

wireless living



Q2 2011 Investor Presentation

Svenn-Tore Larsen, CEO
Robert Giori, CFO

July 13, 2011

Sequential Q-on-Q growth in Q2 2011

Sequential revenue growth from Q1-Q2 based on normal seasonality of operations. Year-over-year trend reflects abnormal seasonality (peak demand) in Q2 2010.

- Revenues of MUSD 38.4
- Order inflows of MUSD 44.9
- Operating profit (EBIT) of MUSD 7.3 (19% EBIT margin)
- Cash flow from operations of MUSD 5.9

Business Outlook: Strong long-term growth opportunities in new markets for ultra-low power wireless solutions, with *Bluetooth* low energy as key enabling technology

- Nordic has taken an early lead in *Bluetooth* low energy technology
 - Captured first announced products with single mode *Bluetooth* low energy
 - Appointed to Board of Bluetooth SIG – an honor and excellent business opportunity
- Strong progress in entering new application markets
 - Home media: reference designs with leading device manufacturers
 - Medical sensors: recent product release on remote patient monitoring device
 - RFID / proximity sensors: collaborations with leading Bluetooth industry partners

wireless living



FINANCIAL HIGHLIGHTS

Robert Giori, CFO

Q2 2011 Financial Highlights (MUSD)

MUSD

Financial objectives

Growth

| | Q2 2011 | Q2 2010 | Comments |
|--------------|----------------|----------------|---|
| Revenue | 38,4 | 41,9 | Abnormal seasonal peak in Q2 2010 |
| Order Inflow | 44,9 | 59,0 | Solid sequential growth in revenue and orders |

Profitability

| | | | |
|-------------------------|------|------|---|
| Gross Margin % | 43 % | 52 % | Price reductions to target low cost markets |
| Operating Profit (EBIT) | 7,3 | 13,5 | Not yet offset by lower production costs |
| EBIT Margin % | 19 % | 32 % | |
| Net Profit after tax | 5,3 | 9,1 | |

