



Investor Presentation Q1 2017

April 24th 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

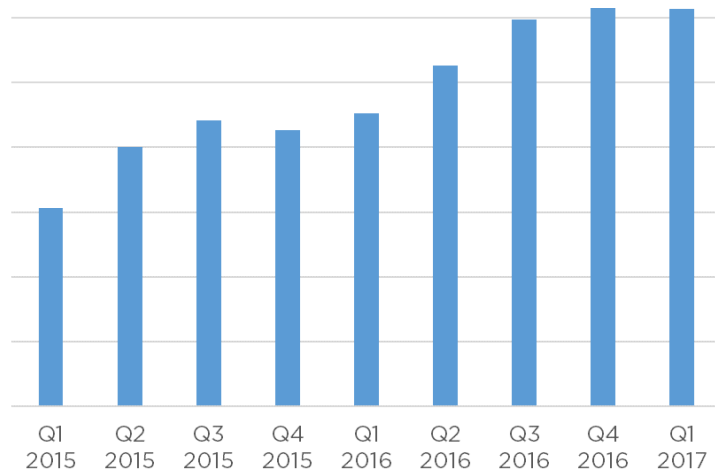


Financial summary – Q1 2017

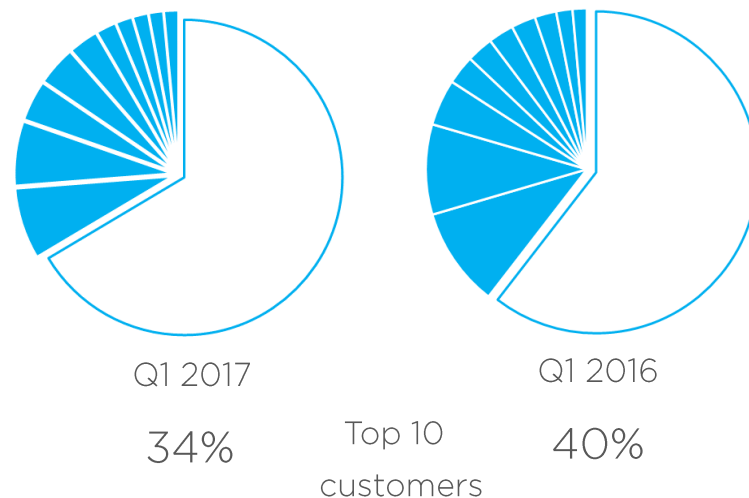
Revenue	Revenue Bluetooth	Revenue Proprietary	Gross margin	EBIT
MUSD 47.3	MUSD 24.3	MUSD 21.6	46.7%	MUSD -0.07
+18% y-o-y -10% q-o-q	+34% y-o-y -21% q-o-q	+12% y-o-y +11% q-o-q	-2.4pp y-o-y +0.5pp q-o-q	nm y-o-y nm q-o-q

Growing and diversified customer base

Continued strong growth in number of active customers*: 36% year-on-year



Continued diversification of Bluetooth revenue



*) 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 nRF52



Fibaro motion
sensor
Smart Home
nRF52



PURilume lamp
Smart Home
nRF52



Abax fleet
management
Industrial
nRF52



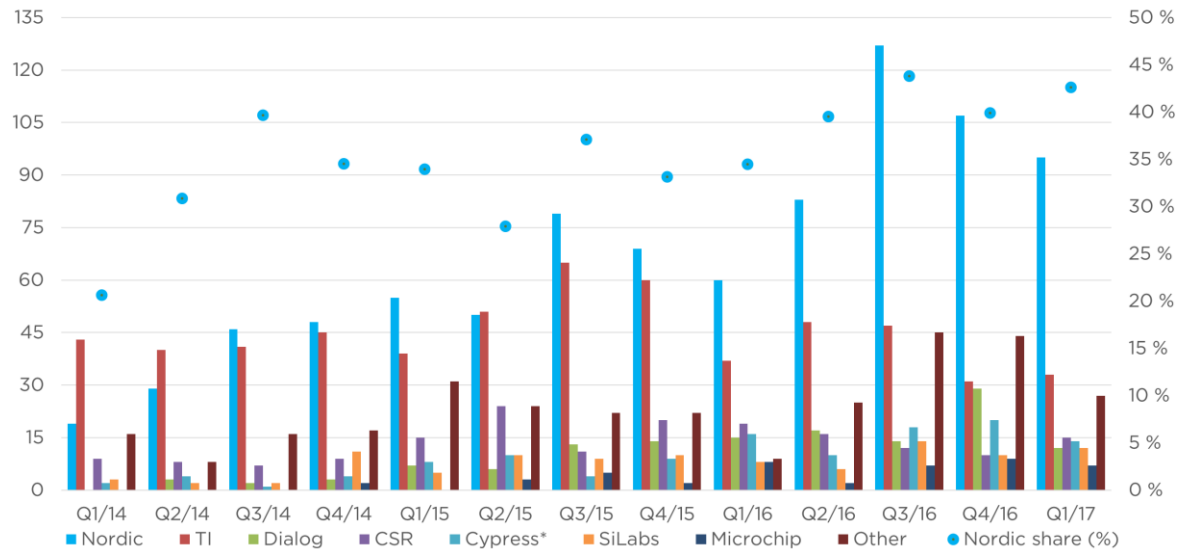
Merge VR controller
Virtual Reality
nRF52



