

Q2

& FIRST HALF REPORT | 2020



NORDIC[®]
SEMICONDUCTOR

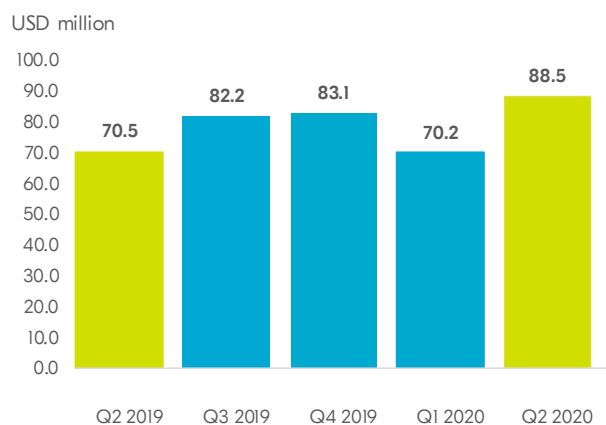
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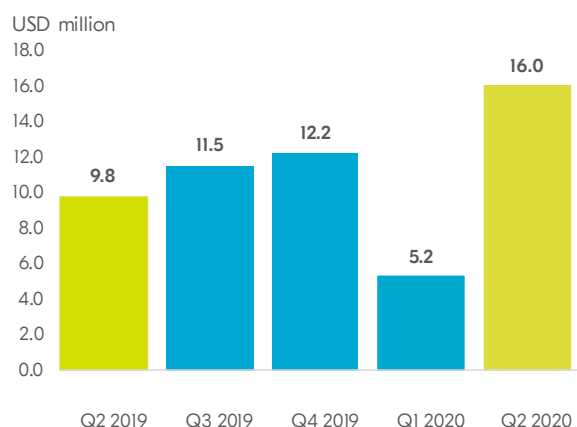
Q2 HIGHLIGHTS

- Revenue of USD 88.5 million (+25.5%)
- Cellular IoT revenue of USD 1.2 million
- Gross margin of 51.9%
- Record order backlog of USD 201.9 million (+80.3%)
- Increased demand, partly driven by technology shift in healthcare
- Some customers entering early orders to secure supply, but distribution inventories remain at moderate levels
- Strong design win momentum in healthcare and wearables, design certification market share of 43%

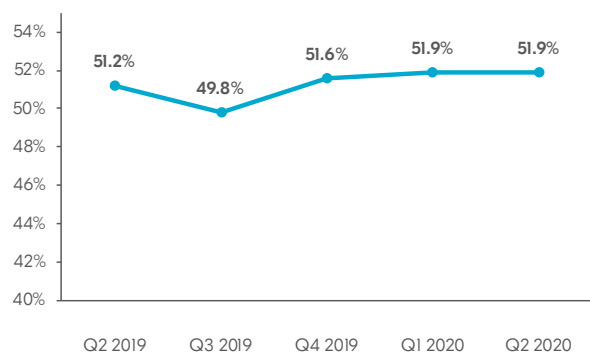
Revenue



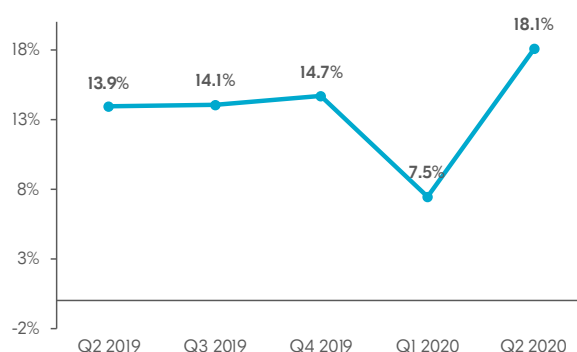
EBITDA



Gross margin



EBITDA margin



KEY FIGURES

Q2 and first half 2020 financial summary

| Amount in USD million | Q2 2020 | Q2 2019 | Change | H1 2020 | H1 2019 | Change |
|--|---------|---------|-----------|---------|---------|----------|
| Revenue | 88.5 | 70.5 | 25.5% | 158.7 | 123.1 | 28.9% |
| Gross profit | 45.9 | 36.1 | 27.0% | 82.3 | 62.9 | 30.7% |
| Gross margin % | 51.9% | 51.2% | 0.6 p.p. | 51.9% | 51.1% | 0.7 p.p. |
| EBITDA | 16.0 | 9.8 | 63.4% | 21.3 | 9.1 | 134.6% |
| EBITDA % | 18.1% | 13.9% | 4.2 p.p. | 13.4% | 7.4% | 6.0 p.p. |
| Operating profit (EBIT) | 8.4 | 4.3 | 95.1% | 6.3 | -1.8 | na |
| Operating profit % (EBIT) | 9.5% | 6.1% | 3.4 p.p. | 4.0% | -1.4% | na |
| Net profit after tax | 5.7 | 3.8 | 49.7% | 4.4 | -2.8 | na |
| Cash and cash equivalents | 124.4 | 87.9 | 41.4% | 124.4 | 87.9 | 41.4% |
| Order backlog | 201.9 | 112.0 | 80.3% | | | |
| LTM opex excluding depreciation & amortization / LTM revenue | 37.4% | 41.2% | -3.8 p.p. | | | |
| Net working capital / LTM revenue | 26.0% | 25.6% | 0.4 p.p. | | | |
| Equity ratio | 67.4% | 76.2% | -8.8 p.p. | | | |
| Number of employees | 822 | 717 | 14.6% | | | |

Q2 AND H1 2020 REVIEW

Revenues amounted to USD 88.5 million in the second quarter 2020 and USD 158.7 million for the first half year, corresponding to growth of 25.5% and 28.9% from the same periods in 2019. Order backlog ended at a record level of USD 201.9 million at the end of June, offering support for continued revenue growth. While the coronavirus and public health measures have continued to affect the global society and economy, Nordic Semiconductor has fortunately avoided any significant disruptions to the supply chain and its own operations and had no reported Covid-19 cases among its employees.

Operational review

Nordic Semiconductor has remained fully operational throughout the first half of the year, in full compliance with the national and local regulations and recommendations regarding the Covid-19 situation. While close to 90% of the employees were working from home in March-April, the situation has gradually normalized and employees are starting to return to a safe and secure workplace. No cases of Covid-19 have been registered among company employees in any of the company's locations globally.

Nordic and its partners have also been able to mitigate the adverse effects of the coronavirus outbreak on the supply- and distribution chains. Nordic's main wafer and component suppliers have maintained more or less normal shipment schedules despite restrictions on travels and transit of goods in some areas. The company has increased its buffers of critical devices and established excess capacity in some areas to mitigate the risk of supply chain disruptions. Nordic's global and regional distributor networks have also maintained close to normal operations throughout the first half of the year.

The company is proceeding as planned with all internal product development projects, and with strengthened online developer and customer support functions to compensate for current restrictions on travel and physical meetings.

Maintaining the lead in Bluetooth Low Energy

Nordic continued to see strong demand in several verticals in both the first and second quarter, including healthcare, consumer electronics, and home office equipment. The company ended the second quarter with a record order backlog of USD 201.9 million, which offers support for continued revenue growth in the second half of the year.

The increased order backlog reflects that the company gradually has made inroads with high-volume tier-1 customers and major platform companies over the past years but also a continued strong position in the broad market.

Nordic continues to maintain its market leadership position in terms of design wins in Bluetooth® Low Energy. FCC data compiled by DNB Markets show that Nordic had a market share of 43% of new design certifications in the second quarter, unchanged from the second quarter last year. A total of 305 new Bluetooth Low Energy designs were certified during the second quarter, of which 130 had Nordic inside. Over the past twelve months, Nordic has had a market share of 46% of new Bluetooth Low Energy certifications.

