

Q2

& first half report 2022



NORDIC[®]
SEMICONDUCTOR

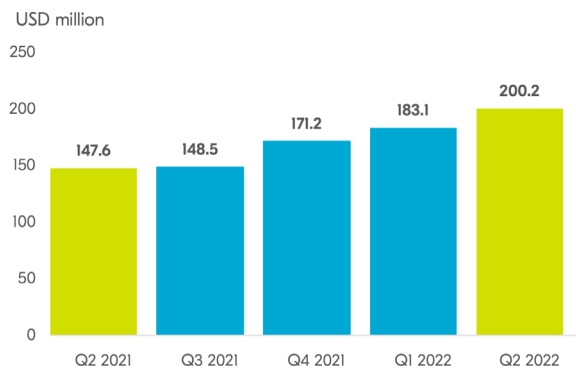
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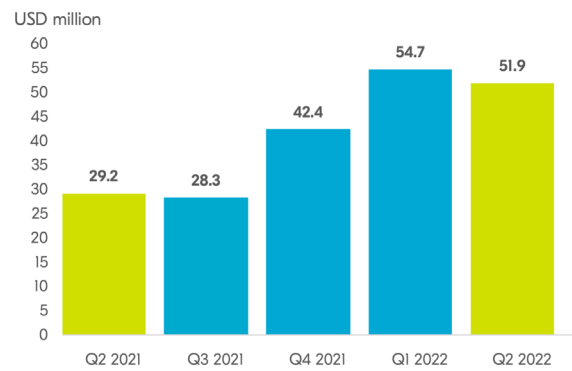
Q2 highlights

- Revenue of USD 200 million (+36%)
- Gross margin of 55%
- EBITDA of USD 52 million (+78%)
- Cellular IoT revenue of USD 5 million capped by supply constraints which has now been resolved
- Order backlog of USD 1 395 million
- In early July, Nordic announced an agreement to acquire Mobile Semiconductor

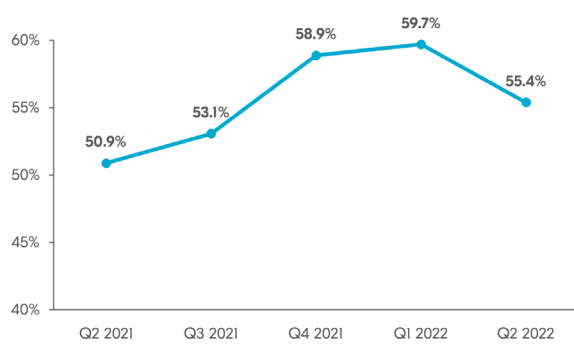
Revenue



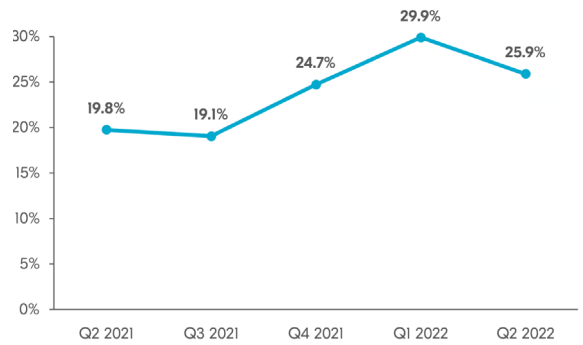
EBITDA



Gross margin



EBITDA margin



Key figures

Q2 and first half 2022 financial summary

Amount in USD million	Q2 2022	Q2 2021	Change	HI 2022	HI 2021	Change
Revenue	200.2	147.6	35.6%	383.3	290.8	31.8%
Gross profit	110.8	75.1	47.6%	220.2	147.0	49.8%
Gross margin %	55.4%	50.9%	4.5 p.p.	57.4%	50.5%	6.9 p.p.
EBITDA	51.9	29.2	78.1%	106.7	54.1	97.3%
EBITDA %	25.9%	19.8%	6.2 p.p.	27.8%	18.6%	9.2 p.p.
Operating profit (EBIT)	41.4	20.1	105.6%	86.1	35.8	140.5%
Operating profit % (EBIT)	20.7%	13.6%	7 p.p.	22.5%	12.3%	10.2 p.p.
Net profit after tax	33.0	17.3	91.2%	66.7	30.8	117.0%
Cash and cash equivalents				319.8	227.4	40.6%
Order backlog				1 394.7	1 252.6	11.3%
LTM Opex excluding depreciation / LTM revenue				31.6%	31.5%	0.1 p.p.
Net working capital / LTM revenue				21.9%	19.3%	2.6 p.p.
Equity ratio				76.3%	78.5%	-2.2 p.p.
Number of employees				1 303	1 087	19.9%



Q2 and H1 2022 review

Revenues reached USD 200.2 million in the second quarter and USD 383.3 million in the first half 2022, corresponding to year-on-year growth of 36% and 32%, respectively. Strong EBITDA-margin of 25.9% in the second quarter and 27.8% in the first half 2022. Revenue remains capped by the limited supply of wafers, and the company continues to work with customers to adjust order volumes to better match delivery capabilities.

Operational review

Nordic Semiconductor remains significantly affected by the global shortage of wafers, and demand for the company's Bluetooth Low Energy products remains significantly higher than the current production capacity. The strained wafer supply situation is expected to last at least throughout 2022, although Nordic, as previously communicated expects to be allocated a gradually increasing number of wafers during the year.

New Covid-19 restrictions in China and the war in Ukraine have added further pressure on already strained industrial and logistical value chains during the first half of 2022, affecting the availability of components. Nordic and its suppliers and distributors overall have remained fully operational.

Nordic's own backend production capacity and in-house testing capabilities can handle significantly higher volumes.

As described in the interim report for the first quarter, the significant supply/demand imbalance means that the order backlog development currently is not a good revenue or demand indicator. Nordic has been working with customers to better align order inflow with actual delivery capacity and is rejecting orders where timely delivery cannot be confirmed. However, as described, in a normal situation, where supplies are not constrained, order backlog has been a leading indicator of revenue in the following two quarters.

The order backlog has accordingly been reduced by around 9% during the first quarter and by a further 9% to USD 1 394.7 million during the second quarter. Further backlog adjustments are required unless the wafer supply situation is resolved.

