A person is running away from the camera on a bridge or walkway. The scene is overlaid with a blue tint. The person is in the center of the frame, and the bridge has railings on both sides. The background shows some streetlights and a clear sky.

Quarterly Presentation Q2 2020

July 13, 2020



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This presentation was prepared in connection with the Q2 results released on July 13, 2020. 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.

Continued growth through Q2

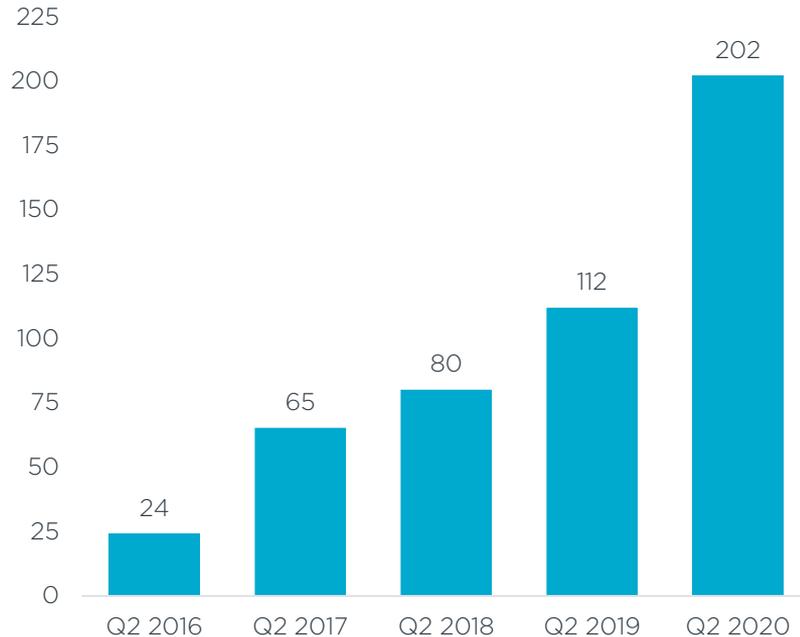
Revenue and gross margin above guidance

Revenue		Gross margin	
USDm			
88.5		51.9%	
+25.5%	+26.2%	+0.6%p	+0%p
y-o-y	q-o-q	y-o-y	q-o-q

- Bluetooth revenue USD 70.1m (+25.1%)
- Proprietary revenue USD 16.4m (+29.8%)
- Cellular IoT revenue USD 1.2m
- Gross margin of 51.9%, with high volumes of advanced SoCs and continuous cost reductions on newly launched products

Increased order backlog

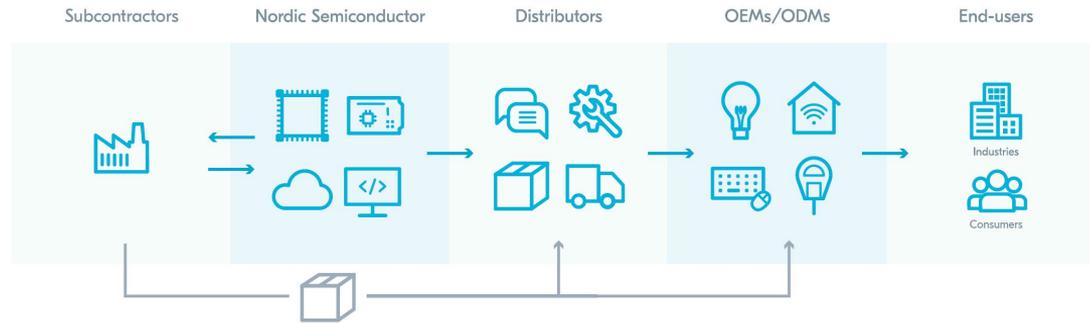
Backlog (USDm)



- Order backlog of USD 201.9m, +80% compared to Q2 2019 and 64% above Q1 2020
- Accelerated technology adoption and broad-based demand growth across multiple markets
 - Backlog end-user split relatively consistent with H1 sales and spread evenly over H2
- ~80% of order backlog in Bluetooth Low Energy and multiprotocol solutions
 - Top 10 customers accounting for 40% of backlog
 - Continued high demand for advanced SoCs

