

Q3

Report 2022



NORDIC[®]
SEMICONDUCTOR

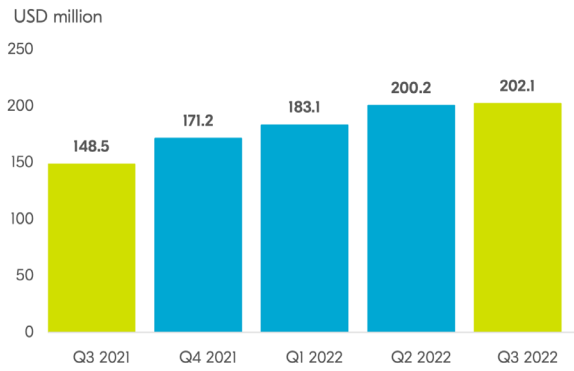
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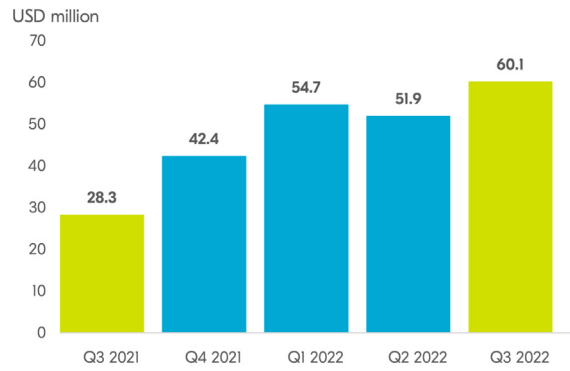
Q3 highlights

- Revenue of USD 202 million (+36%)
- Strong Bluetooth revenue (+44%), despite continued limited availability of wafers
- Demand slowdown and inventory adjustments lower Proprietary revenue (-29%)
- Cellular IoT revenue of USD 9 million (+61%)
- Continued strong gross margin of 57%
- EBITDA of USD 60 million (+112%) and EBITDA margin of 30%
- Assigned an 'A' rating in Position Green's annual "ESG 100" report

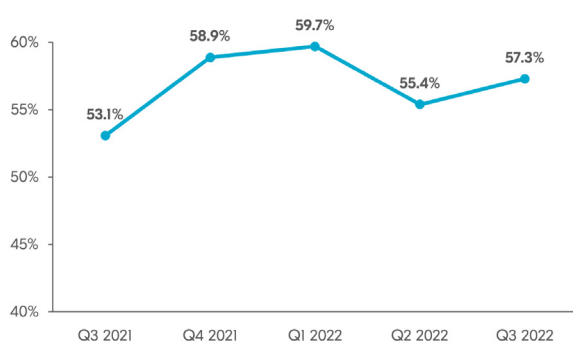
Revenue



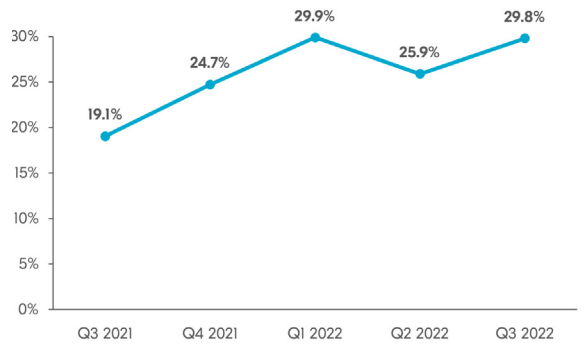
EBITDA



Gross margin



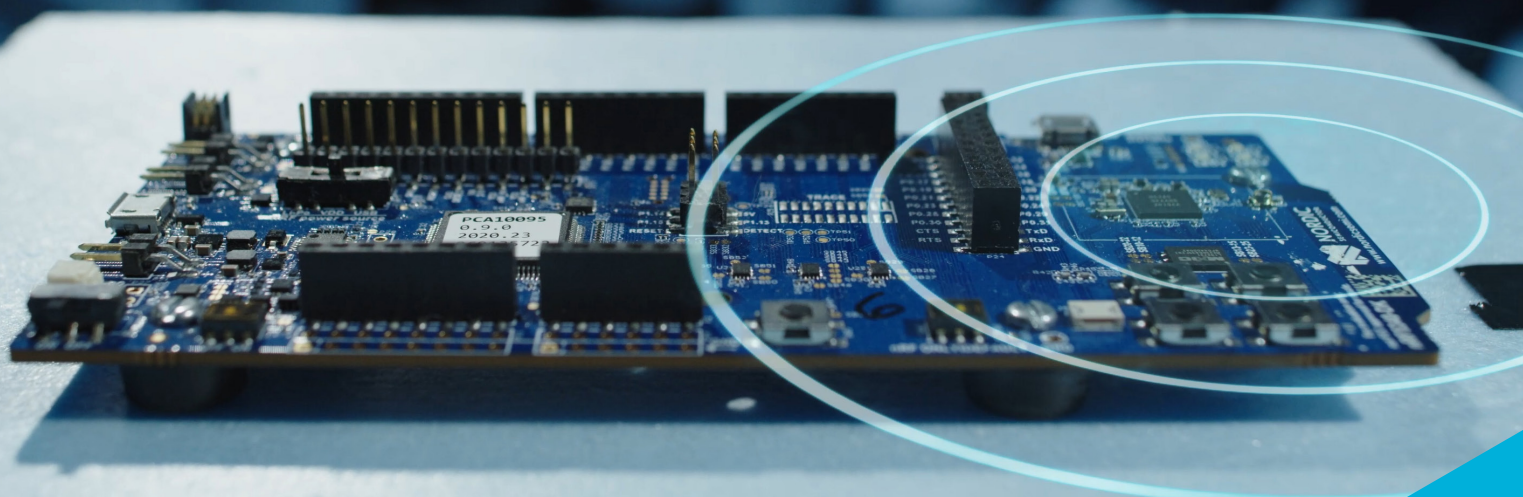
EBITDA margin



Key figures

Q3 2022 financial summary

Amount in USD million	Q3			01.01-30.09		
	2022	2021	Change	2022	2021	Change
Revenue	202.1	148.5	36.1%	585.4	439.3	33.2%
Gross profit	115.7	78.8	46.9%	335.9	225.8	48.8%
Gross margin %	57.3%	53.1%	4.2 p.p.	57.4%	51.4%	6 p.p.
EBITDA	60.1	28.3	112.4%	166.8	82.4	102.5%
EBITDA %	29.8%	19.1%	10.7 p.p.	28.5%	18.7%	9.7 p.p.
Operating profit (EBIT)	48.5	18.9	156.7%	134.6	54.7	146.1%
Operating profit % (EBIT)	24.0%	12.7%	11.3 p.p.	23.0%	12.4%	10.5 p.p.
Net profit after tax	24.2	13.6	77.9%	90.9	44.3	105.0%
Cash and cash equivalents				352.8	246.0	43.4%
Order backlog				1 092.6	1 315.6	-17.0%
LTM Opex excluding depreciation / LTM revenue				30.1%	32.4%	-2.3 p.p.
Net working capital / LTM revenue				22.5%	19.0%	3.5 p.p.
Equity ratio				74.4%	78.0%	-3.6 p.p.
Number of employees				1 384	1 155	19.8%



