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Investor Presentation Q3 2016

October 18th 2016, Oslo, Norway

Introducing our new Director of Strategy and IR

Business update



Svenn-Tore Larsen
CEO

Financials



Pål Elstad
CFO

Business outlook



Thomas Embla Bonnerud
Director Strategy and IR



Business update

Svenn-Tore Larsen, CEO

Q3 2016 headlines

- #1 Q3 2016 revenue at 52.3, down 3.0% compared to MUSD 53.9 in Q3 2015
- #2 Bluetooth revenue at MUSD 31.1, down 8.9% compared to MUSD 34.2 in Q3 2015
- #3 Q3 2016 EBIT of MUSD 3.9, compared to MUSD 10.0 in Q3 2015
- #4 Bluetooth momentum with underlying growth of 45%. Growth and diversification of customer base.
- #5 Positive momentum for our cellular IoT investment with several infrastructure and carrier announcements supporting our strategy.

Late incoming supply hits Q3 revenue

MUSD -4
for Q3 2016

Late incoming supply
Product mix

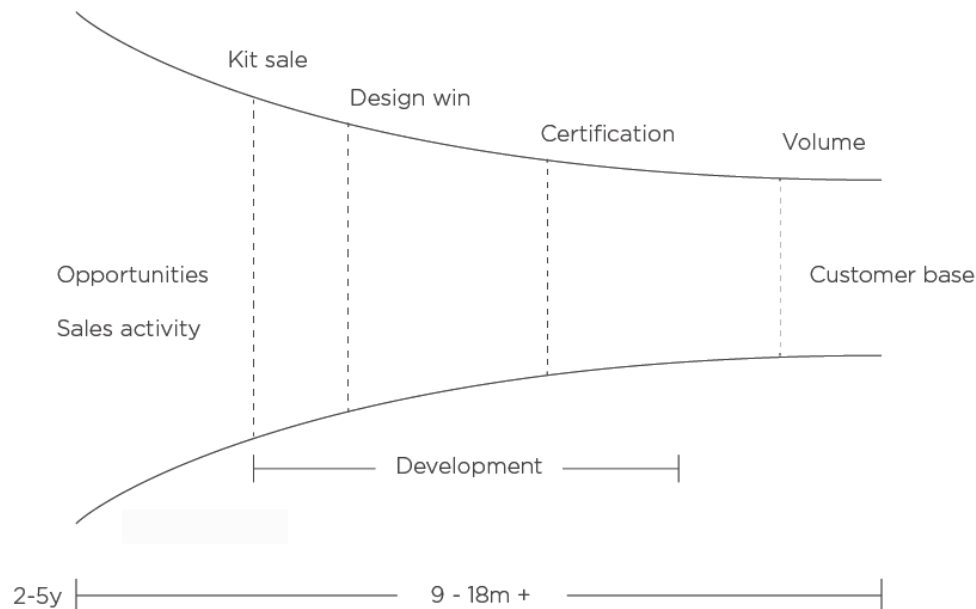
Minimum
customer impact

Safety stock used to meet
customer demand

MUSD +4
for Q4 2016

Rebuild of safety stock
in progress

Sales funnel is a leading indicator



Visibility on trends

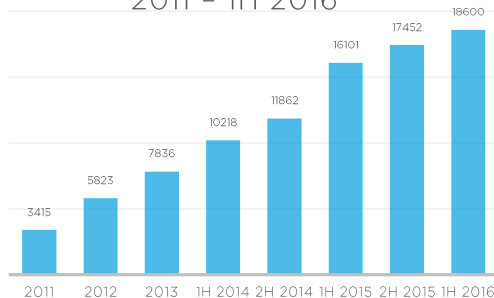
- Our competitive position
- The overall market
- → Q3 2016
- Outlook on 2017 - 2018

Design-in cycle: 9 - 18+ months

- Development activity
- Design wins
- Product certification
- Product launch

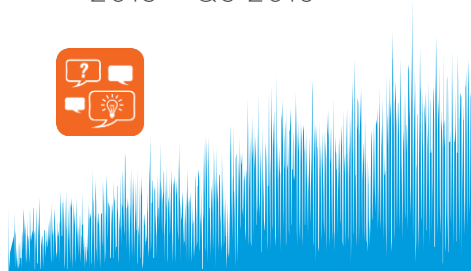
Record high development activity

Development Kits sales
2011 – 1H 2016



On track for a record year
40% is nRF52 kits (H1 2016)
nRF51 still going strong

Developer Zone posts
2013 – Q3 2016



27% growth in posts YTD
Diversified type of customers
And verticals



Most popular platform
SoC, software, tools and support
Availability and ease of use