Steady flow of new product launches - 'Connected healthcare' top of the agenda in Q2

Nordic saw a steady flow of new customer product launches also in the second quarter, spanning from home delivery boxes, door locks, pet wearables and electric surfboards to fuel tank sensors and industrial asset health monitors for predictive maintenance.

The company has seen an increased interest in connected medical solutions, both directly related to the Covid-19 challenges but also because both healthcare professionals and patients now see that automated remote testing and monitoring can both improve data quality and saving time.

As mentioned in the first quarter report, Nordic joined the UNDP's Covid-19 'Detect and Prevent' challenge alongside partners and competitors like Amazon, Avnet, Arm, Nvidia, NXP and more. Nordic customers already have several designs relevant for the program, and the company sees customers both repurposing existing designs for new applications and developing entirely new solutions.

An example is Cleanbox Technologies, which has repurposed its headset sterilization system to clean masks for medical staff and first responders. This system uses Nordic's nRF52832 System-on-Chip (SoC). Danish healthcare solutions company Sani nudge will use Nordic's nRF52832 and nRF51822 in their Sani sensor and

Sani ID to wirelessly capture, report and improve hand hygiene events for healthcare workers. US-based Sixgill will use Nordic's nRF52832 SoC in their Sixgill Sense™ Hospital Asset Orchestration solution to help hospitals track critical portable equipment such as ventilators, defibrillators and medical pumps.

In addition, the company sees Wearables companies launching new Covid-19 related products for contact tracing. One example is Estimote, which uses Nordic's top-of-the-line nRF52840 SoC for a new range of workplace safety wearables specifically developed to protect essential workers during the pandemic.

Nordic has identified disease monitoring and drug delivery as two areas with potentially strong growth over the coming years and view these launches as signs of traction in this direction.

Continued growth in development kit shipments

Nordic continues to excite developers around the globe, and the company shipped more than 43 000 development kits in the first half year. This was an increase of 16% over the first half 2019, bringing the total over the past year close to 93 000.

Cellular development kits accounted for approximately 13% of total shipments in the first half, up from around 7% in the first half last year.

Nordic's DevZone developer community continues to see high activity, with the main focus currently on nRF52840, nRF52832, and nRF9160. Due to travel restrictions, the company has temporarily put its popular 'TechTour' program on hold but is frequently hosting online webinars for developers.

Continuing to broaden the product portfolio

Nordic continues to broaden its product portfolio, and in June launched a new entry-level chip. The nRF52805 SoC is supplied in a wafer level chip scale package (WLCSP) measuring just 2.48×2.46mm and is optimized for cost-saving two-layer PCB-designs. The product hence enables designs that are small and low costs, which typically are design trade-offs.

Low-cost quality solutions are required to open new and potentially large markets such as disposable medical devices, and the company also see potential in for instance styluses, sensors and beacons.

The nRF52805 is the latest step in the gradual broadening of the nRF52 Series, which now spans from the low-end SoCs nRF52805, nRF52810 nRF52811 and nRF52820, via the mid-end SoCs nRF52832 and nRF52833 to the high-end SoC nRF52840. Nordic's first product in the nRF53 Series -the dual-processor nRF5340- is scheduled for volume production in the second half of the year.

Nordic regards the breadth of its product portfolio as a key competitive advantage, and a main success factor explaining the company's strong position in the broad market.

The entire portfolio of Bluetooth Low Energy and multi-protocol products and cellular IoT products is now supported by one common software solution on the nRF Connect Software Development Kit (SDK). This enables developers of end-products to use the same software environment and tools for both short- and long-range applications, which will make it easier for existing short-range customers to extend their product offering into the cellular area.

Cellular IoT moving forward

Nordic continued to broaden the carrier certification program for its cellular IoT nRF9160 System-in-Package (SiP), and in June announced that Australian telecommunications company Telstra has certified the product for use on its nationwide LTE-M network.

The SiP is already certified by Verizon in the US and in Deutsche Telecom's and Vodafone's global networks, and Nordic also has a general GCF certification.

Product launches in the second quarter span from connected storage tank monitoring and asset tracking in the agriculture market and a predictive maintenance solution for high-speed tools, via an equipment tracking solution for use in protected land areas, to remote monitoring of bladder dysfunction.

The CoreKinect TankTrack for the agriculture market uses Nordic's nRF9160 in a farm storage tank level monitor and asset tracker designed to eliminate the problem of farms running out of fuel or fertilizer.

The same SiP will be used in German InnBlue and Italian M.T.'s predictive maintenance solution for high-speed driven tool heads. The product will measure tool head spin rate, temperature, vibration, collisions and GPS location, and may significantly reduce the number of unexpected equipment failures.

The nRF9160 is also used in US based ClearTrac Technologies' CarePath® - the first remote patient monitoring system for bladder dysfunction, and in Norwegian Homeboxx' smart home delivery box. The Code of Conscience uses the Nordic Thingy:91 prototyping platform in their initiative to restrict heavy vehicles from entering protected land areas.

Nordic's cellular IoT technology continues to receive acclaim. In April, the Thingy:91 was named winner of the "Most Competitive Development Tools in China" at the 2019 China Electronic Market (CEM) Editors' Choice Awards. In June, the company announced that the nRF9160 SiP had been shortlisted as a finalist in the 'IoT Connectivity Solution' category of the IoT World Awards 2020.

INCOME STATEMENT

Revenue

| Amounts in USD thousand | Q2 2020 | Q2 2019 | Change | HI 2020 | HI 2019 | Change |
|--|---------------|---------------|--------------|----------------|----------------|--------------|
| Proprietary wireless | 16 391 | 12 624 | 29.8% | 31 786 | 25 104 | 26.6% |
| Bluetooth | 70 124 | 56 042 | 25.1% | 121 313 | 93 383 | 29.9% |
| Short range wireless components | 86 515 | 68 665 | 26.0% | 153 099 | 118 486 | 29.2% |
| Cellular IoT | 1 178 | 196 | 502.4% | 2 282 | 335 | 582.1% |
| ASIC components | 816 | 1 627 | -49.8% | 3 291 | 4 058 | -18.9% |
| Consulting services | 20 | 39 | -48.4% | 20 | 216 | -90.7% |
| Total revenue | 88 529 | 70 526 | 25.5% | 158 692 | 123 094 | 28.9% |

Nordic Semiconductor (Nordic or the Group) reported total revenue of USD 88.5 million in Q2 2020. This was an increase of 25.5% from USD 70.5 million in Q2 2019 and an increase of 26.2% from the previous quarter.

The revenue was above the revenue guidance range provided in the financial report for the first quarter 2020. The higher than expected revenue primarily reflects sales for end-user applications in consumer electronics, wearables and connected healthcare devices.

The order backlog was USD 201.9 million at the end of Q2 2020, which was an increase of 80.3% from Q2 2019 and 63.7% above Q1 2020. The order backlog is evenly distributed over the coming quarters.

Nordic classifies its revenues into the following technologies: Short range wireless components, Long range (cellular IoT) wireless components, ASIC components and Consulting services. Short range wireless components are in turn split between Bluetooth and multiprotocol solutions and Proprietary solutions.

Bluetooth revenue amounted to USD 70.1 million in Q2 2020, an increase of 25.1% from USD 56.0 million in Q2 2019 and up 37.0% from USD 51.2 million in Q1 2020. Bluetooth share of total revenue was 79.2% in the quarter.

Proprietary revenue was 16.4 million in Q2 2020, which was an increase of 29.8% from Q2 2019 and 6.5% above Q1 2020. The demand for proprietary products reflects high sales volumes of PC accessories in connection with Covid-19. Proprietary revenue accounted for 18.5% of total revenue in the quarter.