Resilient organization and business model

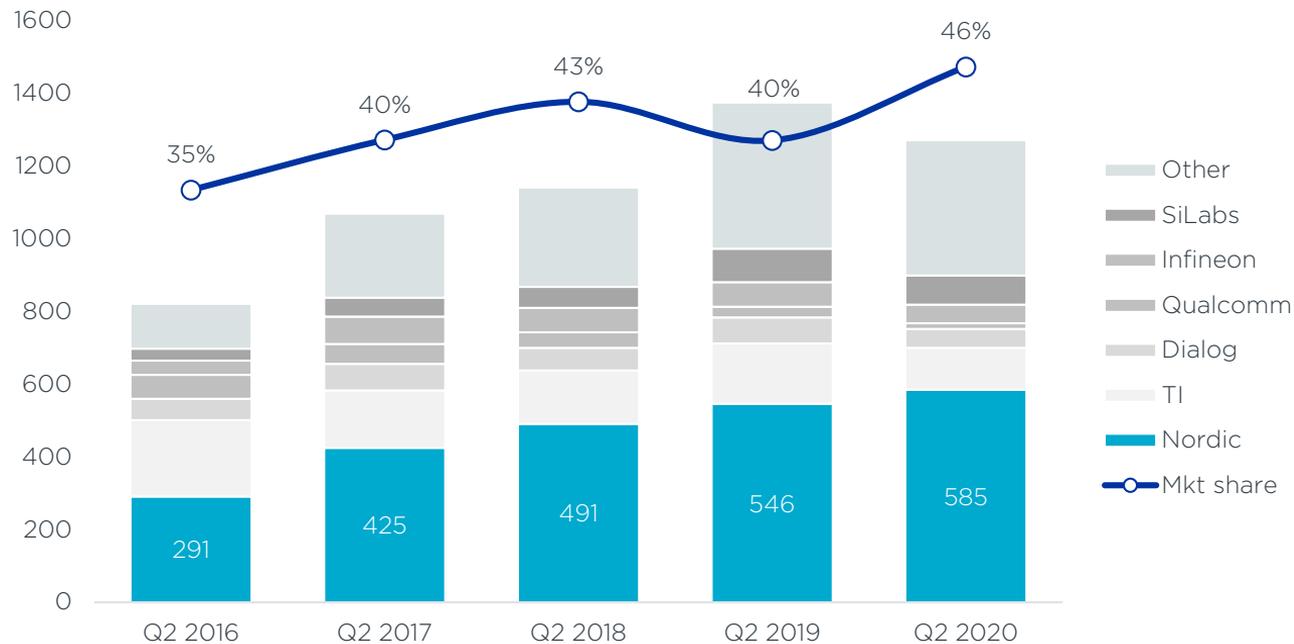
Nordic's value chain, illustrative



- Manageable impacts on the supply chain
- Built buffers of critical components to mitigate risk
- Close to normal operation for suppliers, distributors and OEMs/ODMs
- Distributor inventories remaining at moderate levels
- Employees gradually returning to a safe and secure workplace
- Maintained strict travel restrictions and limitations on physical meetings
- No Covid-19 cases