Strong tier 1 design win momentum

Medical



Tier 1 company
Drug delivery
nRF51

Logistics



Tier 1 company
Asset tracking
nRF51

Remote controls



Tier 1 company
Voice remote for TV
nRF51

Wearables



Tier 1 company
Wristband
nRF52

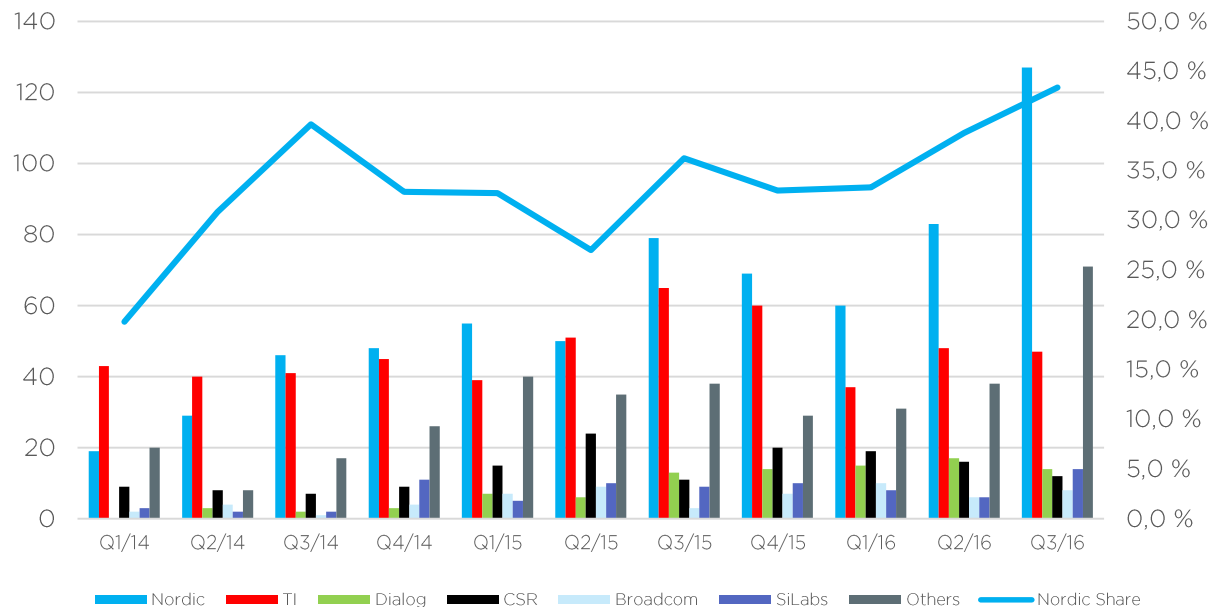
Payment/ID



Leading player
Payments
nRF51

All time high and #1 on product certifications

Bluetooth/FCC certification



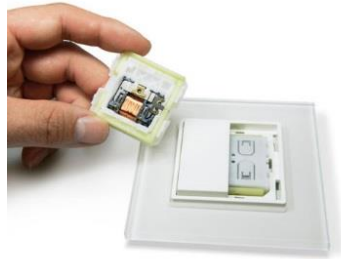
(Source: DNB Markets, Bluetooth SIG, FCC)