Cellular IoT is still in the early stages of commercialization and reported revenue of USD 1.2 million in Q2 2020. This was an increase from USD 0.2 million in Q2 2019 and on a similar level as the USD 1.1 million reported for Q1 2020. Current revenues reflect both development kits and initial sales for different end-user products.

ASIC revenues amounted to USD 0.8 million in Q2 2020, which compares with USD 1.6 million in Q2 2019 and USD 2.5 million in Q1 2020.

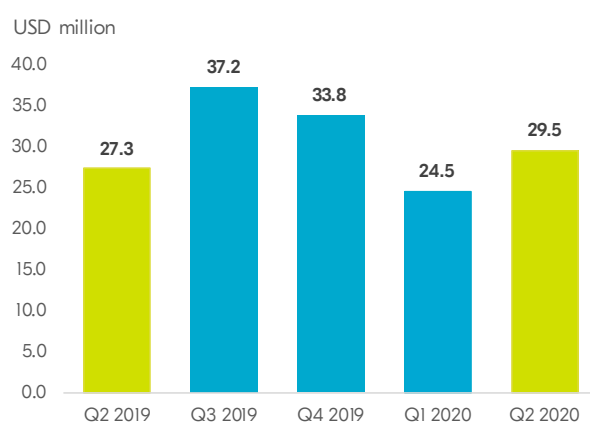
For the first half year 2020, revenue amounted to USD 158.7 million, an increase of 28.9% from USD 123.1 million in the first half 2019. Bluetooth revenue increased by 29.9% to USD 121.3 million, on the high end of our 20-30% medium term growth targets. Proprietary revenue increased by 26.6% to USD 31.8 million. Although we foresee a slight decline in proprietary revenue, the focus on home offices during Covid-19 has had a positive effect on proprietary revenue. Cellular revenue amounted to USD 2.3 million compared to USD 0.3 million in the first half of 2019, reflecting both increasing development kit shipments and early deliveries under commercial contracts.

Revenues by end-product markets

| Amounts in USD thousand | Q2 2020 | Q2 2019 | Change | HI 2020 | HI 2019 | Change |
|--|---------------|---------------|--------------|----------------|----------------|--------------|
| Consumer Electronics | 29 500 | 27 282 | 8.1% | 54 007 | 48 405 | 11.6% |
| Wearables | 14 136 | 12 739 | 11.0% | 25 486 | 20 380 | 25.1% |
| Building/Retail | 18 842 | 12 926 | 45.8% | 32 005 | 20 967 | 52.6% |
| Healthcare | 13 975 | 5 428 | 157.5% | 19 445 | 9 691 | 100.7% |
| Others | 10 062 | 10 291 | -2.2% | 22 156 | 19 044 | 16.3% |
| Short range wireless components | 86 515 | 68 665 | 26.0% | 153 099 | 118 486 | 29.2% |

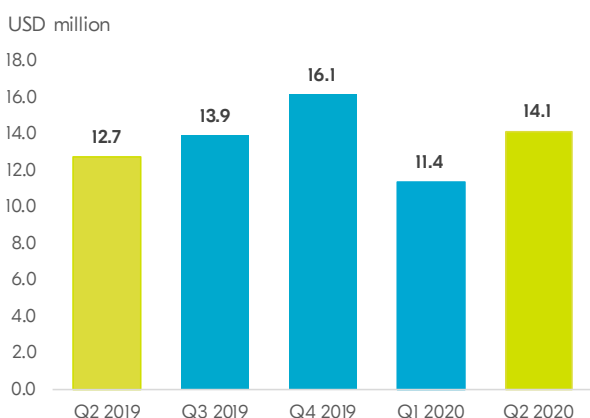
Within short-range wireless components, Nordic reports its revenues based on the following end-product markets: Consumer electronics, Wearables, Building and retail, Healthcare and Others.

Consumer Electronics remained the largest end-product market with revenues growing 8.1% to USD 29.5 million. The revenue growth reflects both increased Bluetooth sales —particularly for Home Entertainment services — as well as higher deliveries of proprietary products for PC accessories for the home office market. Our proprietary solution continues to deliver high-quality connectivity at an affordable price to a broad mix of end-customers in this market. For the first half of 2020, Consumer Electronics revenue increased by 11.6% to USD 54.0 million.



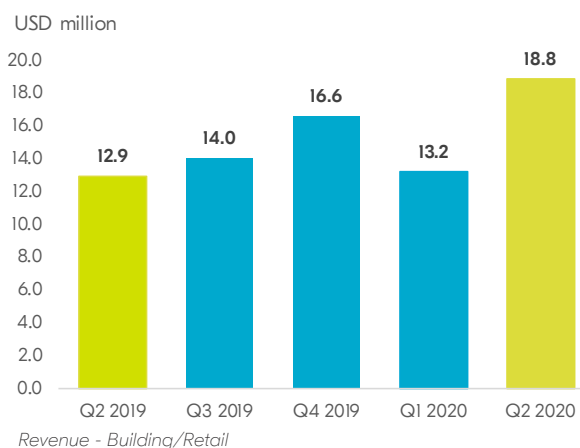
Revenue - Consumer Electronics

Wearables revenues increased by 11.0% to USD 14.1 million in Q2 2020, reflecting continued strong growth in the premium Chinese domestic market. Nordic continued to gain market share with its high-end products in this market. For the first half of 2020, Wearables revenues increased by 25.1% to USD 25.5 million.



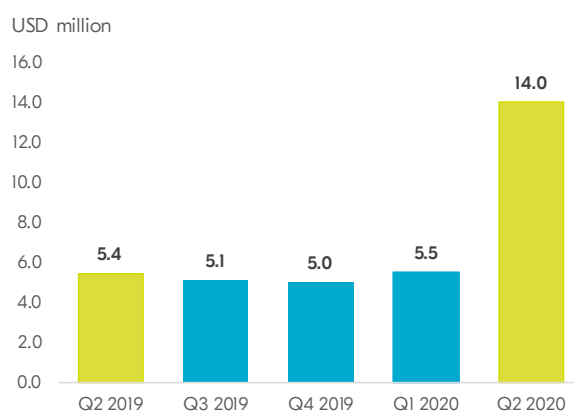
Revenue - Wearables

Building & Retail revenues increased by 45.8% to USD 18.8 million, with continued growth for industrial and home automation applications such as smart lighting, alarm systems, smoke detectors, temperature controls and smart locks. Share-bikes have also regained momentum in many areas due to the coronavirus situation. For the first half of 2020, Building & Retail revenues increased by 52.6% to USD 32.0 million.



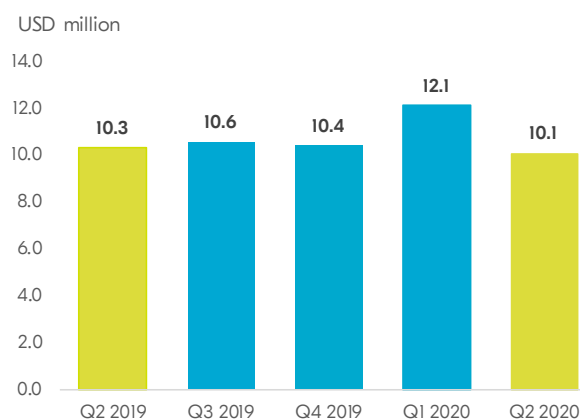
Revenue - Building/Retail

Healthcare revenue amounted to USD 14.0 million, representing 157.5% growth from a modest level. As described in the operational review, the coronavirus outbreak has generated strong momentum for connected medical devices, both directly related to Covid-19 but also because both healthcare personnel and patients globally are beginning to see the benefits of remote drug delivery and drug monitoring systems more clearly. The 'connected patient' may hold disruptive potential in the years to come and could be a key growth driver for combined short-range and long-range solutions. For the first half of 2020, Healthcare revenues increased by 100.7% to USD 19.4 million.



