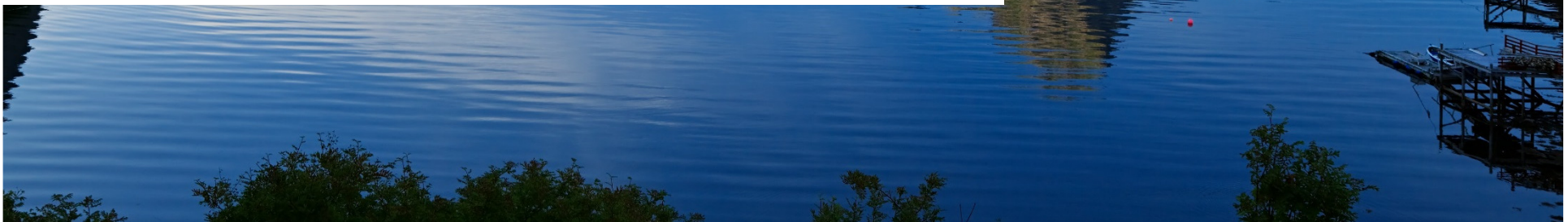




Quarterly Presentation Q2 2017

July 13th 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 – Q2 2017

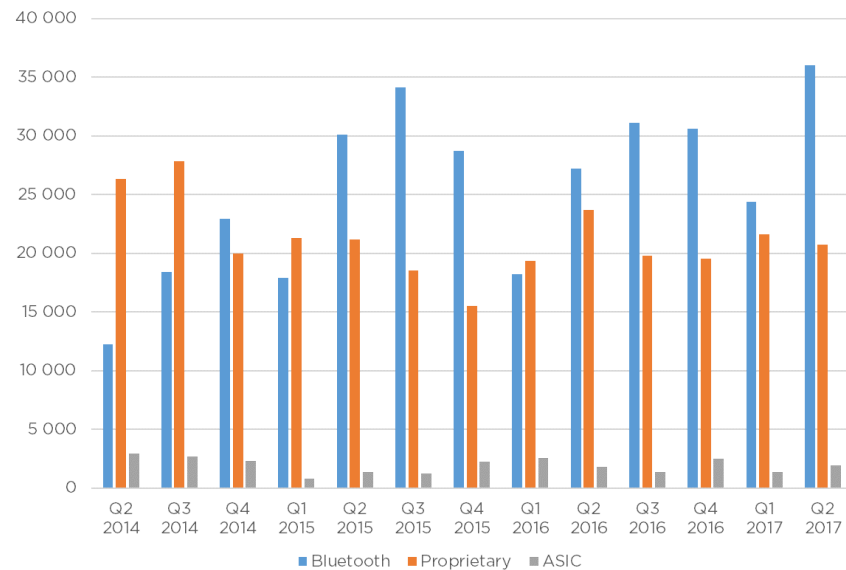
| Revenue | Revenue Bluetooth | Revenue Proprietary | Gross margin | EBIT |
|-----------------|-------------------|---------------------|-----------------|----------------|
| MUSD 58.7 | MUSD 36.0 | MUSD 20.7 | 46.7% | MUSD 4.8 |
| +11.3% y-o-y | +32.3% y-o-y | -12.6% y-o-y | -0.5pp y-o-y | +2.5% y-o-y |
| +23.9% q-o-q | +48.0% q-o-q | -4.2% q-o-q | ±0.0pp q-o-q | nm q-o-q |

Financial summary – H1 2017

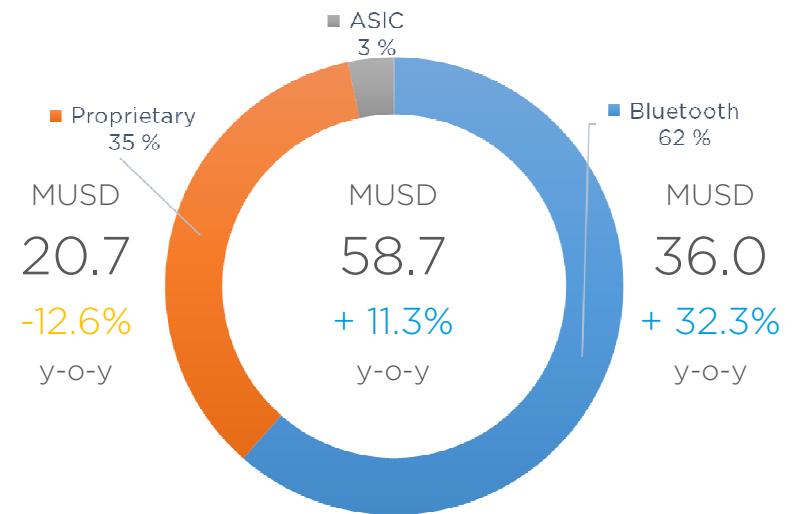
| Revenue | Revenue Bluetooth | Revenue Proprietary | Gross margin | EBIT |
|-----------------|-------------------|---------------------|-----------------|-----------------|
| MUSD 106.0 | MUSD 60.4 | MUSD 42.3 | 46.7% | MUSD 4.7 |
| +14.2% y-o-y | +32.9% y-o-y | -1.6% y-o-y | -1.4pp y-o-y | +8.5% y-o-y |
| +1.0% h-o-h | -2.2% h-o-h | +7.6% h-o-h | +0.5pp h-o-h | -12.8% h-o-h |