Selected Nordic powered products in Q3



Star Wars Force Band
Toys / Robotics
Powered by nRF52



EnOcean Light switch
Smart Home / Lighting
Powered by nRF51

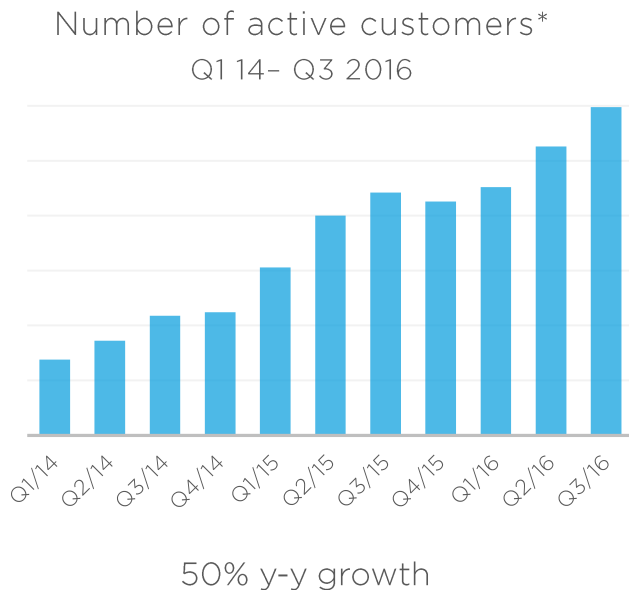


Kontakt.io Beacon Pro
Beacon
Powered by nRF52

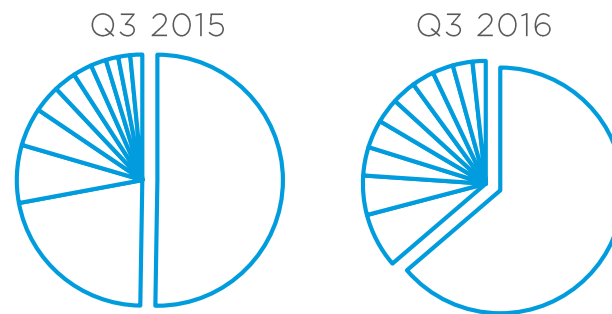


Furby connect
Toys / doll
Powered by nRF51

Growth and diversification of customer base



Bluetooth revenue distribution

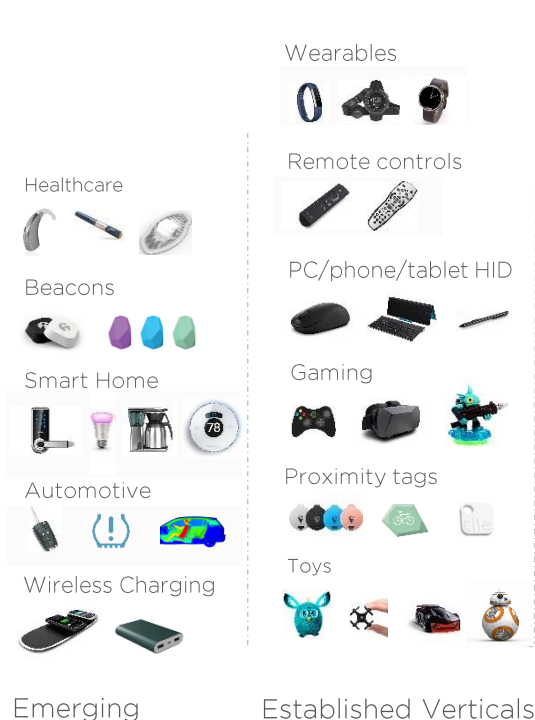
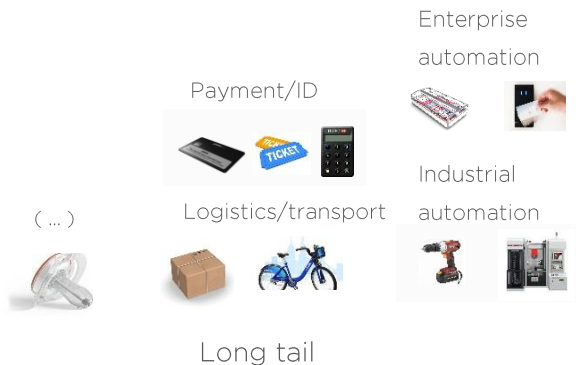


% share of top 10 customer
50% Q3 2015 → 36% Q3 2016

*) 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)

Unique market position across verticals

Nordic Bluetooth
customer base 2016



Broad coverage of the verticals

- Established, emerging and long-tail
- Mix of leading players and up and coming players
- Consumer and non-consumer

