

The background of the slide is a dark blue field filled with a complex network of glowing blue lines and dots. The dots, representing nodes, vary in size and brightness, with some appearing as bright white-blue spheres. The lines, representing connections, are thin and light blue, crisscrossing the entire frame to create a sense of a vast, interconnected digital or molecular structure.

# Investor Presentation Q4 2016

February 10<sup>th</sup> 2017, Oslo, Norway

# Today's presentation

## Business update



Svenn-Tore Larsen  
CEO

## Financials



Pål Elstad  
CFO

## Business outlook



Thomas Embla Bonnerud  
Director of Strategy and IR





# Business update

Svenn-Tore Larsen, CEO



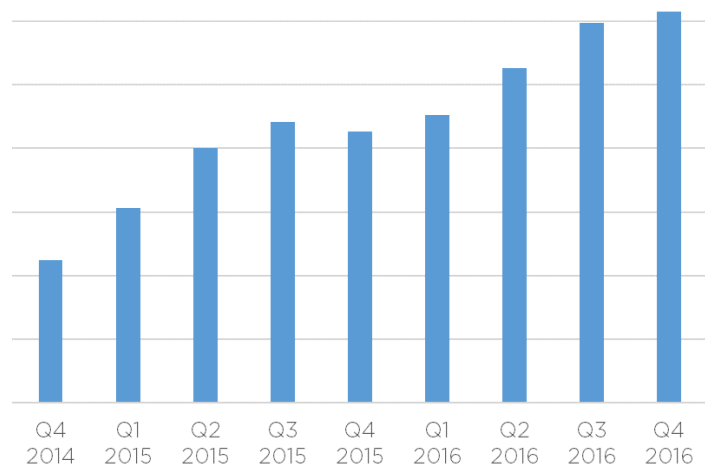
# Financial summary - Q4 2016

Revenue	Revenue Bluetooth	Revenue Proprietary	Gross margin	Adjusted EBIT*
MUSD 52.6	MUSD 30.6	MUSD 19.5	46.2%	MUSD 1.5
+13% y-o-y    +1% q-o-q	+7% y-o-y    -2% q-o-q	+26% y-o-y    -1% q-o-q	-4pp y-o-y    ±0pp q-o-q	-60% y-o-y    -62% q-o-q

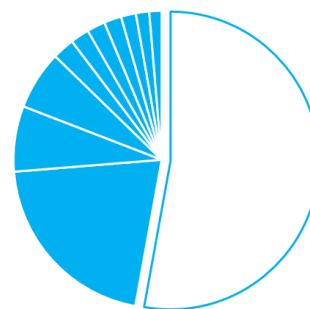
\* Q4 2015 EBIT is adjusted for MUSD 7 in pension income

# Growing and diversifying customer base

Continued strong growth in number of active customers\*: 45% year-on-year

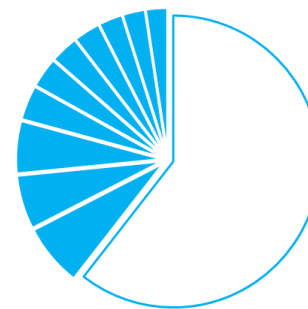


Continued diversification of Bluetooth revenue



Q4 2015

47%



Q4 2016

40%

Top 10  
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)

