

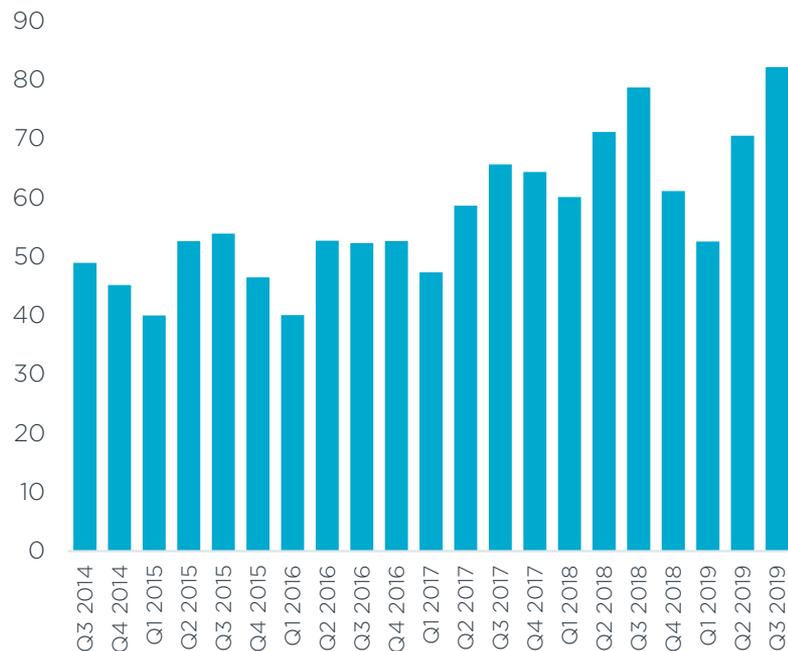
The background is a complex digital visualization of financial data. It features multiple overlapping line graphs with various markers (squares, circles) and colors (blue, orange, green). Scattered throughout are numerous numerical values, some in white and some in light blue. At the bottom, there is a horizontal bar chart with several bars of varying heights. The overall aesthetic is high-tech and data-driven, with a dark blue and teal color palette.

Financials

Pål Elstad, CFO

Revenue development – Group and markets

USDm

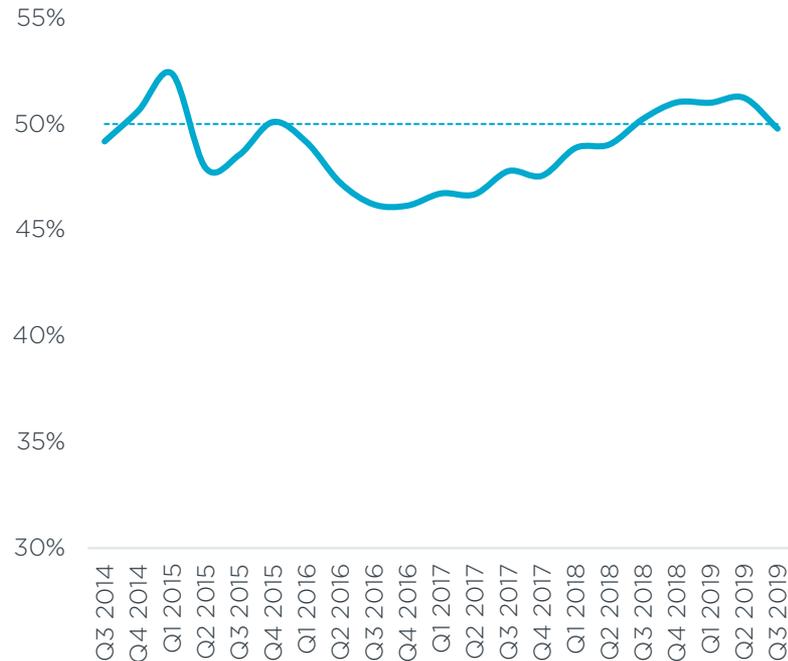


Group	Consumer Electronics	Wearables
USDm 82.2	USDm 37.2	USDm 13.9
+4.4% y-o-y +16.5% q-o-q	+6.6% y-o-y +36.4% q-o-q	+12.0% y-o-y +9.1% q-o-q
Building/ Retail	Others	Healthcare
USDm 14.0	USDm 10.6	USDm 5.1
+10.3% y-o-y +8.4% q-o-q	+4.8% y-o-y +2.5% q-o-q	-28.3% y-o-y -6.7% q-o-q

