



Quarterly Presentation Q4 2017

February 15th 2018, 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 2017

Revenue	Revenue Bluetooth	Revenue Proprietary	Gross margin	EBIT
MUSD 64.4	MUSD 44.1	MUSD 18.3	47.6%	MUSD 0.8
+22.3% y-o-y	+43.9% y-o-y	-6.5% y-o-y	+1.4pp y-o-y	-44.3% y-o-y
-2.0% q-o-q	-3.5% q-o-q	+8.4% q-o-q	-0.2pp q-o-q	-83.1% q-o-q

Met our guidance for H2 2017

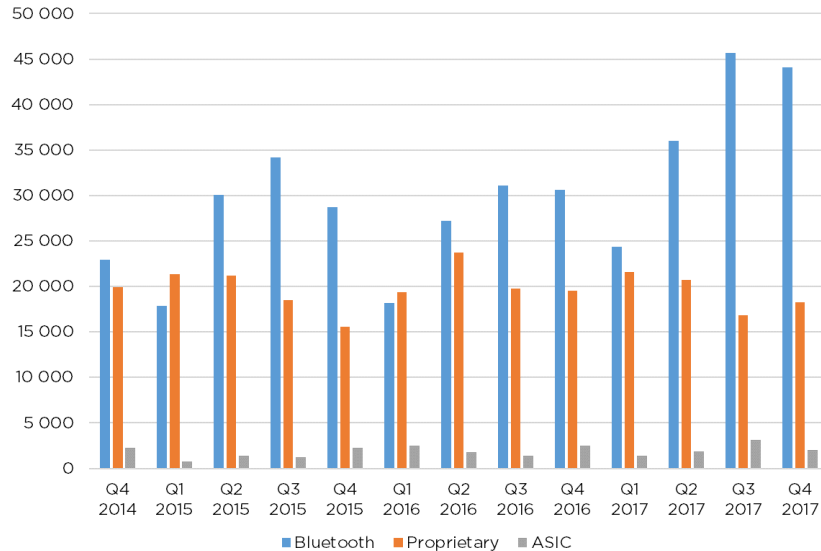
Revenue	MUSD 130.0	Upper end of the MUSD 120 to 130 guidance due to continued strong growth in Bluetooth.
Bluetooth growth	45.4%	Upper end of the 35 to 45% guidance due to robust Bluetooth sales in non-consumer markets.
Gross margins	47.7%	Upper end of the 46 to 48% guidance due to positive contribution from cost reductions.

Financial summary – H2 2017

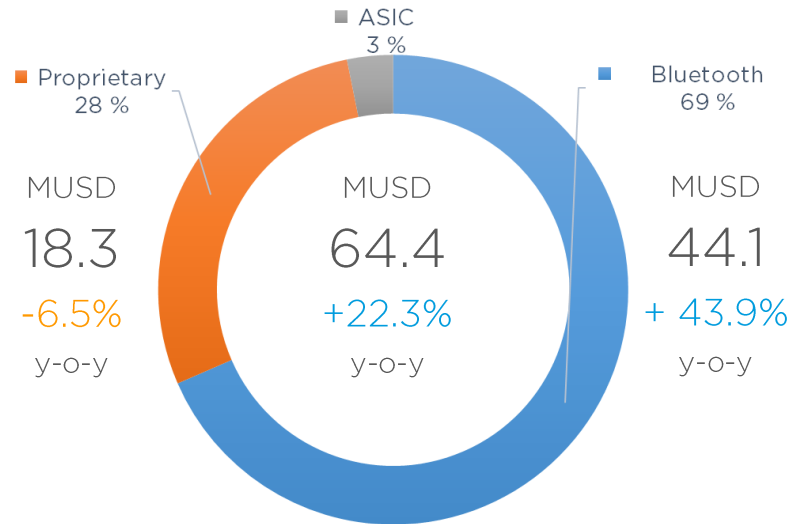
Revenue	Revenue Bluetooth	Revenue Proprietary	Gross margin	EBIT
MUSD 130.0	MUSD 89.7	MUSD 35.1	47.7%	MUSD 5.8
+23.9% y-o-y	+45.4% y-o-y	-10.8% y-o-y	+1.5pp y-o-y	+6.9% y-o-y
+22.7% h-o-h	+48.6% h-o-h	-17.1% h-o-h	+1.0pp h-o-h	+22.6% h-o-h

Bluetooth dominated revenue mix

Revenue by technology
2014 - 2017 (MUSD)



