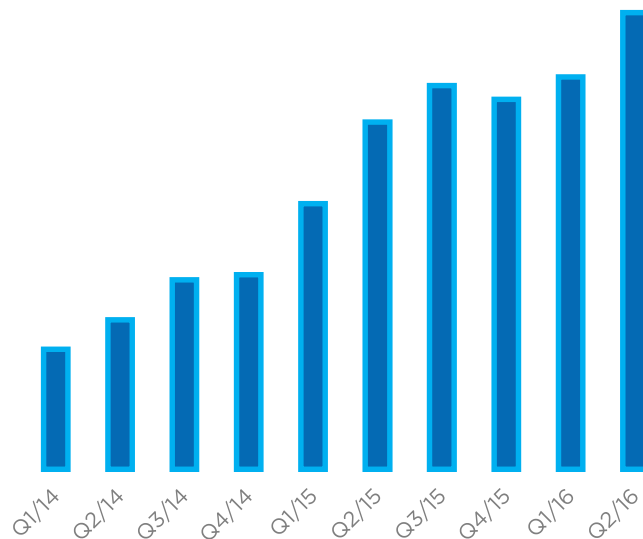
Sales of Nordic Kits
2011-2016



1H 2016 nRF 52 DK constitutes 40% of sales



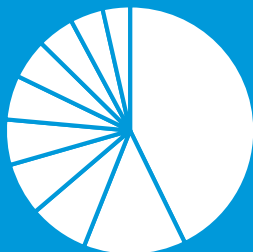
Bluetooth Smart Active Customers



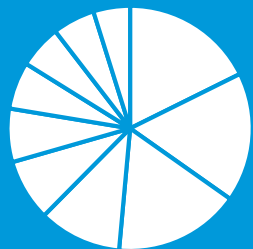
- › Definition of “Active” Customer: An end customer which has purchased 10.000 units or more during prior six months (i.e., a customer actively selling product to end customers or preparing a high volume prototype)

Rapid Diversification of Underlying Revenue

Q2 2015



Q2 2016



- › Distribution of Top 10 Bluetooth Smart Customers Sales
- › The total percentage of Bluetooth sales that the top 10 customer base make up has decreased from 53% in Q2 2015 to 41% in Q2 2016.
- › Shows a healthy diversification.
- › Adjusted for loss of two customers in Q2 2015, underlying revenue growth reached 50%

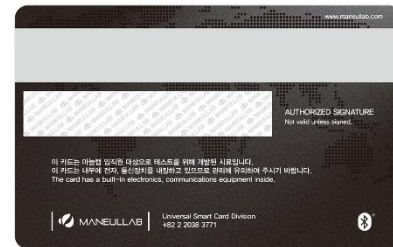
Maneul Lab's "The Card"

About "The Card":

- Replaces up to 200 cards with secure, all-in-one payment
- Supported by Bluetooth low energy, NFC, embedded IC, dynamic magnetic stripe, and barcode

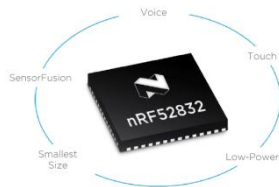
Embedded with nRF51822 SoC:

- nRF51822 provides wireless connectivity to both iOS- and Android-compatible smartphones
- Flash memory of nRF51822 allows "The Card" to store information from up to 200 cards
- One month of battery life. Rechargeable through NFC.



Record Fast Adoption of nRF52 Family

Strong Performance



Low energy and powerful CPU, with excellent floating point and DSP performance – capacity to manage multiple sensors
– Quote by Zepp Labs

The engineers' best friend



Ease-of-use is one of our core strengths, and this makes the Nordic chip a perfect match for the Arduino Primo,”
– quote by Arduino

In-house software development



The nRF52832 SoC's ARM processor and software architecture are compatible with the nRF51 Series modules, making it much easier for our customers to upgrade to the new modules.”
– quote by Taiyo Yuden

“The Nordic setup” offers leading solutions with a proven competitive edge

Bluetooth 5.0 Release from BT SIG

Significantly Improved Performance

2X speed and
lower power

2Mbps mode
Data transfer / DFU
Longer battery lifetime

Full-house
coverage

Long range mode &
higher output power
Smart Home / automation

High throughput
broadcast

Advertisement extensions
Improved mesh
Smart Home / automation

Nordic's nRF52 Series Bluetooth low energy solutions will support Bluetooth 5.0, significantly enhancing the chips' suitability for these rapidly-growing market sectors

Nordic roadmap for low power cellular IoT



- › Includes chipsets and software
- › LTE-M and NB-IoT
- › 2018 - 2021
- › Different solution for a different market



- › First nRF91 Series product
- › In development since early 2015
- › Sampling lead customer H2 2017
- › Broad availability and production 2018

Cellular IoT market opportunity

Still in its infancy



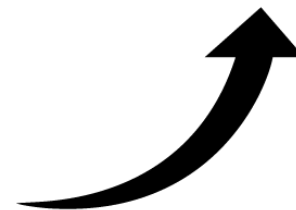
- › Range, security and reliability
- › Specialized market space
- › 500M+ connections in 2016

The emergence of low power cellular



- › LTE-Cat 0, LTE-M, EC-GSM, NB-IoT
- › Power, size, range and cost
- › Lower data throughput

Low power fuelling growth



- › Existing and new markets
- › 1.5B+ connections in 2021
- › Fast evolving market space

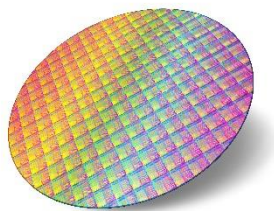
Cellular IoT taking Nordic to the next level

The third
growth vehicle



- › Fast growing market space
- › Complementing short-range
- › Higher ASP

Scale for
our investments



- › Technology platforms
- › Organization
- › Overlap in customer base

A unique
position



- › A new era for cellular IoT
- › Nordic's low power DNA
- › Unique expertise in Finland

Business Outlook

- Increased number of Bluetooth Smart customers drives growth in diversified segments
- Yield issues with nRF52 expected to be solved in 2H 2016
- Tier 1 customers started production in Q2 - will drive revenue growth
- Nordic introduces guiding on revenue, as a broadened customer base has reduced dependency on a few large accounts - and visibility is now at a more reliable level - 2H 2016 revenue in range of MUSD 105-120
- Introduction of BLE 5.0 will increase design opportunities
- Revenue opportunities are maturing in Long Range Wireless from the Finland Operations

A tiny selection of other Q2 Product News

- “sfty Sense employs Nordic’s nRF51822 System-on-Chip in their Bluetooth Smart and Wi-Fi powered smoke and motion detectors”
- “Ruuvi Innovations has selected Nordic’s nRF52832 System-on-Chip in its open source beacon platform that conform to both the Apple iBeacon™ and Google Eddystone™ specifications.”
- “u-blox NINA-B1 Series modules employ Nordic’s nRF52832 System-on-Chip for a complete, compact Bluetooth Smart wireless solution requiring no additional hardware. ”



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