Revenue - Healthcare

Revenues in the 'Others' category decreased by 2.2% to USD 10.1 million in Q2 2020. For the first half year, 'Others' revenue increased by 16.3% to USD 22.2 million.



Revenue - Others

Financial results

| Amounts in USD thousand | Q2 2020 | Q2 2019 | Change | HI 2020 | HI 2019 | Change |
|--|---------|---------|----------|---------|---------|----------|
| Gross profit | 45 905 | 36 136 | 27.0% | 82 299 | 62 947 | 30.7% |
| Gross margin | 51.9% | 51.2% | 0.6 p.p. | 51.9% | 51.1% | 0.7 p.p. |
| Operating expenses excl. depreciation and amortization | 29 886 | 26 333 | 13.5% | 61 031 | 53 883 | 13.3% |
| EBITDA | 16 019 | 9 802 | 63.4% | 21 268 | 9 064 | 134.6% |
| EBITDA % | 18.1% | 13.9% | 4.2 p.p. | 13.4% | 7.4% | 6.0 p.p. |
| Depreciation and amortization | 7 575 | 5 474 | 38.4% | 14 955 | 10 843 | 37.9% |
| EBIT | 8 444 | 4 328 | 95.1% | 6 313 | -1 779 | na |

Gross profit

Gross profit was USD 45.9 million in Q2 2020, which was an increase of 27.0% from USD 36.1 million in Q2 2019 and 26.1% above the USD 36.4 million reported for Q1 2020.

The Group's gross margin increased to 51.9% in Q2 2020, up from 51.2% in Q2 2019 and stable compared to Q1 2020. The high margin level mainly reflects a continued high share of complex high-margin SoCs like the nRF52840 as well as continuous margin improvements as volumes ramp-up on newly introduced SoCs.

For the first half year 2020, gross profit amounted to USD 82.3 million or 51.9% of revenue, compared to USD 62.9 million or 51.1% of revenue in the first half last year.

Operating expenses

Operating expenses amounted to USD 29.9 million in Q2 2020, excluding depreciation and amortization, compared to USD 26.3 million in Q2 2019 and USD 31.1 million in Q1 2020.

Nordic capitalized a total of USD 2.0 million in development expenses in Q2 2020, of which USD 0.6 million related to cellular IoT investments and USD 1.4 million to the short-range business.

Expenses related to equity compensation was USD 1.8 million in Q2 2020 compared to USD 0.4 million in Q2 2019. The increase is explained by accrual for social security taxes related to the appreciation of the Nordic Semiconductor share price.

Total cash operating expenses amounted to USD 30.1 million in Q2 2020, when adding back capitalized development expenses and deducting depreciation & amortization and equity-based compensation from total operating expenses. This compares to USD 29.7 million in Q2 2019 and USD 33.5 million in Q1 2020.

The year-over-year increase in employees was 14.6%, and at the end of Q2 2020 the number of employees totalled 822. The number of employees in R&D increased 13.1% from 536 to 608 and the Sales & Marketing staff increased 13.6% from 103 to 117. Increase in salary expense is offset by a favorable FX and less travelling during the Covid-19 lockdown.

Cash operating expenses for cellular IoT isolated were USD 7.7 million in Q2 2020, compared to USD 7.5 million in Q2 2019 and USD 7.3 million in Q1 2020.

For the first half year 2020, total operating expenses were USD 61.0 million, excluding depreciation and amortization, up from USD 53.9 million in the first half last year. Cash operating expenses increased to USD 63.5 million from USD 59.5 million.

Profits

EBITDA was a record high USD 16.0 million in Q2 2020, compared to USD 9.8 million in Q2 2019 and USD 5.2 million in Q1 2020. The reported EBITDA margin increased to 18.1% from 13.9% in the same quarter last year and 7.5% in the previous quarter. On a running 12-month basis, the EBITDA-margin increased from 9.7% at the end of Q2 2019 to 13.9% at the end of Q2 2020.

Excluding cellular IoT, the EBITDA was USD 22.7 million in Q2 2020, and the EBITDA-margin 26.0%. This compares to USD 15.3 million and 21.8% in Q2 2018, and to USD 11.7 million and 16.9% in Q1 2020. On a running 12-month basis, the adjusted EBITDA-margin increased from 17.1% at the end of Q2 2019 to 22.5% at the end of Q2 2020.

For the first half of 2020, EBITDA was USD 21.3 million, which compares to USD 9.1 million in the first half of 2019. The EBITDA-margin improved from 7.4% to 13.4%.

Depreciation and amortization increased to USD 7.6 million in Q2 2020, with the year-over-year increase mainly reflecting amortization of cellular IoT intangible assets which commenced towards the end of 2019. Amortization of internally developed R&D amounted to USD 1.9 million and amortizing of leased assets to USD 1.2 million.

Net financial results amounted to USD 2.5 million. This is mainly explained by foreign exchange losses (disagio) of USD 2.1 million, of which USD 1.4 million is the effect of the revaluation of the lease liabilities.

Profit before tax was USD 6.0 million, compared to a profit before tax of USD 3.9 million in Q2 2020. Tax expense was USD 0.3 million. The company has a company tax rate of 21%, however reversal of gains recorded in Q1 2020 reduces the taxable income in Q2 2020.

Net profit was USD 5.7 million in Q2 2020, compared to a net profit of USD 3.8 million in Q2 2019 and a net loss of USD 1.4 million in Q1 2020. For the first half year 2020, net profit after tax improved to USD 4.4 million from a net loss of USD 2.8 in the first half of 2019.

Financial Position

| Amounts USD thousand | 30.6.2020 | 31.12.2019 | 30.6.2019 |
|-----------------------------------|----------------|----------------|----------------|
| Capitalized development expenses | 34 909 | 33 990 | 31 931 |
| <i>Total non-current assets</i> | 99 824 | 98 770 | 88 332 |
| Inventory | 62 718 | 53 067 | 44 148 |
| Cash and cash equivalents | 124 354 | 90 645 | 87 916 |
| <i>Total current assets</i> | 259 253 | 219 589 | 199 359 |
| Total assets | 359 076 | 318 359 | 287 691 |
| <i>Total equity</i> | 241 961 | 232 205 | 219 094 |
| Equity percentage | 67.4% | 72.9% | 76.2% |
| <i>Total liabilities</i> | 117 115 | 86 155 | 68 598 |
| Total equity and liability | 359 076 | 318 359 | 287 691 |

Inventory increased to USD 62.7 million at the end of Q2 2020 from USD 44.1 million a year ago, reflecting both higher business activity, longer lead-times in the supply chain and increased buffer stocks. Measured as a percentage of backlog the inventory declined to 31.1% from 39.4% over the past year.

Accounts receivable increased to 62.6 million from USD 58.4 million in reflection of the higher revenue.

Overall, net working capital increased to USD 84.4 million at the end of Q2 2020 from USD 67 million at the end of Q2 2019, reflecting a significantly higher activity and sales level and an increasing order backlog. Measured as a percentage of last 12 months revenue, net working capital increased from 25.6% to USD 26.0% over the past year.

Cash and cash equivalents ended at USD 124.3 million at the end of Q2 2020, up from USD 87.9 million at the end of Q2 2019 and USD 90.6 million at the end of 2019. The higher cash holding reflects that the company in Q1 2020 drew USD 40 million from its borrowing facilities to further secure its liquidity position, which also explains the increase in total liabilities.

Total shareholders' equity amounted to USD 242.0 million at the end of Q2 2020, compared to USD 219.1 million a year ago and USD 232.2 million at the end of 2019. The Group equity ratio was 67.4%, compared to 76.3% at the end of Q2 2019 and 72.9% at the end of 2019.