Nordic is working actively on securing supply, both long and short term. The company is progressing with a multi-year cross-technology development program to maintain the lead on connectivity with higher performance and new features fit for future IoT solutions. This involves new process technologies optimized for IoT, which will improve supply security. The first products to be ramped in volumes will be new short-range products, starting in the second half of 2023.

Maintaining strong design market share

Nordic had a market share of 39% of new design certifications in the Bluetooth Low Energy (Bluetooth LE) market in the second quarter of 2022 and 41% for the past 12 months, according to FCC and Bluetooth SIG data compiled by DNB Markets. In the current market situation, Nordic prioritizes high-volume designs.

The total number of new Bluetooth LE design certifications was 258 in the second quarter of 2022, of which 101 end-product certifications was based on Nordic technology.

New Bluetooth product launches

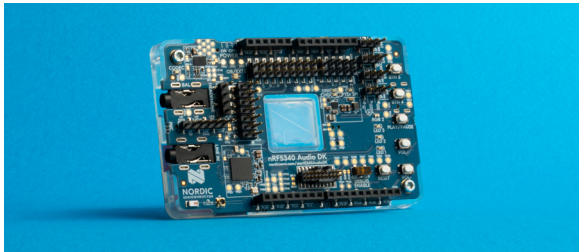
Nordic customers launched a variety of new products powered by the company's SoCs (System-On-Chip).

New Bluetooth product launched in the quarter included a connected child car seat, a temperature monitoring tag for cold chain shipping, an access control system, asset trackers, a livestock tracker, smart badges, education systems, industrial IoT solutions, mesh networks, and more.

As announced in the previous quarter, the world-leading audio specialist Sennheiser chose Nordic for a broadcast solution for hard-of-hearing consumers.

Launched Audio Development Kit

The Bluetooth Special Interest Group (SIG) calls Bluetooth LE Audio “the future of wireless sound”, and with the first low energy audio customer in volume production, Nordic has now launched its nRF5340 Audio Development Kit to accelerate the development of wireless audio projects.



Nordic Thingy:53 - new prototyping platform

During the second quarter, Nordic also launched the multisensory prototyping platform Nordic Thingy:53. This includes both the nRF5340 SoC, the nRF21540 front-end module/range extender, and the nPM1100 power management integrated circuit (PMIC). Including also support for embedded machine learning, Thingy:53 represents the fastest route to prototype and develop innovative new IoT products.



Cellular IoT remained held back by component shortage

Nordic’s end-customers are working on close to 250 different cellular IoT projects across a wide variety of verticals, including smart cities, logistics and asset tracking, industrial and agricultural monitoring systems, metering, parking, and payment systems, etc. Several of these projects have gained good commercial traction.

Product deliveries have, however, been significantly affected by the disruption in supply of a specially adapted filter in the first half year, with an even stronger negative effect in the second quarter than in the first. The supply constraints have now been resolved, and the company expects higher product deliveries and cellular IoT revenues in the second half of the year.

Nordic is seeking to open the broad market for cellular IoT solutions with a scalable and flexible platform which combines leading-edge ultra-low power hardware, open-source software, strong technical support through DevZone and distributors, an expanding partner program and global carrier certification.

Nordic’s Partner Program was expanded with the addition of the antenna solution provider Taoglas in the second quarter.

Cellular IoT solutions require access to cellular technology IP, covered by so-called standard essential patents (SEP). In the first quarter, Nordic and Nokia signed an agreement making licensing of Nokia’s cellular IoT technology available to the customers at the end-device level.

In the second quarter Nordic signed another SEP licensing agreement with Huawei, this time on the component level. Huawei licenses the rights directly to Nordic, meaning that all Nordic customers using the nRF9160 automatically are covered regardless of end-product. These licensing agreements add transparency and predictability early in the design process, and are removing one of the main obstacles for widespread adoption of cellular IoT solutions.

New product launches with Nordic’s nRF9160 SiP in the second quarter included a smartwatch, an industrial energy sensor system, a pump monitor, and asset tracking devices for indoor and outdoor position monitoring of goods.

Together with other IoT companies, Nordic has this year supported Tributec’s “Smart Product Challenge for IoT Solutions” to promote further innovation in cellular IoT. Participants in the competition have been using Tributec’s OEM module powered by Nordic’s nRF9160 System-in-Package (SiP), with the winners’ solutions as diverse as a smart insole for diabetic foot, a ride-sharing mobility tracker, and a secure smart-box for storing bikes.

Acquiring Mobile Semiconductor in the US

Nordic is investing to expand its scope and opportunity pipeline, with new technologies, new products, and new business models.

As part of this process, the company in early July announced an agreement to acquire Mobile Semiconductor. The Seattle-based company specializes in highly optimized embedded memory technology for microcontrollers (MCUs) and System-on-Chip (SoCs) and has long provided the RAM memory used in Nordic’s nRF52 and 53 Series Bluetooth SoCs and the nRF9160 cellular IoT SiPs.

The acquisition is expected to close during Q3, pending approval from U.S. authorities.

Progressing as planned in new areas

Nordic remains on track for a market introduction of its first Wi-Fi product in the second half of the year, and is also progressing the work on the new 5G wireless standard DECT NR+ (NR+).

INCOME STATEMENT

Revenue

Amounts in USD thousand	Q2 2022	Q2 2021	Change	H1 2022	H1 2021	Change
Bluetooth	167 543	122 992	36.2%	317 999	242 809	31.0%
Proprietary wireless	25 707	17 674	45.4%	50 773	38 561	31.7%
Short range wireless components	193 249	140 666	37.4%	368 771	281 370	31.1%
Cellular IoT	5 162	4 586	12.6%	11 715	5 805	101.8%
ASIC components	1 025	2 189	-53.2%	2 036	3 247	-37.3%
Consulting services	0	150	-100.0%	0	400	-100.0%
Other	751		—%	751		—%
Total revenue	200 187	147 591	35.6%	383 273	290 822	31.8%

Nordic reported total revenue of USD 200.2 million in the first quarter 2022, which was an increase of 36% from USD 147.6 million in the first quarter 2021. Revenue was 9% higher than the previous quarter mainly reflecting higher supply of wafers. Revenue growth continues to be impacted by wafer supplies.

The order backlog stood at USD 1 394.7 million at the end of the second quarter 2022, up from USD 1 252.6 million at the same time last year.

Revenues by technologies

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 Proprietary solutions.