Position to grow with the market

- Existing verticals
- Exciting new verticals

Momentum in Medical

Broader range of applications

Monitoring



Drug delivery systems



Reusable



Disposable

Diabetes

Asthma

Allergy

48% y-y growth in
healthcare segment



Lots of hard work over the last years

Product offering, customer engagements

Design wins, certifications, volume production

Strong underlying growth for Bluetooth

45%

Adjusted y-y Bluetooth revenue growth

Loss of tier 1 wearable customer

Large gaming product stopped in 2015

Regained 30MUSD Bluetooth revenue in less than a year

Built a diversified robust position

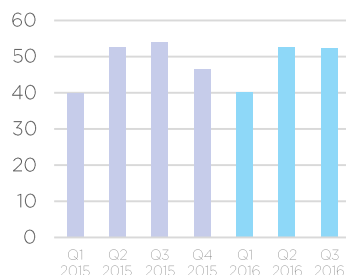


Financials

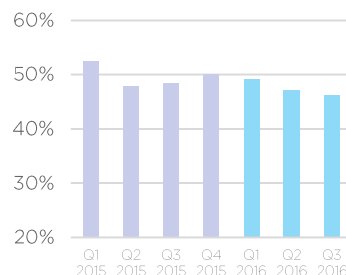
Pål Elstad, CFO

Q3 2016 financial highlights

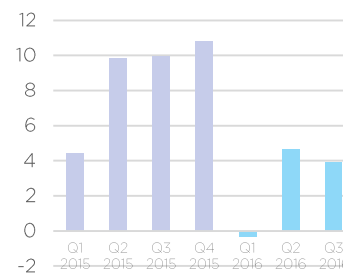
Revenue



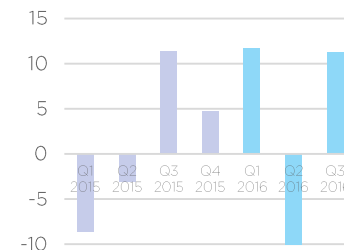
Gross Margin



EBIT

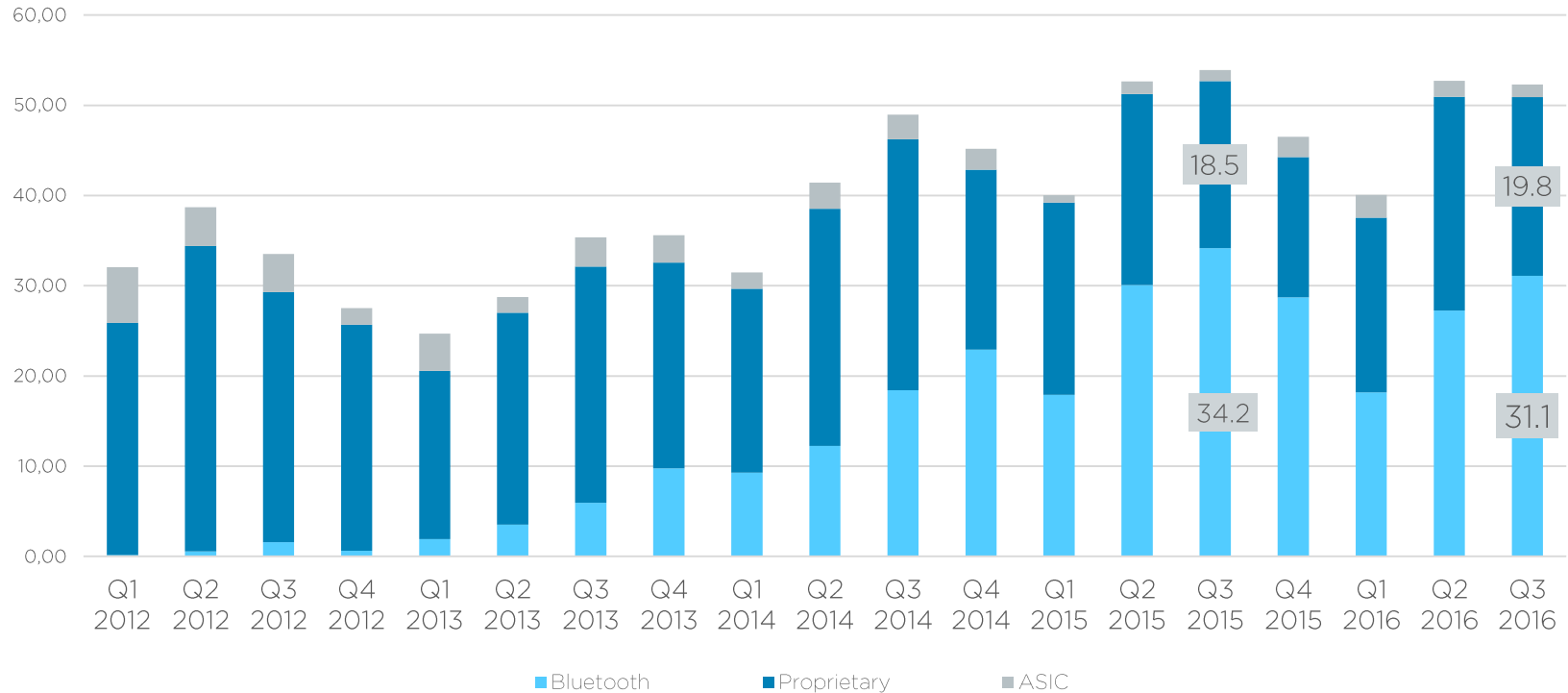


CF from Operations

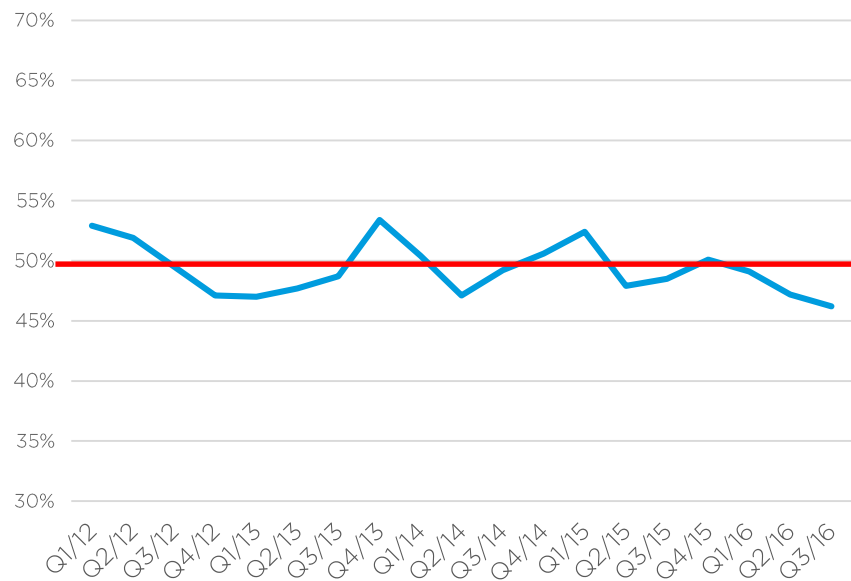


- Overall y-y decline of 3% and q-q 0.8%