# New products powered by Nordic



Xiaomi VR Headset  
Gaming  
nRF52



Bong 3 HR  
Activity tracker  
nRF52



Kwikset door lock  
Smart lock  
nRF52



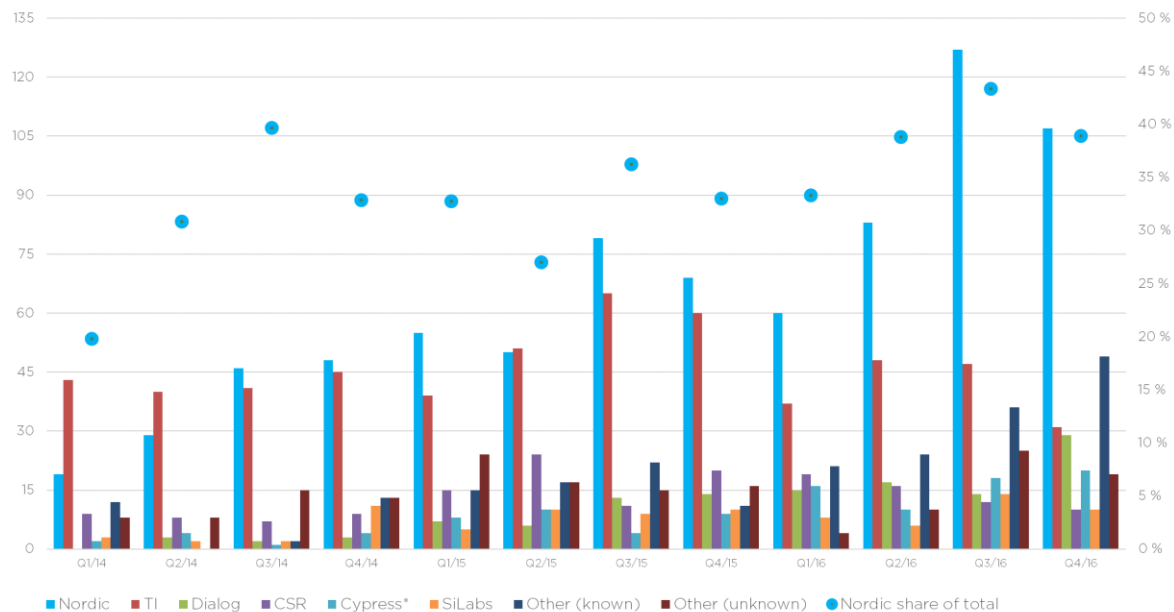
Parking Lock  
Smart City  
nRF51



Withings Steel HR  
Smart Watch  
nRF52

# Market leadership in Bluetooth

Bluetooth low energy end-product certifications\*



End-product  
certifications

107

+55%  
y-o-y

-16%  
q-o-q

\*Source: DNB Markets

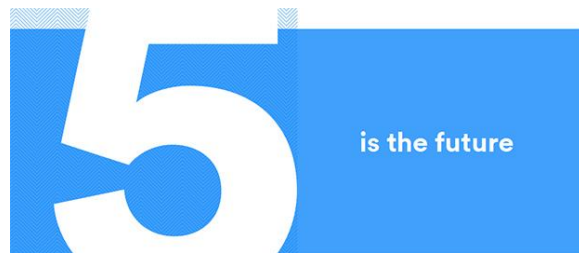
# Technology leadership in Bluetooth

Extending our nRF52 Series line-up  
with a new higher end SoC



- Higher value solutions for more demanding applications
- Memory, interfaces, power management and advanced security

Nordic first to market with Bluetooth 5 –  
Strong statement on technology leadership



- Biggest update to Bluetooth low energy  
4x range, 2x data throughput, 8x broadcast
- Software upgrade for our nRF52 Series ICs



# Proud to receive industry recognition



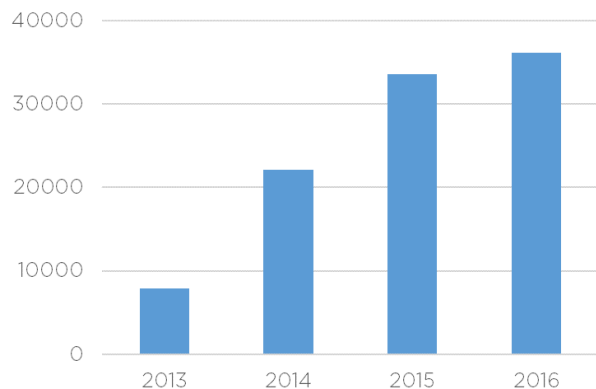
GSA award for 'Most Respected Public Semiconductor Company' with \$100 – \$500 million in annual sales

A strong recognition from our industry peers and partners on our products, vision and future opportunities

Global Semiconductor Alliance (GSA) is a 400+ member strong, non-profit, international trade organization