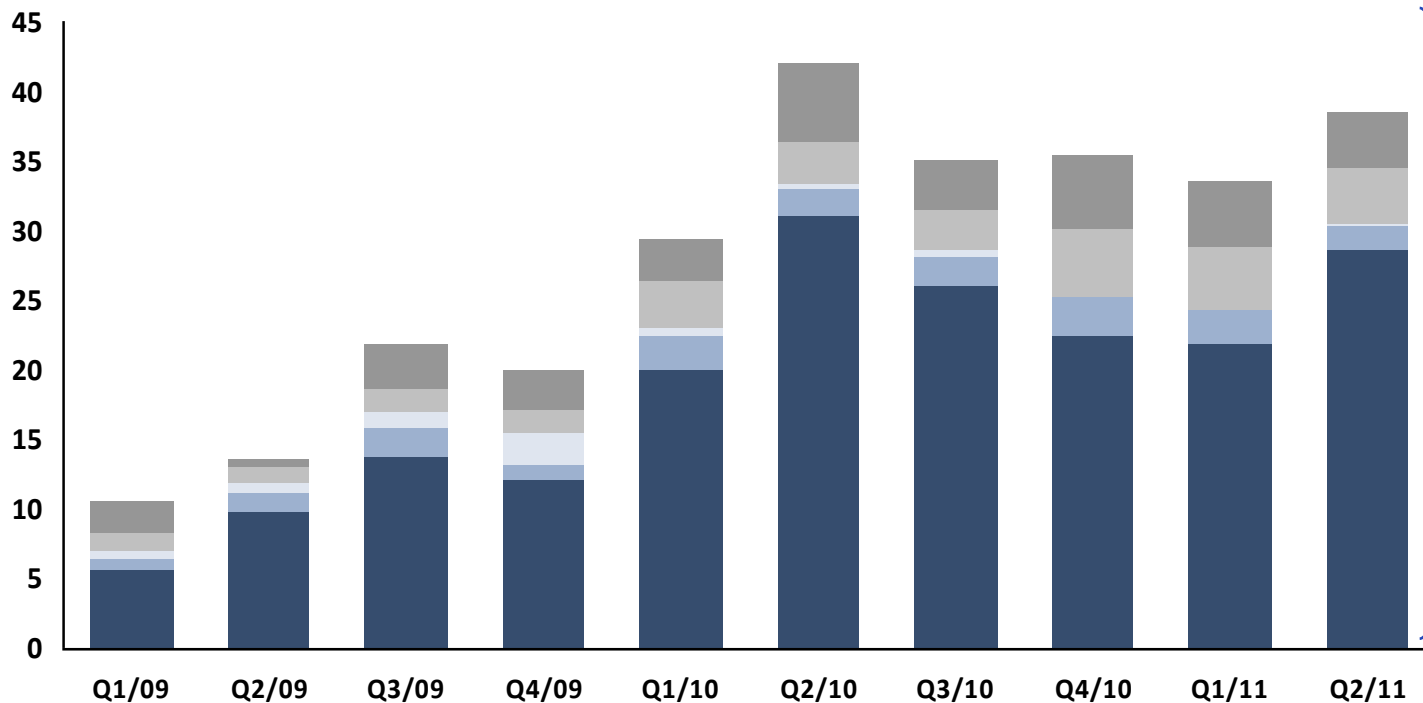
Cash Flow

| | | | |
|---------------------|------|------|---|
| Free Cash Flow | 5,1 | 7,3 | Cash flow in line with net profit |
| Cash Balance | 24,7 | 29,0 | |
| Accounts Receivable | 33,0 | 27,9 | Almost no invoices > 30 days past due |
| Inventory | 28,2 | 14,1 | Build inventory in advance of peak demand |

Group Revenues

- Q2 2011 Revenue of MUSD 38.4
- Q2 Revenue reduced by MUSD 1.4 accounting provision related to new pricing agreements to support large customers in targeting high growth / low end markets
 - New end customer pricing agreements were entered in July, but result in a charge to Q2 revenue as distributors will receive price protection for inventories held at end-Q2

Segment revenue by quarter 2009 – Q2 2011 (MUSD)



Solid sequential growth but 8% decline from Q2 2010

2010 had unusual seasonality, with peak demand in Q2 (rather than Q3), as customers built inventories in advance of peak demand as a response to supply constraints

In 2011, Nordic expects normal peak seasonality to take place in Q3



Growth driven by new product releases

PC / Media controllers

Wireless PC mouse / keyboard,
Media center remote control,
Game controller

Q2 Revenue: MUSD 28.6 (MUSD 31.2)

- *PC Peripherals:* Strong growth potential, particularly in low cost category (emerging markets and replacement of wired devices)
- *Media remotes:* New market for remote controls for connected TV's based on mouse/keyboard designs
- *Game controller:* Designs for new interactive controllers currently under development



Sports / Health monitors

Heart monitors, foot pods, watches

Q2 Revenue: MUSD 1.8 (MUSD 1.8)

- Production issue impacts Q2 sales. Very strong order backlog for Q3.

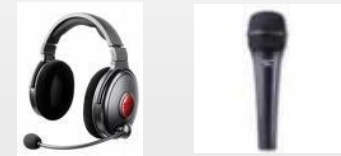


Audio devices

Wireless audio streaming,
microphones, gaming headsets

Q2 Revenue: MUSD 0.1 (MUSD 0.3)

- Slow market ahead of launch of new Nordic audio product



Other applications

RFID, Toys, etc.

Q2 Revenue: MUSD 4.0 (MUSD 3.0)

- New toy design, RFID product and other new devices drive growth



ASIC components / consulting

Wide sector span

Q2 Revenue: MUSD 4.0 (MUSD 5.7)