Cash Flow

| Amounts in USD thousand | Q2 2020 | Q2 2019 | H1 2020 | H1 2019 |
|--|---------|---------|---------|---------|
| Cash flows from operations | 5 279 | -974 | 6 775 | 650 |
| Cash flows from investing activities | -6 985 | -7 879 | -13 481 | -14 654 |
| Cash flows from financing activities | 297 | -872 | 42 414 | -1 656 |
| Change in cash and cash equivalents | 63 | -9 871 | 33 710 | -15 961 |
| Cash and cash equivalents at end of the period | 124 354 | 87 916 | 124 354 | 87 916 |

Cash inflow from operating activities was USD 5.3 million in Q2 2020, compared to a cash outflow of USD 1.0 million in Q2 2019. The improved cash conversion is mainly explained by the increased EBITDA.

Cash flow from investing activities was an outflow of USD 7.0 million in Q2 2020, compared to an outflow of USD 7.9 million in Q2 2019. This reflected capital expenditures of USD 5.0 million (4.1) and capitalized development expenses of USD 2.0 million (3.8). Capex is mainly related to investments to increase the tester capacity in supply chain and continued lab investments.

Cash flow from financing activities was a cash flow of USD 0.3 million, compared to an outflow of USD 0.9 million in Q2 2019. This includes payment of interest bearing debt related to IFRS 16 – Leasing and sales of treasury shares to cover option exercise.

Funding

The Group's cash position was USD 124.3 million at the end of Q2 2020. The cash is mainly kept in the Group's functional currency USD, in order to minimize the impact of currency fluctuations. Note that the company in the first quarter 2020 drew USD 40 million on a borrowing facility.

Available cash amounted to USD 160.6 million, including Nordic's right to borrow an additional USD 25 million at any time under a Revolving Credit Facility (RCF), and a EUR 10 million overdraft facility with the company's main bank.

RISK AND UNCERTAINTY

Demand for semiconductors and electronic products is sensitive to global economic conditions and international trade flows. While the underlying long-term market trends point towards increasing demand for Nordic's products, the operations are exposed to a variety of factors with real or perceived impact on the economy.

As described in the Annual Report for 2019, the spreading of the coronavirus has increased the uncertainty in the business outlook for 2020, both with respect to supply chain efficiency and end-user product demand.

The initial outbreak in China disrupted industry supply channels for parts of Q1 2020, with ripple effects through other regions. Although the situation has gradually normalized throughout Q2 2020, the industry supply chain will remain exposed to government restrictions on travels and product shipments in some areas also in the second half of 2020.

To mitigate this risk the company has increased purchases of certain critical components to build inventory buffers, built excess capacity in some areas, and begun to qualify additional sourcing options.

While estimates for global and regional economic outlooks vary considerably for the second half of 2020 and the years to come, the company acknowledges that lower economic activity and consumer spending could significantly affect demand for end-user products. This would in turn affect demand for Nordic's products, distributor inventories, and other parts of the value chain. A prolonged period of reduced global activity and product demand may have significant effects on the company's business and financial results.

Nordic has so far seen positive demand effects as a result of the pandemic, as more rapid technology adoption in many market segments has outweighed any negative effects in other segments. This is reflected both in higher year-on-year revenues and an increasing backlog.

The main factor mitigating potential negative demand effects lie in Nordic's asset light and flexible operational model, built on partnerships with world class subcontractors and regional distribution networks. The company's own operational cash costs are split approximately 70/30 between salaries and other fixed costs.

Nordic has maintained full operation in both its R&D and sales organizations through the first half year to meet current demand and customer expectations. However, the management is continuously monitoring the situation and will make necessary adjustments to optimize own production in alignment with any new signals from its customers and distributors.

Nordic's products are complex and vulnerabilities in the products may not have been detected during product development and manufacturing. This may result in damages to customers' revenue and reputation if no work-around is possible. Customer contracts regulate Nordic's responsibilities, however there is a risk that legal action can be brought forward, representing a risk on financial results. Nordic continuously invests in strengthening and improving the product portfolio.

Nordic maintains a strong focus on cost and cash flows and navigates from a strong position in this challenging environment. Nordic's strategy and growth ambitions require an adequate cash position to fund the R&D activities needed to drive the technology and product roadmaps forward. As a precautionary move to strengthen the liquidity position, the company in the first quarter drew USD 40 million from an RCF facility. Total available cash was approximately USD 160.6 million at the end of Q2 2020, including remaining credit facilities and borrowing arrangements.

Amidst the turbulence in financial and raw materials markets, the Norwegian Krone (NOK) weakened significantly against the company's functional currency USD in the first quarter but has reversed part of the depreciation in the second quarter. Nordic's sales revenue and direct production costs are almost entirely nominated in USD whereas operating expenses primarily are in NOK and EUR, and the company does not use any financial instruments to hedge the currency risk. As a result, the company is exposed to fluctuations in currency exchange rates. As described in the Annual Report for 2019, a 1% change in USD/NOK would – all other things equal – translate into a USD 0.6 million change in profit before tax.

The company has seen no major changes in financial risks related to interest rate risk or credit risk in the first half of the year. Please refer to the Annual Report for 2019 for a thorough review of other risk factors.

OUTLOOK

Nordic's revenue grew 25.5% to USD 88.5 million for the second quarter 2020, and 28.9% to USD 158.7 million for the first half year. The company ended the second quarter with an all-time high order backlog of USD 201.9 million, indicating continued revenue growth also in the second half of the year.

The company sees mixed effects of the coronavirus situation on product demand. The pandemic has strengthened the trends supporting digitization, automation and connectivity and radically changed the pace of technology adoption in some market areas, and this has so far outweighed any negative effects in the market. This is reflected both in the revenue development and in an order backlog that enables the company to guide for a total revenue level of USD 95-105 million for Q3 2020, representing a mid-point growth of 21.7%. Gross margin remained solid at 51.9% in the second quarter, reflecting a product mix with high volumes of advanced high-margin products, as well as continuous cost improvements on newly launched products. The company expects a gross margins level around 50%-51% for Q3 2020 and maintains that a relatively higher share of sales to tier-1 customers is expected to move the gross margins into the 48%-50% range in the medium term.

Capital expenditure amounted to USD 5 million in Q2 2020 and is expected to remain around this level also in Q3.

The global coronavirus measures still imply risk of supply chain disruptions, and the effects on the global economy may have a more pronounced impact on consumer spending and product demand in the second half of the year. The management of Nordic monitors the situation closely and will optimize own production in alignment with any new signals from its customers and distributors about underlying demand.

Revenue from Bluetooth and multiprotocol solutions increased by 29.9% in the first half of 2020. Nordic has earlier stated that it believes revenue from this product group should grow by 20%-30% annually in the medium-term.

In the longer term, Nordic believes its strong product and customer roadmaps offer a favorable backdrop for its aspiration to build a USD 1 billion revenue company within five years.