Excluding ASIC's, consulting and other revenue for individual markets

Solid gross margin

Gross margin - %



Gross margin 49.8% -1.4pp Q-o-Q

- Continued positive contribution from cost improvements and stable yield on nRF52 Series
- Adverse margin impact due to high volumes from new tier 1 customers
- Adverse impact from new product introductions and less revenue from high-end products
- Quarter to quarter fluctuations to be anticipated due to change in product and customer mix

Operating model performance Q3 2019

	Q3 2019*	Q3 2018		
<p>Gross Margin 49.8%</p> <p>R&D short-range 15.1%</p> <p>R&D cellular IoT 8.2%</p> <p>SG&A 12.4%</p> <p>EBITDA 14.1%</p>	Revenue change y-o-y	4.4% (USD 82.2m)	+19.9% (USD 78.7m)	Revenue in upper end of guidance
	Gross margin	49.8%	50.2%	(-0.5pp) Continued positive contribution from cost improvements offset by higher tier 1 volumes
	R&D short-range	15.1% (USD 12.4m)	15.3% (USD 12.0m)	(-0.2pp) Continued investments to capture growth opportunities
	R&D cellular IoT	8.2% (USD 6.7m)	4.9% (USD 3.9m)	(+3.2pp) Increased spending during commercialization stage
	SG&A	12.4% (USD 10.2m)	11.9% (USD 9.4m)	(+0.5pp) Maintaining cost focus
	EBITDA margin	14.1%	18.2%	(-4.1pp) Profitable growth

*Included in SG&A USD 1m in reduced opex following implementation of IFRS 16

EBITDA improvement over last two quarters

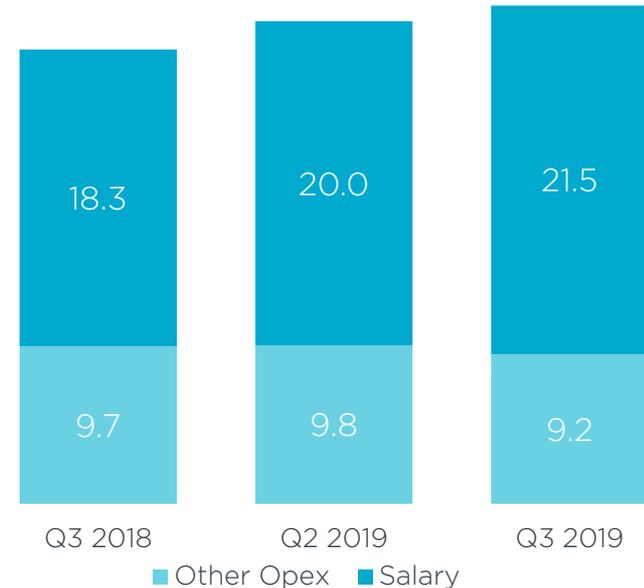


- EBITDA margin back above 20% excluding cellular
- Bluetooth back to historical profit levels after weak in early 2019

Cash operating expenses*

- Number of employees increased by 13.3% from 663 in Q3 2018 to 751 in Q3 2019
- Continued investments to capture growth opportunities
- Growth in customer facing teams, both within R&D and Sales
- Overall cash cost increase of 9.3% shows cost discipline

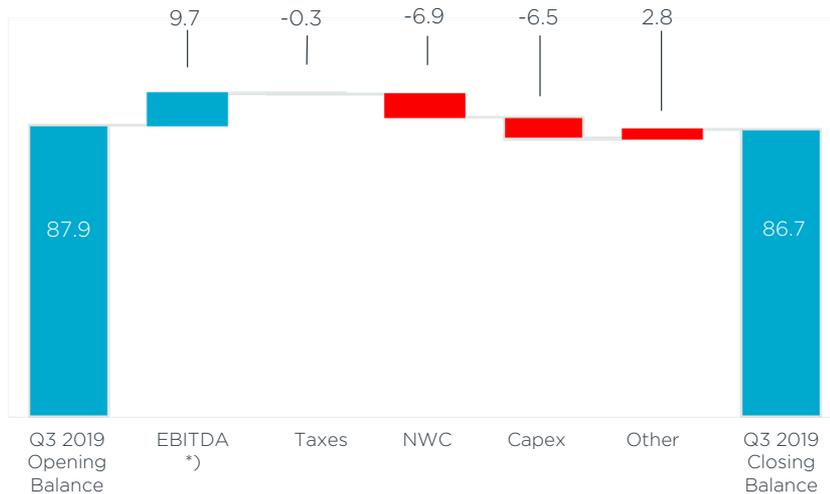
Cash Opex USDm



* Operating expenses, excl. capitalized R&D, depreciation and amort. and option expenses