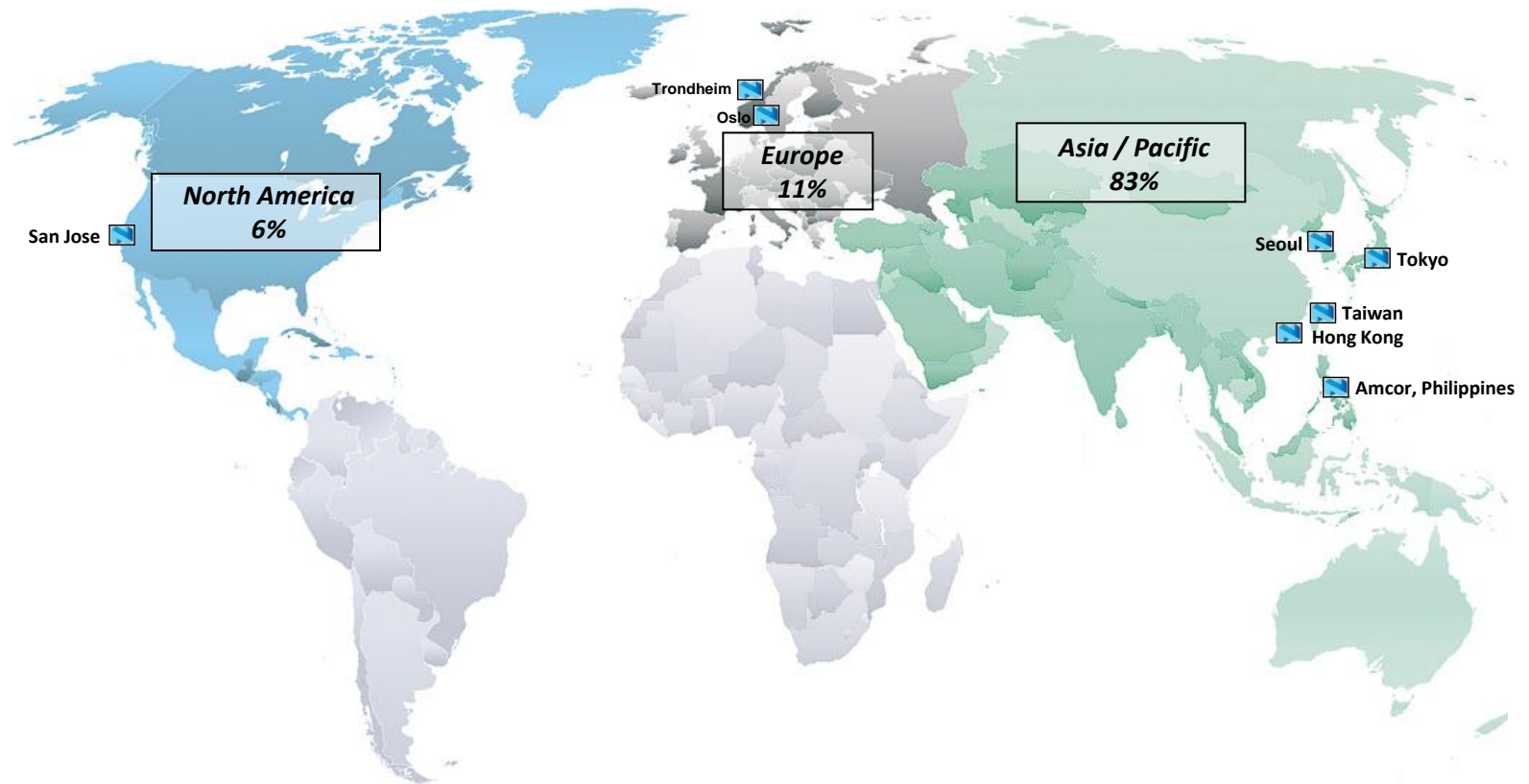
- Recent release of an end product with a Nordic ASIC design driving revenues



Revenue mix

- 83% of revenues are to Asian distributors
 - Many component units are sold through distribution to Asian OEM's for manufacture and export of devices to North America / Europe