Bluetooth revenue amounted to USD 167.5 million in the first quarter 2022, an increase of 36% from USD 123.0 million in the second quarter 2021. Revenue increased by 11% from the previous quarter, reflecting mainly higher supply of wafers. Bluetooth share of total revenue was 84% in Q2 2022.

Proprietary revenue was USD 25.7 million in Q2 2022, which was an increase of 45% year-on-year and up 3% from the previous quarter.

With generally weaker macroeconomic outlook and consumer sentiment, some consumer verticals might see lower demand. As an example, demand for PC accessories, virtual reality and equipment for working out from home has been exceptionally strong throughout the Covid-19 period and might be impacted by return-to-office policies and reduced consumer spending going forward. However, overall demand for Bluetooth Low Energy products remains strong and near-term Bluetooth revenue will continue to be capped by the shortage of wafers.

Cellular IoT reported revenue of USD 5.2 million in Q2 2022, which was an increase of 13% from Q2 2021 and 21% lower than the previous quarter. Cellular IoT deliveries have been held back by component issues which have now been resolved. Demand is good and revenue is expected to pick up sharply in the second half of the year.

ASIC component revenues amounted to USD 1.0 million in Q2 2022, compared with USD 2.2 million in Q2 2021 and USD 1.0 million in the previous quarter.

For the first half year of 2022, revenue amounted to USD 383.3 million, an increase of 32% from USD 290.8 million in the first half of 2021. Bluetooth revenue increased by 31.0% to USD 318.0 million, whereas proprietary wireless revenue increased by 32% to USD 50.8 million. Cellular IoT revenues increased by 102% in the first half of the year, to USD 11.7 million.

Revenues by end-product markets Amounts in USD thousand	Q2 2022	Q2 2021	Change	H1 2022	H1 2021	Change
Consumer	126 404	93 800	34.8%	248 651	189 057	31.5%
Industrial	48 205	37 613	28.2%	87 988	71 211	23.6%
Healthcare	16 755	9 651	73.6%	30 947	18 862	64.1%
Other	7 798	4 188	86.2%	13 653	8 045	69.7%
Total revenue excl. ASIC & Consulting	199 162	145 252	37.1%	381 238	287 175	32.8%

As described in the interim report for the fourth quarter 2021, Nordic has changed the end-market reporting structure to better mirror the internal sales and reporting structures and the underlying verticals. The new classification now also includes cellular IoT revenues.

The company reports on four end-user markets: Consumer, Industrial, Healthcare, and Others.

Note that the revenue developments across these verticals reflect customer allocations from Nordic as well as the changes in underlying demand. This has benefited the Consumer segment at the expense of Industrial customers over the past year, particularly the past three quarters.

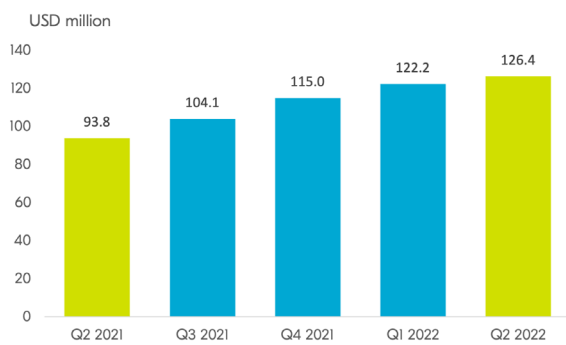
Consumer hence accounted for 63% of revenue, having grown by 35% year-on-year to USD 126.4 million in Q2 2022. The main growth drivers in the period were consumer asset tracking solutions, home automation

applications, and continued high demand for PC accessories for home offices and gaming. For the first half year of 2022, Consumer revenue increased by 32% to USD 248.7 million.

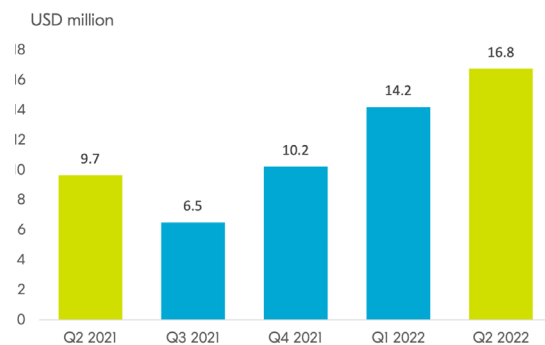
Industrial accounted for 24% of revenues, having grown by 28% year-on-year to USD 48.2 million. The main drivers have been industrial automation, utility sensors, asset tracking solutions, and retail solutions. For the first half year of 2022, Industrial revenue increased by 24% to USD 88.0 million.

Revenue in the professional Healthcare vertical increased 74% year-on-year to USD 16.8 million, whereas Other revenue increased 86% to USD 7.8 million. For the first half year of 2022, the Other increased by 64% to USD 30.9 million and 70% to USD 13.7 million respectively. These two smaller verticals hence accounted for 8% and 4% of revenue, respectively.

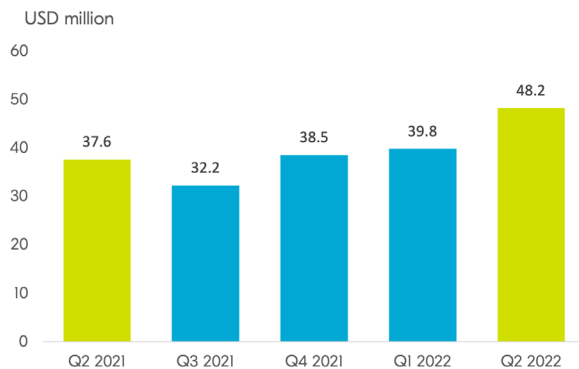
Revenue - Consumer electronics



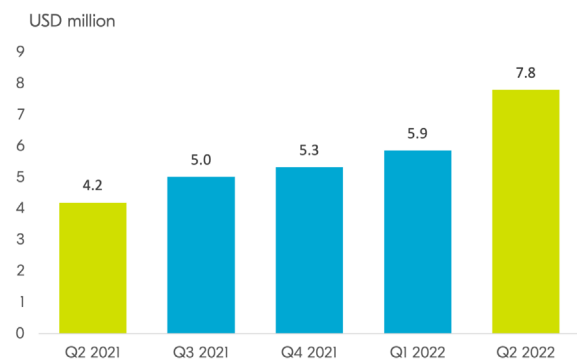
Revenue - Healthcare



Revenue - Industrial



Revenue - Others





Financial results

Amounts in USD thousand	Q2 2022	Q2 2021	Change	H1 2022	H1 2021	Change
Gross profit	110 840	75 109	47.6%	220 163	147 002	49.8%
Gross margin	55.4%	50.9%	4.5%	57.4%	50.5%	6.9%
Operating expenses excl. depreciation and amortization	-58 912	-45 944	28.2%	113 501	92 940	22.1%
EBITDA	51 928	29 165	78.1%	106 662	54 061	97.3%
EBITDA %	25.9%	19.8%	6.2%	27.8%	18.6%	9.2%
Depreciation and amortization	-10 550	-9 039	16.7%	20 588	18 270	12.7%
EBIT	41 378	20 126	105.6%	86 074	35 792	140.5%