New record quarter for Bluetooth

Revenue by technology
2014 - 2017

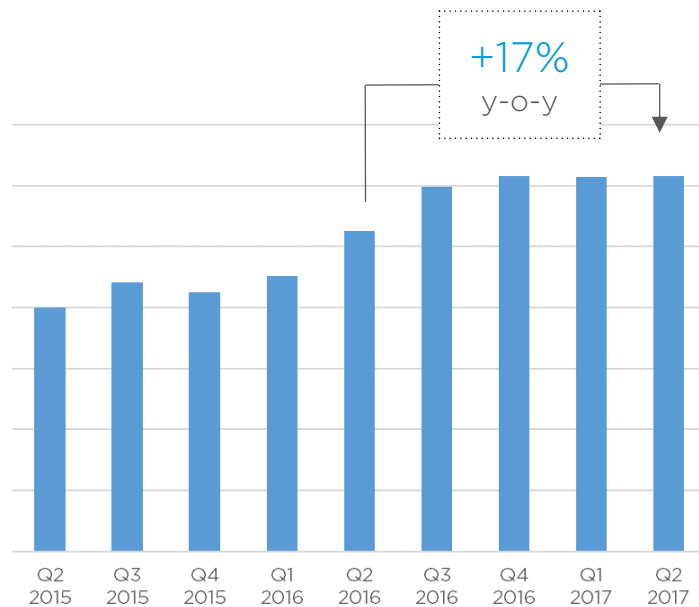


Split and growth by technology
Q2 2017

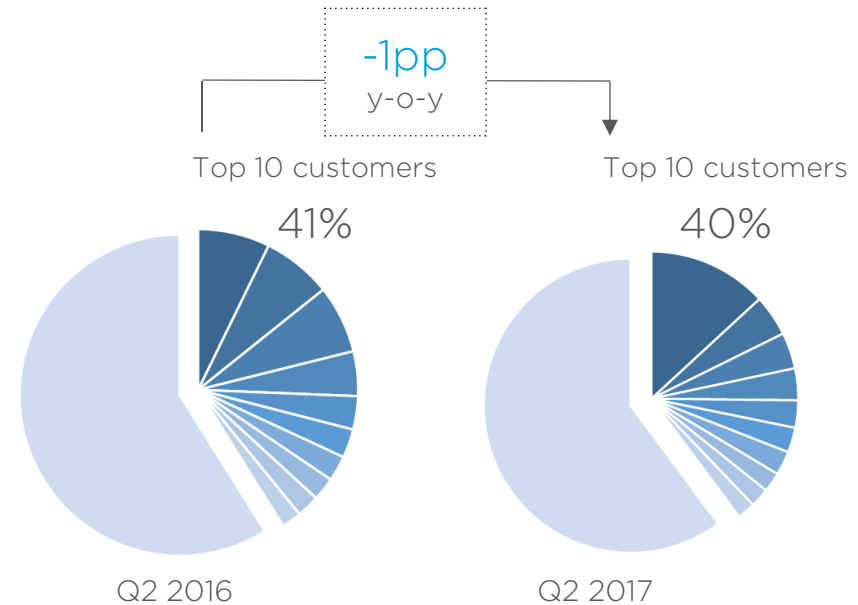


Diversified and growing customer base

Continued growth in number of
Active Customers*



Diversified Bluetooth revenue
Top 10 outgrows rest q-o-q



*) 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)

Steady progress with tier-1 players



Multiple agreement with tier-1's signed

- Tier-1 players in in their respective fields
- Credit to out competitive product line-up and roadmap

Important foundation for longer term growth

- No “game changing” projects as of today
- Multiple project with good growth potential
- Better position to compete for new projects

Revenue by market

| Consumer Electronics | Wearables | Building /Retail | Healthcare | Others |
|----------------------|-----------------|------------------|-----------------|-----------------|
| MUSD 23.6 | MUSD 8.7 | MUSD 16.7 | MUSD 2.5 | MUSD 5.2 |
| -10.1% y-o-y | -28.2% y-o-y | +173.1% y-o-y | -11.4% y-o-y | +43.9% y-o-y |
| +3.2% q-o-q | +3.9% q-o-q | +95.0% q-o-q | +15.0% q-o-q | +31.4% q-o-q |

Revenue map – the emergence of “non-consumer”