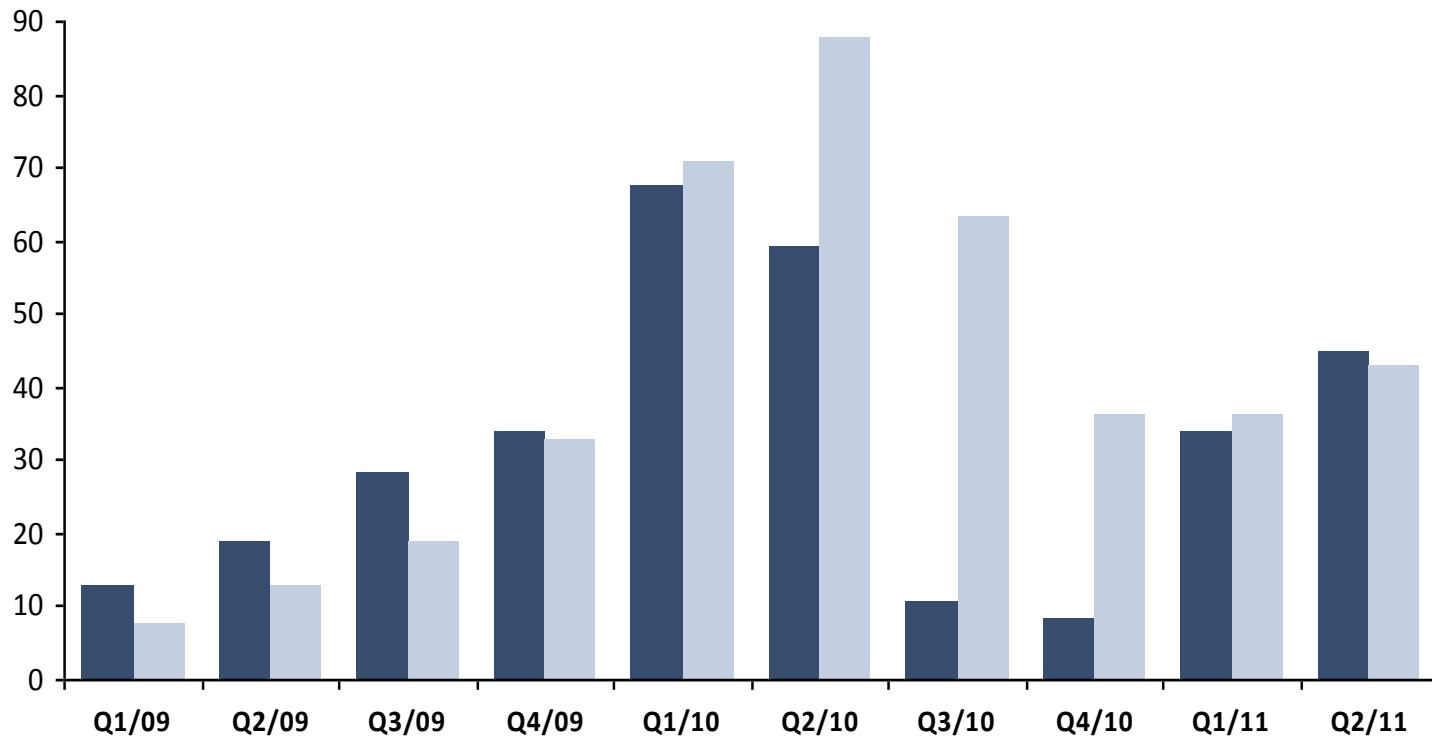
Revenue breakdown by region



Order inflow / order backlog

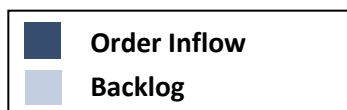
- Order inflow of MUSD 45
 - Very strong order intake in April / May
- Order backlog of MUSD 43, primarily for delivery in Q3 2011
 - Shortening order cycle, as sales channels respond to economic outlook

Order Inflow and Backlog 2009 – Q2 2011 (MUSD)



Order cycles increase in 1H 2010 due to supply shortages; results in abnormally high order inflow and backlog

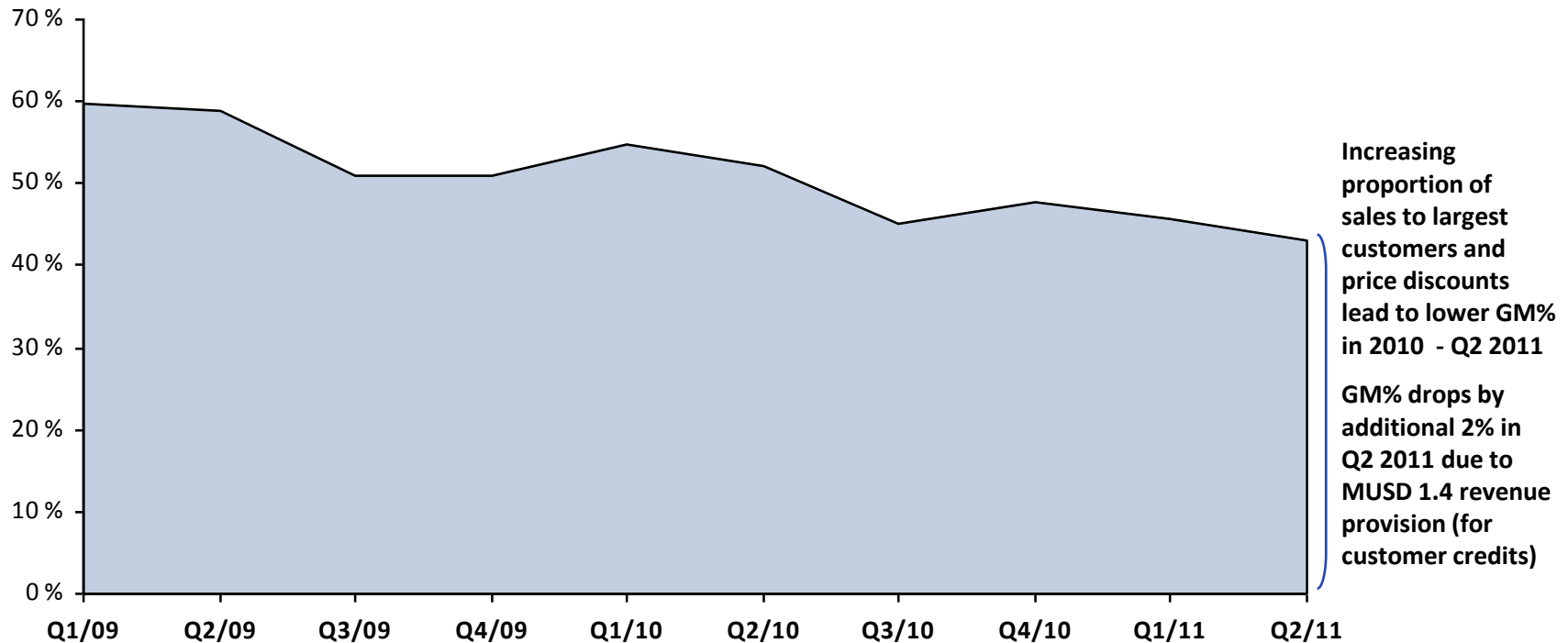
As supply shortages ease, order cycles normalize and backlog returns to historical average relative to sales



Gross Margin

- **Gross margin of 43 %**
 - Long-term GM trend driven by increase in large PC peripheral customers within revenue mix, with volume discounts and strategic pricing to target low-cost markets
 - Gross Margin expected to improve to 45–50% in 2H 2011, dependent on customer mix. Production costs to fall throughout year, with manufacturing process improvements.