Split and growth by technology
Q4 2017

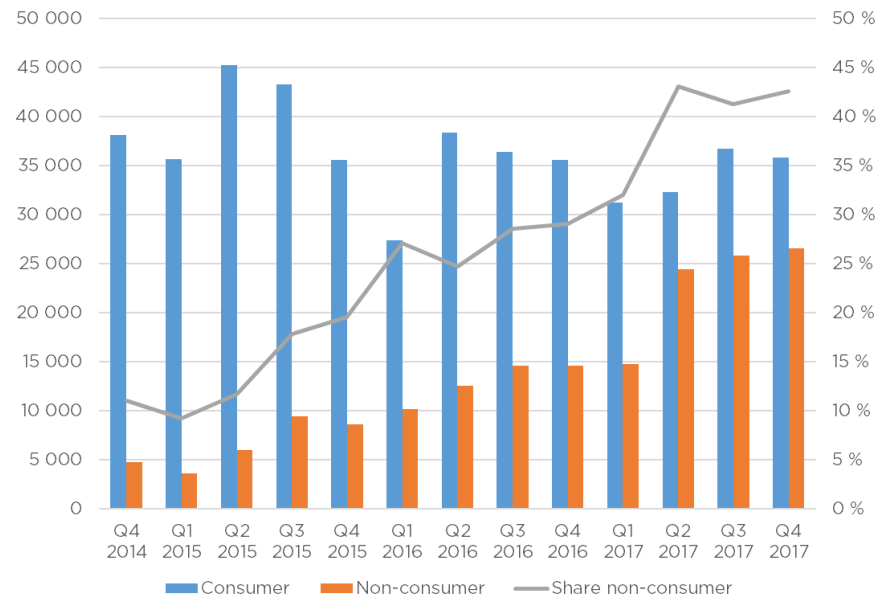


Revenue by market

Consumer Electronics	Wearables	Building /Retail	Healthcare	Others
MUSD 26.1	MUSD 9.7	MUSD 15.9	MUSD 5.0	MUSD 5.7
+3.0% y-o-y	-5.5% y-o-y	+89.9% y-o-y	+80.0% y-o-y	+65.6% y-o-y
+0.3% q-o-q	-9.2% q-o-q	+1.1% q-o-q	+7.4% q-o-q	+3.6% q-o-q

Robust non-consumer revenue

Nordic revenue by consumer / non-consumer *
2014 - 2017 (MUSD)



43% of total revenue

Driven by diversification in Bluetooth
Nordic mirror underlying market megatrend

Less seasonality

Growth on non-consumer Q3 to Q4

Robust growth potential

Growth in existing verticals

New emerging verticals

* Consumer is sum of Wearable and Consumer Electronics, non-consumer is sum of Building/Retail, Healthcare and Others.

New Nordic powered products



Noke Pro padlock	Cassia Networks E1000	Wearpai Technology "K1"	Aveine wine aerator	3M Smart Filter
Enterprise lock	Enterprise IoT router	Wearable	Consumer	Smart Home
nRF52	nRF52	nRF52	nRF52	nRF51

Strengthened our sales organization



Manage and fuel continued growth

Bluetooth, 802.15.4/Thread and low power cellular IoT
Combined broad market and tier-1 customer engagements

New Nordic offices in Beijing and Shanghai

Local sales, field application engineers and customer engineering

Expanded sales teams in US and Europe

More local sales and field application engineers

Scaling supply chain to meet 2018 demand

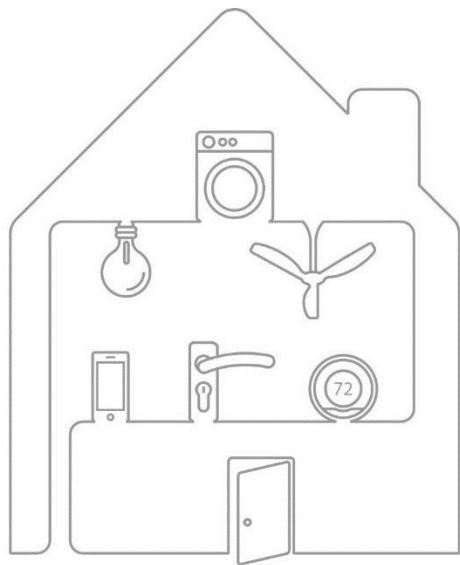


Volume growth and ramp of new products
Higher volume and increased mix of more complex products

Expanded test capacity
New and additional testers and engineers

Improvements to meet tier-1 requirements
Quality and turn-around time

Nordic joins Thread Group Board of Directors



THREAD

Connecting home and buildings

Low power, secure, IPv6 based mesh wireless technology
Highly complementary to Bluetooth