Oslo, July 12, 2020



Jan Frykhammar
Board member



Birger Steen
Chair



Anita Huun
Board member



Inger Berg Ørstavik
Board member



Svann-Tore Larsen
Chief Executive Officer



Endre Holen
Board member



Øyvind Birkenes
Board member



Jon Helge Nistad
Board member, employee



Annastiina Hintsa
Board member



Joel Stapleton
Board member, employee



Susheel Raj Nuguru
Board member, employee



Morten Dammen
Board member, employee

CONDENSED FINANCIAL INFORMATION

Income statement

| Amount in USD thousand | Note | Q2 2020 | Q2 2019 | H1 2020 | H1 2019 | Full year 2019 |
|---|------|---------------|---------------|----------------|----------------|----------------|
| Total Revenue | | 88 529 | 70 526 | 158 692 | 123 095 | 288 395 |
| Cost of materials | | -42 624 | -34 334 | -76 317 | -59 796 | -141 290 |
| Direct project costs | | - | -57 | -76 | -351 | -351 |
| Gross profit | | 45 905 | 36 136 | 82 299 | 62 947 | 146 753 |
| Payroll expenses | | -22 056 | -18 360 | -44 837 | -38 369 | -80 281 |
| Other operating expenses | 3 | -7 830 | -7 973 | -16 194 | -15 514 | -33 665 |
| EBITDA | | 16 019 | 9 802 | 21 268 | 9 064 | 32 807 |
| Depreciation and amortization | 6 | -7 575 | -5 474 | -14 955 | -10 843 | -23 535 |
| Operating profit | | 8 444 | 4 328 | 6 313 | -1 779 | 9 272 |
| Net interest income | 3 | -390 | -197 | -536 | -363 | 809 |
| Net foreign exchange gains (losses) | | -2 086 | -276 | 2 103 | -579 | -375 |
| Profit before tax | | 5 968 | 3 855 | 7 880 | -2 721 | 9 706 |
| Income tax expense | | -263 | -52 | -3 525 | -103 | -2 379 |
| Net profit after tax | | 5 705 | 3 804 | 4 355 | -2 825 | 7 327 |
| Earnings per share | | | | | | |
| Ordinary earnings per share (USD) | | 0.032 | 0.022 | 0.025 | -0.016 | 0.042 |
| Fully diluted earnings per share (USD) | | 0.032 | 0.022 | 0.025 | -0.016 | 0.042 |
| Weighted average number of shares | | | | | | |
| Basic | | 176 508 | 175 239 | 176 268 | 175 238 | 175 313 |
| Fully Diluted | | 177 529 | 175 386 | 177 487 | 175 312 | 176 394 |
| Net profit after tax | | 5 705 | 3 804 | 4 355 | -2 825 | 7 327 |
| Other comprehensive income not to be reclassified to profit or loss in subsequent periods: | | | | | | |
| Actuarial gains (losses) on defined benefit plans (before tax) | | | | | | -83 |
| Income tax effect | | | | | | 18 |
| Other comprehensive income that may be reclassified to profit or loss in subsequent periods: | | | | | | |
| Currency translation differences | | 175 | -60 | -81 | -427 | -117 |
| Total Comprehensive Income | | 5 880 | 3 744 | 4 274 | -3 252 | 7 145 |

Consolidated statement of financial position

| Amount in USD thousand | Note | 30.6.20 | 31.12.19 | 30.6.19 |
|--------------------------------------|------|----------------|----------------|----------------|
| ASSETS | | | | |
| Non-current assets | | | | |
| Capitalized development expenses | 5/6 | 34 909 | 33 990 | 31 931 |
| Software and other intangible assets | 5/6 | 9 493 | 11 408 | 13 270 |
| Deferred tax assets | | 2 571 | 2 813 | 1 357 |
| Fixed assets | 6 | 28 404 | 26 625 | 20 838 |
| Right-of-use assets | 6 | 24 446 | 23 394 | 20 936 |
| Total non-current assets | | 99 824 | 98 770 | 88 332 |
| Current assets | | | | |
| Inventory | | 62 718 | 53 067 | 44 148 |
| Accounts receivable | | 62 646 | 64 519 | 58 378 |
| Other current receivables | | 9 535 | 11 359 | 8 917 |
| Cash and cash equivalents | | 124 354 | 90 645 | 87 916 |
| Total current assets | | 259 253 | 219 589 | 199 359 |
| TOTAL ASSETS | | 359 076 | 318 359 | 287 691 |

EQUITY

| | | | | |
|--------------------------------------|---|----------------|----------------|----------------|
| Share capital | | 303 | 303 | 303 |
| Treasury shares | | -4 | -5 | -5 |
| Share Premium | | 113 355 | 113 355 | 113 355 |
| Other equity | | 128 307 | 118 552 | 105 441 |
| Total equity | | 241 961 | 232 205 | 219 094 |
| LIABILITIES | | | | |
| Non-current liabilities | | | | |
| Pension liability | | 262 | 310 | 264 |
| Non-current lease liabilities | | 18 623 | 19 886 | 17 870 |
| Total non-current liabilities | | 18 884 | 20 196 | 18 134 |
| Current liabilities | | | | |
| Accounts payable | | 15 009 | 19 738 | 15 540 |
| Income taxes payable | | 3 539 | 3 136 | 2 693 |
| Public duties | | 4 073 | 3 761 | 2 772 |
| Current lease liabilities | | 4 157 | 4 044 | 3 732 |
| Current loan facility | 7 | 40 000 | - | - |
| Other current liabilities | | 31 453 | 35 279 | 25 725 |
| Total current liabilities | | 98 231 | 65 958 | 50 463 |
| Total liabilities | | 117 115 | 86 155 | 68 598 |
| TOTAL EQUITY AND LIABILITY | | 359 076 | 318 359 | 287 691 |

Consolidated statement of changes in equity

| Amount in USD thousand | Share capital | Treasury shares | Share premium | Other paid in capital | Currency translation reserve | Retained earnings | Total equity |
|---|---------------|-----------------|---------------|-----------------------|------------------------------|-------------------|--------------|
| Equity as of 01.01.20 | 303 | -5 | 113 355 | 6 819 | -309 | 112 042 | 232 205 |
| Net profit HI 2020 | - | - | - | - | - | 4 355 | 4 355 |
| Other comprehensive income | - | - | - | - | -81 | - | -81 |
| Share based compensation | - | - | - | 1 205 | - | - | 1 205 |
| Sale of treasury shares (option exercise) | - | 1 | - | 4 275 | - | - | 4 276 |
| Equity as of 30.06.20 | 303 | -4 | 113 355 | 12 299 | -390 | 116 397 | 241 961 |

| | | | | | | | |
|----------------------------|-----|----|---------|-------|------|---------|---------|
| Equity as of 01.01.19 | 303 | -5 | 113 355 | 3 307 | -190 | 104 780 | 221 549 |
| Net profit HI 2019 | - | - | - | - | - | -2 825 | -2 825 |
| Other comprehensive income | - | - | - | - | -427 | - | -427 |
| Share based compensation | - | - | - | 776 | - | 22 | 798 |
| Equity as of 30.06.19 | 303 | -5 | 113 355 | 4 083 | -617 | 101 975 | 219 094 |

Statement of cash flows

| Amount in USD thousand | Note | Q2 2020 | Q2 2019 | HI 2020 | HI 2019 | Full year 2019 |
|---|------|----------------|---------------|----------------|----------------|----------------|
| Cash flows from operating activities | | | | | | |
| Profit before tax | | 5 980 | 3 855 | 7 892 | -2 721 | 9 706 |
| Taxes paid for the period | | -1 730 | -1 156 | -3 089 | -2 458 | -4 846 |
| Depreciation and amortization | | 7 575 | 5 474 | 14 955 | 10 843 | 23 535 |
| Change in inventories, trade receivables and payables | | -8 569 | -6 741 | -12 475 | -2 940 | -13 798 |
| Share-based compensation | | 535 | 411 | 1 090 | 785 | 1 100 |
| Movement in pensions | | - | - | - | - | 31 |
| Other operations related adjustments | | 1 489 | -2 817 | -1 596 | -2 859 | 3 950 |
| Net cash flows from operating activities | | 5 279 | -974 | 6 775 | 650 | 19 678 |
| Cash flows used in investing activities | | | | | | |
| Capital expenditures (including software) | 6 | -5 013 | -4 066 | -8 802 | -8 308 | -20 182 |
| Capitalized development expenses | 6 | -1 972 | -3 813 | -4 679 | -6 345 | -11 271 |
| Net cash flows used in investing activities | | -6 985 | -7 879 | -13 481 | -14 654 | -31 454 |
| Cash flows from financing activities | | | | | | |
| Changes in treasury shares | | 1 253 | - | 4 353 | - | 2 412 |
| Capital increase | | - | - | - | - | - |
| Change in interest bearing liabilities | | - | - | 40 000 | - | - |
| Repayment of lease liabilities | | -956 | -872 | -1 939 | -1 656 | -3 906 |
| Net cash flows from financing activities | | 297 | -872 | 42 414 | -1 656 | -1 494 |
| Effects of exchange rate changes on cash and cash equivalents | | 1 472 | -146 | -1 999 | -301 | 37 |
| Net change in cash and cash equivalents | | 63 | -9 871 | 33 710 | -15 961 | -13 232 |
| Cash and cash equivalents beginning of period | | 124 291 | 97 787 | 90 645 | 103 876 | 103 876 |
| Cash and cash equivalents at end of period | | 124 354 | 87 916 | 124 354 | 87 916 | 90 645 |

NOTES

Note 1: General

The Board of Directors approved the condensed first quarter interim financial statements for the three months ended 30 June 2020 and six first months of 2020 for publication on July 12, 2020.