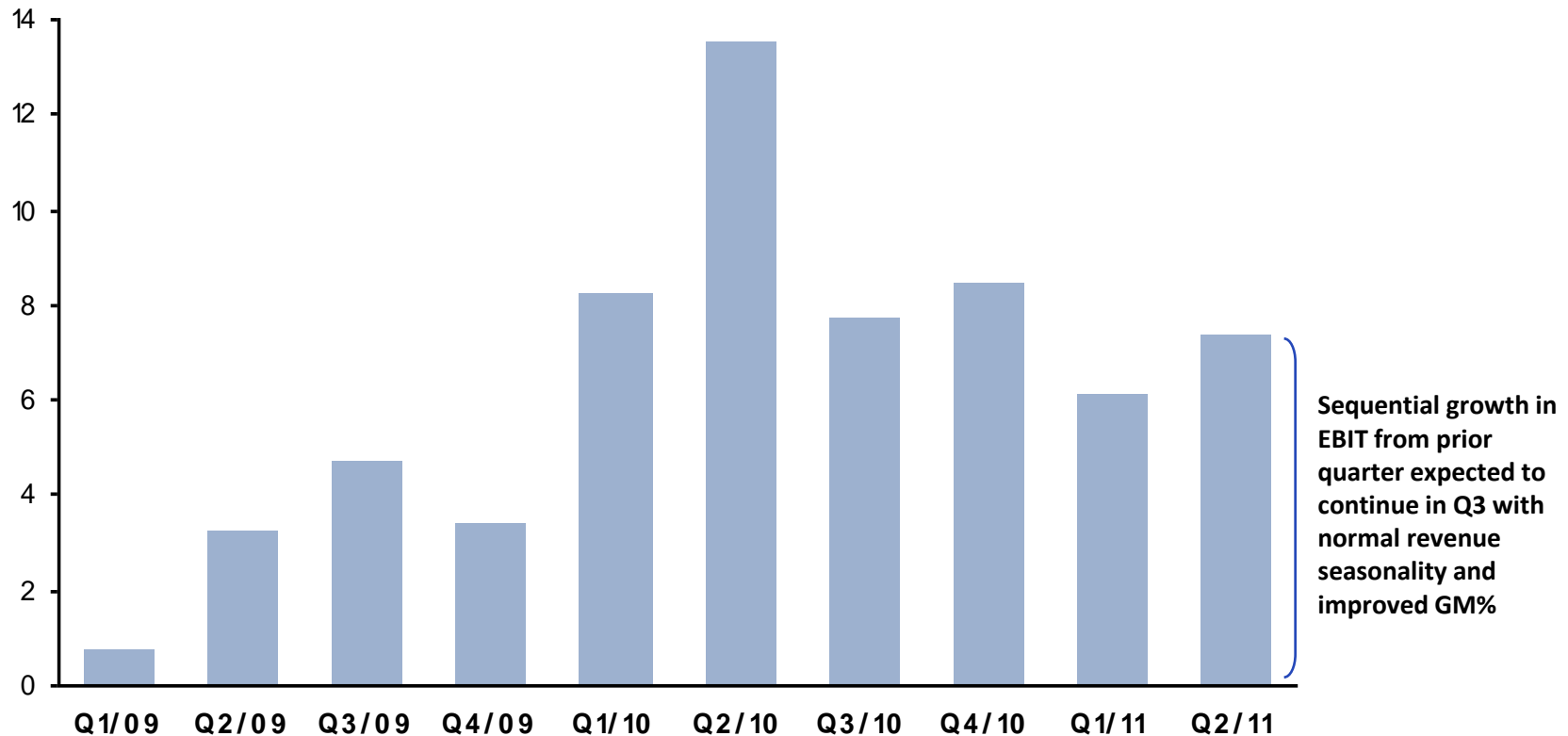
Gross Margin % of revenue 2009 – Q2 2011