Q3 2022 review

Revenue of USD 202.1 million in the third quarter 2022 and USD 585.4 million for the first nine months, corresponding to year-on-year growth of 36% and 33%, respectively. Bluetooth revenue increased by 44% year-on-year although delivery capacity remains capped by limited supply of wafers. However, demand slowdown and inventory adjustments at distributors generated a 29% year-on-year decline in Proprietary revenue. Cellular IoT revenue increased by 61%, reflecting that the component issues holding back production in the first half of the year have been resolved.

Operational review

Industrial and logistical value chains remain under pressure due to persistent Covid-19 challenges in Asia and the war in the Ukraine, although Nordic and its suppliers and distributors overall have remained fully operational.

Nordic Semiconductor continues to be affected by a wafer shortage limiting delivery capabilities for the company's Bluetooth Low Energy products. Wafer deliveries in the third quarter were higher than in the previous quarter, although further increases are unlikely in the coming quarter. Bluetooth revenue capacity in the fourth quarter will ultimately depend on the timing of wafer deliveries.

Nordic is progressing with a cross-technology development program which will involve new process technologies and strengthen supply security from 2024. Nordic's own backend production capacity and in-house testing capabilities can handle significantly higher volumes.

Nordic's proprietary products are based on a different node technology and do not face the same supply constraints as our Bluetooth Low Energy products. However, as the company stated in the interim report for the first half year, demand for PC accessories and other home office equipment has been exceptionally strong throughout the Covid-19 period and could face lower demand with a generally weaker macroeconomic outlook and consumer sentiment and return-to-office policies.

In line with this, Nordic experienced lower proprietary demand from smaller proprietary customers and significant inventory adjustments at its distributors in the third quarter, whereas end-user demand from tier-1 customers held up well. Proprietary products' share of revenue is expected to decline going forward, as more customers are migrating to other technologies such as Bluetooth Low Energy.

The order backlog stood at USD 1.1 billion at the end of the third quarter. As described in previous interim reports, the order backlog has reflected a supply/demand imbalance, and Nordic has over the past year worked to better align order inflow with actual delivery capacity. During the third quarter the company has also begun to see customer order cancellations, particularly in consumer verticals that are sensitive to the near-term economic outlook. Booked orders and forecasts from the company's tier-1 customers in the Bluetooth segment remain firm.

Bluetooth design certifications and product launches

Nordic had a market share of 40% of new design certifications in the Bluetooth Low Energy (Bluetooth LE) market for the third quarter 2022 and 41% for the past 12 months, according to FCC and Bluetooth SIG data compiled by DNB Markets.

The total number of new Bluetooth LE design certifications was 283 in the third quarter 2022, of which 112 had Nordic inside.

As always, Nordic customers launched a wide variety of new products powered by the company's Bluetooth Low Energy SoCs (System-On-Chip) in the third quarter. New Bluetooth product launches included a drone ID and location system, an air purifier, a smart plant grower, beacons, utility access, game dices, a panic button, and an ECG heart monitor.

Nordic appointed to the Board of CSA

Nordic joined the Board of Connectivity Standards Alliance as a Promoter Member, the highest level of membership, in late September. This allows the company to further shape the Alliance's continued development of standards such as 'Matter', which will ensure interoperability between smart home devices and accelerate the mainstream adoption of smart home technologies.

The Connectivity Standards Alliance Board includes representatives from a range of leading IoT companies across several industries, including Apple, Amazon, Google and Samsung.

Cellular IoT

Nordic is seeking to open the broad market for cellular IoT solutions with a scalable and flexible model combining leading-edge ultra-low power hardware, open-source software, strong technical support through DevZone and distributors, an expanding Partner Program as well as global carrier certification.

Nordic’s end-customers are working on more than 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.

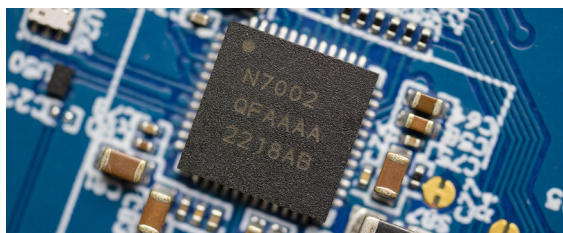
While several of these projects have gained good commercial traction, the currently tougher economic climate enhances the risks related to demand forecasts, project timing and customer project financing.

In the first half, product deliveries within Cellular IoT were affected by the unavailability of a specially adapted filter. This issue was resolved towards the end of the first half, and the delivery capacity increased significantly from the second to the third quarter.

New product launches with Nordic’s nRF9160 SiP in the third quarter included a wearable location tracker, and a child tracker system combining wireless and Bluetooth technology.

Other product areas – Wi-Fi, PMIC, Services

In August, Nordic announced the nRF7002 dual-band Wi-Fi 6 chip, marking its entry into the Wi-Fi wireless IoT market. The nRF7002 is a ‘companion IC’ designed to provide seamless Wi-Fi connectivity and Wi-Fi based locationing when used alongside Nordic’s existing products and can also be used together with non-Nordic host devices.



This makes Nordic one of few companies globally to offer the world’s three most popular wireless IoT technologies: Bluetooth, Wi-Fi, and Cellular IoT.

During the third quarter, Nordic also launched the second product in its power management portfolio, the nPM6001. Following the nPM1100 PMIC which was launched last year, the nPM6001 is a dedicated PMIC designed to supervise and supply the power requirements of complex IoT hardware. The nPM6001 can be used to power Nordic’s new nRF7002 ultra-low power, dual-band Wi-Fi 6 companion IC as well as the nRF52 and nRF53 Series SoCs.



In the third quarter Nordic also recorded the first commercial revenues from its cellular services offering.