Gross profit

Gross profit was USD 110.8 million in Q2 2022, up 48% from USD 75.1 million in Q2 2021, with the gross margin increasing to 55.4% from 50.9% in the same quarter last year.

The strong gross margin comes as a result of a continued positive effect of product and customer mix. Compared to last quarter gross margins are down as the effect of the depletion effect of materials purchased prior to the supplier price increases in late 2021 is gone.

For the first half year 2022, gross profit increased by 50% to USD 220.2 million, with the gross margin increasing to 57.4% from 50.5% in the same period last year.

Operating expenses

Operating expenses amounted to USD 58.9 million in Q2 2022, excluding depreciation and amortization, compared to USD 45.9 million in Q2 2021. The increase primarily reflects a higher activity level and a 20% growth in the workforce to 1 303 employees over the past year.

R&D costs amounted to USD 39.8 million, compared to USD 31.4 million in Q2 2021. USD 24.4 million related to the short-range business, USD 11.8 million to cellular R&D and USD 3.9 million to Wi-Fi.

Nordic capitalized a total of USD 1.8 million in development expenses in Q2 2022, compared to USD 2.4 million in Q2 2021.

USD 1.4 million of this related to Wi-Fi investments and USD 0.4 million to the short-range business. Expenses related to equity compensation were USD 2.4 million in Q2 2022.

Total cash operating expenses amounted to USD 58.2 million in Q2 2022, when adding back capitalized development expenses and deducting depreciation and equity-based compensation from total operating expenses. This compares to USD 46.7 million in Q2 2021.

USD 37.4 million of the cash operating expenses were related to payroll expenses, compared to USD 32.6m in Q2 2021. The company continues to invest and add new employees to support a higher activity level, strengthen customer relations, and continue its technology innovation. The number of employees in R&D has increased 20% over the past year to 985. The Sales & Marketing staff increased 15% to 152, whereas the supply chain organization increased 21% to 81 employees.

Other cash operating expenses were USD 20.8 million in Q2 2022, compared to USD 14.1 million in Q2 2021. The increase of 47% is explained by higher activity level, with more tape-outs, higher consulting fees and increased travel expenses.

For the first half of 2022, operating expenses amounted to USD 113.5 million, excluding depreciation and amortization, up from USD 92.9 million in the first half of 2021. Cash operating expenses increased to USD 112.9 million from USD 94.4 million in the first half of last year.

Profit

With both revenue and gross profit at record high levels and continued strong cost control, EBITDA more than doubled to USD 51.9 million in Q2 2022 from USD 29.2 million in Q2 2021. The reported EBITDA margin hence increased to 25.9% from 19.8% in the same quarter last year.

Short-Range EBITDA was USD 65.8 million in Q2 2022, and the EBITDA margin for the short-range business 33.8%. This compares to USD 40.7 million and 28.4% in Q1 2021. These figures exclude the cellular IoT business and the recently acquired Wi-Fi business.

For the first half 2022, EBITDA was USD 106.7 million, compared to USD 54.1 million in the same period last year. The reported EBITDA margin increased to 27.8% from 18.6% in the first half of 2021.

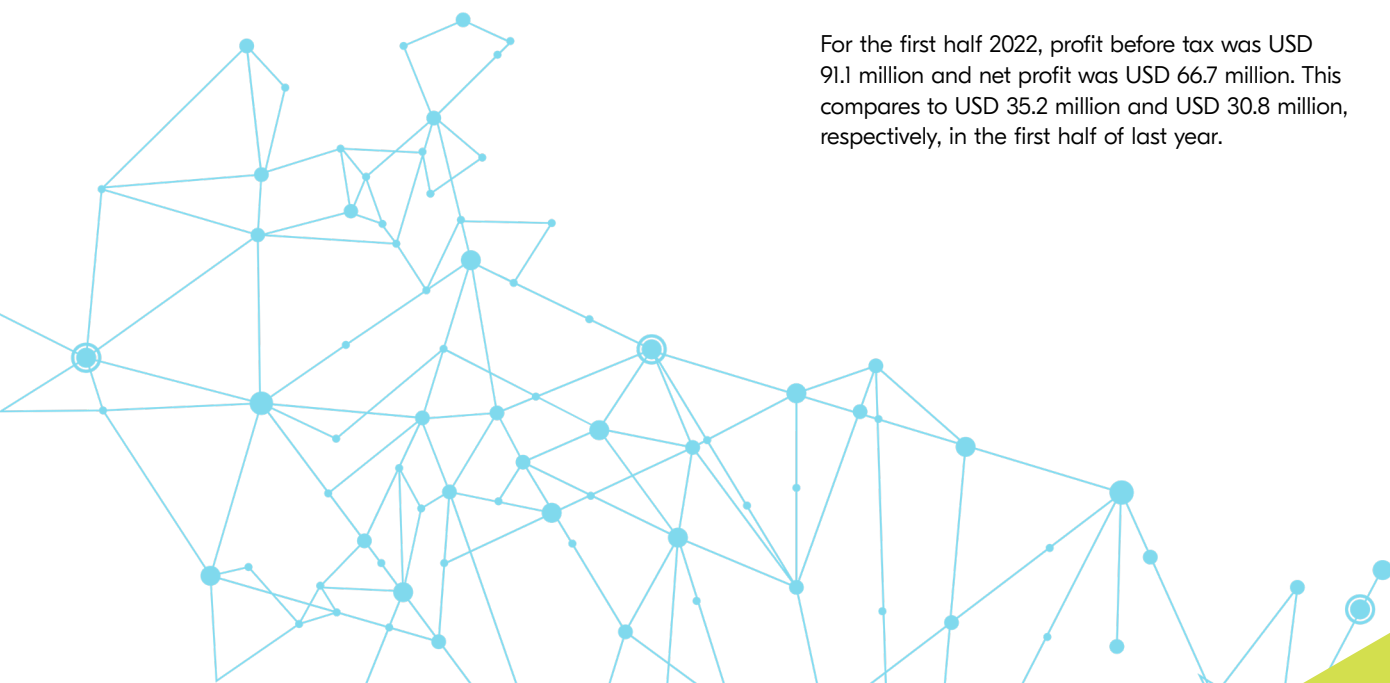
Depreciation and amortization increased to USD 10.5 million in Q2 2022, compared to USD 9.0 million in Q2 2021. The increase mainly reflects higher amortization of cellular IoT and Wi-Fi intangibles. Amortization of internally developed R&D overall amounted to USD 2.6 million and amortizing of leased assets to USD 1.4 million.