Pär Håkansson, Nordic

Eleventh member of the Thread Group BoD
Actively contribute to the future of Thread

Part of our expansion in short-range IoT

Fast growing smart home and buildings market verticals
Leading multi-protocol Bluetooth / Thread solutions

Unveiled our low power cellular IoT solution



nRF91 Series

- Cellular made easy
- Cellular for everything else

Strategic partnership

- RF Front-Ends
- Advanced SiP assembly

Live LTE-M demo

- Telia in Norway
- Verizon Wireless Network

2017 – strong growth in Bluetooth

40%

growth in Bluetooth revenue

- Result of our strategy and investment
- Diversification of our customer base
- Gross margin expansion
- Solid foundation for future growth

Investments

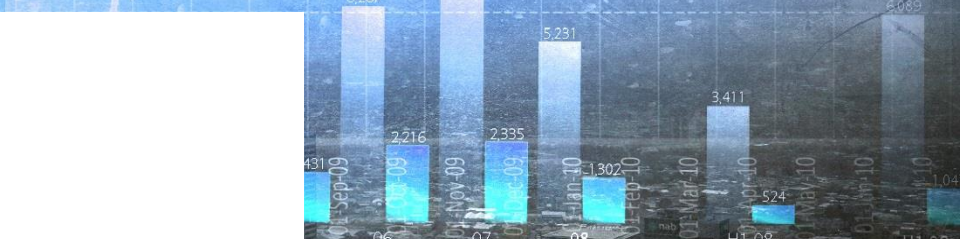
to fuel accelerated growth

- Unique position in fast growing IoT markets
- Low power short-range and cellular IoT
- Sales, R&D, Quality and supply chain
- EBITDA margin kept in line with 2016

Financials

Pål Elstad, CFO

Asaxite	\$539.00	\$443.22	3.00%
Cotton	\$592.00	\$240.26	39.00%
Flax	\$574.00	\$678.06	17.00%
Textiles	\$369.00	\$697.98	25.00%
Wool	\$190.00	\$507.14	21.00%
Fur	\$280.00	\$197.22	37.00%
Sateen	\$107.00	\$284.48	3.00%
Silk	\$156.00	\$116.63	1.00%
	\$280.00	\$192.19	9.00%
	\$181.00	\$316.40	23.00%
	\$188.00	\$197.65	13.00%
		\$198.53	9.20%
			5.60%



Gold	B	Aluminum	A	Silk	A
Platinum	A	Chrome	D	Oil	C
Silver	A	Nickel	F	Gas	C
	A	Bauxite	ERT	Electric power	C
	D	Cotton	A		
	A	Flax			

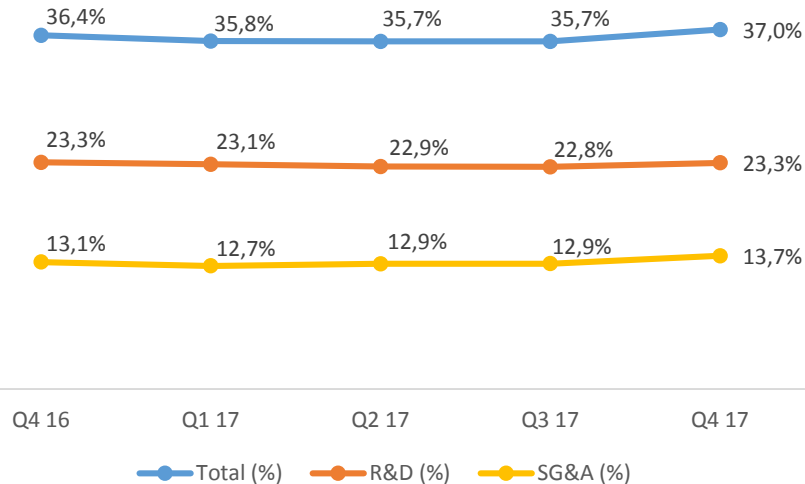
analysis of total income			
	H1 08	H2 08	H1 09
Top-line income	4,784	5,074	10,489
Credit market losses in income	(2,225)	(4,065)	(3,507)
Own credit	852	811	(893)
Total income	3,411	1,820	6,089
Impairment charges and other credit provisions	(1,226)	(1,197)	(1,874)
Net income	2,185	623	4,215