Mobile Semiconductor acquisition

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 Systems-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. Regulatory approval and closing of the transaction is expected before the end of 2022.

Awarded ‘A’ rating in Nordic ESG report

Nordic was in September assigned an ‘A’ rating in Position Green’s annual “ESG 100” report. The rating reflects that Position Green found Nordic’s 2021 ESG reporting to be in line with best practice and standards.

INCOME STATEMENT

Revenue

Amounts in USD thousand	Q3			01.01-30.09		
	2022	2021	Change	2022	2021	Change
Bluetooth	179 179	124 342	44.1%	497 178	367 151	35.4%
Proprietary wireless	12 870	18 149	-29.1%	63 643	56 710	12.2%
Short range wireless components	192 050	142 491	34.8%	560 821	423 861	32.3%
Cellular IoT	8 606	5 344	61.0%	20 321	11 149	82.3%
ASIC components	714	656	8.8%	2 750	3 903	-29.6%
Consulting services	0	0	—%	0	400	-100.0%
Other	718	0	—%	1 469	0	—%
Total revenue	202 087	148 491	36.1%	585 360	439 313	33.2%

Nordic reported total revenue of USD 202.1 million in the third quarter 2022, which was an increase of 36% from USD 148.5 million in the third quarter 2021. Revenue was 1% higher than the previous quarter. The growth compared to last year mainly reflects higher prices and higher supply of wafers.

Revenues by technologies

Nordic classifies its revenues into the following technologies: Short-range wireless components, long range (cellular IoT) wireless components, ASIC components, Consulting services and other. Other revenues include PMIC sales and development tool sales. Short-range wireless components are in turn split between Bluetooth and Proprietary solutions.

Bluetooth revenue amounted to USD 179.2 million in the third quarter 2022, an increase of 44% from USD 124.3 million in the third quarter 2021. The revenue increase mainly reflected higher supply of wafers and higher prices. Bluetooth share of total revenue was 89% in Q3 2022.

Proprietary revenue was USD 12.9 million in Q3 2022, which was a decrease of 29% year-on-year and down 50% from the previous quarter. The decline is mainly due to lower demand from smaller PC accessories producers as well as inventory adjustments at the distribution channel.

Cellular IoT reported revenue of USD 8.6 million in Q3 2022, which was an increase of 61% from Q3 2021 and 67% higher than the previous quarter. The previously communicated component issues have now been resolved.

ASIC component revenues amounted to USD 0.7 million in Q3 2022, compared with USD 0.7 million in Q3 2021 and USD 1.0 million in the previous quarter.

For the first nine months of 2022, revenue amounted to USD 585.4 million, an increase of 33% from USD 439.3 million in the first nine months of 2021. Bluetooth revenue increased by 35.4% to USD 497.2 million, whereas proprietary wireless revenue increased by 12% to USD 63.6 million. Cellular IoT revenues increased by 82% in the first nine months of the year, to USD 20.3 million.

Revenues by end-product markets Amounts in USD thousand	Q3			01.01-30.09		
	2022	2021	Change	2022	2021	Change
Consumer	126 242	104 104	21.3%	374 893	293 161	27.9%
Industrial	51 815	32 224	60.8%	139 804	103 436	35.2%
Healthcare	14 374	6 496	121.3%	45 320	25 358	78.7%
Other	8 942	5 010	78.5%	22 594	13 055	73.1%
Total revenue excl. ASIC & Consulting	201 373	147 835	36.2%	582 611	435 010	33.9%

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.

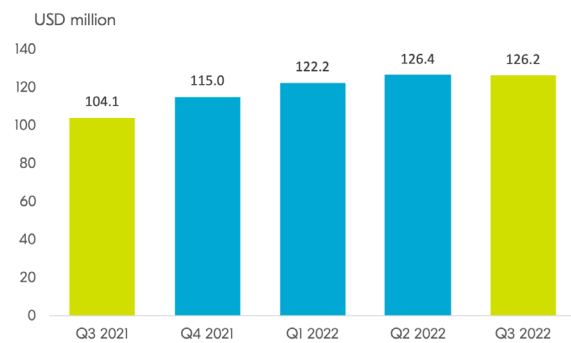
Note that the revenue developments across these verticals reflect customer allocations from Nordic as well as the underlying demand.

Consumer hence accounted for 63% of revenue, having grown by 21% year-on-year to USD 126.2 million in Q3 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 nine months of 2022, Consumer revenue increased by 28% to USD 374.9 million.

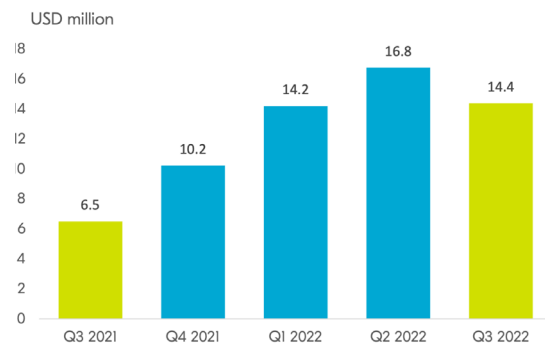
Industrial accounted for 26% of revenues, having grown by 61% year-on-year to USD 51.8 million. The main drivers have been industrial automation, utility sensors, asset tracking solutions, and retail solutions. For the first nine months of 2022, Industrial revenue increased by 35% to USD 139.8 million.

Revenue in the professional Healthcare vertical increased 121% year-on-year to USD 14.4 million, whereas Other revenue increased 78% to USD 8.9 million. For the first nine months of 2022, Healthcare increased by 79% to USD 45.3 million and Other increased by 73% to USD 22.6 million.