# Continued momentum with developers

2016 was another record year for development kits sales



Total kit sales 2013 - 2016

Off to a good start with our new higher-end Bluetooth 5 SoC

> 1500

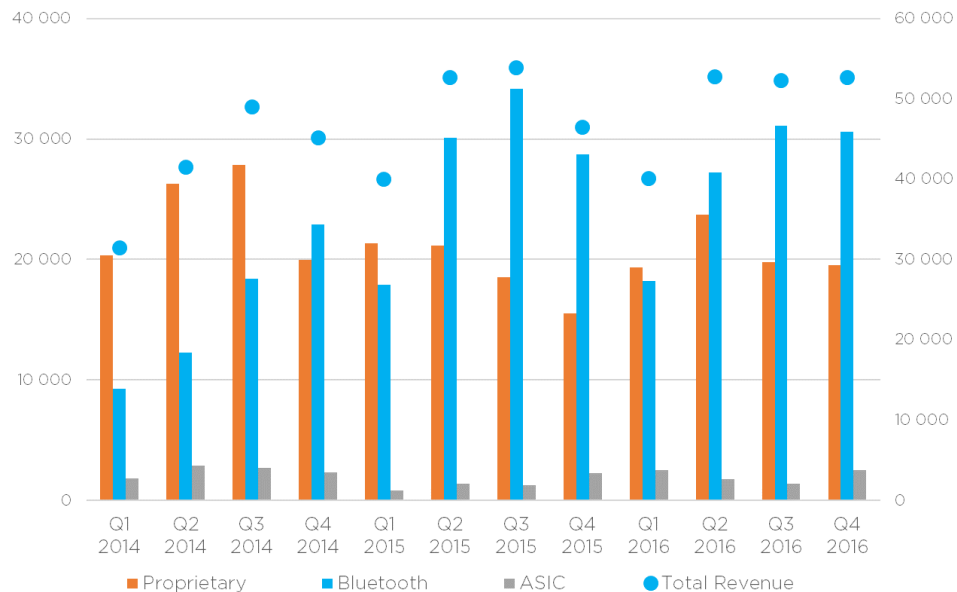
nRF52840 Development Kits sold  
in December 2016



# Financials

Pål Elstad, CFO

# Revenue by technology



Revenue  
Bluetooth

MUSD  
30.6

+7%  
y-o-y

-2%  
q-o-q

Revenue  
Proprietary

MUSD  
19.5

+26%  
y-o-y

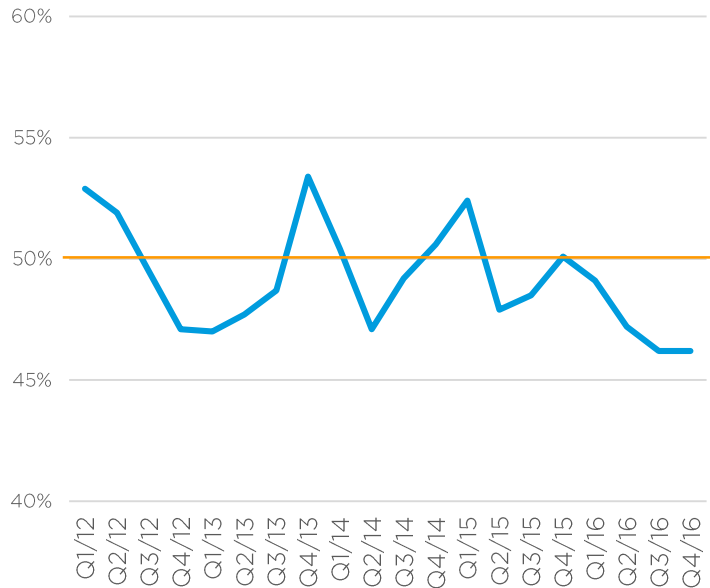
-1%  
q-o-q

# Revenue by market

Consumer Electronics	Wearables	Building/Retail	Healthcare	Others
MUSD 25.4	MUSD 10.2	MUSD 8.4	MUSD 2.8	MUSD 3.4
+17% y-o-y    ±0% q-o-q	-27% y-o-y    -8% q-o-q	+141% y-o-y    +11% q-o-q	+7% y-o-y    -21% q-o-q	+33% y-o-y    -2% q-o-q