Trasense watch
Wearables
nRF52

Market leader in Bluetooth

Bluetooth low energy end-product certifications*



End-product
certifications,
Nordic Q1 17

95

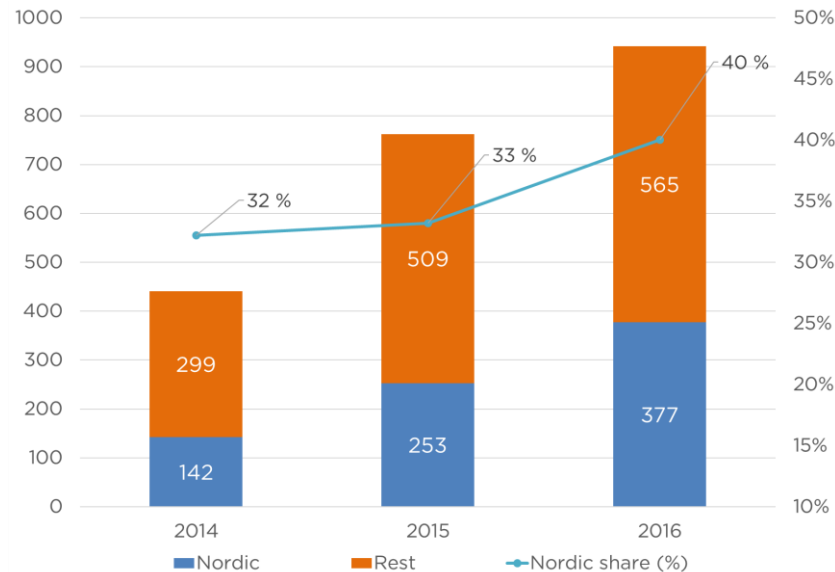
+58%
y-o-y

-11%
q-o-q

*Source: DNB Markets

Strengthening our position since 2014

Bluetooth low energy end-product
Certifications 2014 - 2016*



End-product
certifications,
Nordic Q1 17

95

+58%
y-o-y

-11%
q-o-q

End-product
certifications,
Total Q1 17

223

+28%
y-o-y

-17%
q-o-q

*Source: DNB Markets



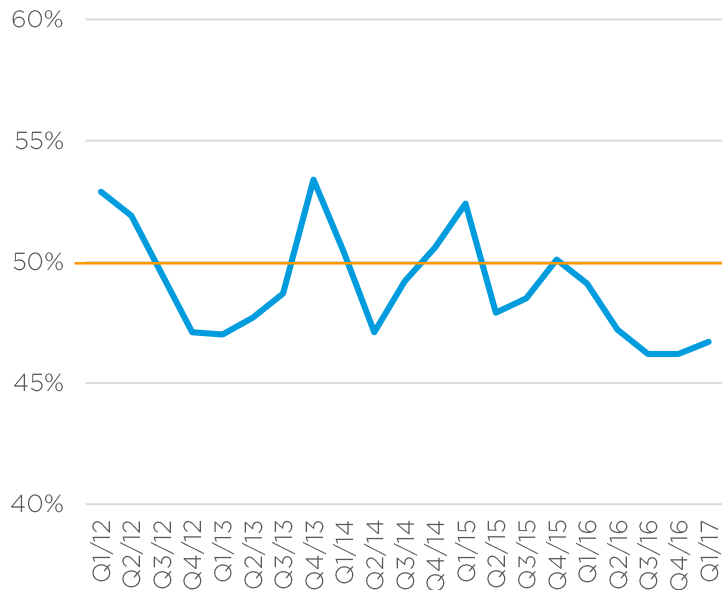
Financials

Pål Elstad, CFO

Revenue by market

Consumer Electronics	Wearables	Building/Retail	Healthcare	Others
MUSD 22.9	MUSD 8.4	MUSD 8.6	MUSD 2.2	MUSD 4.0
+14% y-o-y -10% q-o-q	+15% y-o-y -18% q-o-q	+75% y-o-y +3% q-o-q	-16% y-o-y -22% q-o-q	+48% y-o-y 16% q-o-q

Gross Margin



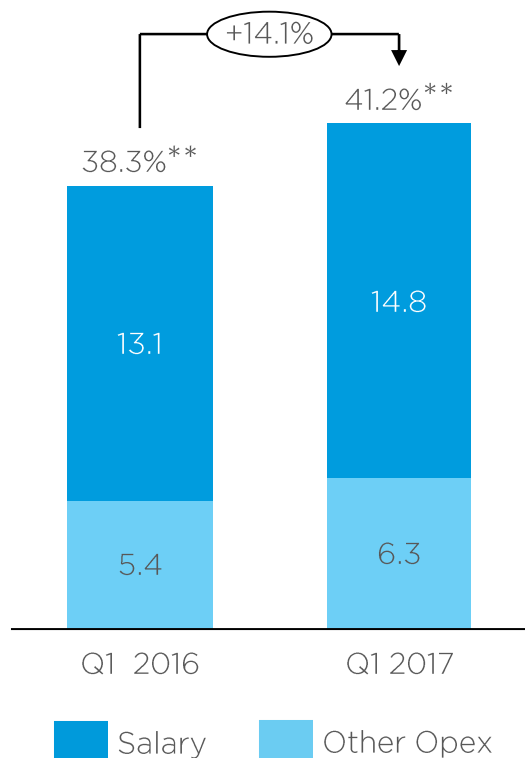