Operating profit (EBIT) was hence USD 41.4 million in Q2 2022, more than doubling from USD 20.1 million in Q2 2021. For the first half year 2022, EBIT increased to USD 86.1 million from USD 35.8 million in the same period last year.

Net financial income was USD 5.3 million in Q2 2022, compared to a net financial cost of USD 0.4 million in Q2 2021.

Profit before tax was USD 46.6 million in Q2 2022, compared to a profit before tax of USD 19.7 million in Q2 2021. Tax expense was USD 13.6 million, compared to tax expense of USD 2.4 million in Q2 2021. The company's statutory tax rate is 22%. Net profit was hence USD 33.0 million in Q2 2022, compared to a net profit of USD 17.3 million in Q2 2021.

For the first half 2022, profit before tax was USD 91.1 million and net profit was USD 66.7 million. This compares to USD 35.2 million and USD 30.8 million, respectively, in the first half of last year.



Financial position

Amounts in USD thousand	30.06.2022	31.12.2021	30.06.2021
Capitalized development expenses	29 912	31 542	34 473
Total non-current assets	101 001	108 844	115 428
Inventory	63 957	54 943	45 471
Cash and cash equivalents	319 850	279 331	227 434
Total current assets	585 529	487 973	412 922
Total assets	686 530	596 817	528 350
Total equity	523 705	458 209	414 945
Equity percentage	76.3%	76.8%	78.5%
Total liabilities	162 824	138 608	113 405
Total equity and liability	686 530	596 817	528 350

Total shareholders' equity amounted to USD 523.7 million at the end of Q2 2022, up from USD 414.9 million at the end of Q2 2021 and USD 458.2 million at the end of 2021.

The Group equity ratio was 76.3% of a total asset base of USD 686.5 million.

Cash and cash equivalents amounted to USD 319.8 million, compared to USD 227.4 million at the end of Q2 2021.

Net working capital increased slightly to USD 154.2 million at the end of Q2 2022, up from USD 103.9 million at the end Q2 2021. Measured as a percentage of last 12 months revenue, net working capital increased to 21.9% from 19.3% at the end of Q2 2021. The increase is driven by higher accounts receivables.

The changes in net working capital mainly reflect an increase in accounts receivable to USD 186.6 million from USD 126.2 million at the end of Q2 2021. This increase comes as a result of significantly higher revenue. Inventory increased to USD 64.0 million from USD 45.5 million.

Total current assets amounted to USD 585.5 million at the end of Q2 2022, up from USD 412.9 million at the end of the Q2 2021.

Non-current assets amounted to USD 101.0 million at the end of Q2 2022, compared to USD 115.4 million at the end of Q2 2021.

Current liabilities amounted to USD 150.1 million, compared to USD 94.4 million at the end of Q2 2021. The increase mainly reflects increased taxes payable and public duties, as well as a moderate increase in accounts payable and other current liabilities.

Non-current liabilities amounted to USD 12.7 million, compared to USD 19.0 million at the end of Q2 2021. Non-current liabilities mainly consist of lease liabilities. Nordic had no interest-bearing debt at the end of Q2 2022.

Cash flow

Amounts in USD thousand	Q2 2022	Q2 2021	HI 2022	HI 2021
Cash flows from operations	29 797	54 566	61 790	27 858
Cash flows from investing activities	-6 137	-12 027	-11 940	-19 070
Cash flows from financing activities	-6 263	-12 159	-7 790	-23 944
Change in cash and cash equivalents	16 292	30 638	40 520	-15 114
Cash and cash equivalents at the end of the period	319 850	227 434	319 850	227 434

Cash flow from operating activities was USD 29.8 million in Q2 2022, compared to USD 54.6 million in Q2 2021. The decline is due to increase of net working capital and reflects the normalization of working capital levels.

Cash flows from investing activities was an outflow of USD 6.1 million in Q2 2022, compared to an outflow of USD 12.0 million in Q2 2021. Capital expenditures -including software- amounted to USD 4.4 million, down from USD 9.6 million in the second quarter last year, whereas capitalized development expenses decreased to USD 1.8 million from USD 2.4 million in the same period last year.

Capex over the past years has been investments in lab equipment and purchase of test equipment to secure higher capacity when the wafer shortage eases.

Cash flows from financing activities was an outflow of USD 6.3 million relating to lease liabilities and cash settlement of employee options. This compares to an outflow of USD 12.2 million in Q2 2021, which included USD 10.1 million related to cash settlement of options contracts

For the first half year 2022, cash flow from operating activities amounted to USD 61.8 million from USD 27.9 million in the same period last year, whereas cash outflow for investing activities was USD 11.9 million compared to USD 19.1 million in the same period last year. Net cash flow from financing activities was an outflow of USD 7.8 million, compared to USD 23.9 million in the same period last year.

Funding

The Group's cash position was USD 319.8 million at the end of Q2 2022, compared to USD 227.4 million at the end of Q2 2021 and USD 227.4 million at the end of 2021. The cash is mainly kept in the Group's functional currency USD to minimize the impact of currency fluctuations.

Available cash including credit and overdraft facilities amounted to USD 384.8 million, including Nordic's right to borrow USD 25 and 40 million at any time under a Revolving Credit Facility (RCF). In early July, Nordic replaced the aforementioned RCFs with a new USD 150 million sustainability linked RCF.