Continued high certification market share

Bluetooth Low Energy end-product certifications, LTM*



End-product certifications, Nordic Q2 20

130

43 % mkt share

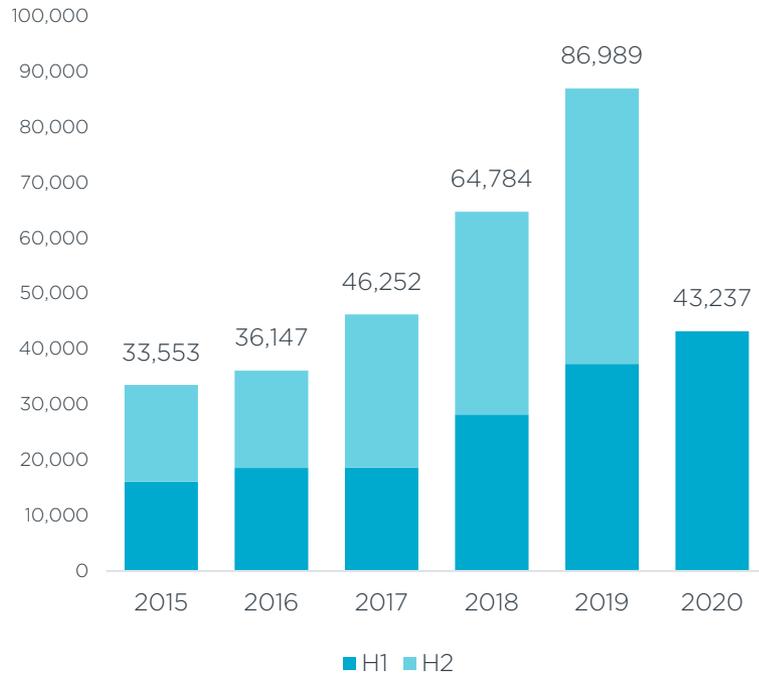
-15%
y-o-y

-8%
q-o-q

*Source: DNB Markets/FCC

Continued strong developer kit shipments

Kit shipments



Total kit shipments +16% in 1H 2020

Shipped >43K kits

Significant contribution from nRF52840 kits

Cellular IoT nRF9160 kits accounting for 13%, compared to 7% in 1H'19 and 11% in 2H'19

New product launches in Q2



D-Fetch
nRF51 / nRF52

Gym management
platform

Phytec
nRF52832

UWB Proximity-based
location

Qorvo
nRF52832 / nRF52833

Dual UWB and
Bluetooth Low Energy
reference design

Tekt Industries
nRF9160

“Code of Conscience”
tracker

CoreKinect
nRF9160

Tracker and monitor of
fuel and fertilizer tanks

'Connected healthcare' high on the agenda



Sixgill Sense™
nRF52832

Hospital equipment
tracker

Lura Health
nRF52810

Oral pH Monitoring
System

Cleanbox Technologies
nRF52832

Mask cleaning

Sani nudge
nRF52832/nRF51822

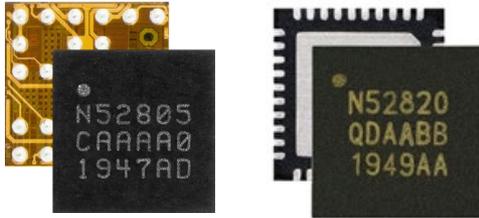
Cleaning sensor and ID

CareTrac Technologies
nRF9160

Remote patient
monitoring system

Continuing to expand the product offering

ICs



nRF Connect SDK



- Expands product offering with [nRF52805](#) to open for new cost-constrained applications
- [nRF52820](#) now in mass-production
- Ongoing strengthening and improvements across [nRF52 Series](#)

- Version 1.3 released with production support for [nRF52 Series](#)
- Now also supports [Thread](#), [Zigbee](#) and [Bluetooth mesh](#)
- Ease of use through updated [Toolchain manager](#)

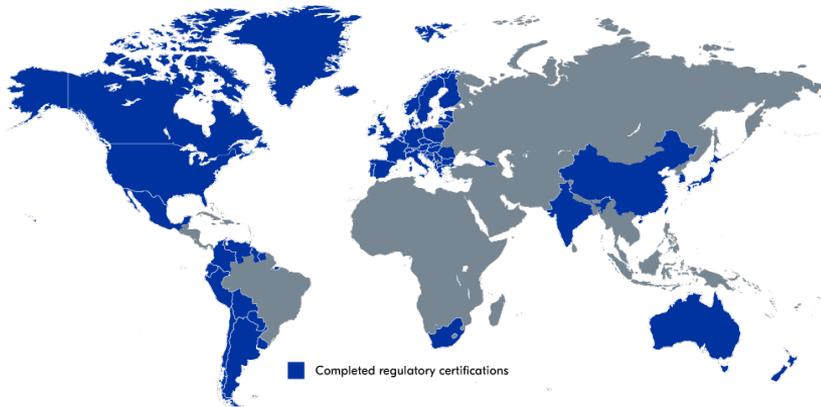
Combining broadmarket and tier-1 customers

- Increased focus on platforms and their large and growing ecosystems
- Project CHIP source code released using [nRF52840](#) as one of the reference platforms
- Version 8 of our [Apple HomeKit](#) SDK released
- ZBOSS open initiative for [Zigbee PRO](#) Software



Cellular IoT progressing

Regulatory certifications overview:



Carrier approvals for **LTE-M** / **NB-IoT**:



- Gaining traction with new designs in predictive maintenance, healthcare, agriculture and more
- nRF9160 SiP shortlisted for IoT Awards in IoT Connectivity Solution category
- Launched unified nRF Connect SDK enabling development for Bluetooth LE and cellular IoT on same SDK and toolchain
- Adding Telstra in Australia to the carrier certification portfolio and regulatory certification in China (SRRC)