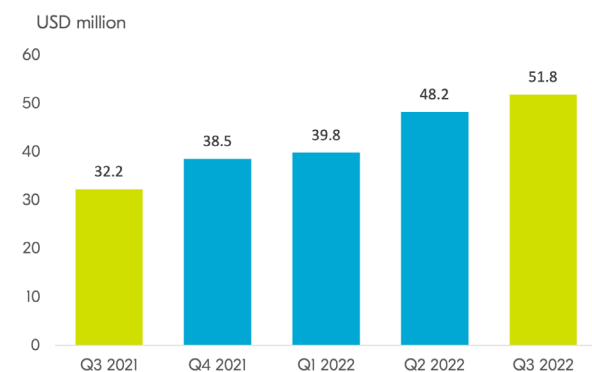
Revenue - Consumer electronics



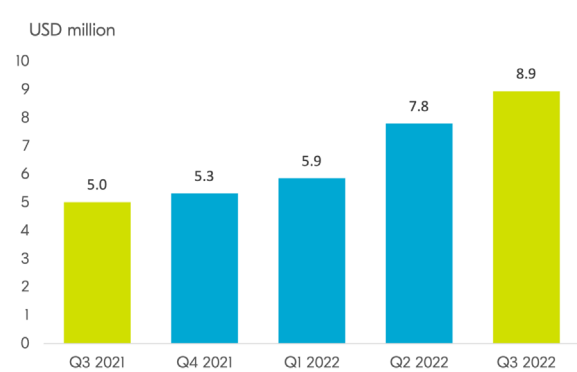
Revenue - Healthcare



Revenue - Industrial



Revenue - Others





Financial results

Amounts in USD thousand	Q3			01.01-30.09		
	2022	2021	Change	2022	2021	Change
Gross profit	115 737	78 808	46.9%	335 900	225 810	48.8%
Gross margin	57.3%	53.1%	4.2%	57.4%	51.4%	6.0%
Operating expenses excl. depreciation and amortization	55 603	50 499	10.1%	169 104	143 441	17.9%
EBITDA	60 135	28 309	112.4%	166 796	82 369	102.5%
EBITDA %	29.8%	19.1%	10.7%	28.5%	18.7%	9.7%
Depreciation and amortization	11 627	9 409	23.6%	32 215	27 680	16.4%
EBIT	48 508	18 900	156.7%	134 581	54 689	146.1%

Gross profit

Gross profit was USD 115.7 million in Q3 2022, up 47% from USD 78.8 million in Q3 2021, with the gross margin increasing to 57.3% from 53.1% 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 up as Bluetooth is a larger share of the total technology mix.

For the first nine months of 2022, gross profit increased by 49% to USD 335.9 million, with the gross margin increasing to 57.4% from 51.4% in the same period last year.

Operating expenses

Operating expenses amounted to USD 55.6 million in Q3 2022, excluding depreciation and amortization, an increase of 10% compared to USD 50.5 million in Q3 2021. The increase primarily reflects a higher activity level and a 20% growth in the workforce to 1 384

employees over the past year, offset by currency effects. Due to the weakening of NOK and EUR compared to USD, Nordic has had a positive currency impact on payroll of more than USD 6 million compared to Q3 2021. Adjusted for the currency effect, operating expenses are up more than 20%.

R&D costs amounted to USD 38.2 million, compared to USD 35.7 million in Q3 2021. USD 23.1 million related to the short-range business, USD 11.5 million to cellular R&D and USD 3.6 million to Wi-Fi.

Nordic capitalized a total of USD 2.1 million in development expenses in Q3 2022, compared to USD 1.0 million in Q3 2021.

USD 1.3 million of this related to Wi-Fi investments and USD 0.8 million to the short-range business. Expenses related to equity compensation were USD 2.3 million in Q3 2022.

Total cash operating expenses amounted to USD 55.3 million in Q3 2022, when adding back capitalized development expenses and deducting depreciation and equity-based compensation from total operating expenses. This compares to USD 49.1 million in Q3 2021.

USD 38.3 million of the cash operating expenses were related to payroll expenses, compared to USD 36.5 million in Q3 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 17% over the past year to 1043. The Sales & Marketing staff increased 17% to 158, whereas the supply chain organization increased 26% to 87 employees.

Other cash operating expenses were USD 17.0 million in Q3 2022, compared to USD 12.6 million in Q3 2021. The increase of 35% is explained by higher activity level, with more tape-outs, higher consulting fees and increased travel expenses.

For the first nine months of 2022, operating expenses amounted to USD 169.1 million, excluding depreciation and amortization, up from USD 143.4 million in the first nine months of 2021. Cash operating expenses increased to USD 112.9 million from USD 94.4 million in the first nine months.

Profit

With both revenue and gross profit at record high levels and continued strong cost control, EBITDA more than doubled to USD 60.1 million in Q3 2022 from USD 28.3 million in Q3 2021. The reported EBITDA margin hence increased to 29.8% from 19.1% in the same quarter last year.

Short-Range EBITDA was USD 72.7 million in Q3 2022, and the EBITDA margin for the short-range business 37.6%. This compares to USD 41.5 million and 29.0% in Q3 2021. These figures exclude the cellular IoT business and the Wi-Fi business.

For the first nine months of 2022, EBITDA was USD 166.8 million, compared to USD 82.4 million in the same period last year. The reported EBITDA margin increased to 28.5% from 18.7% in the first nine months of 2021.

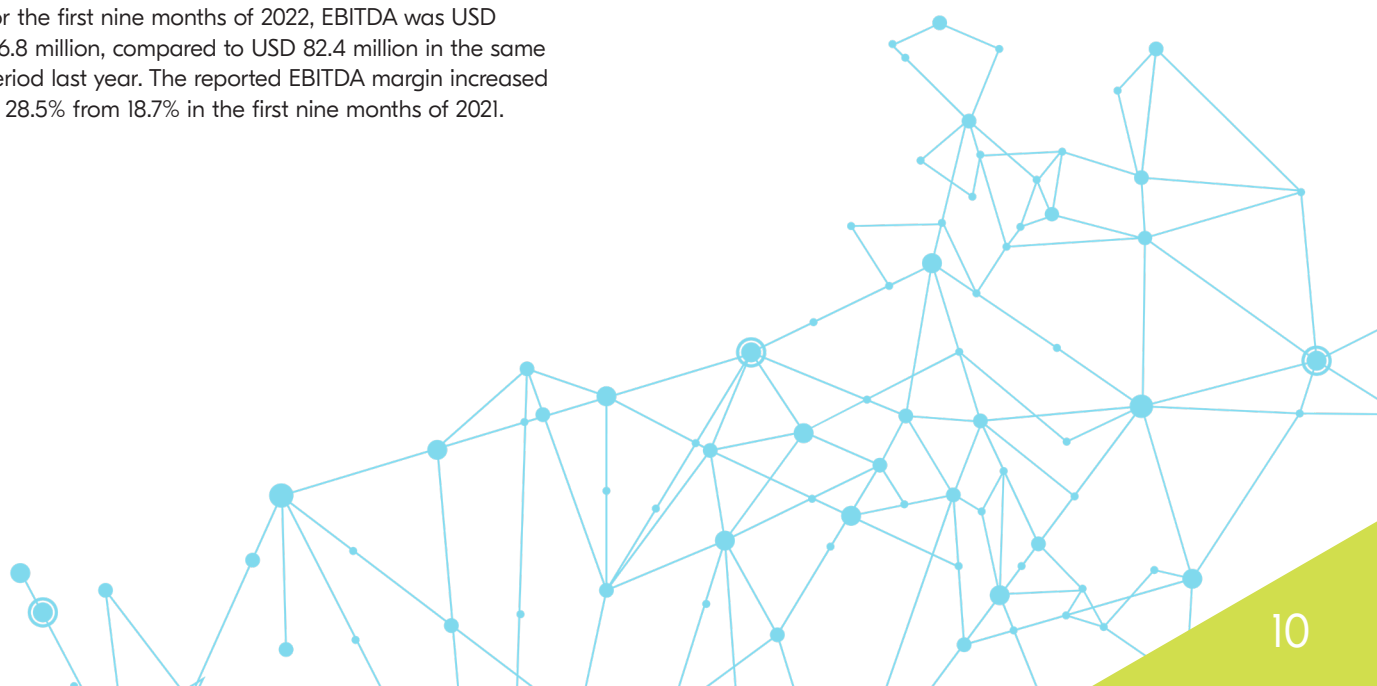
Depreciation and amortization increased to USD 11.6 million in Q3 2022, compared to USD 9.4 million in Q3 2021. The increase mainly reflects higher amortization of cellular IoT and Wi-Fi intangibles. Amortization of internally developed R&D overall amounted to USD 3.8 million and amortizing of leased assets to USD 1.4 million.