Maintaining cash

Cash flow Q3 2019



Maintaining cash in growth quarter

- USD 1m in cash outflow during Q3 2019
- Driven by strong EBITDA and focus on cash conversion
- NWC/LTM at 26.7% (25.6% in Q2 2019), down 5.4 p.p. y-o-y
- Capex of USD 6.5m - Final build of new R&D Lab

Continued disciplined cash strategy

- Tight cash management and optimized cash generating ability

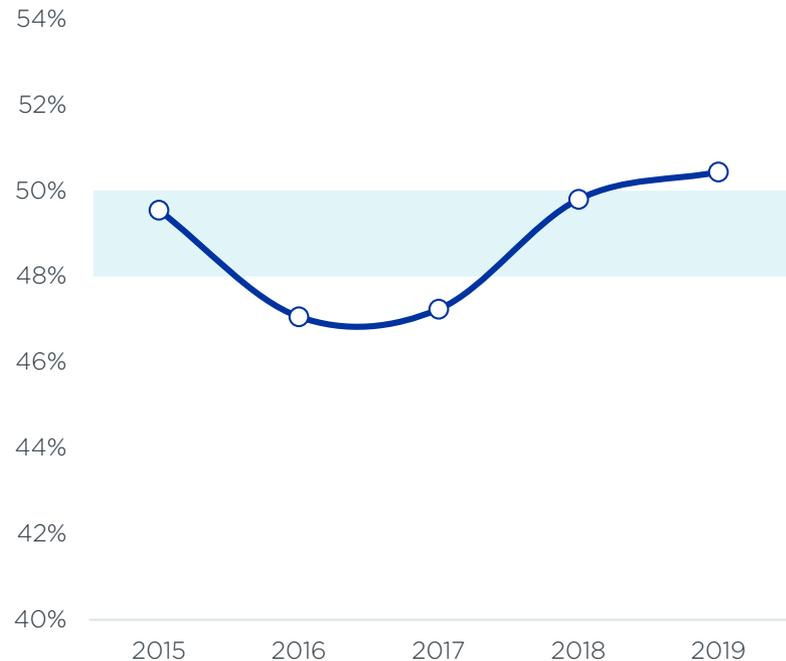


Financial outlook



Gross Margin Considerations

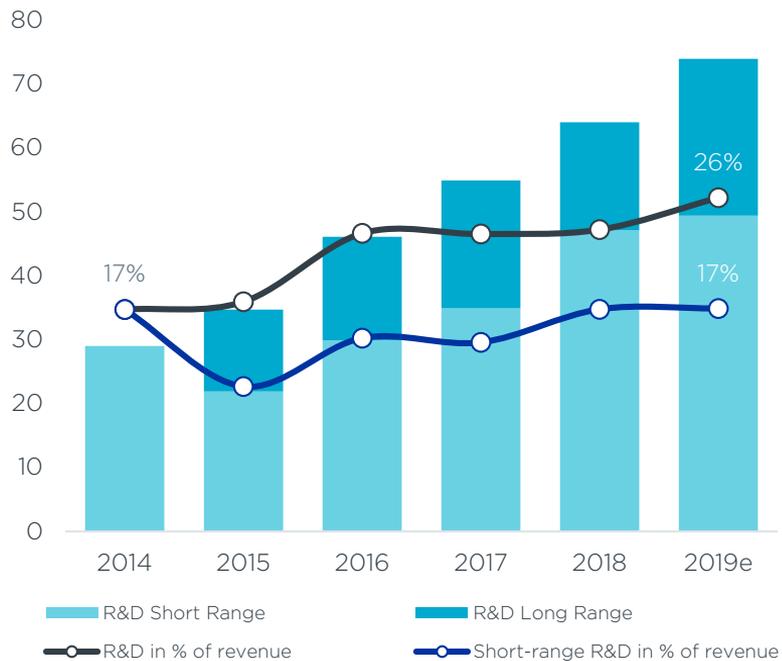
Gross margin - %



- Medium-term gross margin range of 48%-50% for the short-range business
- High volume customers entering the market
- Continued cost focus and contribution from higher volumes
- Inherently lower gross margins of 35%-40% for long-range modules for broad market adoption
- Effect on group margin depending on pace of volume ramp