Ramp of new products impacts Gross Margin

- GM of 46.7% in Q1 2017 (49.1% in Q1 2016)
- Gross Margin in the lower end of our long term target

Gradual improvement of Gross Margin in 2017

- Yield issue with nRF52 solved, however depletion of nRF52 inventory manufactured in 2016 will impact gross margins also in 1H 2017.
- Increased customer diversification will further improve Gross Margin

Cash Operating Expenses^{*)}



Operational leverage

- Cash operating expenses increased 14.1%, mainly on short-range R&D and SG&A
- The increase is driven by headcount growth of 15.1% from 477 in Q1 2016 to 549 in Q1 2017
- Compared to Q4 2016 cash OPEX increased 2.3%

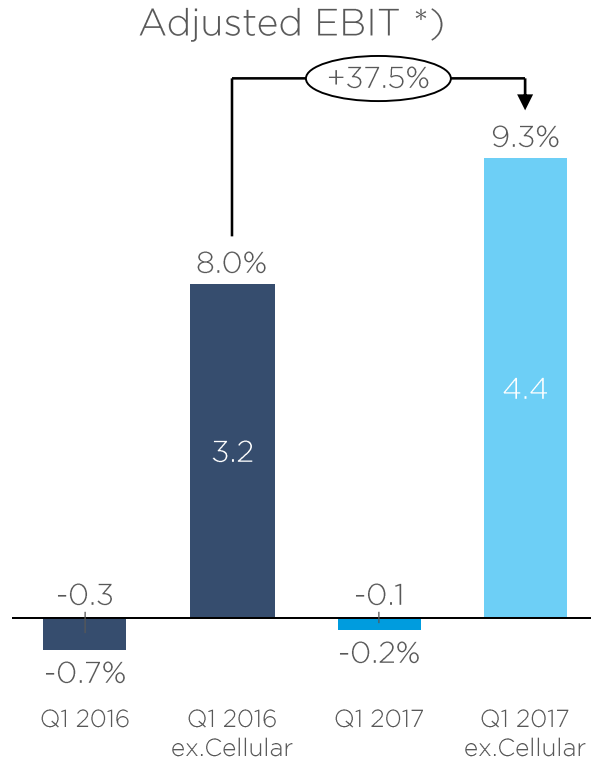
Expensing R&D activities on Cellular IoT

- Evaluating more capitalization of R&D, cellular IoT expenses as we move closer to commercialization