Operating profit (EBIT) was USD 48.5 million in Q3 2022, more than doubling from USD 18.9 million in Q3 2021. For the first nine months of 2022, EBIT increased to USD 134.6 million from USD 54.7 million in the same period last year.

Net financial income was USD 2.8 million in Q3 2022, compared to a net financial cost of USD 0.6 million in Q3 2021.

Profit before tax was USD 51.3 million in Q3 2022, compared to a profit before tax of USD 19.5 million in Q3 2021. Tax expense was USD 27.1 million or an effective tax rate of 53%, compared to tax expense of USD 5.9 million in Q3 2021. The company's statutory tax rate is 22%. The company presents its accounts in USD, with profits translated into NOK for taxation purposes. During Q3, Nordic had significant currency gains in the NOK accounts. Net profit was hence USD 24.2 million in Q3 2022, compared to a net profit of USD 13.6 million in Q3 2021.

For the first nine months of 2022, profit before tax was USD 142.4 million and net profit was USD 90.9 million. This compares to USD 54.7 million and USD 44.3 million, respectively, in the first nine months of last year.



Financial position

Amounts in USD thousand	30.09.2022	31.12.2021	30.09.2021
Capitalized development expenses	28 172	31 542	33 403
Total non-current assets	98 419	108 844	111 991
Inventory	88 681	54 943	51 896
Cash and cash equivalents	352 801	279 331	246 001
Total current assets	638 840	487 973	439 592
Total assets	737 259	596 817	551 583
Total equity	548 379	458 209	430 117
Equity percentage	74.4%	76.8%	78.0%
Total liabilities	188 879	138 608	121 466
Total equity and liability	737 259	596 817	551 583

Total shareholders' equity amounted to USD 548.4 million at the end of Q3 2022, up from USD 430.1 million at the end of Q3 2021 and USD 458.2 million at the end of 2021.

The Group equity ratio was 74.4% of a total asset base of USD 737.3 million.

Cash and cash equivalents amounted to USD 352.8 million, compared to USD 246.0 million at the end of Q3 2021.

Net working capital increased to USD 170.1 million at the end of Q3 2022, up from USD 107.4 million at the end of Q3 2021. Measured as a percentage of last 12 months revenue, net working capital increased to 22.5% from 19.0% at the end of Q3 2021. The increase is mainly driven by higher accounts receivables.

The changes in net working capital mainly reflect an increase in accounts receivable to USD 183.5 million from USD 131.2 million at the end of Q3 2021. This increase comes as a result of significantly higher revenue. Inventory increased to USD 88.7 million from USD 51.9 million.

Total current assets amounted to USD 638.8 million at the end of Q3 2022, up from USD 439.6 million at the end of the Q3 2021.

Non-current assets amounted to USD 98.4 million at the end of Q3 2022, compared to USD 112.0 million at the end of Q3 2021.

Current liabilities amounted to USD 177.4 million, compared to USD 103.4 million at the end of Q3 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 11.5 million, compared to USD 18.1 million at the end of Q3 2021. Non-current liabilities mainly consist of lease liabilities. Nordic had no interest-bearing debt at the end of Q3 2022.

Cash flow

Amounts in USD thousand	Q3		01.01-30.09	
	2022	2021	2022	2021
Cash flows from operations	44 784	25 487	106 574	53 346
Cash flows from investing activities	-9 242	-4 995	-21 181	-24 065
Cash flows from financing activities	-1 489	-1 609	-9 279	-25 553
Change in cash and cash equivalents	32 951	18 568	73 471	3 454
Cash and cash equivalents at the end of the period	352 801	246 001	352 801	246 001

Cash flow from operating activities was USD 44.8 million in Q3 2022, compared to USD 25.5 million in Q3 2021. The strong operating cash flow is a result of profits generated in the quarter, only partly offset by increase working capital.

Cash flows from investing activities was an outflow of USD 9.2 million in Q3 2022, compared to an outflow of USD 5.0 million in Q3 2021. Capital expenditures -including software- amounted to USD 7.2 million, up from USD 4.0 million in the second quarter last year, whereas capitalized development expenses increased to USD 2.1 million from USD 1.0 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. Higher capex during Q3 is mainly related to investments in IT infrastructure.

Cash flows from financing activities was an outflow of USD 1.5 million relating to lease liabilities. This compares to an outflow of USD 1.6 million in Q3 2021.

For the first nine months of 2022, cash flow from operating activities amounted to USD 106.6 million compared to USD 53.3 million in the same period last year, whereas cash outflow for investing activities was USD 21.2 million compared to USD 24.1 million in the same period last year. Net cash flow from financing activities was an outflow of USD 9.3 million, compared to USD 25.6 million in the same period last year, which included USD 20.8 million related to cash settlement of options contracts

Funding

The Group's cash position was USD 352.8 million at the end of Q3 2022, compared to USD 246.0 million at the end of Q3 2021 and USD 279.3 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 502.5 million, including Nordic's right to borrow USD 150 million under 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. The current macroeconomic headwinds have accentuated these risk factors.

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.