R&D Outlook

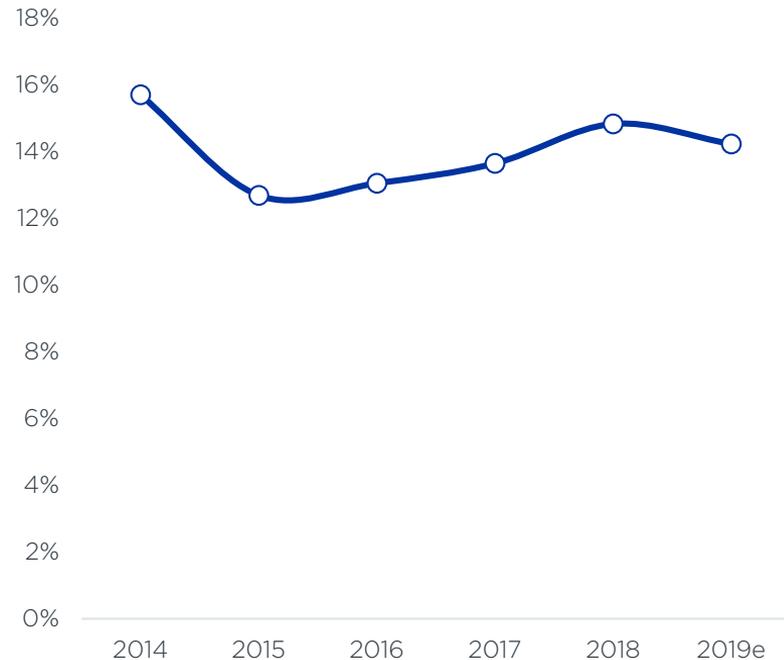
USDm and % of revenue



- Will continue to grow in absolute terms in both short- and long-range
- R&D intensity expected to decline from peak level in 2019
- Synergies between short- and long-range

SG&A leverage set to improve

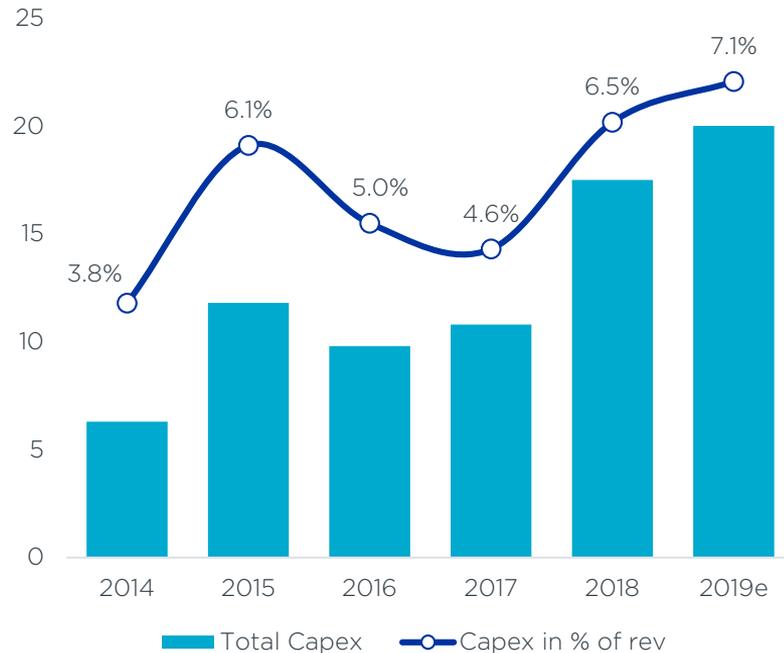
SG&A cost - %



- Growing organization to capture growth opportunities both within short-range and long-range
- Spending in absolute numbers to grow as we build long-range organization
 - Direct customer support and distribution network
- Operational leverage set to drive long-term SG&A below 10%