Operating Profit

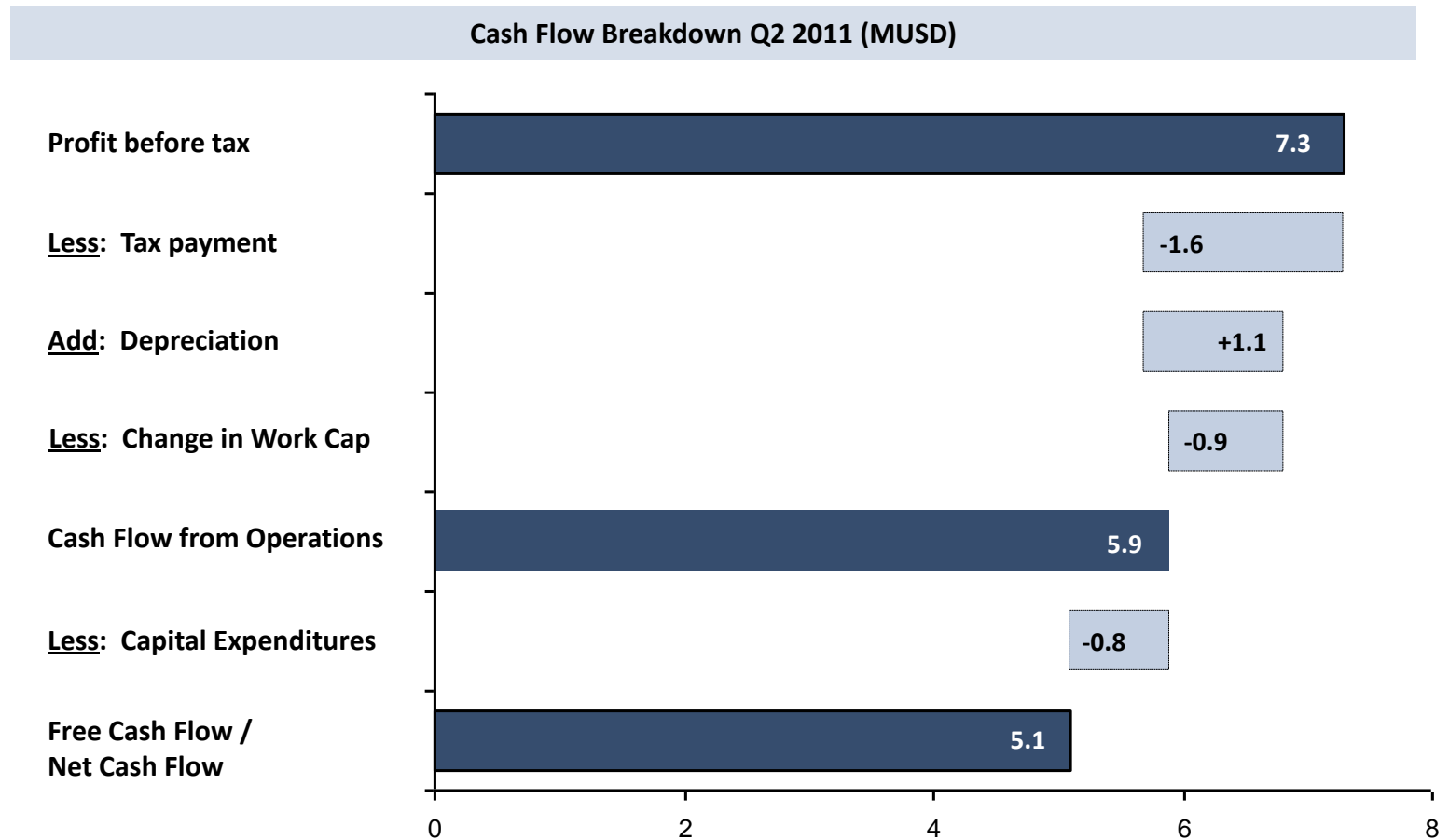
- Operating profit (EBIT) of MUS\$ 7.3 (19 % EBIT margin)
 - In line with previous three quarters, as sequential revenue growth is offset by lower GM% and investments in additional R&D staff to prepare for new product launches
 - Peak seasonality expected in Q3 2011 (normal seasonal trend)

Operating Profit by quarter 2009 – Q2 2011 (MUS\$)



Cash Flow

- Free Cash Flow of MUSD 5.1 in Q2 2011
- Cash flow corresponds closely with net profit, as working capital balances remain stable and capital expenditures remain low



Q2 2011 Financial summary

Sequential improvement in financial performance across all major metrics

Revenue growth

- Group revenue of MUSD 38.4 (MUSD 41.9)
 - Solid sequential growth from prior quarter
 - 8% decline from prior year, due to abnormal peak seasonality of demand in Q2 2010

Profitability

- Order inflow of MUSD 45 (MUSD 59)
 - Strong order inflow for most of quarter
- EBIT of MUSD 7.3 (MUSD 13.5)
 - Decline from peak performance in Q2 2010
 - In line with past three quarters, as improved revenue is offset by lower GM% and higher Opex

Cash Flow

- Free Cash Flow of MUSD 5.1 (MUSD 7.3)
 - Stable working capital balance
 - Low capital expenditures
 - Almost no customer invoices > 30 days past due

wireless living ...