Nordic is continuing to monitor potential implications of geo-political risks, such as the Russian invasion of Ukraine, the increased tension between China and Taiwan, as well the ongoing efforts by the United States to protect its national security by imposing export controls related to China with potential implications for the global supply chain of semiconductors. At the time of publication of the quarterly report, there is no indication of significant impact to revenue nor upstream supply.

Nordic's growth is dependent 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.

Nordic has a capital light business model, operating as a fabless semiconductor company with sales predominantly through third-party distributors, and with R&D and people as both its main resources and its main cost components. Nordic is exposed to third-party suppliers' ability to deliver the wafer volumes required to facilitate the company's sales volumes.

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.

The company has been working to establish additional sources and has entered into contracts that will improve access to material from 2024 onwards.

Nordic's module-based cellular IoT product is dependent on a large number of third-party supplier, and shortage of one component impacted delivery capacity in the first half of the year. This has now been resolved.

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 352.8 million at the end of the third 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. The company also assesses the credit risk as low.

Nordic is exposed to foreign exchange risk. Revenue and direct production costs are almost entirely nominated in USD. Payroll is predominantly nominated in other currencies than USD, where the largest currencies in Q3 are NOK (more than 50%) and EUR (more than 20%). Other operating expenses are nominated primarily in USD but also a range of other currencies. The company presents its accounts in USD, with profits translated into NOK for taxation purposes.

Outlook

Nordic Semiconductor delivered 36% revenue growth to USD 202 million in the third quarter 2022, and 33% to USD 585 million for the first nine months. Demand for Bluetooth products remains solid, with revenue up 44% despite the continued limited availability of wafers. Cellular IoT generated year-on-year revenue growth of around 61%

Proprietary product revenue showed a year-on-year decline of 29% in the third quarter. This primarily reflects inventory adjustments among distributors and lower demand from smaller enterprises, whereas demand from tier-1 customers is holding up well. The demand outlook for home office and gaming equipment such as keyboards and mice is softening after two years of strong growth, and demand for Nordic's proprietary products is also expected to be impacted by technology migration to i.e. Bluetooth Low Energy. Proprietary revenue will account for less than 10% of revenue this year, and its share of revenue is hence expected to decline further going forward.

Committed wafer allocations for Bluetooth products allow Nordic to guide for a revenue level of USD 190-210 million in the fourth quarter, considering both lower proprietary demand and increased short-term uncertainty for cellular IoT. Nordic's Bluetooth low energy business remains impacted by the wafer shortage, and revenue for the quarter will ultimately depend on the timing of wafer deliveries during Q4.

The company has seen a shift in the revenue composition during 2022, with significantly increased sales to tier-1 customers in the US and Europe and relatively lower sales to small and medium companies in other regions.

Overall demand for Bluetooth low energy products remains firm, with continued high forecasts from tier-1 customers. Combined with an order backlog of USD 1.1 billion, this provides good coverage for the company's overall 2023 revenue target of USD 1 billion. Wafer supply constraints do however represent an increasing risk factor, as lower demand for proprietary products implies that additional supplies of wafers will be needed for Bluetooth products to pick up the shortfall. Sourcing of material from alternative sources will improve the situation from 2024 onwards.

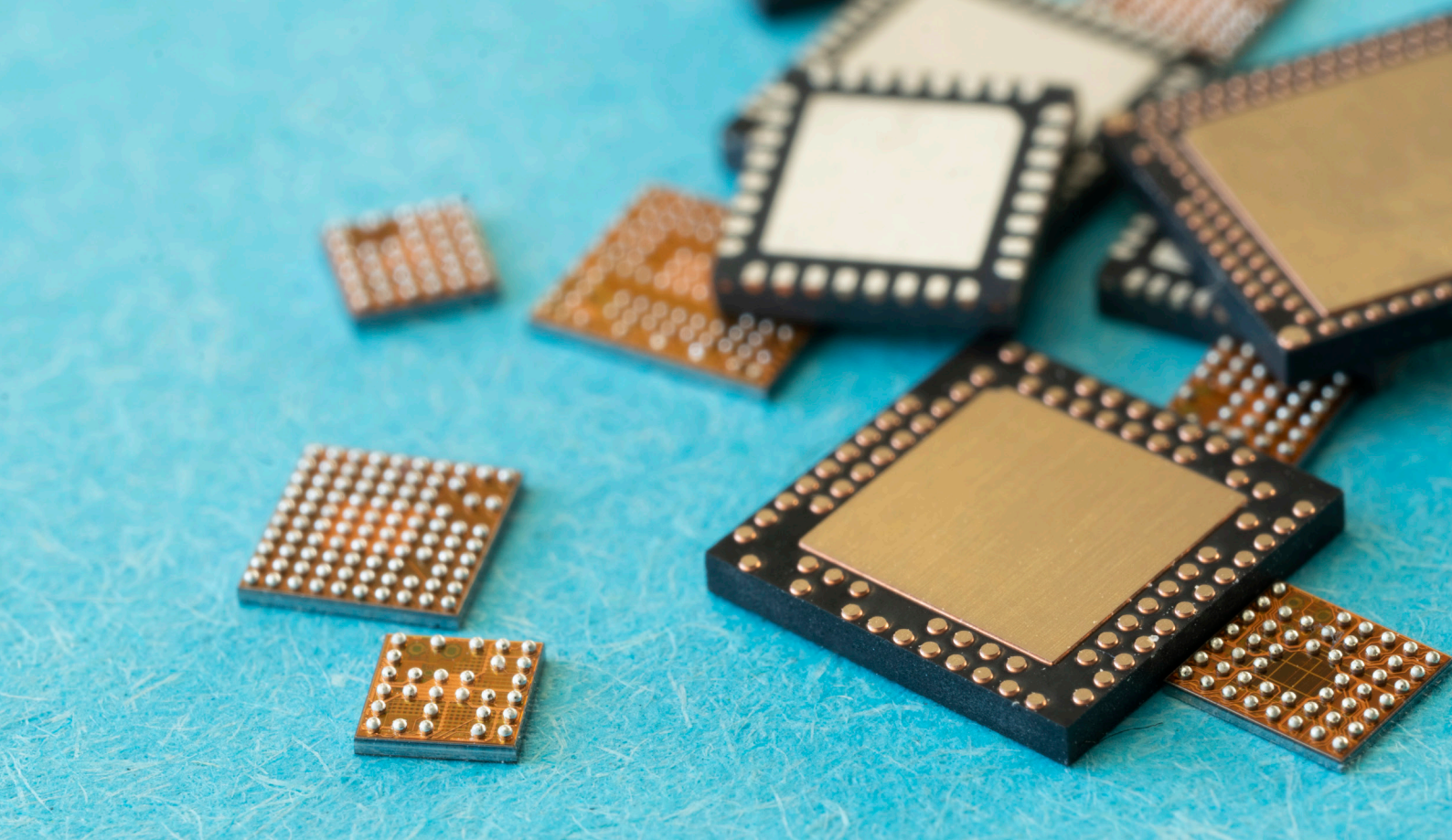
Nordic continues to invest in accordance with its longer-term ambitions to more than double revenue from 2023 to 2026. These ambitions are leaning on assumptions of economic growth and increasing product demand from both consumers and industrial customers. The company will adapt its investment plans as deemed necessary to reflect any persistent major changes in economic conditions and/or customer behavior.