- Backlog MUS\$ 22.5 (30.3)
- Q3 GM of 46.2%
- Yield issue on nRF52 impacted GM in Q3
- EBIT of MUS\$ 3.9
- Continuous investments in future growth
- Seasonal strong cash flow from operations of MUS\$ 11.2
- Strong focus on improving cash conversion

Revenue by technology 2012-2016

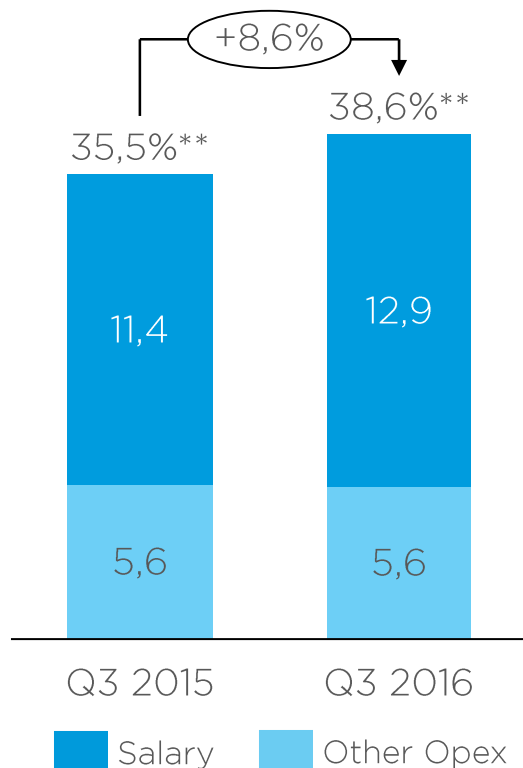


Gross Margin



- GM of 46.2% in Q3 2016 (48.5%)
- Gross Margins in the lower end as a result of lower yields during the volume ramp of the nRF52
- Issue with nRF52 solved during Q3, however depletion of nRF52 inventory manufactured in Q3 will impact gross margins also in Q4 2016.

Cash Operating Expenses ^{*)}

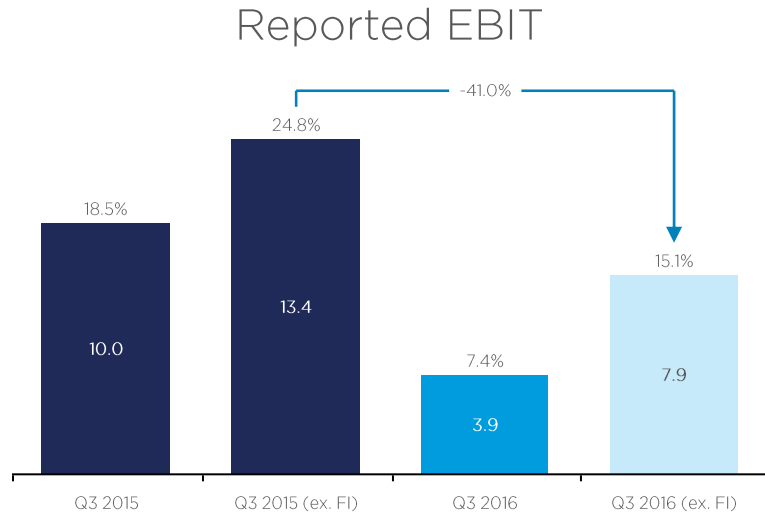


- Cash operating expenses increased 9%, of which 3.5% relates to Finland
- The increase driven by headcount growth of 21.2% from 430 in Q3 2015 to 521 in Q3 2016
- Target to have 3 R&D facilities in order to get the best resources at correct cost
- Investments made for the next 2-5 years

^{*)} Operating expenses, excl. capitalized R&D, depreciation and amort. and option expenses