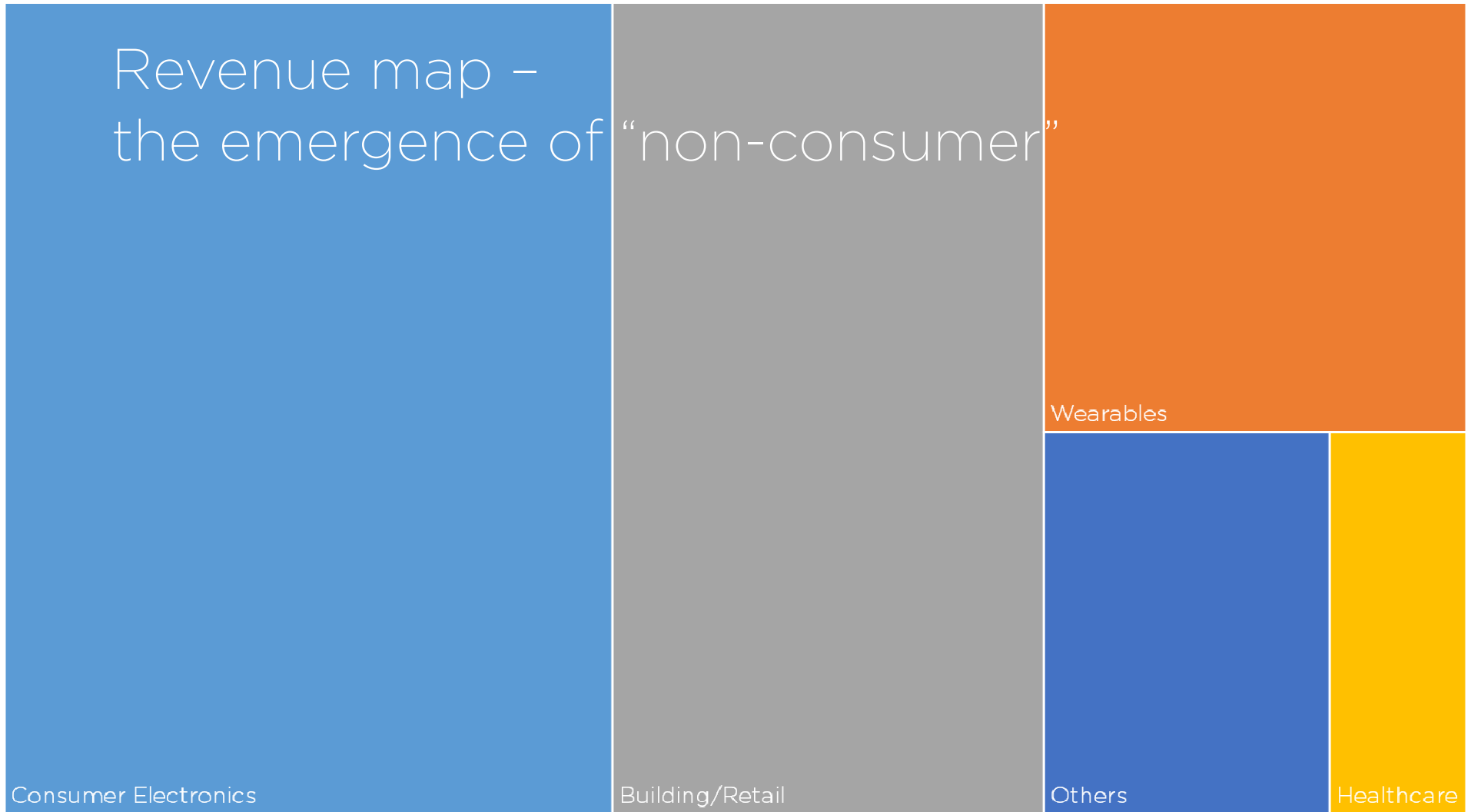
Consumer Electronics

Building/Retail

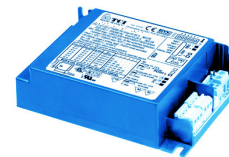
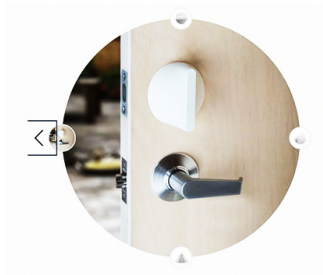
Wearables

Others

Healthcare



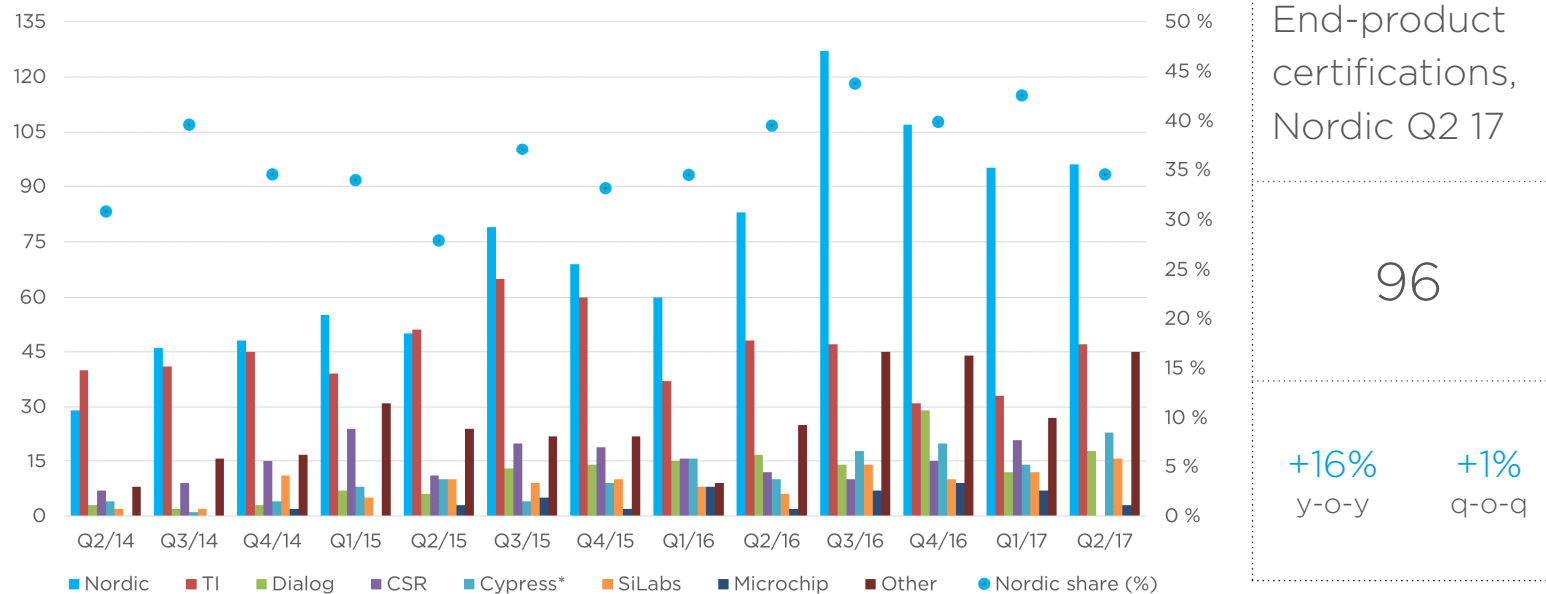
New Nordic powered products



| | | | | |
|---------------------------|---------------------------------|-----------------------|----------------------|---------------------|
| Friday Labs Smart lock | Ximmerse Ximflip and Ximneon | Mobike shared bike | TCI BluelightLink | AblePay BlueSIM2 |
| Smart Home | Virtual Reality | Smart City | Enterprise Lighting | Retail / POS |
| nRF52 | nRF51/nRF52 | nRF51 | nRF52 | nRF52 |