BUSINESS OVERVIEW

Svenn-Tore Larsen, CEO

Nordic appointed to Board of Bluetooth SIG

A great honor, and an opportunity to drive the future of *Bluetooth* low energy



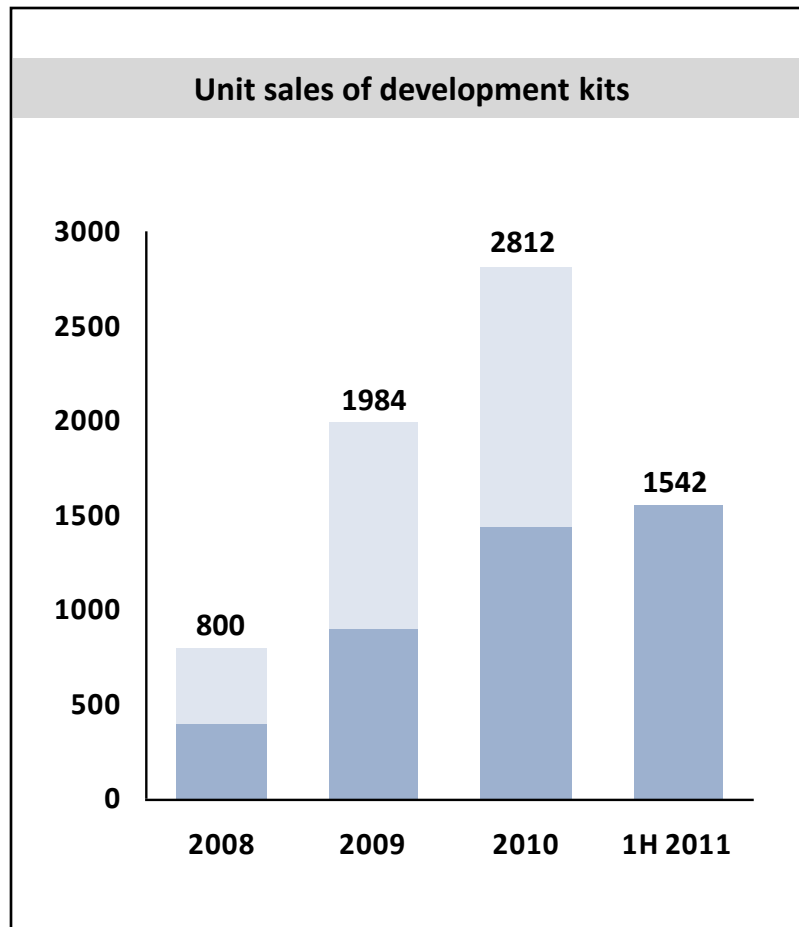
“On June 21, 2011, the Bluetooth SIG appointed two new members to its board of directors from Apple and Nordic Semiconductor. Leaders in their respective markets, Apple and Nordic join industry leaders Intel, Motorola, Lenovo, Nokia, Microsoft, Ericsson AB, and Toshiba on the Bluetooth SIG board.”

“We see the importance of platform development and ultra-low power silicon for Bluetooth technology and believe guidance and board participation from Apple and Nordic, industry leaders in these perspective fields, is essential,” said Michael Foley, Ph.D., executive director of the Bluetooth SIG. “These additions to our board will ensure we succeed in new markets we have targeted for growth.”

-- Press release

Bluetooth low energy drives demand for development kits

Strong growth in demand for development kits based on *Bluetooth* low energy release



■ First Half
■ Second Half

- **Over 450 *Bluetooth* low energy development kits distributed since March 2011 release**
 - Very high demand for development kits since product launch
 - Strong interest in technology within new customer segments (non-PC peripherals)
- **Collaborating with leading Bluetooth industry partners and device manufacturers.**

Target applications include:

- RFID / Proximity applications
- Security tags
- Sports / health monitors
- Home media remotes and peripherals
- Temperature sensors

Taking an early lead in *Bluetooth* low energy products

First single-mode *Bluetooth* low energy products use Nordic's μ Blue™ technology

Casio G-SHOCK
Bluetooth Low Energy watch



Key features

- **Mobile alerts**
 - Transfers incoming call, email and SMS alerts from phone to watch
- **Finder function**
- **Auto time-correction**
- **PLUS: 2-year battery life**