^{**)} % of LTM Revenue

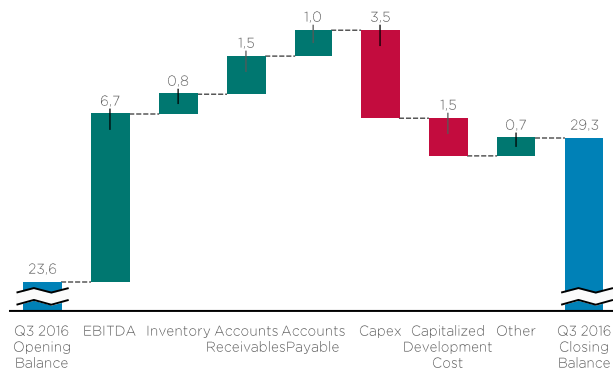
Operating Profits (EBIT)



- EBIT margin of 7.4%. Adjusted for Finland EBIT margin of 15.1%.
- Continuous R&D investments for future growth reduces EBIT

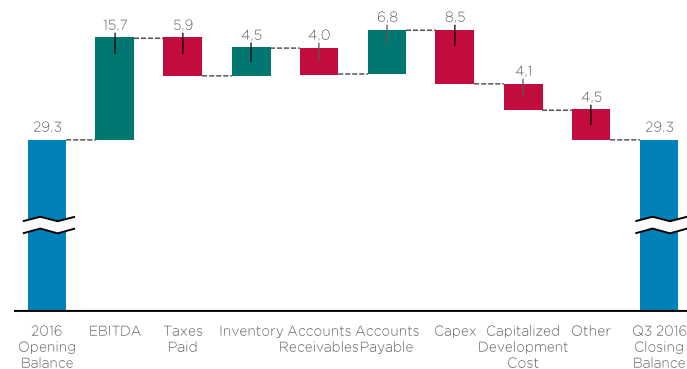
Cash flow

Cash flow Q3 2016



- Net cash flow in Q3 MUSD 5.7
- Seasonally strong in Q3. NWC reduced by MUSD 4.7, or from 36% of LTM to 33%
- Capex mainly related to purchase of new test capacity

Cash flow 2016



- Positive net profits offset by capex
- Financial headroom with replacement of MUSD 20 credit line with MUSD 40 RCF – buffer to secure future growth

Short term outlook

Revenue Given the delays in certain Q3 2016 deliveries we expect Q4 2016 to be strong and in the range MUSD 54-57.

Gross
Margins Although solution for the nRF52 yield issue rectified, depletion of Q3 inventory will continue to negatively impact gross margins in Q4. Q4 gross margins are expected to be in the 46-48% range.

Guiding for
H1 2017 Nordic expects to regain growth in its Bluetooth business in 2017. Guidance for 2017 will be provided on the Q4 2016 results presentation on February 10th, 2017.

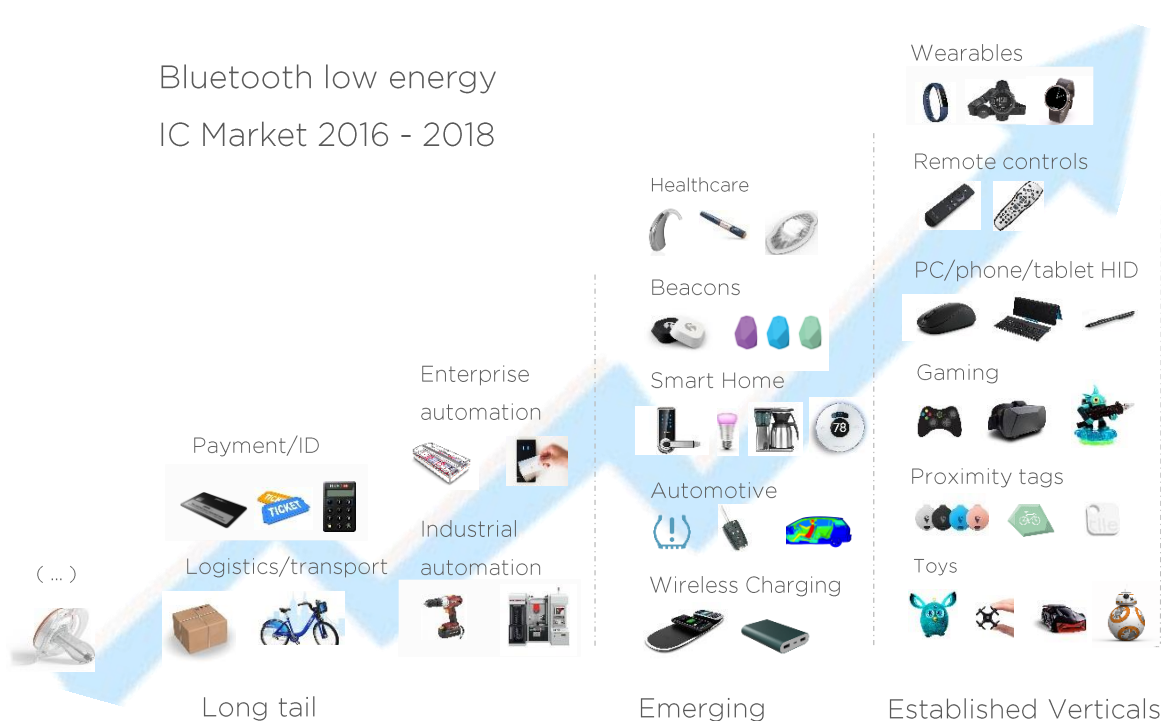
The background of the slide features a silhouette of six business professionals standing in a modern office with large windows. The windows look out onto a sunset or sunrise sky with soft clouds. The silhouettes of the people are dark against the bright light from the windows. The office structure includes several vertical and diagonal beams.