Nordic develops and sells integrated circuits and related solutions for short-range wireless communication. The Group specializes in ultra-low power (ULP) components, based on its proprietary 2.4GHz RF and Bluetooth technology. Nordic is also developing its long-range low-power cellular chip-set, providing customers with a broad portfolio of low-power connectivity solutions across the spectrum of distances from near-field to long-range.

Nordic Semiconductor ASA is listed on the Oslo Stock Exchange under the ticker NOD, and is a public limited liability company registered in Norway. The parent company's head office is located at Otto Nielsens vei 12, 7052 Trondheim.

Note 2: Confirmation of the financial framework

The Group financial statements for Nordic Semiconductor ASA and its wholly owned subsidiaries, together called "The Group" have been prepared in accordance with IAS 34 Interim Financial Statements. The interim financial statements for Q2 2020 do not include all the information required for the full year financial statements and shall be read in conjunction with the Group Annual Accounts for 2019.

The financial statements are presented in thousand USD, unless otherwise stated. As a result of rounding adjustments, the figures in one or more rows or columns included in the financial statements may not add up to the total of that row or column.

In the interim financial statements for 2020, judgments, estimates and assumptions have been applied that may affect the use of accounting principles, book values of assets and liabilities, revenues and expenses. Actual values may differ from these estimates. The major assumptions applied in the interim financial statements for 2020 and the major sources of uncertainty in the statements are similar to those found in the Financial Statements for 2019.

Note 3: Significant accounting principles

Significant accounting principles are described in the Group Financial Statement for 2019. The group accounts for 2019 were prepared in accordance with International Financial Reporting Standards (IFRS), relevant interpretations of this, as well as additional Norwegian disclosure requirements described in the Norwegian GAAP and the Norwegian Securities Trading Act.

New standards, amendments to standards, and interpretations have been published, but are not effective at December 31, 2020 and have not been applied in preparing these condensed financial statements. The Group intends to adopt these standards, if applicable, when they become effective.

Note 4: Segment information

In accordance with IFRS 8, the Group has only one business segment, which is the design and sale of integrated circuits and related solutions.

The Group classifies its revenues into the following technologies: Short range wireless components, long range (cellular IoT), ASIC components and consulting services. Within Wireless components, the Group reports its revenues based on the markets to which its components communicate. These include: Consumer Electronics, Wearables, Healthcare, Building and Retail, and Others.

The Group also reports its short range Wireless component revenue by proprietary wireless and Bluetooth protocols.

Note 5: Intangible assets

The Group recognizes intangible assets in the balance sheet if it is likely that the expected future economic benefits attributable to the asset will accrue to the Group and the assets acquisition cost can be measured reliably.

Costs associated with development are capitalized if the following criteria are met in full:

- The product or the process is clearly defined and the cost elements can be identified and measured reliably;
- The technical feasibility is demonstrated;
- The product or the process will be sold or used in the business;
- The asset will generate future financial benefits.
- Sufficient technical, financial and other resources for project completion are in place.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Note 6: Capitalization, depreciation and amortization

| Specification of capital expenditures, balance sheet | Q2 2020 | Q2 2019 | HI 2020 | HI 2019 | Full year 2019 |
|--|--------------|--------------|---------------|---------------|----------------|
| Capitalized development expenses (payroll expenses) | 1 503 | 2 029 | 3 178 | 3 848 | 7 776 |
| Capitalized acquired development expenses | 469 | 1 778 | 1 502 | 2 492 | 3 495 |
| Capital expenditures (including software) | 5 013 | 4 066 | 8 802 | 8 308 | 20 182 |
| Right-of-use assets (non-cash) | 2 335 | - | 2 820 | 848 | 4 200 |
| Currency adjustments | 81 | 48 | -31 | -31 | -76 |
| Total | 9 400 | 7 921 | 16 269 | 15 465 | 38 200 |
| Depreciation and amortization | | | | | |
| Capitalized development expenses | 1 946 | 1 047 | 3 760 | 2 094 | 4 967 |
| Software and other intangible assets | 1 511 | 1 287 | 3 028 | 2 671 | 5 519 |
| Fixed assets | 2 940 | 2 149 | 5 878 | 4 144 | 9 196 |
| Right-of-use assets | 1 177 | 991 | 2 288 | 1 935 | 3 853 |
| Total | 7 575 | 5 474 | 14 955 | 10 843 | 23 535 |

Note 7: Net interest-bearing debt

The Group has long-term revolving credit facilities, which enables it to borrow up to USD 40 million and USD 25 million at any time with an interest rate equal to LIBOR + margin. Both lines of credit expire end of November 2022. As of June 30, 2020, the Group had fully drawn on the USD 40 million credit facility. The security for the credit lines are provided by inventory, receivables and operating equipment.

The following financial covenants are included:

Equity ratio shall not be lower than 40 %.

In addition to the two RCFs, the Group has a MEUR 10 bank overdraft facility with its main bank. This overdraft was not utilized at the end of June 2020. The overdraft facility expires end of November 2021.

Note 8: Stock options

Nordic has a stock option program for employees and management. Please see the annual report for 2019 for information about the program.

| | HI 2020 | HI 2019 | 2019 |
|--|------------------|------------------|------------------|
| Outstanding options beginning of period | 5 470 374 | 4 194 293 | 4 194 293 |
| Granted | - | 1 947 010 | 1 947 010 |
| Forfeited | 33 303 | 46 684 | 222 384 |
| Exercised | 880 615 | 24 699 | 448 545 |
| Expired | - | - | - |
| Outstanding end of period | 4 556 456 | 6 069 920 | 5 470 374 |
| Of which exercisable | 2 937 237 | 2 742 259 | 1 265 338 |

Note 9: RSU and performance shares

With reference to the Annual general meeting held on April 22, 2020, Nordic Semiconductor, on April 29, 2020, granted 754 224 RSUs and performance shares to employees, including management. The shares vest over two and three years. The Annual General Meeting of Nordic Semiconductor ASA approved the issue of up to 1 074 000 Restricted Stock Units (RSUs) and Performance Shares, equivalent to approximately 0.6% of the company's outstanding share capital.

| | HI 2020 | HI 2019 | 2019 |
|---|----------------|----------|----------|
| Outstanding RSUs beginning of period | 0 | 0 | 0 |
| Granted | 696 017 | 0 | 0 |
| Forfeited | - | 0 | 0 |
| Exercised | - | 0 | 0 |
| Outstanding end of period | 696 017 | 0 | 0 |

| | HI 2020 | HI 2019 | 2019 |
|---|----------------|---------------|---------------|
| Outstanding performance shares beginning of period | 52 713 | 0 | 0 |
| Granted | 58 207 | 52 713 | 52 713 |
| Forfeited | - | - | - |
| Exercised | - | - | - |
| Outstanding end of period | 110 920 | 52 713 | 52 713 |

Note 10: Financial risk

Nordic is exposed to several risks, including currency risk, interest rate risk, liquidity risk and credit risk. For a detailed description of these risks and how the Group manages these risks, please see the annual report for 2019.