Operating model performance Q4 2017

	Q4 2017	Q4 2016	
Gross Margin 47,6 %			
R&D short-range 16,4 %			
R&D cellular IoT 9,3 %			
SG&A 15,6 %			
EBITDA 6,2 %			
Revenue growth y-o-y	+22.3% (MUSD 64.4)	+13.2% (MUSD 52.6)	(+9.1pp) Bluetooth driven growth with robust contribution from non-consumer
Gross margin	47.6%	46.2%	(+1.4pp) Continued positive contribution from cost improvements
R&D short-range	16.4%	15.6%	(+0.8pp) Expanding product offerings
R&D cellular IoT	9.3%	8.9%	(+0.4pp) Sampled first lead customer
SG&A	15.6%	12.6%	(+3.1pp) Organizational scaling to manage and fuel growth in 2018
EBITDA margin	6.2%	9.0%	(-2.8pp) Continued impact from low power cellular IoT investment

Trailing average R&D and SG&A spending

Trailing 12-months adjusted OPEX
(% of revenue)



23.3% of revenue on R&D

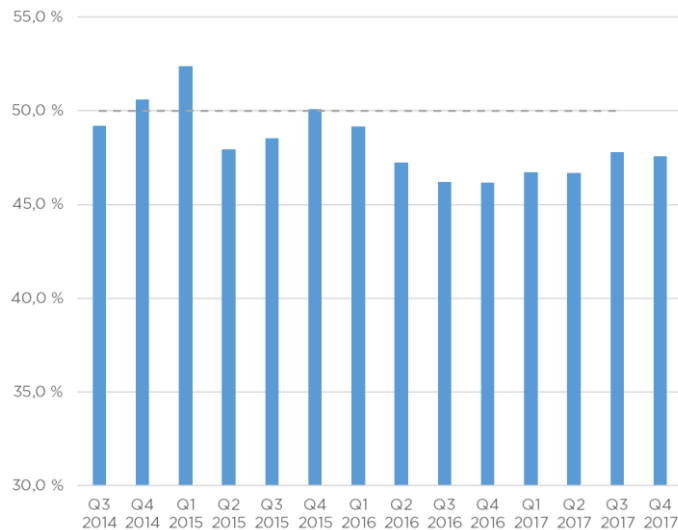
- Industry average R&D spend close to 20%
- Nordic trailing higher due to cellular IoT investment
- Ratio to decrease with revenue on cellular IoT

13.7% of revenue on SG&A

- Industry average SG&A spend 12-15%
- Scaling sales and supply chain operations to manage and fuel growth

Gross Margin

Gross margin 2014 -2017



Gross margin recovery year-over-year

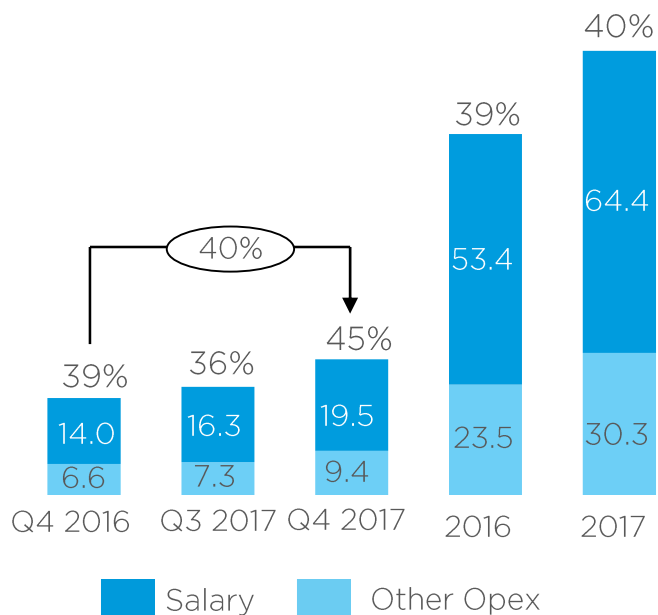
- Gross margin 47.6% **+1.4pp** y-o-y
- Continued positive contribution from cost improvements
- Quarter to quarter fluctuation due to product and customer mix