Market leader in Bluetooth

Bluetooth low energy end-product certifications*

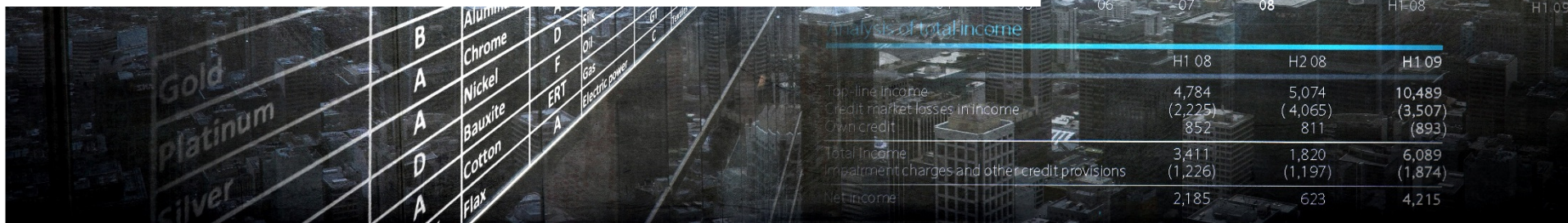


*Source: DNB Markets



Financials

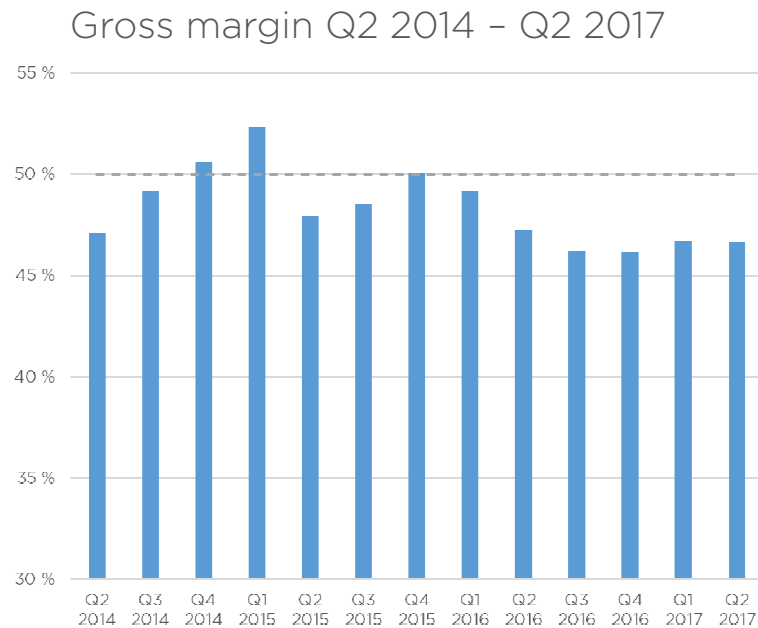
Pål Elstad, CFO



Operating model performance

| | Q2 2017 | Q2 2016 | |
|---------------------------|-----------------------|----------------------|---|
| Gross Margin 46,7 % | | | |
| R&D short-range 12,2 % | | | |
| R&D cellular IoT 7,7 % | | | |
| SG&A 13,2 % | | | |
| EBITDA 13,6 % | | | |
| Revenue growth y-o-y | +11.3% (MUSD 58.7) | +0.2% (MUSD 52.7) | (+11.1pp) Back to growth in Bluetooth |
| Gross margin | 46.7% | 47.2% | (-0.5pp) |
| R&D short-range | 12.2% | 12.9% | (-0.7pp) Seasonally ratio low due revenue and accrual of holiday pay |
| R&D cellular IoT | 7.7% | 7.8% | (-0.1pp) |
| SG&A | 13.2% | 12.4% | (+0.8pp) |
| EBITDA margin | 13.6% | 14.1% | (-0.5pp) Continued impact from Cellular IoT investment, underlying 21.3% ex. R&D cellular IoT . |

Gross Margin



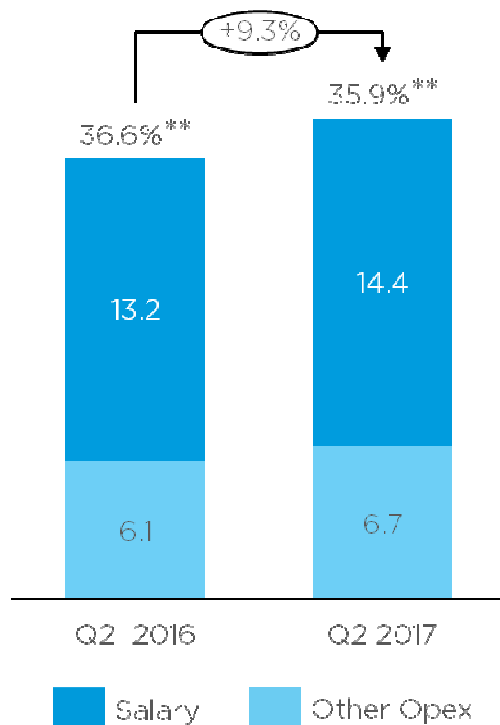
Unchanged at 46.7% Q1 to Q2 2017

- Continued positive contribution from cost improvements
- Offset this quarter by write-offs of phased out products and shift in product and customer mix
- 47.5% underlying gross margin for Q2 2017 excluding the write-offs