Business outlook

Thomas Embal Bonnerud, Director Strategy and IR

Continued Bluetooth market growth

Bluetooth low energy
IC Market 2016 - 2018



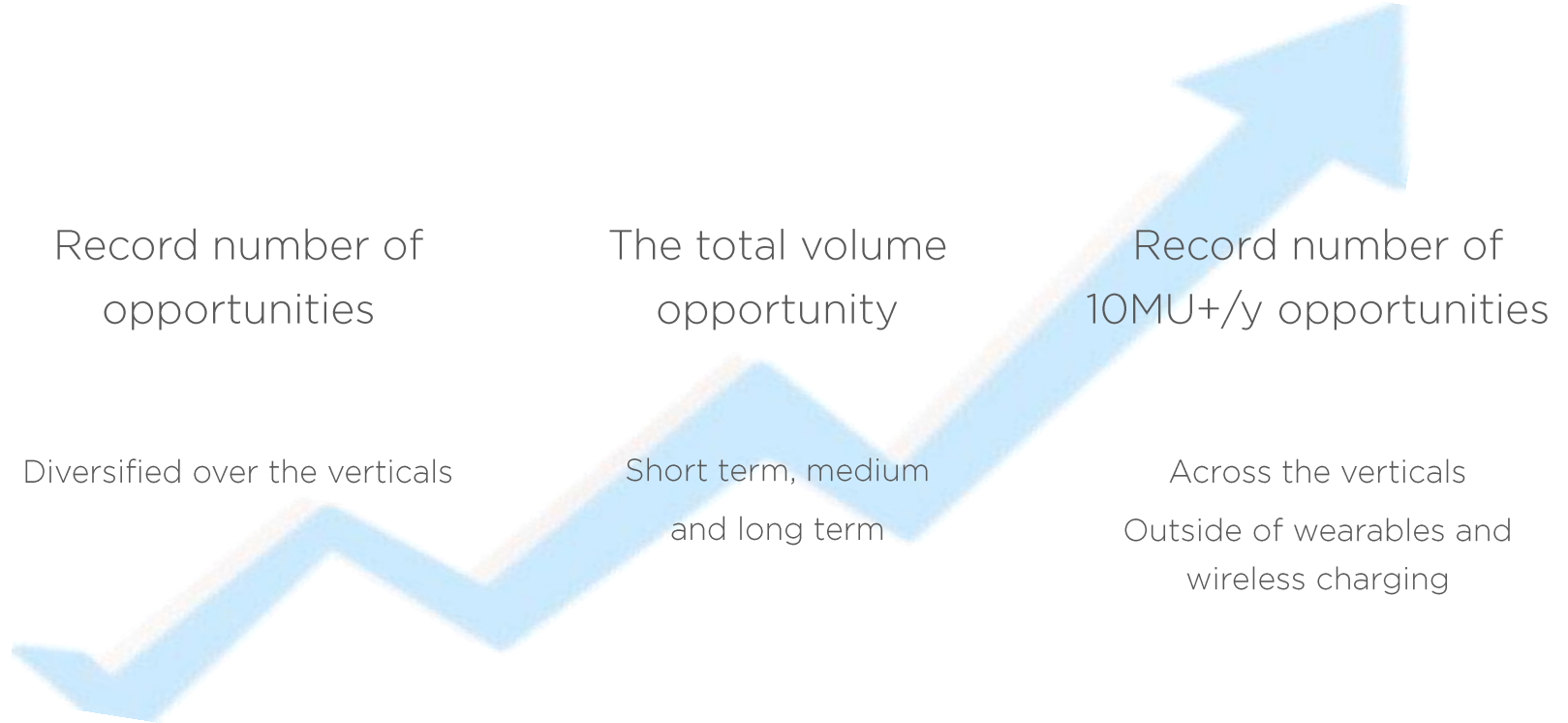
Strong volume growth

- Growth in existing verticals
- New verticals/applications
- Fast paced and innovative
- Emergence of non-consumer
- Expecting speed bumps