Maintaining 50% target within 2018

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

Cash Operating Expenses^{*)}

Cash Opex MUSD / % of revenue



Q4 Opex*

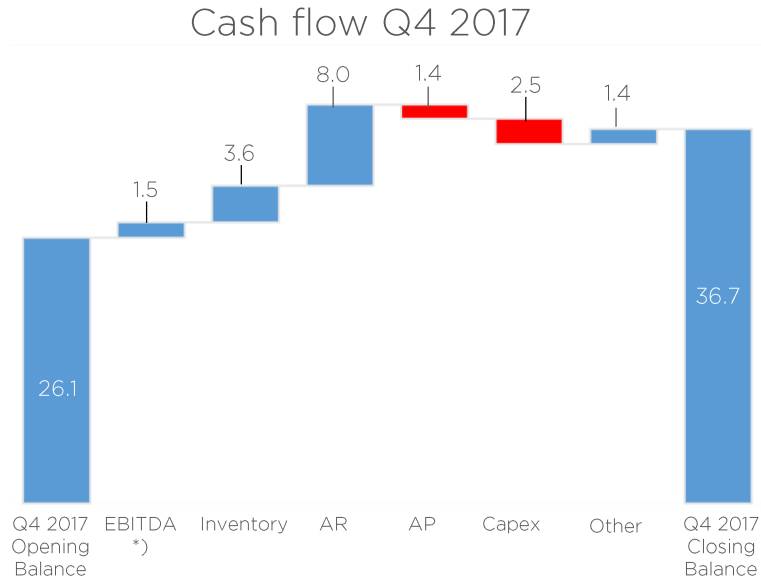
- Q4 cash operating expenses increased 40% y-o-y
- The increase is driven by new product releases and headcount growth of 12.8% from 533 in Q4 2016 to 601 in Q4 2017
- Setup of new office locations and employee bonuses
- Limited FX impact compared to last year

2017 Opex*

- 2017 Opex increased 23%
- In percentage of revenue OPEX is up 1 pp

^{*)} Operating expenses, excl. capitalized R&D, depreciation and amort. and option expenses, excluding write-off of receivables

Strong cash flow



* EBITDA Adjusted for Capitalized Development Costs

Strong cash conversion during quarter

- Net cash flow of MUSD 10.6
- NWC reduced by MUSD 10.8, reducing NWC/LTM from 32.7% to 26.9%
- Continued improved cash collection in % of revenue

Disciplined cash strategy

- Tight cash management and optimized cash generating ability
- Increase available financing by adding MUSD 25 in a 5 year RCF
- Financial headroom of MUSD 94.0 including undrawn facilities of MUSD 57.3

Full year 2017 operating model

	2017	2016	
Gross Margin 47 %			
R&D short-range 15 %	Revenue growth y-o-y (MUSD 236)	+19% +2% (MUSD 198)	(+17pp) Bluetooth +40% and Proprietary -6%
R&D cellular IoT 8 %	Gross margin	47.2% 47.0%	(+0.2pp) Gross margin recovery, closing in on 50% target
SG&A 14 %	R&D short-range	15% 15%	(+0.2pp) Investment for continued growth and expansion in short-range IoT
EBITDA 10 %	R&D cellular IoT	8% 8%	(±0.0pp) Investment for accelerated revenue growth and improved profitability on a mid term basis
	SG&A	14% 13%	(+1pp) Organizational scaling to manage and fuel growth
	EBITDA margin	10% 11%	(-1pp) Continued impact from cellular IoT investment



Business outlook

Thomas Embla Bonnerud, Director of Strategy and IR

Guidance for H1 2018

Revenue	MUSD 123 - 133
---------	-------------------

Based on current visibility, we anticipate revenue for H1 2018 to be in the range of MUSD 123 to 133, representing 21% growth at the mid point. For Q1 2018 we expect normal sequential seasonality.