Maintaining 50% target for 2018

- Continued efforts on cost reductions
- Continued diversification of customer base and volume ramp of higher-end nRF52

Cash Operating Expenses^{*)}



Operational leverage

- Cash operating expenses increased 9.3%, mainly on short-range R&D and SG&A. Revenue up 11.3%
- The increase is driven by headcount growth of 13.7% from 496 in Q2 2016 to 564 in Q2 2017
- Compared to Q1 2017 cash OPEX was unchanged

OPEX to increase in H2 2017

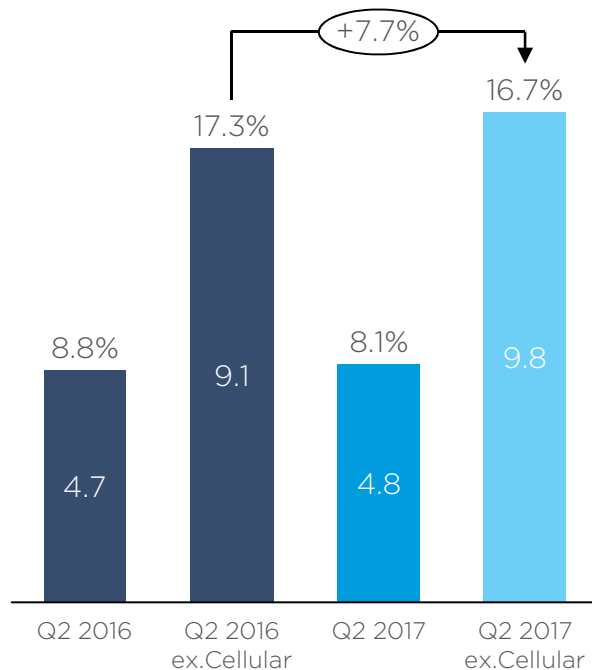
- Employees, salary increase and product development
- Closely tracking guided revenue growth

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

^{**) % of cash OPEX over revenue in Quarter}

Operating Profits (EBIT)

EBIT and underlying EBIT Q2 2017



EBIT of MUSD 4.8

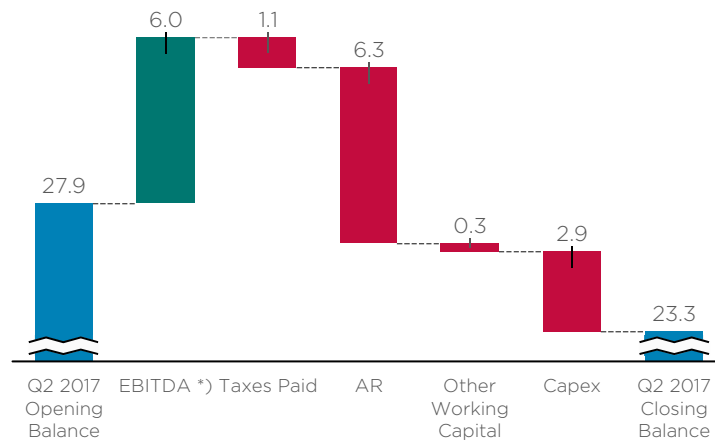
- +2.7% y-o-y growth
- Driven by operational leverage

Underlying EBIT of MUSD 9.8

- Excluding OPEX R&D Cellular IoT, including depreciation
- +7.7% y-o-y growth
- Revenue growing faster than OPEX for R&D cellular IoT

Improved cash flow

Cash flow Q2 2017



* EBITDA Adjusted for Capitalized Development Costs

Seasonal increase in accounts receivable

- Net cash outflow of MUSD 4.6
- NWC increased by MUSD 6.6, from 31.9% of LTM to 34.1%
- Improved cash collection with DSO improvements

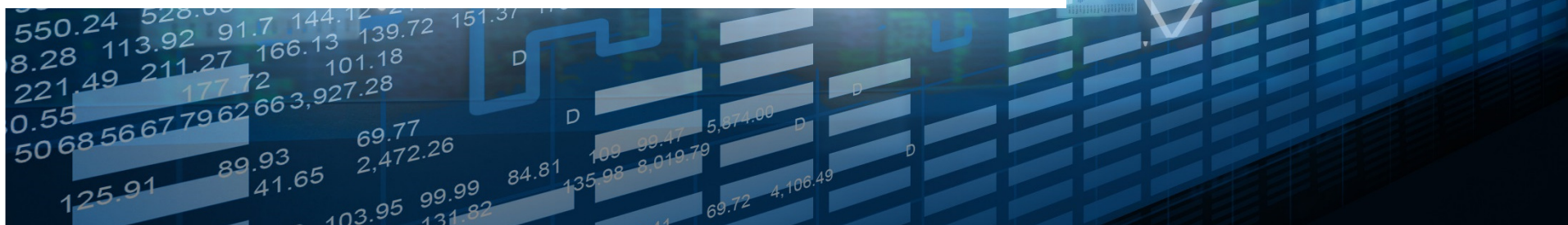
Disciplined cash strategy

- Tight cash management and optimized cash generating ability
- Financial headroom of MUSD 53.3 including undrawn facilities of MUSD 30



Business outlook

Thomas Embla Bonnerud, Director of Strategy and IR



Short term outlook - guidance for H2 2017

Revenue

MUSD
120 - 130

Based on our current visibility, we anticipate revenue for H2 2017 to be in the range of MUSD 120 to 130.