Case study: cellular IoT in predictive maintenance

- German IoT design house InnBlue and Italian tool manufacturer MT launches predictive maintenance monitoring solution for high-speed toolheads
- Sensors collecting data on toolhead spin speed, temperature, vibration, collisions and GPS location
- Uses Nordic's nRF9160 SiP



Case study: cellular IoT in medical devices

- ClearTrac Carepath® - the first remote patient monitoring system for bladder dysfunction
- Uses Nordic's nRF9160 SiP
- *'Before the advent of low power cellular IoT wireless technologies that uses the world's cellular infrastructure 'out of the box', such a device was simply impossible'*

Dr. Brent Laing, CareTrac Technologies



Cleartrac CarePath®

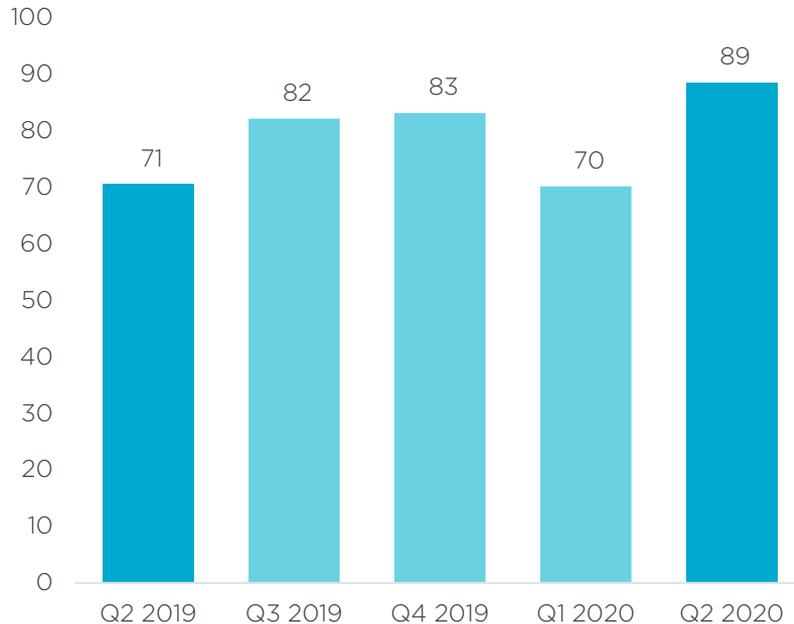


Financials

Pål Elstad, CFO

Revenue growth of 25.5%

Quarterly revenue (USDm)



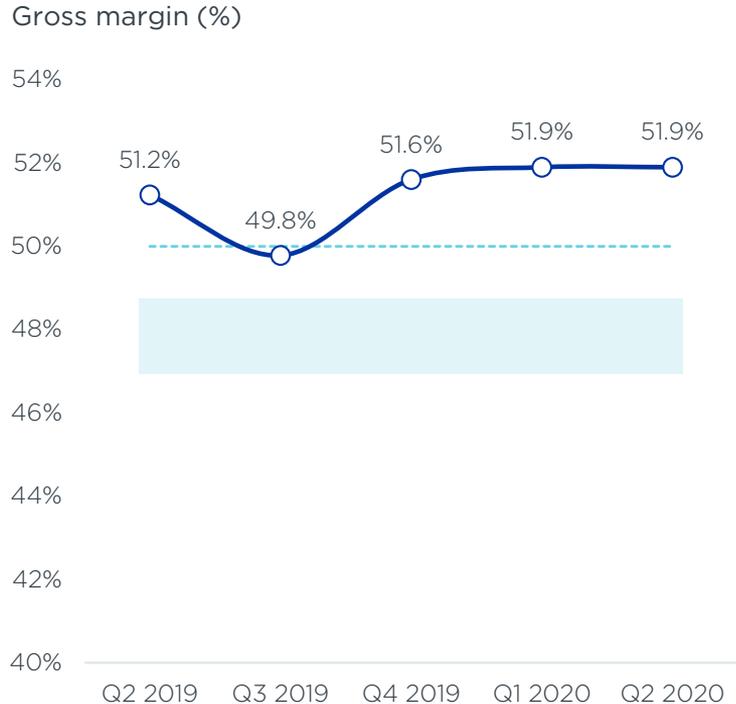
- Growth in all technologies
 - Bluetooth accounting for 79% and proprietary for 19% of total revenue
 - Continued strong revenue contribution from tier-1 customers
 - Cellular IoT revenue of USD 1.2 m in Q2, continue to expect volatile quarterly revenue