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

^{**) % of Normalized quarterly revenue over the LTM}

Operating Profits (EBIT)



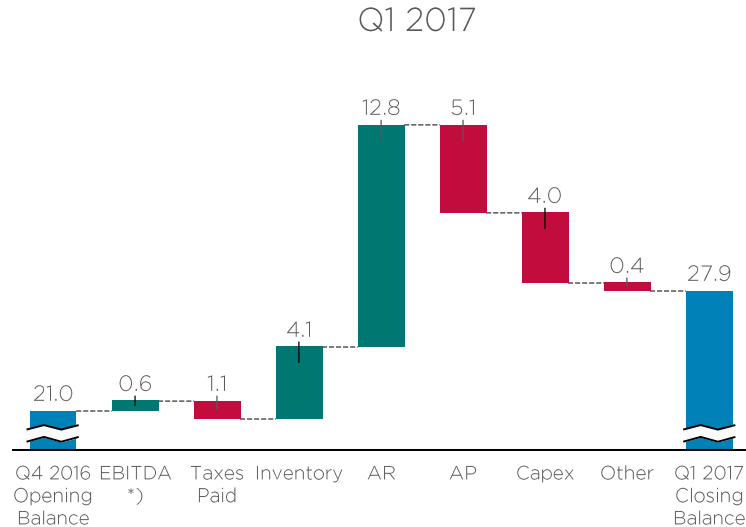
Q1 is a seasonally weak quarter

- Significant portion of revenue is in consumer
- Chinese new year

Cellular IoT investments impacts EBIT Margin

- Q1 EBIT margin of 0%.
- Adjusted for Cellular IoT investment, Q1 EBIT margin is 9.3%, up 1.3pp vs. Q1 2016.

Positive cash flow



* EBITDA Adjusted for Capitalized Development Costs

- Net cash inflow Q1 MUSD 6.7
- Mainly driven by decrease in accounts receivables and raw material inventory. NWC decreased by MUSD 11.7, or from 38.7% of LTM to 31.9%
- Strategy to keep tight cash management and to optimize cash generating ability
- To increase financial headroom to accommodate growth , the company has entered into a EUR 10 million overdraft facility

The background of the slide features a silhouette of five business professionals (three men and two women) standing in a modern office with large windows. They are looking out at a bright sunset or sunrise over a body of water. The silhouettes are dark against the bright, colorful sky. The office interior is visible as dark vertical lines.

Business outlook

Thomas Embla Bonnerud, Director of Strategy and IR

Maintaining our guidance for H1 2017

Revenue	MUSD 100 - 107
---------	-------------------

We maintain our guidance on revenue for 1H 2017 to be in the range of MUSD 100 to 107.

Bluetooth growth	30 - 40%
------------------	----------

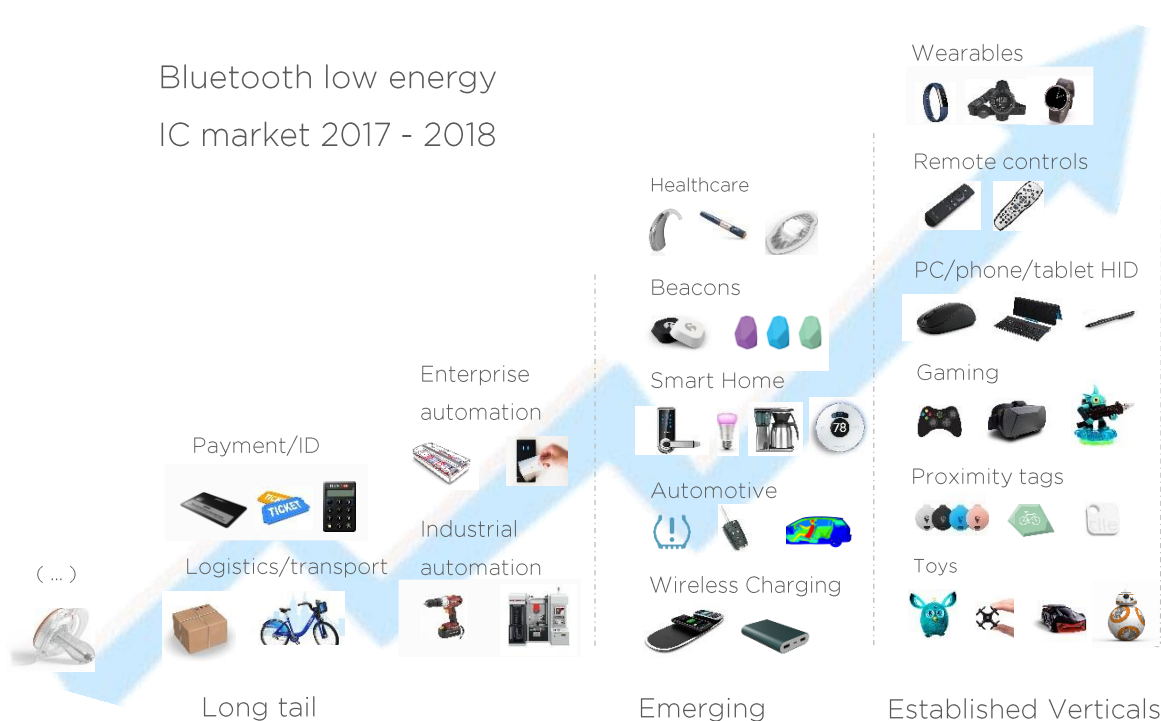
We expect Bluetooth to be the growth driver for 2017. The 1H 2017 guidance range is based on 30% growth in Bluetooth revenue for the lower-end and 40% for the upper-end.