Bluetooth
growth

30 - 40%

We expect Bluetooth to be the growth driver also for H2 2017. The revenue guidance range is based on 30% to 40% growth in Bluetooth revenue.

Gross
margins

46 - 48%

We expect gross margins to be in the range of 46 - 48% for H2 2017, broadly in line with the previous half year, but below our target of 50%.

Short term outlook - comments

Products

- Accelerating volume growth of “mainstream” nRF52
- Continued volume growth of “baseline” nRF51
- Overall Bluetooth volume still dominated by nRF51

Guidance

- Binary opportunities excluded
- Back to more normal Q3 – Q4 seasonality
- Gross margin range to account for fluctuation in customer and product mix
- Total revenue growth of +14% to +19% for 2017 as a whole*

Customers

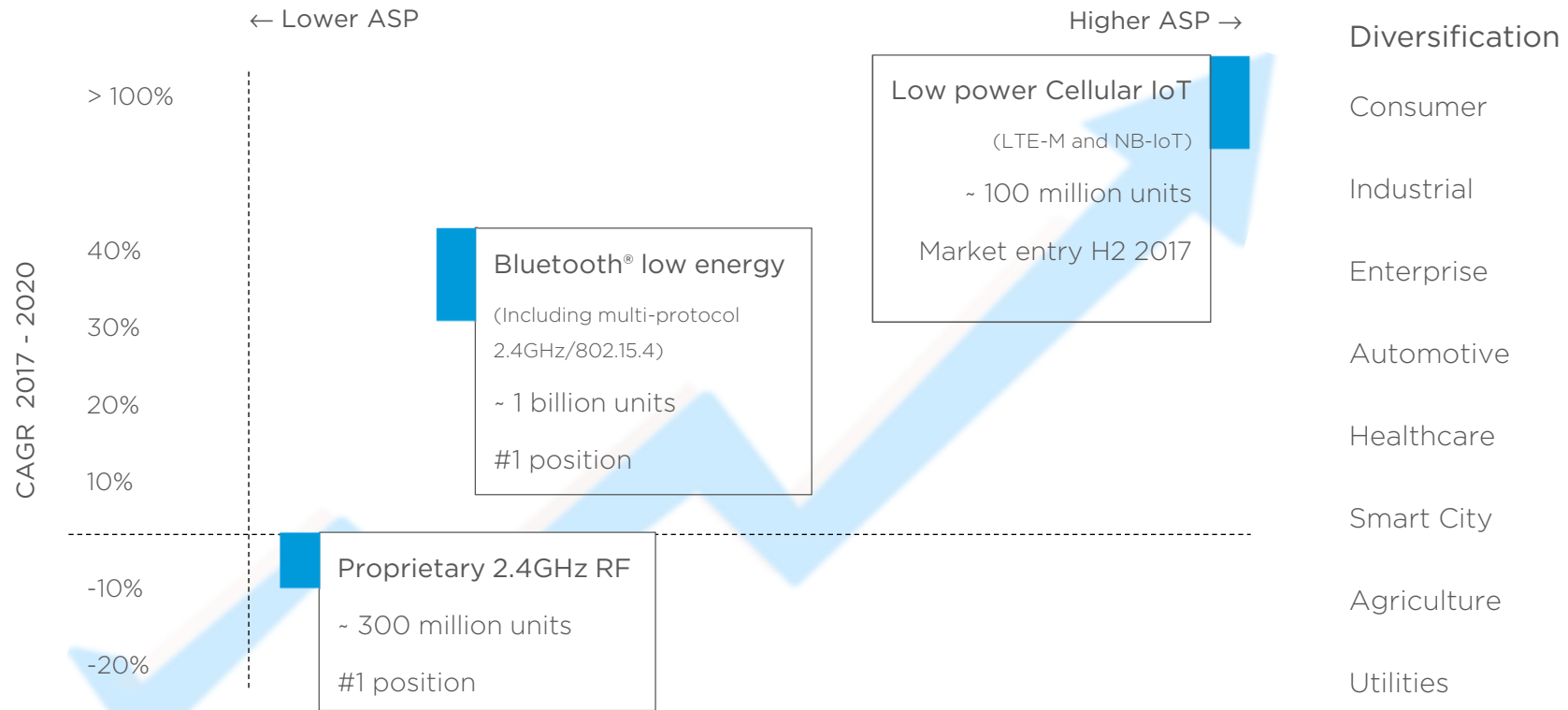
- Continued growth contribution from a handful of non-consumer customers
- Continued q-o-q growth in Wearables and Healthcare
- Proprietary to remain soft due to shift to nRF51 and nRF52

Backlog

| | | |
|---|-------|-------|
| MUSD | +172% | +42% |
| 65.3 | y-o-y | q-o-q |
| <ul style="list-style-type: none"> ▪ Bluetooth dominated (nRF51 and nRF52) ▪ Healthy balance over Q3 and Q4 | | |