Revenue growth in all markets

Group	Consumer Electronics	Wearables	Building/ Retail	Healthcare	Others
USDm 88.5	USDm 29.5	USDm 14.1	USDm 18.8	USDm 14.0	USDm 10.1
+25.5% y-o-y +26.2% q-o-q	+8.1% y-o-y +20.4% q-o-q	+11.0% y-o-y +24.5% q-o-q	+45.8% y-o-y +43.1% q-o-q	+157.5% y-o-y +155.5% q-o-q	-2.2% y-o-y -16.8% q-o-q

- Consumer electronics, both Bluetooth and proprietary driven by home office
- Continued strong Wearables, with focus on high-end in China
- Accelerating technology adoption in Healthcare, in particular disease monitoring

Stable high gross margin in Q2



Gross margin at 51.9%

- Mainly driven by continued favorable product mix, with a higher share of more complex high value SoCs
- Gross margin expected at 50-51% in Q3 2020
- Reiterating medium-term gross margin range of 48%-50% for the short-range business

Operating model performance Q2 2020

Gross margin 51.9%		Q2 2020	Q2 2019		
R&D short-range 13.2%	Revenue	USD 88.5m	USD 70.5m	+25.5%	Growth in all technologies
R&D cellular IoT 7.9%	Gross margin	51.9% USD 45.9	51.2% USD 36.1	+0.6pp	Favorable product mix, lower unit costs
SG&A 12.6%	R&D short-range	13.2% USD 11.7m	15.9% USD 11.2m	-2.7pp	Continued investments to capture growth opportunities
	R&D cellular IoT	7.9% USD 7.0m	7.9% USD 5.6m	+0pp	High activity during commercialization stage
	SG&A	12.6% USD 11.2m	13.5% USD 9.5m	-0.9pp	Lower activity due to covid-19 offset by equity comp. and more employees
EBITDA 18.1%	EBITDA	18.1% USD 16.0m	13.9% USD 9.8m	+4.2pp	Higher revenue and positive operating leverage

Cash operating expenses

- Cash cost increase of 1.0%
- Overall Q2 cost positively impacted by covid-19 and positive FX

Salary:

- Number of employees increased by 14.6% to 822 over the past last 12 months
- Growth in customer facing teams, both within R&D and Sales

Other Opex:

- Varies with pace of product introductions
- Sharpened focus on cost containment
- Reduced travelling

Cash Opex* (USDm)



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

Year-on-year EBITDA improvement

EBITDA (USDm) and margin (%), quarterly



EBITDA (USDm) and margin (%), LTM



Capex development

Capex (USDm)



- Capex of USD 5 million, increased test capacity
- Q3 2020 guidance at similar level

Continued strong cash position

Cash Flow Q2 2020 (USDm)



Operating cash flow of USD 5.3m

- NWC/LTM Revenue at 26.0%, compared to 25.6% at end of Q2 2019

Continued disciplined cash strategy

- Tight cash management and optimized cash conversion

* EBITDA Adjusted for Capitalized Development Costs

A person is shown from the waist down, wearing a dark grey athletic t-shirt and dark shorts with a light-colored geometric pattern. They are holding a pair of white sneakers with black accents. On their left wrist, they wear a smartwatch with a black face and a brown strap. The background is a bright, sunny outdoor setting with a large sun flare in the upper right, creating a lens flare effect. The ground appears to be dark and textured, possibly a trail or a field.

Summary

Svenn-Tore Larsen, CEO

Maintaining long-term strategy and targets

Strong strategic pillars

- Lead on connectivity
- Excite developers
- Customer engagement
- Scalability
- Investing early
- High financial ambitions

Solid market position

- Market leader in Bluetooth Low Energy
- Strong ties to vertical tier 1s and platform ecosystems
- Positioned for market leadership in cellular IoT

Ambitious targets

- Aspiring to become a USD 1 billion company within the next five years*
- Long-term ambition for 20% EBITDA margin

Solid Q2 – order backlog supports strong Q3

Q3 2020 guidance

Revenue		Gross margin
USDm 95-105		~50%-51%
16% - 28 % y-o-y	7% - 19% q-o-q	

- Growth supported by sharply higher backlog
- Risks and uncertainties remain
 - Supply chain and end-user demand risks due to COVID-19 continues in H2
 - + Upside potential in faster technology adoption
- Longer term drivers in place to support strategy and financial ambitions

Q&A



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