# Gross Margin



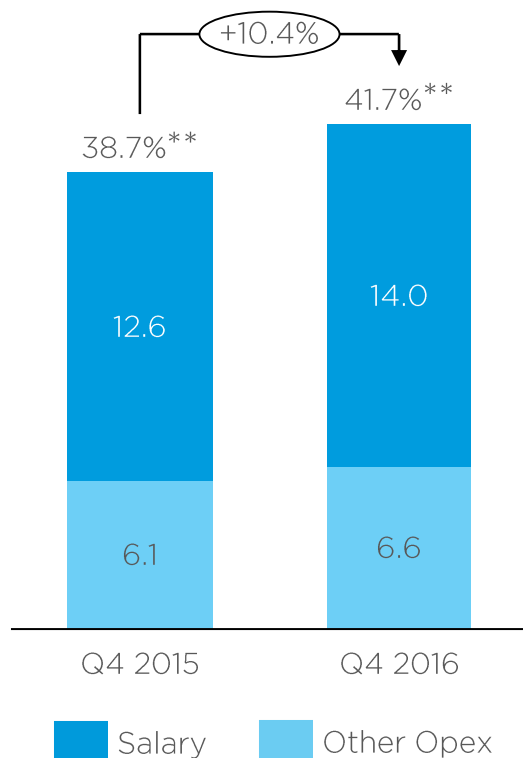
Ramp of new products impacts Gross Margins

- GM of 46.2% in Q4 2016 (50.1% in Q4 2015)
- Gross Margins in the lower end as a result of lower yields during the volume ramp of the nRF52

Gradual improvement of Gross Margins in 2017

- Issue with nRF52 solved during Q3/Q4, however depletion of nRF52 inventory manufactured in Q3/Q4 will impact gross margins also in 1H 2017.
- Increased customer diversification will improve nRF52 Gross Margins

# Cash Operating Expenses<sup>\*)</sup>



## Continued growth in OPEX

- Cash operating expenses increased 10,4%, of which 3.7% relates to cellular
- The increase is driven by headcount growth of 17.2% from 454 in Q4 2015 to 532 in Q4 2016
- Compared to Q3 2016 cash OPEX increased 11.4%

## Investing for future growth

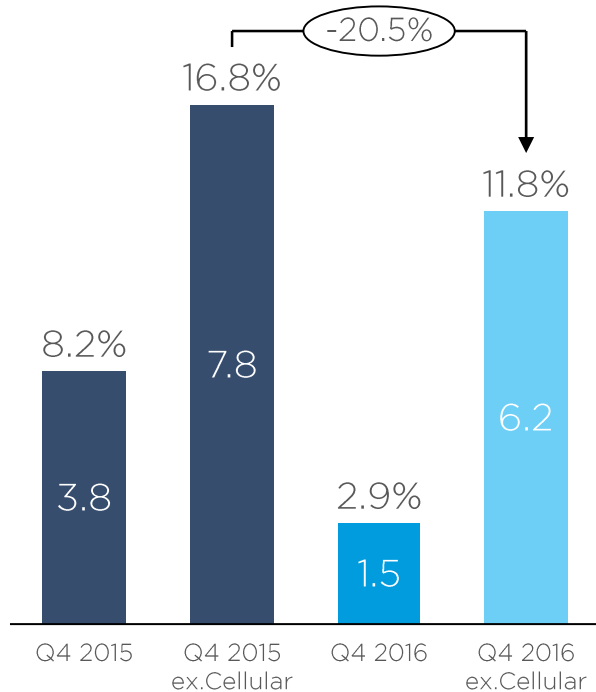
- Investments made for the next 2-5 years
- Q4 2016 includes project expenses (consultants/tape outs not capitalized)

<sup>\*)</sup> Operating expenses, excl. capitalized R&D, depreciation and amort. and option expenses

<sup>\*\*) % of Normalized quarterly revenue over the LTM</sup>

# Operating Profits (EBIT)

Adjusted EBIT \*)