Bluetooth growth	40 - 50%
------------------	----------

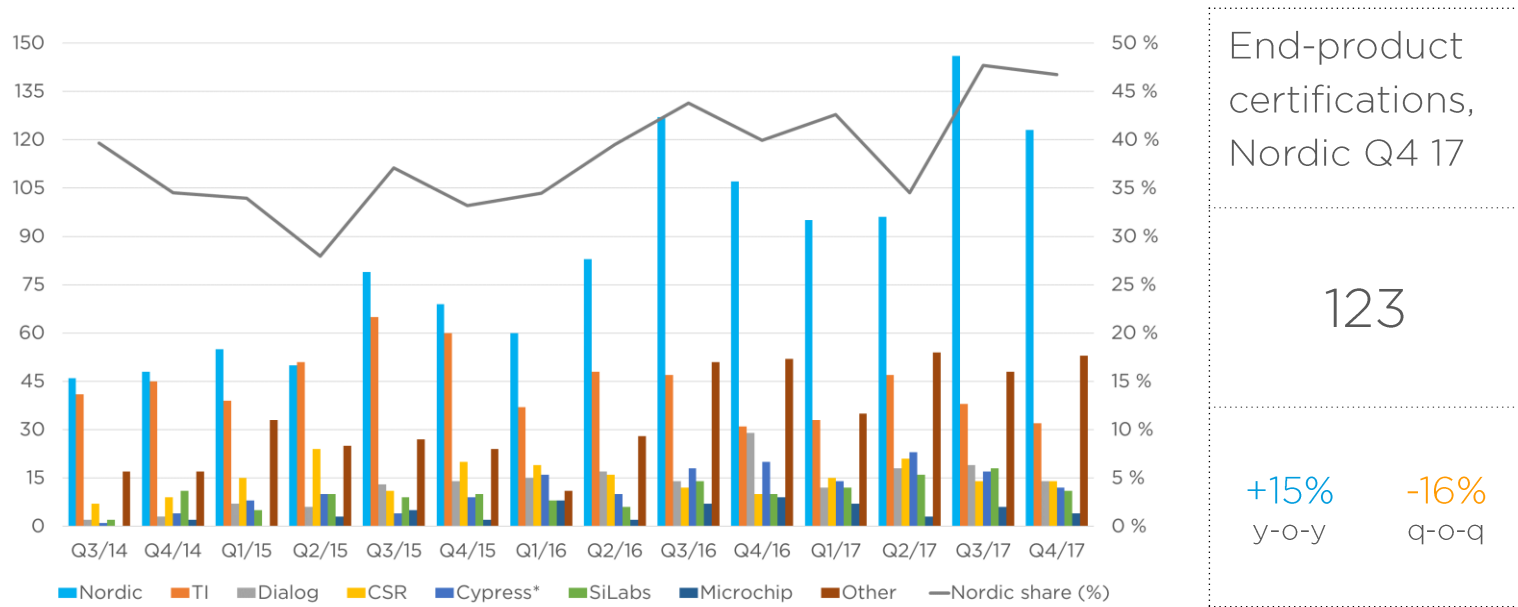
We expect Bluetooth to be the main growth driver also for H1 2018. The revenue guidance range is based on 40% to 50% y-o-y growth in Bluetooth revenue.

Gross margins	47 - 49%
---------------	----------

We expect gross margins to be in the range of 47 - 49%, driven by continued underlying improvement from cost improvements with variations from customer and product mix.

Another record year of Nordic certifications

Bluetooth low energy end-product certifications*



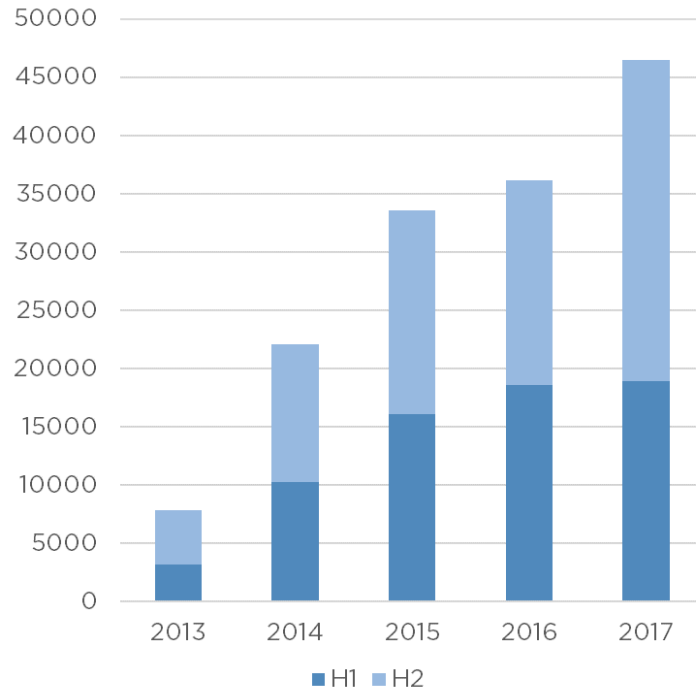
End-product certifications, Nordic Q4 17