*) Based on current guidance

Medium term market outlook - 2020



Source: Nordic management and industry reports

Launched the nRF52810

Lower cost
Bluetooth 5 for everyone

Smaller
Up to 30%

Lower power
Up to 20%



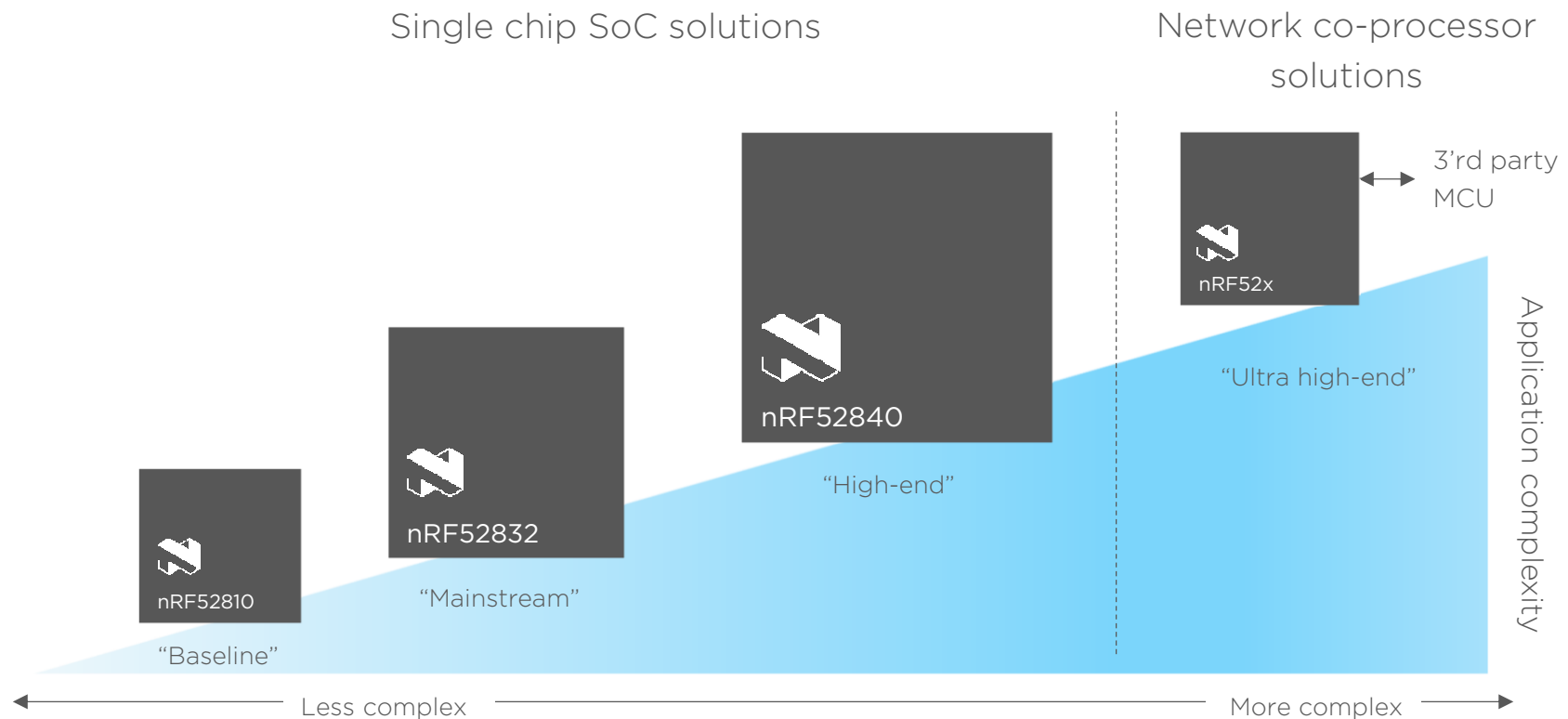
Optimized subset of nRF52832

- Single chip SoC for less complex applications
- Network co-processor for more complex applications

Sampling to customers now

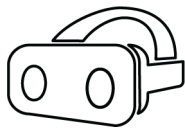
- Multiple design wins already secured
- Production ramp H2 2017

Industries broadest Bluetooth 5 line-up



Diverse design-win base with the nRF52840

Consumer



Virtual Reality

nRF52840

Industrial



Power tool

nRF52840

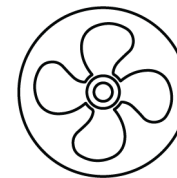
Medical



Drug delivery

nRF52840

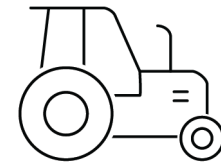
Smart Home



HVAC

nRF52840

Agriculture



Smart Agriculture

nRF52840

Our new Thingy is about driving innovation

An IoT development kit for everyone

- No firmware development required
- Mobile app and (beta) cloud service
- IFTTT web service support
- Affordable ~ USD 40