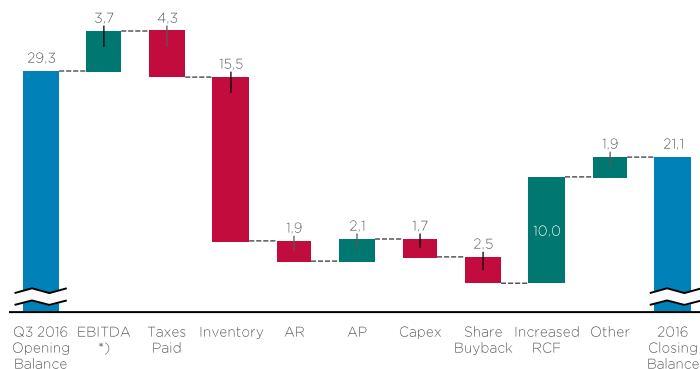
Investments impacts EBIT Margins

- EBIT margin of 2.9%. Adjusted for Cellular Investment EBIT margin of 11.8%.
- Continuous R&D investments for future growth reduces EBIT

\*) Adjusted for Q4 2015 pension income

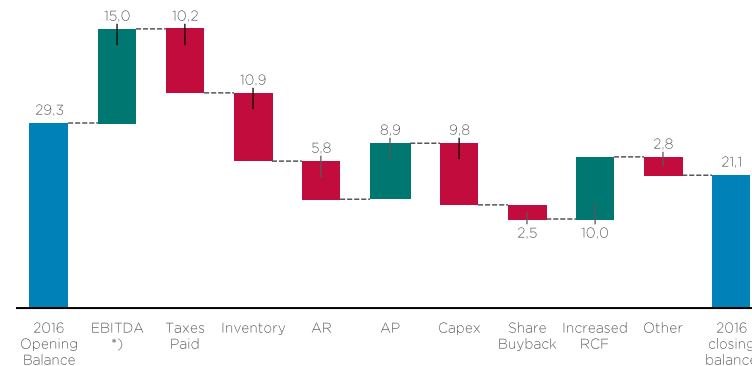
# Cash flow

Q4 2016



- Net cash out flow in Q4 MUSD -8.3 (adjusted for financing MUSD -18.3)
- Mainly driven by increase in raw material inventory. NWC increased by MUSD 12.0, or from 33% of LTM to 39%

Full year 2016



- Overall increase in working capital
- Financial headroom with MUSD 40 RCF – buffer to secure future growth

The background image shows the silhouettes of six business professionals (three men and three women) standing in a modern office with large windows. They are looking out at a bright sunset or sunrise over a cityscape. The silhouettes are dark against the bright, colorful sky. The office interior is visible in the foreground, showing the silhouettes of the people and the structural elements of the building.

# Business outlook

Thomas Embla Bonnerud, Director of Strategy and IR



# Short term outlook – guidance for H1 2017

Revenue	MUSD 100 - 107
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Based on our current visibility, we anticipate revenue for 1H 2017 to be in the range of MUSD 100 to 107.

Bluetooth growth	30 - 40%
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We expect Bluetooth to be the growth driver for 2017. The 1H 2017 guidance range is based on 30% growth in Bluetooth revenue for the lower-end and 40% for the upper-end.

Gross margins	46 - 47%
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We expect gross margins to be in the range of 46 - 47% for 1H 2017, in line with the previous half year but below our target of 50%.

# Continuous investments for future growth

Planned headcount  
end of 2017

610

+14%  
y-o-y

Stepping up our R&D efforts in 4 key areas:



Power Management



Audio



Smart Home



Security

# Exciting emerging and future verticals

AirFuel™ magnetic resonance  
wireless charging



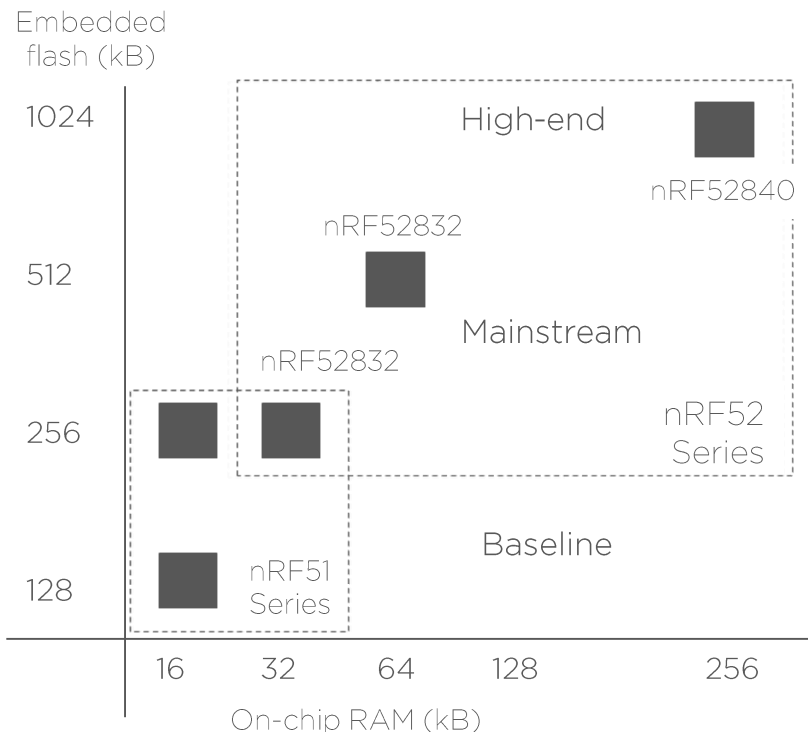
- Attractive next generation wireless charging technology for mobile devices
- Binary - smart phone adoption is key trigger
- Potential upside for overall market growth

Audio streaming over *Bluetooth®*  
low energy



- To be enabled by the Bluetooth SIG
- Better user experience and battery lifetime
- Potential volume opportunity and market growth driver 2019 →

# Continued strong design win momentum



## Industries strongest SoC line-up

- Baseline to high-end SoCs
- Range of price-feature-performance points
- Covering a broad range of application

## Cutting edge connectivity

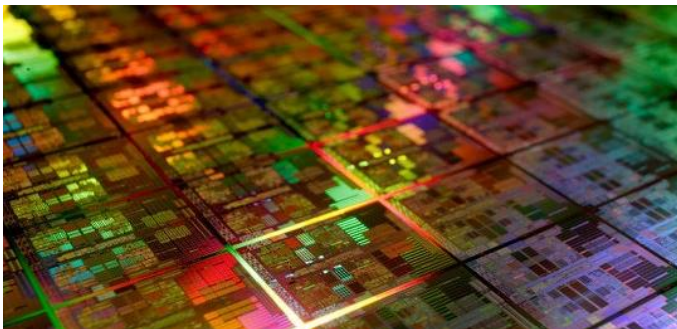
- Bluetooth 5, 15.4 / Thread and NFC
- Advanced software stack features

## Highly differentiated solution

- Power, performance, size and solution cost
- Quality, robustness and interoperability
- Overall solution – IC, software and tools

# Ambitious objectives for cellular in 2017

Successful major chipset tape-out  
in Q4 2016



- Our first fully integrated chipset suitable for sampling to customers
- Expect at least another tape-out before production

On-track to sample selected lead  
customers in 2H 2017



- Engineering samples, software, kits and development tools
- Increasingly confident in our timing and ability to compete