Risk and uncertainty

As described in the Annual Report for 2021, the company has identified four major groups of risk: Strategic, Operational, Financial and Legal & Compliance. Some of these risks are outside of Nordic's control, including industry and specific cyclical risks. The supply of and 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.

Please refer to the Annual Report for 2021 for a thorough review of the company's main strategic risks and external factors, including geopolitical risk and trade tensions, the coronavirus, climate change and natural disasters, changes in the competitive landscape, risks related to the Bluetooth and cellular IoT technologies, and risks related to the dependency on key personnel.

The Annual Report also provides a review of operational risks related to product availability, quality, safety, and integrity, risks related to product ramp, and IT and cyber risk.

As a response to the Russian invasion of Ukraine in February 2022, many governments imposed targeted sanctions and restrictive export control measures including the restriction of semiconductors and related technical assistance destined to Russia and regions of Ukraine. Nordic decided to cease its relatively limited supply of products and services to targeted areas, and to only allow exceptional requests for products providing full compliance with export control regulations. At the time of publication of the quarterly report, there is no indication of notable impact to revenue nor upstream supply. Monitors have been put in place to early detect possible causes for concern going forward.

Nordic's growth is dependent, in part, on demand for its customers' end products, primarily within the IoT, consumer, healthcare, and industrial sectors. Industry downturns that adversely affect the Group's customers or their customers could adversely affect demand for the Group's products. Additionally, global or regional economic slowdowns affecting business and consumer confidence generally could cause demand for semiconductor products to decline.

Although restrictions related to Covid-19 have been lifted in most countries, the pandemic continues to affect the availability and transportation logistics for a variety of components and products, particularly for shipments in and out of Chinese ports. Nordic's main suppliers and distributors are fully operational, although local restrictions and lockdowns temporarily have affected and can in the future affect production and shipments in some areas.

As a fabless semiconductor company, Nordic is exposed to third-party suppliers' ability to deliver the wafer volumes required to facilitate the company's sales volumes. Due to persistent imbalances in demand/supply through the value chain, the company has been informed by its main wafer supplier that wafer allocations will remain capped also in 2022.

Nordic is in continuous dialog with its suppliers, distributors, and customers about the effects of the capacity constraints, and is doing its utmost both to secure additional wafers and help its customers manage the challenges brought about by the value chain imbalances. However, the current situation increases the risk of customers seeking alternative sourcing and/or cancelling orders.

The tight supply situation across the semiconductor industry also affects Nordic's cellular IoT business, where the company's module-based product is dependent on a large number of third-party components and assembly capacity.

The company has seen no major changes to the financial risk compared to the statements given in the Annual Report 2021. Nordic maintains a sharp focus on cost and cash flows and navigates from a strong position. 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. The Group's cash position was USD 319.8 million at the end of the second quarter 2022. The Board of Directors continue to assess the liquidity risk as low.

Nordic holds no interest-bearing debt, and the direct risk associated with interest rate fluctuations is considered low. As described in the Annual Report 2021 the company also assesses the credit risk as low.

Nordic is exposed to foreign exchange risk, as sales revenue and direct production costs almost in entirety are nominated in USD, whereas operating expenses primarily are in NOK and EUR. A 1% increase in USD/NOK is – all other things equal – estimated to translate into USD 0.5 million in added profit before tax on an annual basis. The company presents its accounts in USD, with profits translated into NOK for taxation purposes.

Outlook

Nordic Semiconductor delivered 36% revenue growth to USD 200.2 million in the second quarter 2022, and 32% to USD 383.3 million for the first half year. Revenue continues to be capped by the availability of wafers, and the tight wafer supply situation is expected to continue at least through the remainder of this year.

Indicated wafer allocations allows Nordic to guide for a revenue level of USD 190-210 million in the third quarter. With a full-year revenue level keeping the company on track for its 2023 revenue target of USD 1 billion.

Several cellular IoT projects are gaining commercial traction, although product deliveries and revenues were impacted by unavailability of a component throughout the first half of the year. This issue has now been resolved, and the company expects significantly higher cellular IoT revenue in the second half of the year.

Nordic sees continued strong growth opportunities well beyond 2023 and maintains its ambition to generate annual revenue growth of at least 25% in 2023-26.

Gross profit was 55.4% in the second quarter and 57.4% for the first half year. The strong gross margin reflects a generally tight market situation.

The company expects a customer and product mix allowing gross margins to remain above 54% also in the third quarter.

The company maintains its medium-term target to generate gross margins above 50%, allowing for changes in the customer mix and a relatively higher share of revenue from cellular IoT.





Oslo, July 11, 2022

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

Anja Dekens
Board member, employee

Gro Fykse
Board member, employee

Morten Dammen
Board member, employee

Condensed financial information

Income statement

Amounts USD thousand	Note	Q2 2022	Q2 2021	HI 2022	HI 2021	Full year 2021
Total revenue		200 187	147 591	383 273	290 823	610 528
Cost of materials		-89 347	-72 020	-163 110	-143 358	-283 415
Direct project costs		—	-462	—	-462	-472
Gross profit		110 840	75 109	220 163	147 002	326 640
Payroll expenses		-39 071	-32 479	-79 155	-68 429	-149 824
Other operating expenses		-19 840	-13 467	-34 346	-24 511	-52 098
EBITDA		51 928	29 164	106 662	54 061	124 718
Depreciation and amortization	6	-10 550	-9 038	-20 588	-18 270	-37 798
Operating Profit		41 378	20 126	86 074	35 792	86 920
Net interest income		158	-215	102	-470	-399
Net foreign exchange gains (losses)		5 112	-228	4 922	-91	739
Profit before tax		46 648	19 683	91 098	35 231	87 260
Income tax expense		-13 645	-2 422	-24 356	-4 470	-16 097
Net profit after tax		33 003	17 261	66 742	30 761	71 162
Earnings per share						
Ordinary earning per share (USD)		0.172	0.090	0.349	0.161	0.373
Fully diluted earning per share (USD)		0.171	0.089	0.346	0.159	0.369
Weighted average number of shares						
Basic		191 341	190 959	191 153	190 959	190 961
Fully diluted		192 704	193 724	192 746	193 299	193 042
Net profit after tax		33 003	17 261	66 742	30 761	71 162
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:						
Actuarial gains (losses) on defined benefit plans (before tax)						-163
Income tax effect						36
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:						
Currency translation differences		-990	150	-1 558	-389	-1 186
Total comprehensive income		32 013	17 411	65 184	30 372	69 849