Packed with sensors

- Motion, sound, environment
- Speaker and multi-color LED

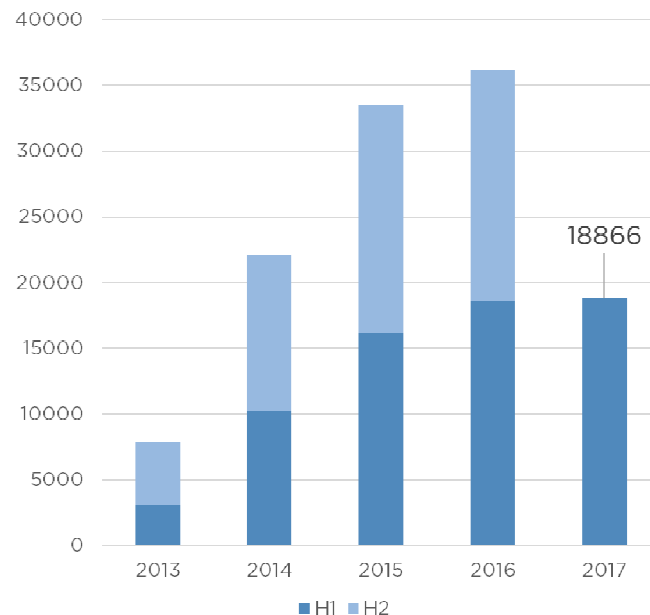
Powered by nRF52

- Bluetooth 5 connectivity
- Processor and memory

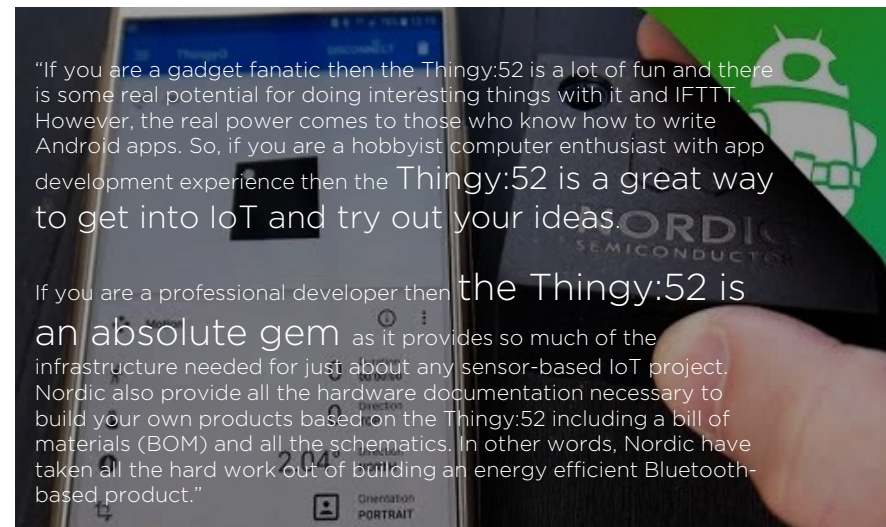


The world's most popular Bluetooth solution

Development kits sales
2013 - H1 2017 (Units)



>2000 Thingy:52 shipped in June



Android Authority video review and feature of Thingy:52

Full LTE-M coverage in the US



LTE-M deployments ahead of schedule

- AT&T and Verizon with nationwide coverage
- Full suite of new rate plans and bundles with modules
- Plans for Mexico later in 2017

Significant milestone for cellular IoT market

- US is one of the largest markets
- Drives awareness and interest in LTE-M
- Drives more interest and demand for our upcoming nRF91 series solutions

Nordic Cellular IoT market entry H2 2017

Small size

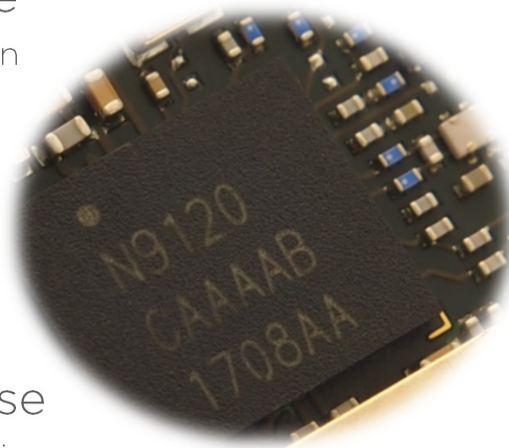
Very high level of integration

Ultra low power

& high performance

Ease-of-use

Complete and flexible solution



On-track for sampling H2 2017

- Limited set of lead customers
- Executing on our US and LTE-M first strategy
- Strong interest and positive feedback on our solution

Certification testing in parallel

- Infrastructure interoperability
- Carrier certification

Summary – first half 2017

Back to growth

- Met our guidance given at the Q4 2016 presentation
- Back to growth in Bluetooth (+32.9% y-o-y)
- Growth contribution from the first “new” 10MU+/y non-consumer customer
- Gross margin and Bluetooth growth still below our ambitions

Delivering on our roadmap

- Delivered on our nRF52 roadmap ahead of schedule – “baseline” and “high-end” SoCs
- First production release of Bluetooth 5 software for nRF52
- nRF91 Series Cellular IoT testing and development

Summary – outlook

Short term outlook – H2 2017

- Continued strong Bluetooth market
- Continued Bluetooth driven revenue growth; +14% to +19% y-o-y for 2017 as a whole*
- Soft proprietary due to shift to nRF51 and nRF52
- Market entry in Cellular IoT – sampling of lead customers

Medium term outlook - 2020

- Key player in high growth markets; Bluetooth low energy and low power Cellular IoT
- Leading position in Bluetooth low energy and Proprietary 2.4GHz
- Large and diversified customer base and fine tuned broad market engagement model
- Strong product roadmap

*) Based on current guidance

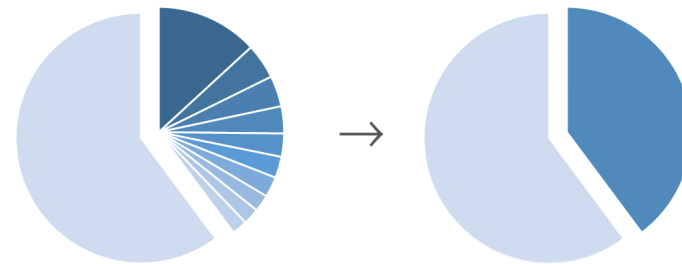
Changes in reporting moving forward

No mid-quarter updates



- Aligning with rest of the semiconductor industry

No break down on top 10 Bluetooth customers



- Protecting customer confidentiality



Q&A

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