Newly imposed US export controls related to China are currently not expected to impact neither overall revenue or supply to any significant extent.

Gross profit was 57% both in the third quarter and for the first nine months, with the strong gross margin reflecting a continued tight market situation in the Bluetooth Low Energy market. The company expects the customer and product mix to allow for a gross margin of more than 54% also in the fourth quarter 2022.

The company's medium-term target is to continue to generate gross margins above 50%, allowing for changes in the customer mix and a relatively lower share of proprietary products and higher share of revenue from Cellular IoT.





Oslo, October 19, 2022

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 Hintsala

Board member

Anja Dekens

Board member, employee

Gro Fykse

Board member, employee

Morten Dammen

Board member, employee

Condensed financial information

Income statement

		Q3		01.01-30.09		Full year
Amounts USD thousand	Note	2022	2021	2022	2021	2021
Total revenue	4	202 087	148 491	585 360	439 314	610 528
Cost of materials		-86 350	-69 675	-249 460	-213 033	-283 415
Direct project costs		—	-8	—	-471	-472
Gross profit		115 737	78 808	335 900	225 810	326 640
Payroll expenses		-39 479	-38 074	-118 634	-106 505	-149 824
Other operating expenses		-16 123	-12 425	-50 470	-36 936	-52 098
EBITDA		60 135	28 308	166 796	82 369	124 718
Depreciation and amortization	6	-11 627	-9 409	-32 215	-27 680	-37 798
Operating Profit		48 508	18 900	134 581	54 689	86 920
Net interest income		782	-260	884	-730	-399
Net foreign exchange gains (losses)		1 985	873	6 906	782	739
Profit before tax		51 275	19 514	142 372	54 742	87 260
Income tax expense		-27 113	-5 929	-51 469	-10 407	-16 089
Net profit after tax		24 162	13 585	90 904	44 335	71 170
Earnings per share						
Ordinary earning per share (USD)		0.126	0.071	0.475	0.232	0.373
Fully diluted earning per share (USD)		0.125	0.070	0.472	0.230	0.369
Weighted average number of shares						
Basic		191 562	190 963	191 288	190 960	190 961
Fully diluted		192 720	192 790	192 738	193 131	193 042
Net profit after tax		24 162	13 585	90 904	44 335	71 170
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		-1 202	-303	-2 760	-692	-1 186
Total comprehensive income		22 960	13 282	88 144	43 643	69 857

Consolidated statement of financial position

Amounts USD thousand	Note	30.9.22	31.12.21	30.9.21
ASSETS				
Non-current assets				
Goodwill		2 265	2 386	2 385
Capitalized development expenses	5/6	28 172	31 542	33 403
Software and other intangible assets	5/6	13 261	15 764	16 478
Deferred tax assets		5 074	6 331	3 810
Fixed assets	6	32 504	33 885	33 401
Right-of-use assets	6	17 143	18 935	22 515
Total non-current assets		98 419	108 844	111 991
Current assets				
Inventory		88 681	54 943	51 896
Accounts receivable		183 453	141 748	131 170
Current financial assets		567	—	284
Other current receivables		13 338	11 951	10 241
Cash and cash equivalents		352 801	279 331	246 001
Total current assets		638 840	487 973	439 592
Total assets		737 259	596 817	551 583
EQUITY				
Share capital		317	317	317
Treasury shares		-2	-2	-2
Share premium		235 448	235 448	235 448
Other equity		312 615	222 443	194 354
Total equity		548 379	458 209	430 117
LIABILITIES				
Non-current liabilities				
Pension liability		485	580	376
Non-current lease liabilities		10 975	14 281	17 740
Total non-current liabilities		11 460	14 861	18 115
Current liabilities				
Accounts payable		42 250	28 392	26 151
Income taxes payable		57 480	17 427	11 653
Public duties		4 160	7 599	5 441
Current lease liabilities		4 576	5 594	5 780
Current financial liabilities		—	520	—
Other current liabilities		68 953	64 215	54 326
Total current liabilities		177 419	123 747	103 351
Total liabilities		188 879	138 608	121 466
Total equity and liability		737 259	596 817	551 583

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						90 904	90 904
Other comprehensive income					-2 760		-2 760
Share based compensation				6 267			6 267
Option exercise				-4 278			-4 278
RSU and PSU exercise		1		-203			-202
Board compensation (shares)		0		241			241
Equity as of 30.9.22	317	-2	235 448	3 855	-3 566	312 325	548 379
Equity as of 1.1.21	317	-2	235 448	15 980	379	150 368	402 492
Net profit for the period						44 335	44 335
Other comprehensive income					-692		-692
Share based compensation				4 804			4 804
Option exercise				-20 821			-20 821
Equity as of 30.9.21	317	-2	235 448	-38	-313	194 703	430 117



Statement of cash flows

Amount in USD thousand	Note	Q3		01.01-30.09		Full year
		2022	2021	2022	2021	2021
Cash flows from operating activities						
Profit before tax		51 275	19 514	142 372	54 742	87 260
Taxes paid for the period		-2 564	-269	-10 195	-2 257	-6 332
Depreciation and amortization		11 627	9 409	32 215	27 680	37 798
Change in inventories, trade receivables and payables		-17 250	-9 198	-61 441	-29 680	-41 043
Share-based compensation		2 122	1 812	6 364	4 502	6 670
Movement in pensions		-17	-310	-83	-310	134
Other operations related adjustments		-409	4 530	-2 658	-1 330	11 332
Net cash flows from operating activities		44 784	25 487	106 574	53 346	95 818
Cash flows used in investing activities						
Capital expenditures (including software)	6	-7 191	-4 017	-15 704	-19 035	-25 050
Capitalized development expenses	6	-2 050	-977	-5 479	-5 030	-5 644
Net cash flows used in investing activities		-9 242	-4 995	-21 181	-24 065	-30 693
Cash flows from financing activities						
Cash settlement of options contract		—	—	-4 727	-20 758	-20 758
Repayment of lease liabilities		-1 489	-1 609	-4 552	-4 795	-6 493
Net cash flows from financing activities		-1 489	-1 609	-9 279	-25 553	-27 250
Effects of exchange rate changes on cash and cash equivalents		-1 102	-316	-2 642	-273	-1 090
Net change in cash and cash equivalents		32 951	18 568	73 471	3 454	36 784
Cash and cash equivalents beginning of period		319 850	227 434	279 331	242 547	242 547
Cash and cash equivalents at end of period		352 801	246 001	352 801	246 001	279 331