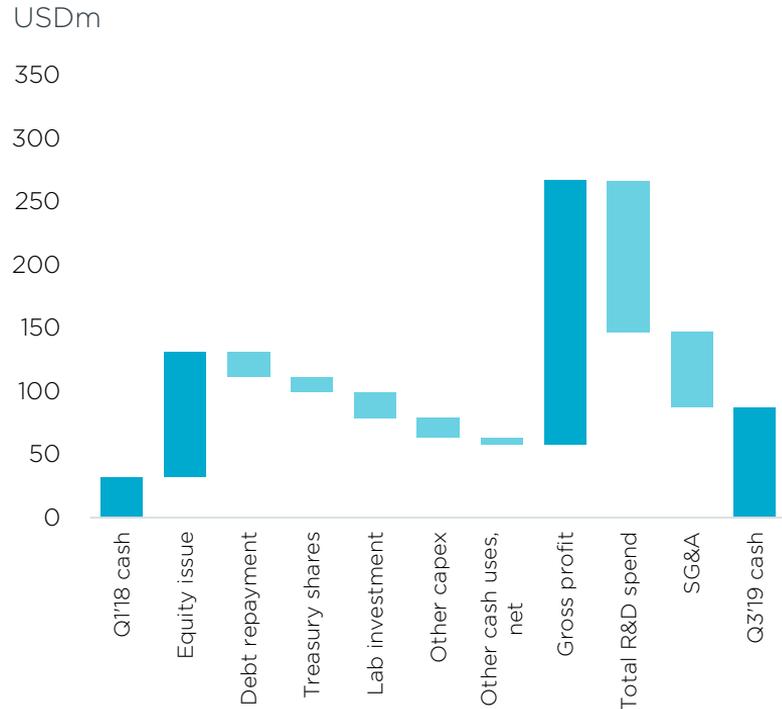
Stable capex requirements

Capex, USDm



- Built a base to deliver on future growth opportunities
- Expect capex to remain on current levels in absolute terms for next years
- Long-term target for fabless business model below 5%

Funding: Sources and uses of cash

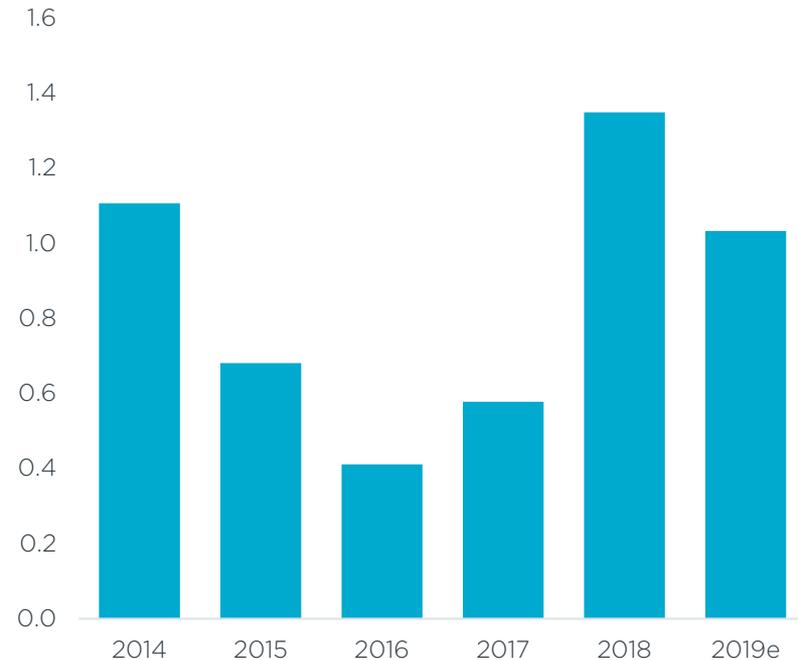


- USD 100m equity issuance in April 2018 supported debt repayment, share repurchases, lab investment and stronger cash position
- Gross profit generated since equity issuance has covered growth investment in R&D and SG&A
- Strong current cash position allowing continued focus on growth opportunities and strategic priorities

Adequate cash position

- Cash position provides ability to continue driving technology and product roadmap
- Solid R&D cash coverage needed to pass tier-1 customer procurement due diligence
- No dividend payment expected in 2020/2021
- Increasing free cash flow from 2022 with volume ramp

R&D coverage multiple (Cash/R&D spending)





Summary & Q&A

Svenn-Tore Larsen, CEO

Our aspiration: Building a USD 1bn company within 5 years

- Growth of 20%-30% for Bluetooth and multi-protocol products
- Gradual build-up of the cellular IoT business to a similar size as the short-range business in 5 years
 - Long-term EBITDA margin ambition of 20%

Q&A



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