123

+15% y-o-y -16% q-o-q

*Source: DNB Markets

New all time high kit shipments in H2 2017



Record half and full year

+ 57% y-o-y for H2 2017

+ 29% y-o-y for full year 2017

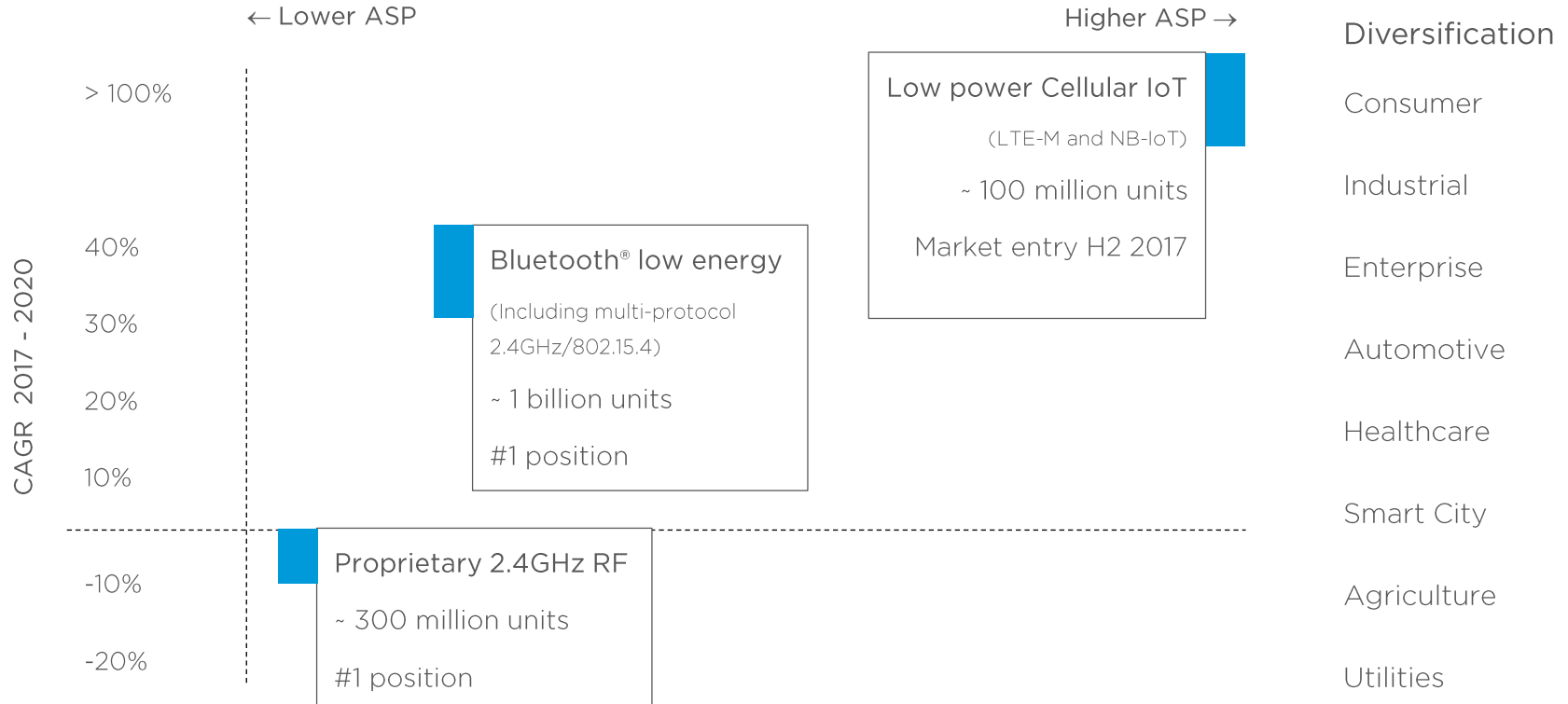
Leading indicator of market growth

Continued strong diversification

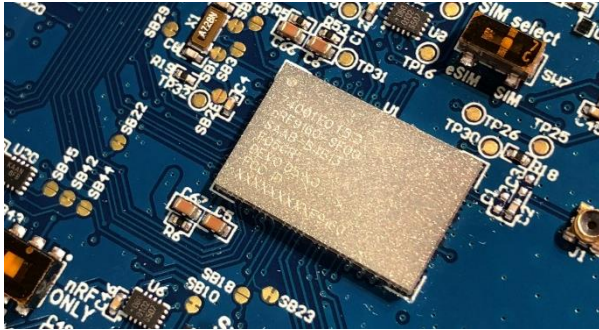
Leading indicator of our position

Attractive and competitive solutions

Confident in the market opportunity



Overwhelming response on nRF91 Series



Highly differentiated and value add solution

- Level of integration, size and power
- Ease of use and go-to-market model
- Extended industry press coverage



Massive interest in our lead customer sampling program

- Incredible diversity type of applications
- Exploring options for expanding the lead customer sampling program for H1 2018

Business aspiration for cellular IoT

Short-term

(~2018)

- Secure design wins
- Production ready and certified solution
- Help and drive customer production ramp

Mid-term

(~2020)

- Surpass break even on a running basis; cellular IoT gross profits > cellular Opex on a running 12-months basis

Long-term

(~2022 →)