Consolidated statement of financial position

Amounts USD thousand	Note	30.6.22	31.12.21	30.6.21
ASSETS				
Non-current assets				
Goodwill	11	2 318	2 386	2 406
Capitalized development expenses	5/6	29 912	31 542	34 473
Software and other intangible assets	5/6/11	13 735	15 764	17 115
Deferred tax assets		5 554	6 331	3 681
Fixed assets	6	31 451	33 885	34 744
Right-of-use assets	6	18 031	18 935	23 009
Total non-current assets		101 001	108 844	115 428
Current assets				
Inventory		63 957	54 943	45 471
Accounts receivable		186 601	141 748	126 202
Current financial assets		—	—	—
Other current receivables		15 121	11 951	13 816
Cash and cash equivalents		319 850	279 331	227 434
Total current assets		585 529	487 973	412 922
Total assets		686 530	596 817	528 350
EQUITY				
Share capital		317	317	317
Treasury shares		-2	-2	-2
Share premium		235 448	235 448	235 448
Other equity		287 941	222 442	179 180
Total equity		523 705	458 209	414 945
LIABILITIES				
Non-current liabilities				
Pension liability		508	580	468
Non-current lease liabilities		12 232	14 281	18 581
Total non-current liabilities		12 740	14 861	19 049
Current liabilities				
Accounts payable		37 960	28 392	24 052
Income taxes payable		33 403	17 427	6 108
Public duties		9 690	7 599	9 358
Current lease liabilities		5 112	5 594	5 849
Current financial liabilities		71	520	857
Other current liabilities		63 848	64 215	48 132
Total current liabilities		150 084	123 747	94 356
Total liabilities		162 824	138 608	113 405
Total equity and liability		686 530	596 817	528 350

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 1.1.22	317	-2	235 448	1 829	-806	221 421	458 209
Net profit for the period						66 742	66 742
Other comprehensive income					-1 558		-1 558
Share based compensation				4 404			4 404
Option exercise				-4 278			-4 278
RSU and PSU exercise		1		-54			-53
Board compensation (shares)		0		241			241
Equity as of 30.6.22	317	-2	235 448	2 142	-2 364	288 163	523 705
Equity as of 1.1.21	317	-2	235 448	15 980	379	150 368	402 492
Net profit for the period						30 761	30 761
Other comprehensive income					-389		-389
Share based compensation		0		2 902			2 902
Option exercise				-20 821			-20 821
Equity as of 30.6.21	317	-2	235 448	-1 939	-9	181 129	414 945



Statement of cash flows

Amount in USD thousand	Note	Q2 2022	Q2 2021	HI 2022	HI 2021	Full year 2021
Cash flows from operating activities						
Profit before tax		46 648	19 683	91 098	35 231	87 260
Taxes paid for the period		-4 707	-240	-7 631	-1 988	-6 332
Depreciation and amortization		10 550	9 401	20 588	18 633	37 798
Change in inventories, trade receivables and payables		-25 104	21 927	-44 191	-20 482	-41 043
Share-based compensation		2 438	1 805	4 242	2 690	6 670
Movement in pensions		-200	—	-66	—	134
Other operations related adjustments		171	1 990	-2 249	-6 225	11 332
Net cash flows from operating activities		29 797	54 566	61 790	27 858	95 818
Cash flows used in investing activities						
Capital expenditures (including software)	6	-4 368	-9 585	-8 513	-15 018	-25 050
Capitalized development expenses	6	-1 769	-2 442	-3 428	-4 053	-5 644
Net cash flows used in investing activities		-6 137	-12 027	-11 940	-19 070	-30 693
Cash flows from financing activities						
Cash settlement of options contract		-4 727	-10 617	-4 727	-20 758	-20 758
Repayment of lease liabilities		-1 536	-1 542	-3 063	-3 187	-6 493
Net cash flows from financing activities		-6 263	-12 159	-7 790	-23 944	-27 250
Effects of exchange rate changes on cash and cash equivalents		-1 105	258	-1 540	43	-1 090
Net change in cash and cash equivalents		16 292	30 638	40 520	-15 114	36 784
Cash and cash equivalents beginning of period		303 559	196 795	279 331	242 547	242 547
Cash and cash equivalents at end of period		319 850	227 434	319 850	227 434	279 331

Notes

Note 1: General

The Board of Directors approved the condensed second quarter interim financial statements for the three months ended June 30, 2022 and six first months of 2022 for publication on July 11, 2022.

Nordic Semiconductor is a Norwegian fabless semiconductor company specializing in wireless communication technology that powers the Internet of Things (IoT). Nordic was established in 1983 and has more than 1,300 employees across the globe. The company's award-winning Bluetooth Low Energy solutions pioneered ultra-low power wireless, making it the global market leader. Nordic's technology range was later supplemented by ANT+, Thread and Zigbee, and in 2018 Nordic launched its low power, compact LTE-M/NB-IoT cellular IoT solutions to extend the penetration of the IoT. The Nordic portfolio was further complemented by Wi-Fi technology in 2021.

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 Niensens veg 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 2022 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 2021.

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 2022, 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 2022 and the major sources of uncertainty in the statements are similar to those found in the Financial Statements for 2021.

Note 3: Significant accounting principles

Significant accounting principles are described in the Group Financial Statement for 2021. The group accounts for 2021 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, 2022 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, Industrial, Healthcare, 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 2022	Q2 2021	HI 2022	HI 2021	Full year 2021
Capitalized development expenses (payroll expenses)	806	1 774	2 229	2 724	4 121
Capitalized acquired development expenses	963	668	1 200	1 329	1 523
Capital expenditures (including software)	4 368	9 585	8 513	15 018	24 996
Right-of-use assets (non-cash)	614	634	1 918	856	-100
Currency adjustments	-97	198	-336	-147	-467
Total	6 654	12 858	13 522	19 779	30 073
Depreciation and amortization					
Capitalized development expenses	2 586	1 962	5 065	4 142	8 666
Software and other intangible assets	1 852	1 683	3 448	3 686	7 238
Fixed assets	4 697	3 987	9 255	7 563	16 018
Right-of-use assets	1 414	1 405	2 820	2 878	5 875
Total	10 550	9 038	20 588	18 270	37 798

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, 2022, the Group had not drawn on any credit facilities. 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%.