Diversification in types of ICs

- High-end SoCs
- Mainstream SoCs
- Baseline SoCs
- Network processors

We see strong growth indicators



Competitive outlook - Bluetooth 2017-2018

Maintaining our

#1

Regain market
shares in 2017

position

Opportunities
and risks

2017 roadmap for nRF52

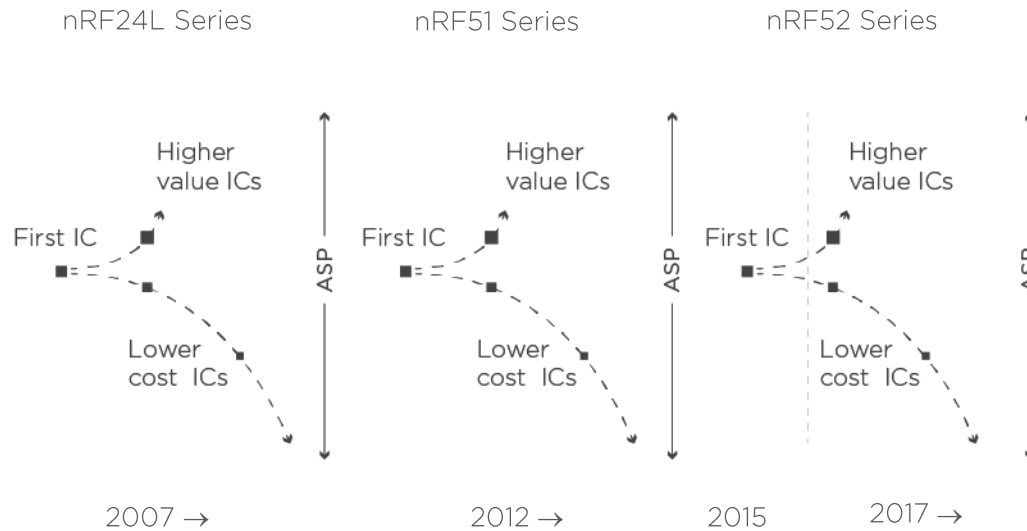
Positive trajectory in 2016
More robust position

Lower and higher-end categories
Barriers of entry getting high

Vertical specific upsides
Deliver on the roadmap

Extended nRF52 line-up on track for 2017

Nordic IC roadmap and strategy



Technology leadership

- First IC in Series
- Broad range of verticals
- Scalable and cost effective platform

Lower cost and higher value

- Cost optimized subsets
- Higher value supersets
- Targeted verticals
- Common software and tools

Growth outlook - Bluetooth 2017-2018





Cellular IoT

Low power cellular- the next big thing for IoT

High speed cellular has
shaped mobile computing



High-speed connectivity
... anywhere

Low power cellular will
shape the future of IoT



Low power, secure, reliable
connectivity
... anywhere ... for anything

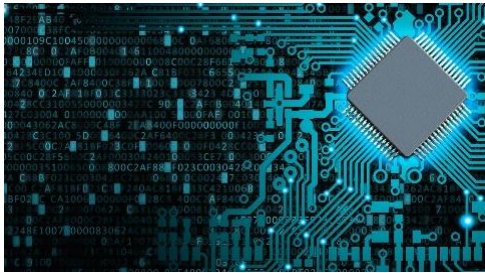
Industry
momentum building



Wave of network deployment
announcements last 6 months

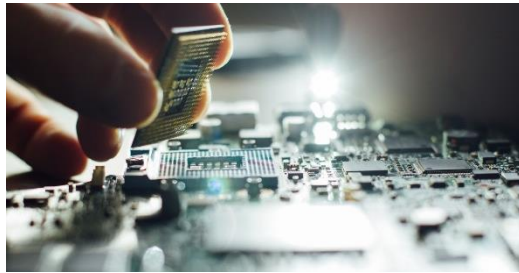
Cellular IoT status and outlook

Advancements in product development



Complete RF prototype in lab
Fully integrated IC ready for TO
Pushing forward with software

Momentum lead partners and customers



Very positive reception
Infrastructure, carriers and modules
Lead customers in key verticals
Logistics, Industrial, Consumer

Gearing up for a high impact market entry



Lead customer 2H 2017
Broad availability 2018



Upcoming events

Upcoming events

Investor + analyst
brief on Cellular IoT



New York, 14th November 2016

Product
launch event



Oslo, December 2016

Capital Markets
Day 2017



February 2017

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