- Significant contribution to Nordic total revenue and profitability

Objectives for 2018

Expansion

and continued growth in **low power short-range IoT**

- Strengthen our leading position in Bluetooth
- Expansion in low power short-range IoT with our 802.15.4 / Thread offering
- EBITDA margin expansion driven by growth in short-range business

Build a position

in **low power cellular IoT** leveraging existing customer base and market reach

- Secure first design wins and production ramp with lead customers
- Build foundation for accelerated revenue growth to drive improved profitability on a mid-term basis

Summary

Q4 2017

Continued strong Bluetooth growth

- +44% y-o-y with robust contribution from non-consumer markets
- Solid, Bluetooth dominated backlog

MUSD
53.7

+88%
y-o-y

-18%
q-o-q

Outlook

First half of 2018

- 123 to 133 MUSD driven by +40 to +50% growth in Bluetooth
- Sequential gross margin expansion from continued cost improvements
- Continued design win momentum strengthening our position IoT

Q&A



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 fourth quarter, held on February 15, 2018. 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.

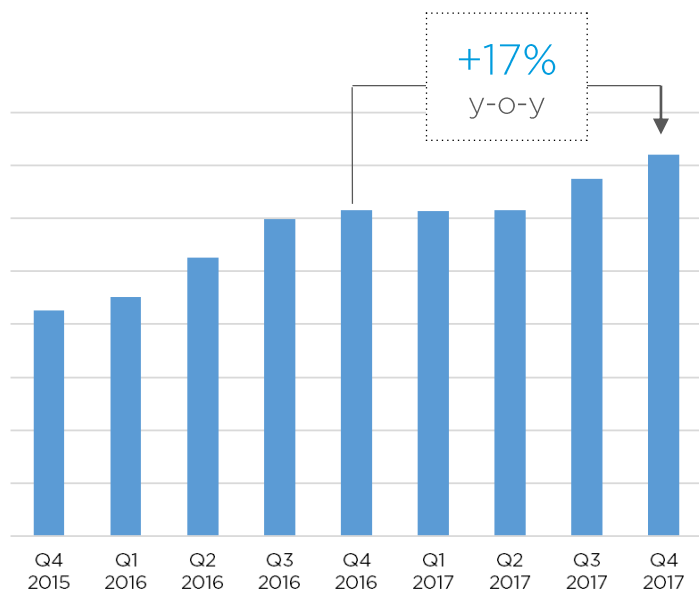
The background features a complex network of glowing blue nodes connected by thin lines, set against a dark blue gradient. In the lower right, a hand is visible, pointing upwards with the index finger towards a bright, glowing point. At the bottom of the image, there is a semi-transparent bar chart with several bars of increasing height from left to right, and a white line graph with a sharp upward curve. A white rectangular box is positioned in the lower-left quadrant, containing the text.

Quarterly Presentation Q4 2017

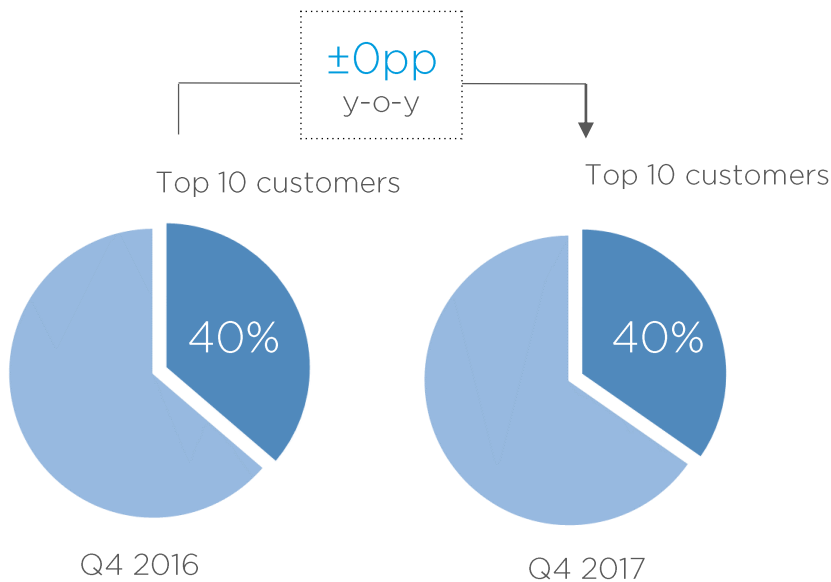
February 15th 2018, Oslo, Norway

Customer growth and diversification

Continued growth in number of Active Customers* on Bluetooth



Diversified 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)