Note 8: Stock options

Nordic has a stock option program for employees and management. Please see the annual report for 2021 for information about the program.

	HI 2022	HI 2021	Full year 2021
Outstanding options beginning of period	545 203	2 548 589	2 548 589
Granted	—	—	—
Forfeited	705	19 001	28 992
Exercised (cash settlement due to cap being reached)	544 498	1 974 394	1 974 394
Expired	—	—	—
Outstanding end of period	—	555 194	545 203

Note 9: RSU and performance shares

With reference to the Annual general meeting held on April 28, 2022, Nordic Semiconductor, on May 6, 2022, granted 517 053 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 550 000 Restricted Stock Units (RSUs) and Performance Shares, equivalent to approximately 0.3% of the company's outstanding share capital.

	HI 2022	HI 2021	Full year 2021
Outstanding RSUs beginning of period	1 058 947	690 617	690 617
Granted	486 677	423 383	423 383
Forfeited	12 359	4 874	55 053
Released	492 780	—	—
Outstanding end of period	1 040 485	1 109 126	1 058 947

	HI 2022	HI 2021	Full year 2021
Outstanding performance shares beginning of period	142 990	114 020	114 020
Granted	30 376	28 970	28 970
Forfeited	—	—	—
Performance adjusted	55 813		
Released	111 626	—	—
Outstanding end of period	117 553	142 990	142 990

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 2021.

Note 11: Events after the balance sheet

Effective July 5, 2022, Nordic replaced the USD 25 million and USD 40 million long-term revolving credit facility (RCF) expiring in November 2022 with a new USD 150 million sustainability linked - RCF expiring in June 2025 (with option to extend). The new RCF is entered into with Danske Bank A/S and HSBC Continental Europe. Danske Bank acted as agent and coordinator whilst HSBC acted as sustainability coordinator.

July 8, 2022, Nordic announced that the company had entered into an agreement to acquire Mobile Semiconductor, a privately-held U.S. company specializing in highly optimized embedded memory technology for microcontrollers and System-on-Chip. The acquisition is expected to close during Q3 2022 pending U.S. government approval.

The security is provided by inventory, receivables and operating equipment. The following financial covenants are included for the revolving credit facilities:

- Equity ratio shall not be lower than 40 %

No other events have occurred since June 30, 2022 with any significant effect that will impact the evaluation of the submitted accounts.

Financial Calendar 2022:

- October 20, 2022 - 3rd Quarter 2022
- February 7, 2023 - 4th Quarter 2022

For further information, please contact:

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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 2022, 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 11, 2022



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



Anja Dekens

Board member, employee



Gro Fykse

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 2022	Q2 2021	HI 2022	HI 2021	Full year 2021
Gross profit	110.8	75.1	220.2	147.0	326.6
Total revenue	200.2	147.6	383.3	290.8	610.5
Gross margin	55.4%	50.9%	57.4%	50.5%	53.5%

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

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

	Q2 2022	Q2 2021	HI 2022	HI 2021	Full year 2021
Operating Profit	41.4	20.1	86.1	35.8	86.9
Depreciation and amortization	10.5	9.0	20.6	18.3	37.8
EBITDA	51.9	29.2	106.7	54.1	124.7

- EBITDA margin. EBITDA divided by Total Revenue.

	Q2 2022	Q2 2021	HI 2022	HI 2021	Full year 2021
EBITDA	51.9	29.2	106.7	54.1	124.7
Total revenue	200.2	147.6	383.3	290.8	610.5
EBITDA margin	25.9%	19.8%	27.8%	18.6%	20.4%

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

	Q2 2022	Q2 2021	HI 2022	HI 2021	Full year 2021
Payroll expenses	39.1	32.5	79.2	68.4	149.8
Other operating expenses	19.8	13.5	34.3	24.5	52.1
Depreciation and amortization	10.5	9.0	20.6	18.3	37.8
Total operating expenses	69.5	55.0	134.1	111.2	239.7

- 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 2022	Q2 2021	HI 2022	HI 2021	Full year 2021
Total operating expenses	69.5	55.0	134.1	111.2	239.7
Depreciation and amortization	-10.5	-9.0	-20.6	-18.3	-37.8
Option expense	-2.4	-1.7	-4.0	-2.6	-7.6
Capitalized expenses	1.8	2.4	3.4	4.1	5.6
Cash operating expenses	58.2	46.7	112.9	94.4	199.9

- Order backlog. Customer orders placed by the end of the reporting period for delivery in later quarters. In a normal supply situation, where supplies are not constrained, order backlog is a leading indicator of revenue in the coming 2 quarters. Since early 2021 we are in a supply constrained situation, therefore order backlog is well beyond 2 quarters, and hence order backlog is not an appropriate guide for revenue but it is retained as an APM for consistency.
- 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 2022	Q2 2021	HI 2022	HI 2021	Full year 2021
Reported EBITDA	51.9	29.2	106.7	54.1	124.7
Long range (cellular IoT) EBITDA loss	10.7	8.5	20.5	17.9	38.5
Wi-Fi expense	3.2	3.0	6.1	5.2	12.3
Adjusted EBITDA	65.8	40.7	133.3	77.2	175.7
Total revenue (excluding cellular IoT revenue)	195.0	143.0	371.6	285.0	593.5
Adjusted EBITDA margin	33.8%	28.4%	35.9%	27.1%	29.6%

- 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 2022	Q2 2021
Total operating expenses	262.6	203.5
Depreciation and amortization	-40.1	-34.4
Operating expenses excluding depreciation and amortization	222.5	169.1
Total revenue LTM	703.0	537.3
LTM opex / LTM revenue	31.6%	31.5%

- 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 2022	Q2 2021
Current assets	585.5	412.9
Cash and cash equivalents	-319.8	-227.4
Current liabilities	-150.1	-94.4
Current financial liabilities	0.1	0.9
Current lease liabilities	5.1	5.8
Income taxes payable	33.4	6.1
Net working capital	154.2	103.9
Total revenue LTM	703.0	537.3
NWC / LTM revenue	21.9%	19.3%

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