Gross margins	46 - 47%
---------------	----------

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%.

Market outlook for Bluetooth

Bluetooth low energy
IC market 2017 - 2018



30 to 45% CAGR

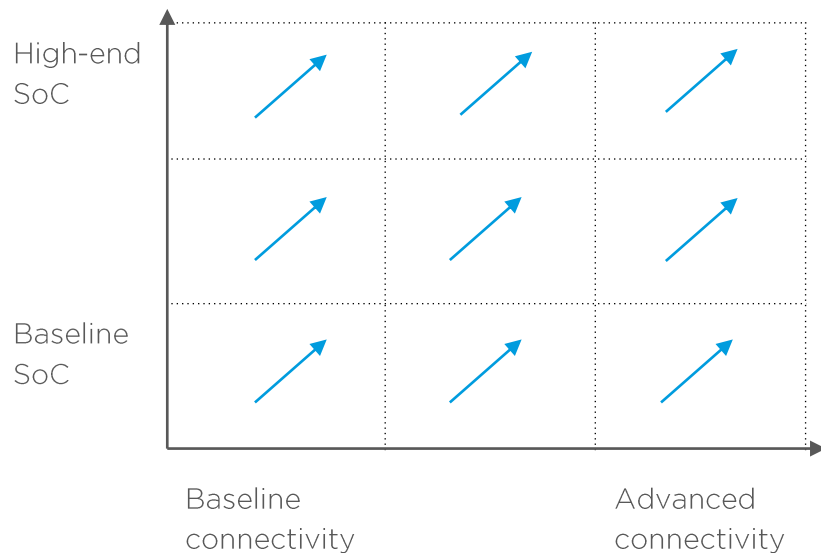
- Growth in existing verticals
- New verticals/applications
- Fast paced and innovative
- Emergence of non-consumer

Diversification in types of ICs

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

Value play on integration and connectivity

Continued strong market pull for SoC integration and connectivity



Continued robust market average selling price (ASP) development

- Strong demand for higher level of integration across the categories
- Demand for higher value single chip SoC
- Volume diversification across customers

Very low level of commoditization

- Value play on integration and connectivity
- Value play on performance and power
- Value play of maturity, robustness and quality

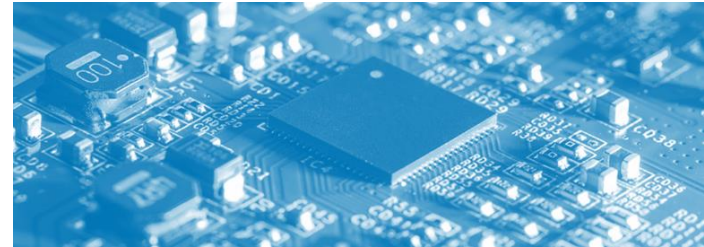
Market traction with Bluetooth 5

Clear market leadership with our Bluetooth 5 solution for nRF52



- Software available now with support for the new features, not just the errata
- First software production release for nRF52832 mid 2017

Generating new and different opportunities for us



- New customers with new applications and use cases for Bluetooth
- Door opener into customers using competing solutions