Dayton Industrial Co.
Bluetooth Low Energy fitness monitor



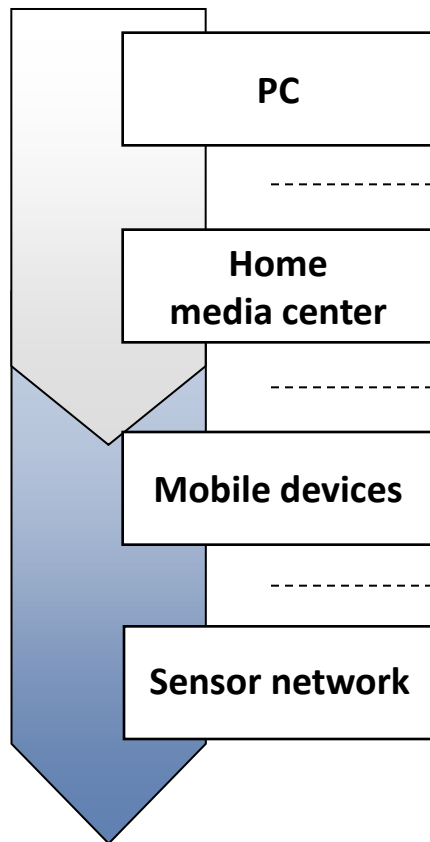
Key features

- **Highly flexible in use**
 - No need to carry dedicated monitor
 - Sends heart rate data to Bluetooth 4.0 mobile handset or other device
- **Ultra-slim size / low weight**
- **PLUS: 1.5-year battery life**

Market is just entering a long-term growth phase

Nordic is well-positioned to capture new market opportunities based on its product leadership in ultra-low power wireless category and in *Bluetooth* low energy technology.

Connectivity “hub”



Opportunity

- Further opportunities to «replace the wire» and increase penetration of wireless PC peripherals among PC users.
- Huge market for replacement of infrared remote controls, and opportunity to sell additional peripherals for home entertainment
- Vast new markets within health monitoring, toys, RFID, and sharing information between sensors and the mobile device
- Monitoring of environments, resource usage, and internal operations within homes, buildings, automobiles, factory automation, etc.
- Long-term market implications are impossible to quantify

Partnerships with industry leaders on new opportunities

Key OEM's and technology partners expanding into new product categories with Nordic

- Remote controls:
 - Several designs with large OEM's
 - Set-top box manufacturers have emerged as first adopters
- 3DTV glasses:
 - Leading graphics processing companies partnering with Nordic on 3D headsets
 - First product already released in market
- RFID / proximity sensors:
 - Working with traditional Bluetooth device manufacturers on BLE autolock and security tags for PC's / mobiles
- Temperature sensor:
 - First BLE environment sensor profile released by Bluetooth SIG
 - Reference design available



New audio product to target high volume media applications

Nordic releases nRF2460: ultra-low power 2.4 GHz wireless for mono audio streaming

**nRF2460: wireless audio streaming
for low cost home media**



Key features

- **High performance sound**
 - Provides clear uncompressed 16-bit PCM wireless audio in mono
 - 4 Mbps on air-data rate
 - Robust coexistence features, with adaptive frequency hopping and quality of service engine
- **Power optimized**
 - Up to 100 hours of operating life from 2 AAA batteries
- **Cost optimized**
 - Targeting popular home applications (microphones, subwoofers, gaming)
 - List price of \$1.50 for 10K volume shipments

Health monitoring emerging as new growth category

New wireless health monitors can improve patient outcomes, reduce healthcare cost

Isansys LifeTouch HRV011: Stick-on wireless cardiac monitor



Key features

- **Small device size**
 - Lightweight bandage strip that adheres to the patient's body
- **Measures and analyzes heart rate**
 - 4-5x more detail than that required for EKG monitor
 - Algorithms calculate respiration rate, R-to-R peak intervals, check for abnormalities
 - Can transmit information to network gateway devices for collection at healthcare provider
- **Ultra-low power consumption**
 - Up to 100 hours continuous use from a coin cell battery

Long-term growth opportunity in new connectivity hubs

- Market for ultra-low power wireless solutions is growing from PC's to new applications

Short-term Outlook (2011):

- **PC Peripherals market remains primary growth driver**
 - Market still has long-term growth potential, as 90%+ of new PCs ship without wireless mice / keyboards
 - Wireless input category is growing rapidly (estimated market growth of 35% in 2010 vs. 14% for PC market)
 - Leading vendors are releasing desktop PC's which are bundled with wireless mice/keyboards, which further supports growth
- **Nordic has a dominant position in PC peripherals market**
 - Continuing to win new designs with leading brands

Long-term Outlook (2012 -):

- **Major growth opportunities in new connectivity hubs**
 - Home media centers: TVs, Set-top boxes, home media players, game consoles
 - Mobile devices: Mobile handsets, portable media players, watches
 - Other sensor networks: Homes, autos, buildings, appliances, transport systems, many others...
- **Bluetooth low energy to be key enabling technology for new markets**
 - Protocol optimized for low power consumption, plus interoperability with billions of Bluetooth devices