Note 11: Events after the balance sheet date

No events have occurred since June 30, 2020 with any significant effect that will impact the evaluation of the submitted accounts.

Financial Calendar 2020:

- October 20, 2020 - 3rd Quarter 2020
- February 4, 2021 - 4th Quarter 2020

For further information, please contact:

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- Pål Elstad, CFO, +47 991 66 293

BOARD AND MANAGEMENT CONFIRMATION

We confirm that, to the best of our knowledge, the enclosed condensed set of financial statements for the first half year of 2020, which has been prepared in accordance with IAS 34 Interim Financial Statements, gives a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations, and that the interim management report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

The Board of Directors and Chief Executive Officer of Nordic Semiconductor ASA
Oslo, July 12, 2020



Jan Frykhammar
Board member



Birger Steen
Chair



Anita Huun
Board member



Inger Berg Ørstavik
Board member



Sverre Tore Larsen
Chief Executive Officer



Endre Holen
Board member



Øyvind Birkenes
Board member



Jon Helge Nistad
Board member, employee



Annastiina Hintsa
Board member



Joel Stapleton
Board member, employee



Susheel Raj Nuguru
Board member, employee



Morten Dammen
Board member, employee

ALTERNATIVE PERFORMANCE MEASURES

The financial information is prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by EU. Additionally, it is management's intent to provide alternative performance measures (APM) that are regularly reviewed by management to enhance the understanding of the Group's performance.

The Group has identified the following APMs used in reporting (amount in USD million):

- Gross margin. Gross profit divided by Total revenue. Gross margin is presented as it is the main financial KPI to measure the Group's operational performance.

| | Q2 2020 | Q2 2019 | HI 2020 | HI 2019 | Full year 2019 |
|---------------------|--------------|--------------|--------------|--------------|----------------|
| Gross profit | 45.9 | 36.1 | 82.3 | 62.9 | 146.8 |
| Total revenue | 88.5 | 70.5 | 158.7 | 123.1 | 288.4 |
| Gross margin | 51.9% | 51.2% | 51.9% | 51.1% | 50.9 % |

EBITDA terms are presented as they are commonly used by investors and financial analysts.

- EBITDA. Earnings before interest, taxes, depreciation and amortization.

| | Q2 2020 | Q2 2019 | HI 2020 | HI 2019 | Full year 2019 |
|-------------------------------|-------------|------------|-------------|------------|----------------|
| Operating profit | 8.4 | 4.3 | 6.3 | -1.8 | 9.3 |
| Depreciation and amortization | 7.6 | 5.5 | 15.0 | 10.8 | 23.5 |
| EBITDA | 16.0 | 9.8 | 21.3 | 9.1 | 32.8 |

- EBITDA margin. EBITDA divided by Total Revenue.

| | Q2 2020 | Q2 2019 | HI 2020 | HI 2019 | Full year 2019 |
|----------------------|--------------|--------------|--------------|-------------|----------------|
| EBITDA | 16.0 | 9.8 | 21.3 | 9.1 | 32.8 |
| Total revenue | 88.5 | 70.5 | 158.7 | 123.1 | 288.4 |
| EBITDA margin | 18.1% | 13.9% | 13.4% | 7.4% | 11.4 % |

- Total Operating Expenses. Sum of payroll expenses, other operating expenses, depreciation and amortization.

| | Q2 2020 | Q2 2019 | HI 2020 | HI 2019 | Full year 2019 |
|---------------------------------|-------------|-------------|-------------|-------------|----------------|
| Payroll expenses | 22.1 | 18.4 | 44.8 | 38.4 | 80.3 |
| Other operating expenses | 7.8 | 8.0 | 16.2 | 15.5 | 33.7 |
| Depreciation and amortization | 7.6 | 5.5 | 15.0 | 10.8 | 23.5 |
| Total operating expenses | 37.5 | 31.8 | 76.0 | 64.7 | 137.5 |

- **Cash operating Expenses.** Total payroll and other operating expenses adjusted for non-cash related items including option expenses, receivable write-off and capitalization of development expenses. Nordic management believes that this measurement best captures the expenses impacting the cash flow of the Group.

| | Q2 2020 | Q2 2019 | HI 2020 | HI 2019 | Full year 2019 |
|--------------------------------|-------------|-------------|-------------|-------------|----------------|
| Total operating expenses | 37.5 | 31.8 | 76.0 | 64.7 | 137.5 |
| Depreciation and amortization | -7.6 | -5.5 | -15.0 | -10.8 | -23.5 |
| Option expense | -1.8 | -0.4 | -2.2 | -0.8 | -1.8 |
| Capitalized expenses | 2.0 | 3.8 | 4.7 | 6.3 | 11.3 |
| Cash operating expenses | 30.1 | 29.7 | 63.5 | 59.5 | 123.4 |

- **Order backlog.** Customer orders placed by the end of the reporting period for delivery in next and following quarters. This APM can be used as support for guidance for next quarter.
- **Adjusted EBITDA margin.** EBITDA excluding cellular IoT, divided by Total revenue excluding cellular IoT revenue. This APM shows Nordic's profitability excluding products in an investment phase with limited revenue.

| | Q2 2020 | Q2 2019 | HI 2020 | HI 2019 | Full year 2019 |
|--|--------------|--------------|--------------|--------------|----------------|
| Reported EBITDA | 16.0 | 9.8 | 21.3 | 9.1 | 32.8 |
| Long range (cellular IoT) EBITDA loss | 6.7 | 5.5 | 13.1 | 10.7 | 24.7 |
| Adjusted EBITDA | 22.7 | 15.3 | 34.4 | 19.7 | 57.6 |
| Total revenue (excluding cellular IoT revenue) | 87.4 | 70.3 | 156.4 | 122.8 | 287.3 |
| Adjusted EBITDA margin | 26.0% | 21.8% | 22.0% | 16.1% | 20.0% |

- **Last twelve months operating expenses excluding depreciation and amortization divided by last twelve months revenue.** Nordic's business is seasonal and by dividing last twelve months operating expenses excl. depreciation by last twelve months revenue, management is able to track cost level trends in relation to revenue. As a growth business it is key to keep cost level under control while still growing the business, and this ratio keeps track on that.

| | Q2 2020 | Q2 2019 |
|---|--------------|--------------|
| Total operating expenses | 148.7 | 127.9 |
| Depreciation and amortization | -27.6 | -19.7 |
| Operating expenses excluding depreciation and amortization | 121.1 | 108.2 |
| Total revenue | 324.0 | 262.9 |
| LTM opex / LTM revenue | 37.4% | 41.2% |

- **Net working capital divided by last twelve months revenue.** Net working capital is a measure of both a company's efficiency and its short-term financial health, and by dividing the measure by last twelve months, seasonal effects are excluded. Nordic management uses this ratio to report on liquidity management to the financial market and internally to track performance.

| | Q2 2020 | Q2 2019 |
|----------------------------|--------------|--------------|
| Current assets | 259.3 | 199.4 |
| Cash and cash equivalents | -124.4 | -87.9 |
| Current liabilities | -98.2 | -50.5 |
| Current loan facility | 40.0 | - |
| Current lease liabilities | 4.2 | 3.7 |
| Income taxes payable | 3.5 | 2.7 |
| Net working capital | 84.4 | 67.4 |
| Total revenue | 324.0 | 262.9 |
| NWC / LTM revenue | 26.0% | 25.6% |