Strong design win momentum with nRF52

Wearable



Connected watch
nRF52

Industrial



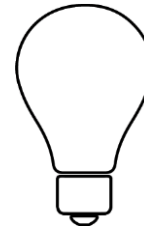
Power tool
nRF52

Medical



Drug delivery
nRF52

Smart Home



Lighting
nRF52

Mobile HID



Stylus
nRF52

Released Thread solution for nRF52840

Key short-range, low power wireless technologies for smart home



Bluetooth 5



Thread



ZigBee



Strengthening our competitive position and increasing our addressable market



- Native IPv6, proven mesh over 802.15.4
- Significant backing from Google / Nest
- Ideal complement to Bluetooth

Passed a major milestone for cellular IoT

Working samples of fully-integrated chipset in our lab



- Significant de-risk of our cellular investment
- Steady progress on functional and performance testing
- On track for lead customer sampling in H2

Getting ready to start certification testing H2 2017



- Interoperability testing with infrastructure partners – base stations
- Certification testing with carrier partners – networks

Steady progress

Q1 2017

January							February							March							April						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
						1 2							1 2							1 2							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	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	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	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
4	5	6	7	8	9	10	1	2	3	4	5	6	7	8	1	2	3	4	5	6	1	2	3	4	5	6	7
11	12	13	14	15	16	17	8	9	10	11	12	13	14	15	13	14	15	16	17	18	11	12	13	14	15	16	17
18	19	20	21	22	23	24	15	16	17	18	19	20	21	22	20	21	22	23	24	25	18	19	20	21	22	23	24
25	26	27	28	29	30		22	23	24	25	26	27	28	29	27	28	29	30			25	26	27	28	29	30	

Outlook for Q2 2017

January							February							March							April						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
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	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	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	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
4	5	6	7	8	9	10	1	2	3	4	5	6	1	2	3	4	5	6	1	2	3	4	5	6	7		
11	12	13	14	15	16	17	8	9	10	11	12	13	8	9	10	11	12	13	8	9	10	11	12	13	14		
18	19	20	21	22	23	24	15	16	17	18	19	20	15	16	17	18	19	20	15	16	17	18	19	20	21		
25	26	27	28	29	30		22	23	24	25	26	27	22	23	24	25	26	27	22	23	24	25	26	27	28		

- Increasing growth rates
- +34%** y-o-y growth in Bluetooth revenue, **+18%** y-o-y overall revenue
- Yield improvements reversing negative gross margin trend

- Bluetooth dominated backlog of MUSD 45.9 (**+135%** y-o-y)
- Continued positive contribution on gross margin from yield improvements
- Maintaining guidance for H1 2017

Disclaimer

The following presentation is being made only to, and is only directed at, persons to whom such presentation may lawfully be communicated (“relevant persons”). Any person who is not a relevant person should not act or rely on this presentation or any of its contents.

This presentation does not constitute an offering of securities or otherwise constitute an invitation or inducement to any person to underwrite, subscribe for or otherwise acquire securities in Nordic Semiconductor ASA (The Company). The release, publication or distribution of this presentation in certain jurisdictions may be restricted by law, and therefore persons in such jurisdictions into which this presentation is released, published or distributed should inform themselves about, and observe, such restrictions.

This presentation includes and is based, inter alia, on forward-looking information and contains statements regarding the future in connection with The Company’s growth initiatives, profit figures, outlook, strategies and objectives. All forward-looking information and statements in this presentation are based on current expectations, estimates and projections about global economic conditions, the economic conditions of the regions and industries that are major markets for The Company. These expectations, estimates and projections are generally identifiable by statements containing words such as “expects”, “believes”, “estimates” or similar expressions.

Important factors may lead to actual profits, results and developments deviating substantially from what has been expressed or implied in such statements. Although The Company believes that its expectations and the presentation are based upon reasonable assumptions, it can give no assurance that those expectations will be achieved or that the actual results will be as set out in the presentation.

The Company is making no representation or warranty, expressed or implied, as to the accuracy, reliability or completeness of the presentation, and neither The Company nor any of its directors, officers or employees will have any liability to you or any other persons resulting from your use.

This presentation was prepared for the interim results presentation for the first quarter, held on April 24, 2017. Information contained herein will not be updated. The following slides should also be read and considered in connection with the information given orally during the presentation.



Investor Presentation Q1 2017

April 24th 2017, Oslo, Norway