Notes

Note 1: General

The Board of Directors approved the condensed third quarter interim financial statements for the three months ended September 30, 2022 for publication on October 19, 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 close to 1,400 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 Q3 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

	Q3		01.01-30.09		Full year
	2022	2021	2022	2021	2021
Specification of capital expenditures, balance sheet					
Capitalized development expenses (payroll expenses)	1 205	847	3 434	3 571	4 121
Capitalized acquired development expenses	845	130	2 045	1 458	1 523
Capital expenditures (including software)	7 191	4 017	15 704	19 035	24 996
Right-of-use assets (non-cash)	536	1 059	2 454	1 915	-100
Currency adjustments	-253	-209	-589	-355	-467
Total	9 525	5 845	23 048	25 624	30 073
Depreciation and amortization					
Capitalized development expenses	3 799	2 048	8 863	6 191	8 666
Software and other intangible assets	1 680	1 705	5 128	5 391	7 238
Fixed assets	4 723	4 192	13 978	11 755	16 018
Right-of-use assets	1 425	1 465	4 245	4 343	5 875
Total	11 627	9 409	32 215	27 680	37 798

Note 7: Net interest-bearing debt

The Group has a sustainability linked revolving credit facility, which enables it to borrow up to USD 150 million with an interest rate equal to SOFR + margin. The line of credit expires in June 2025, with option to extend. As of September 30, 2022, the Group had not drawn on the credit facility. The security for the credit line is 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.

	01.01-30.09		Full year
	2022	2021	2021
Outstanding options beginning of period	545 203	2 548 589	2 548 589
Granted	—	—	—
Forfeited	705	26 329	28 992
Exercised (cash settlement due to cap being reached)	544 498	1 974 394	1 974 394
Expired	—	—	—
Outstanding end of period	—	547 866	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.

	01.01-30.09		Full year
	2022	2021	2021
Outstanding RSUs beginning of period	1 058 947	690 617	690 617
Granted	486 677	423 383	423 383
Forfeited	46 802	13 244	55 053
Released	492 780	—	—
Outstanding end of period	1 006 042	1 100 756	1 058 947

	01.01-30.09		Full year
	2022	2021	2021
Outstanding performance shares beginning of period	142 990	114 020	114 020
Granted	30 376	28 970	28 970
Forfeited	7 921	—	—
Performance adjusted	55 813	—	—
Released	111 626	—	—
Outstanding end of period	109 632	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

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

Financial Calendar 2022:

- February 7, 2023 - 4th Quarter 2022

For further information, please contact:

- Ståle Ytterdal, IR, +47 930 37 430
- Pål Elstad, CFO, +47 991 66 293

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.

	Q3		01.01-30.09		Full year
	2022	2021	2022	2021	2021
Gross profit	115.7	78.8	335.9	225.8	326.6
Total revenue	202.1	148.5	585.4	439.3	610.5
Gross margin	57.3%	53.1%	57.4%	51.4%	53.5%

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

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

	Q3		01.01-30.09		Full year
	2022	2021	2022	2021	2021
Operating Profit	48.5	18.9	134.6	54.7	86.9
Depreciation and amortization	11.6	9.4	32.2	27.7	37.8
EBITDA	60.1	28.3	166.8	82.4	124.7

- EBITDA margin. EBITDA divided by Total Revenue.

	Q3		01.01-30.09		Full year
	2022	2021	2022	2021	2021
EBITDA	60.1	28.3	166.8	82.4	124.7
Total revenue	202.1	148.5	585.4	439.3	610.5
EBITDA margin	29.8%	19.1%	28.5%	18.7%	20.4%

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

	Q3		01.01-30.09		Full year
	2022	2021	2022	2021	2021
Payroll expenses	39.5	38.1	118.6	106.5	149.8
Other operating expenses	16.1	12.4	50.5	36.9	52.1
Depreciation and amortization	11.6	9.4	32.2	27.7	37.8
Total operating expenses	67.2	59.9	201.3	171.1	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.

	Q3		01.01-30.09		Full year
	2022	2021	2022	2021	2021
Total operating expenses	67.2	59.9	201.3	171.1	239.7
Depreciation and amortization	-11.6	-9.4	-32.2	-27.7	-37.8
Option expense	-2.3	-2.4	-6.4	-5.0	-7.6
Capitalized expenses	2.1	1.0	5.5	5.0	5.6
Cash operating expenses	55.3	49.1	168.2	143.5	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.

	Q3		01.01-30.09		Full year
	2022	2021	2022	2021	2021
Reported EBITDA	60.1	28.3	166.8	82.4	124.7
Long range (cellular IoT) EBITDA loss	8.9	9.9	29.5	27.8	38.5
Wi-Fi expense	3.6	3.3	9.7	8.5	12.3
Adjusted EBITDA	72.7	41.5	205.9	118.7	175.6
Total revenue (excluding cellular IoT revenue)	193.5	143.1	565.0	428.2	593.5
Adjusted EBITDA margin	37.6%	29.0%	36.4%	27.7%	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.

	Q3 2022	Q3 2021
Total operating expenses	269.9	219.5
Depreciation and amortization	-42.3	-35.9
Operating expenses excluding depreciation and amortization	227.6	183.6
Total revenue LTM	756.6	566.4
LTM opex / LTM revenue	30.1%	32.4%

- 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.

	Q3 2022	Q3 2021
Current assets	638.8	439.6
Cash and cash equivalents	-352.8	-246.0
Current financial assets	-0.6	-0.3
Current liabilities	-177.4	-103.4
Current financial liabilities	—	—
Current lease liabilities	4.6	5.8
Income taxes payable	57.5	11.7
Net working capital	170.1	107.4
Total revenue LTM	756.6	566.4
NWC / LTM revenue	22.5%	19.0%

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