# Positive end to a overall disappointing year

January	February	March	April
S M T W Th F S	S M T W Th F S	S M T W Th F S	S M T W Th F S
1 2	1 2 3 4 5 6	1 2 3 4 5	1 2
3 4 5 6 7 8 9	7 8 9 10 11 12 13	6 7 8 9 10 11 12	3 4 5 6 7 8 9
10 11 12 13 14 15 16	14 15 16 17 18 19 20	13 14 15 16 17 18 19	10 11 12 13 14 15 16
17 18 19 20 21 22 23	21 22 23 24 25 26 27	20 21 22 23 24 25 26	17 18 19 20 21 22 23
24 25 26 27 28 29 30	28 29	27 28 29 30 31	24 25 26 27 28 29 30
31			
May	June	July	August
S M T W Th F S	S M T W Th F S	S M T W Th F S	S M T W Th F S
1 2 3 4 5 6 7	1 2 3 4	1 2	1 2 3 4 5 6
8 9 10 11 12 13 14	5 6 7 8 9 10 11	3 4 5 6 7 8 9	7 8 9 10 11 12 13
15 16 17 18 19 20 21	12 13 14 15 16 17 18	10 11 12 13 14 15 16	14 15 16 17 18 19 20
22 23 24 25 26 27 28	19 20 21 22 23 24 25	17 18 19 20 21 22 23	21 22 23 24 25 26 27
29 30 31	26 27 28 29 30	24 25 26 27 28 29 30	28 29 30 31
September	October	November	December
S M T W Th F S	S M T W Th F S	S M T W Th F S	S M T W Th F S
1 2 3	1 2 3 4 5	1 2 3	1 2 3
4 5 6 7 8 9 10	2 3 4 5 6 7 8	6 7 8 9 10 11 12	4 5 6 7 8 9 10
11 12 13 14 15 16 17	9 10 11 12 13 14 15	13 14 15 16 17 18 19	11 12 13 14 15 16 17
18 19 20 21 22 23 24	16 17 18 19 20 21 22	20 21 22 23 24 25 26	18 19 20 21 22 23 24
25 26 27 28 29 30	23 24 25 26 27 28 29	27 28 29 30	25 26 27 28 29 30 31

Q4  
2016

January	February	March	April
S M T W Th F S	S M T W Th F S	S M T W Th F S	S M T W Th F S
1 2	1 2 3 4 5 6	1 2 3 4 5	1 2
3 4 5 6 7 8 9	7 8 9 10 11 12 13	6 7 8 9 10 11 12	3 4 5 6 7 8 9
10 11 12 13 14 15 16	14 15 16 17 18 19 20	13 14 15 16 17 18 19	10 11 12 13 14 15 16
17 18 19 20 21 22 23	21 22 23 24 25 26 27	20 21 22 23 24 25 26	17 18 19 20 21 22 23
24 25 26 27 28 29 30	28 29	27 28 29 30 31	24 25 26 27 28 29 30
31			
May	June	July	August
S M T W Th F S	S M T W Th F S	S M T W Th F S	S M T W Th F S
1 2 3 4 5 6 7	1 2 3 4	1 2	1 2 3 4 5 6
8 9 10 11 12 13 14	5 6 7 8 9 10 11	3 4 5 6 7 8 9	7 8 9 10 11 12 13
15 16 17 18 19 20 21	12 13 14 15 16 17 18	10 11 12 13 14 15 16	14 15 16 17 18 19 20
22 23 24 25 26 27 28	19 20 21 22 23 24 25	17 18 19 20 21 22 23	21 22 23 24 25 26 27
29 30 31	26 27 28 29 30	24 25 26 27 28 29 30	28 29 30 31
September	October	November	December
S M T W Th F S	S M T W Th F S	S M T W Th F S	S M T W Th F S
1 2 3	1 2 3 4 5	1 2 3	1 2 3
4 5 6 7 8 9 10	2 3 4 5 6 7 8	6 7 8 9 10 11 12	4 5 6 7 8 9 10
11 12 13 14 15 16 17	9 10 11 12 13 14 15	13 14 15 16 17 18 19	11 12 13 14 15 16 17
18 19 20 21 22 23 24	16 17 18 19 20 21 22	20 21 22 23 24 25 26	18 19 20 21 22 23 24
25 26 27 28 29 30	23 24 25 26 27 28 29	27 28 29 30	25 26 27 28 29 30 31

Momentum  
moving into 2017

- Back to growth year-on-year
- Underlying Bluetooth growth of 48%
- Record Q4, even adjusted for MUSD 4 transferred from Q3

- Strong backlog of MUSD 28 (+25% y-o-y)
- Record pipeline of certified end-products with Nordic
- Strong product line-up to fuel continued design win momentum

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